

Website Product Disclosures further to art. 10(1) of the Sustainable Finance Disclosure Regulation for art. 8 financial products

Name:
Amundi MSCI New Energy UCITS ETF

Legal entity identifier:
9695008U0BHDZBWYFV02

No sustainable investment objective

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

This financial product commits to making sustainable investments.

To ensure sustainable investments do no significant harm ('DNSH'), Amundi utilizes two filters:

- The first DNSH filter relies on monitoring the mandatory Principal Adverse Impacts indicators in Annex 1, Table 1 of the RTS where robust data is available (e.g. GHG intensity of investee companies) via a combination of indicators (e.g. carbon intensity) and specific thresholds or rules (e.g. that the investee company's carbon intensity does not belong to the last decile of the sector).
Amundi already considers specific Principal Adverse Impacts within its exclusion policy as part of Amundi's Responsible Investment Policy. These exclusions, which apply on the top of the tests detailed above, cover the following topics: exclusions on controversial weapons, violations of UN Global Compact principles, coal and tobacco.
- Beyond the specific Principal Adverse Impacts indicators sustainability factors covered in the first filter, Amundi has defined a second filter, which does not take the mandatory Principal Adverse Impact indicators above into account, in order to verify that the company does not badly perform from an overall environmental or social standpoint compared to other companies within its sector which corresponds to an environmental or social score superior or equal to E using Amundi's ESG rating.

The indicators for adverse impacts have been taken into account as detailed in the first do not significant harm (DNSH) filter.

The first DNSH filter relies on monitoring of mandatory Principal Adverse Impacts indicators in Annex 1, Table 1 of the RTS where robust data is available via the combination of following indicators and specific thresholds or rules:

- Have a CO₂ intensity which does not belong to the last decile compared to other companies within its sector (only applies to high intensity sectors), and
- Have a Board of Directors' diversity which does not belong to the last decile compared to other companies within its sector, and
- Be cleared of any controversy in relation to work conditions and human rights and
- Be cleared of any controversy in relation to biodiversity and pollution.

Sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles and Human Rights. The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are integrated into our ESG scoring methodology. Our proprietary ESG rating tool assesses issuers using available data from our data providers. For example, the model has a dedicated criteria called “Community Involvement & Human Rights” which is applied to all sectors in addition to other human rights linked criteria including socially responsible supply chains, working conditions, and labor relations. Furthermore, we conduct controversy monitoring on a, at minimum, quarterly basis which includes companies identified for human rights violations. When controversies arise, analysts will evaluate 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 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-tracking UCITS.

The Sub-Fund’s investment objective is to replicate the performance, both positive and negative, of the MSCI ACWI IMI New Energy Filtered Index (the “Benchmark Index”), denominated in US dollars (USD), while minimising the Tracking Error between its performance and the performance of its Benchmark Index.

The Reference Benchmark aims to represent the performance of securities, the activities of which are linked to the development of new products and services in the sectors of alternative energy sources, energy efficiency, batteries and smart grid technologies.

It excludes companies lagging behind the theme universe in terms of Environment, Social and Governance ("ESG") factor, notably 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 New Energy Filtered Index (the Index is a net dividends reinvested index, 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 (the "Selected Universe") companies from the Parent Index which make up the MSCI ACWI IMI New Energy Select Index, i.e. companies which, when analysed, reveal strong exposure to activities such as:

- alternative energy sources
- energy efficiency
- batteries
- smart grid technologies.

This analysis is based on a "Combined Relevance Score" (as defined by MSCI), which takes into account the revenues linked to these activities. Certain sector-based filters apply.

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

- A negative ESG filter in order to exclude:

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

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

o Companies without an "ESG Rating" or an "ESG Controversies Score" (as defined by MSCI).

- A geographical filter

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 and size filter

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 New Energy Select Index.

The environmental and/or social characteristics promoted by the Sub-Fund are implemented by the MSCI ESG rating methodology (as described above).

For more information about the general and specific environmental, social and governance (ESG) objectives sought by the Sub-Fund, please refer to the Transparency Code of the Sub-Fund, which is available at <https://www.amundi.com>.

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 good governance practices of the investee companies, we rely on Amundi ESG scoring methodology. Amundi’s ESG scoring is based on a proprietary ESG analysis framework, which accounts for 38 general and sector-specific criteria, including governance criteria. In the Governance dimension, we assess an issuer’s ability to ensure an effective corporate governance framework that guarantees it will meet its long-term objectives (e.g., guaranteeing the issuer’s value over the long term). The governance sub-criteria considered are: board structure, audit and control, remuneration, shareholders’ rights, ethics, tax practices and ESG strategy. Amundi ESG Rating scale contains seven grades, ranging from A to G, where A is the best and G the worst rating. G-rated companies are excluded from our investment universe.

Each corporate security (shares, bonds, single name derivatives, ESG equity and fixed income ETFs) included in investment portfolios has been assessed for good governance practices applying a normative screen against UN Global Compact (UN GC) principles on the associated issuer. The assessment is performed on an ongoing basis. Amundi’s ESG ratings Committee monthly reviews lists of companies in breach of the UN GC leading to rating downgrades to G. Divestment from securities downgraded to G is carried out by default within 90 days.

Amundi Stewardship Policy (engagement and voting) related to governance complements this approach.

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 20% in sustainable investments, as shown in the table below.

Monitoring of environmental or social characteristics

All ESG data, either externally or internally processed, is centralised by the Responsible Investment Business line, which is responsible for controlling the quality of the inputs and processed ESG outputs. This monitoring includes an automated quality check as well as a qualitative check from ESG analysts who are specialists of their sectors. ESG scores are updated on a monthly basis within Amundi's proprietary tool Stock Rating Integrator (SRI) module.

Sustainability indicators used within Amundi rely on proprietary methodologies. These indicators are continuously made available in the portfolio management system allowing the portfolio managers to assess the impact of their investment decisions.

Moreover, these indicators are embedded within Amundi's control framework, with responsibilities spread between the first level of controls performed by the Investment teams themselves and the second level of controls performed by the Risk teams, who monitor compliance with environmental or social characteristics promoted by the fund on an ongoing basis.

Methodologies

The Amundi ESG rating used to determine the ESG score is an ESG quantitative score translated into seven grades, ranging from A (the best scores universe) to G (the worst). In the Amundi ESG Rating scale, the securities belonging to the exclusion list correspond to a G. For corporate issuers, ESG performance is assessed globally and at relevant criteria level by comparison with the average performance of its industry, through the combination of the three ESG dimensions:

- **Environmental dimension:** this examines issuers' ability to control their direct and indirect environmental impact, by limiting their energy consumption, reducing their greenhouse emissions, fighting resource depletion and protecting biodiversity;
- **Social dimension:** these measures how an issuer operates on two distinct concepts: the issuer's strategy to develop its human capital and the respect of the human rights in general;
- **Governance dimension:** This assesses capability of the issuer to ensure the basis for an effective corporate governance framework and generate value over the long-term.

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

Data sources and processing

Amundi's ESG scores are built using Amundi's ESG analysis framework and scoring methodology. We source data from the following sources for ESG scores: Moody, ISS-Oekom, MSCI, and Sustainalytics.

Data quality controls of external data providers are managed by the Global Data Management unit. Controls are deployed at different steps of the value chain, from pre-integration controls, post-integration ones, to post calculation ones like controls on proprietary scores for instance.

External data are collected and controlled by the Global Data Management team and are plugged into the SRI module.

The SRI module is a proprietary tool that ensures the collection, quality check and processing of ESG data from external data providers. It also calculates the ESG ratings of issuers according to Amundi proprietary methodology. The ESG ratings in particular are displayed in the SRI module to portfolio managers, risk, reporting and the ESG teams in a transparent and user-friendly manner (issuer's ESG rating together with the criteria and the weights of each criterion).

For ESG ratings, at each stage of the calculation process, the scores are normalised and converted into Z-scores (difference between the company's score and the average score in the sector, as a number of standard deviations). Hence each issuer is assessed with a score scaled around the average of their sector, enabling to distinguish 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 (approximately between -3 and +3) and the equivalent on a letter scale from A to G, where A is the best, and G the worst.

Data is then disseminated via Alto front office to portfolio managers and is monitored by the risk team.

ESG scores utilize data derived from external data providers, internal ESG assessment/research conducted by Amundi, or through a regulated third party recognised for the provision of professional ESG scoring and assessment. Without mandatory ESG reporting at company level, estimations are a core component of data providers' methodology.

Limitations to methodologies and data

Our methodology limitations are by construction linked to use of ESG data. The ESG data landscape is currently being standardised which can impact data quality; data coverage also is a limitation. Current and future regulation will improve standardized reporting and corporate disclosures on which ESG data rely.

We are aware of these limitations which we mitigate by a combination of approaches: the monitoring of controversies, the use of several data providers, a structured qualitative assessment by our ESG research team of the ESG scores, the implementation of a strong governance.

Due diligence

Each month, the ESG scores are recalculated according Amundi quantitative methodology. The result of this calculation is then reviewed by the ESG analysts who perform a qualitative "sampling control" on its sector based on various checks that may include (but are not limited to): the main significant variations of the ESG score, the list of the new names with a bad score, the main divergence of score between 2 providers. After this review the analyst can override a score from the calculated score which is validated by the management of the team and is documented by a note stored in Amundi database iPortal. This can also be subject to a validation of the ESG Rating Committee.

The investment management team is responsible for defining the investment process of the product, including the design of the appropriate risk framework in collaboration with the investment risk teams. In this context, Amundi has an investment guideline management procedure as well as a breach management procedure applying across all operations. Both procedures reiterate strict compliance with regulations and contractual guidelines. Risk managers are in charge of monitoring breaches on a day-to-day basis, alerting fund managers and requiring that portfolios are brought back into compliance as soon as possible and in the best interest of investors.

Engagement policies

Amundi engages investee or potential investee companies at the issuer level regardless of the type of holdings held (equity and bonds). Issuers engaged are primarily chosen by the level of exposure to the subject of engagement, as the environmental, social, and governance issues that companies face have a major impact on society, both in terms of risk and opportunities.

Designated reference benchmark

The Index has been designated as a reference benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics that it promotes.

According to applicable regulations to index sponsors (including BMR), index sponsors should define appropriate controls/diligence when defining and/or operating index methodologies of regulated indexes.

The Reference Benchmark aims to represent the performance of securities, the activities of which are linked to the development of new products and services in the sectors of alternative energy sources, energy efficiency, batteries and smart grid technologies.

It excludes companies lagging behind the theme universe in terms of Environment, Social and Governance ("ESG") factor, notably based on an ESG score.

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