

# WisdomTree Strategic Metals UCITS ETF - EUR Hedged Acc

Sustainability-related disclosure

## Summary

### Intet bæredygtigt investeringsmål

Fonden fremmer miljømæssige og sociale karakteristika, men har intet bæredygtigt investeringsmål.

### Det finansielle produkts miljømæssige eller sociale karakteristika

Fonden fremmer det miljømæssige mål om CO<sub>2</sub>-reduktion, primært ved at investere i råvarer (hver især en "relevant råvare"), der er forbundet med temaer inden for energiomstilling, herunder, men ikke begrænset til, elektriske køretøjer, transmission, opladning, energilagring, solenergi, vindenergi og brintproduktion. Reduktion af CO<sub>2</sub>-udledninger er en nødvendighed for at bekæmpe effekten af klimaforandringerne.

### Investeringsstrategi

Fondens investeringsmål er at følge udviklingen i kurser og afkast for WisdomTree Energy Transition Metals Commodity UCITS Total Return Index (indekset) før fradrag af gebyrer og udgifter.

### Investeringsandele

Fondens investeringer vil blive anvendt til at opnå de miljømæssige karakteristika, som fonden fremmer, nemlig CO<sub>2</sub>-reduktion, ved at opnå indirekte eksponering mod indekset, der følger udviklingen af en diversificeret kurv af råvarer forbundet med temaer inden for energiomstillingen. Derfor vil mindst 90 % af fondens indre værdi være i overensstemmelse med de miljømæssige karakteristika, som fonden fremmer. Op til 10 % af fondens aktiver kan investeres i supplerende likvide aktiver.

### Overvågning af miljømæssige eller sociale karakteristika

Fonden fremmer de ovenfor beskrevne miljømæssige karakteristika ved syntetisk at replikere indekset. WisdomTree overvåger de miljømæssige karakteristika, som fonden fremmer, hver gang indekset opgøres.

### Metodologi

De miljømæssige karakteristika, som fonden fremmer, måles ved hjælp af data fra indeksudbyderen og en tredjepartsspecialist inden for energiomstillingsindustrien.

## **Datakilder og -behandling**

Fonden er en passivt forvaltet fond, der følger et indeks, og opnår de miljømæssige karakteristika, den fremmer, ved at følge indekset.

WisdomTree behandler data leveret af indeksudbyderen og tredjepartsspecialister inden for energiomstillingsindustrien for at udvælge relevante råvarer baseret på en scoringsproces, der anvendes til at identificere eksponerings- og vækstparametre for hver relevant råvare inden for anvendelsen af energiomstillingsløsninger, og udvælger og vægter relevante råvarer i overensstemmelse hermed, som beskrevet i indeksmetoden, for at skabe et investeringsunivers af berettigede investeringer.

## **Begrænsninger – metodologi og data**

For at leve op til fondens erklærede investeringsmål og -politik benytter WisdomTree data fra tredjepartsspecialister, som kan være ufuldstændige, unøjagtige eller utilgængelige. Når der gøres brug af tredjepartsspecialisters ekspertise til at udvælge relevante råvarer, kan der være en iboende risiko forbundet med fejl i tredjepartsdata, som muligvis ikke opdages af WisdomTree eller indeksudbyderen. Der er således en risiko for, at indeksudbyderen eller tredjepartsspecialisten fejlagtigt kan vurdere, at en relevant råvare er forbundet med temaer inden for energiomstilling. Dette kan medføre, at en relevant råvare fejlagtigt medtages i eller udelukkes fra indekset og dermed fondens portefølje.

## **Due diligence**

WisdomTree gennemfører due diligence på indeksudbyderen og referenceindekset inden lanceringen af fonden. Som en del af denne due diligence vurderer WisdomTree indeksmetoden for at afgøre, om den vil opnå det ønskede investeringsresultat og de miljømæssige karakteristika, som fonden fremmer.

## **Politikker for aktivt ejerskab**

WisdomTree udøver stemmerettigheder og påtager sig aktivt ejerskab i de virksomheder, der investeres i, gennem de investeringsforvaltere, som porteføljeforvaltningsaktiviteterne er outsourcet til. I forbindelse med udvælgelse og overvågning af investeringsforvaltere, sikrer WisdomTree sig, at investeringsforvalternes stemmepolitikker og politikker for aktivt ejerskab er forenelige med de standarder, der er defineret af WisdomTree.

## **Udpeget referencebenchmark**

Indekset er beregnet til at være et referencebenchmark, der opfylder de miljømæssige eller sociale karakteristika, som fonden fremmer. Du kan finde oplysninger om indekset set [her](#).

## **No sustainable investment objective**

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

The Fund does not commit to making sustainable investments.

## **Environmental or social characteristics of the financial product**

The Fund promotes the environmental objective of reduction in carbon emissions generated, primarily by investing in Relevant Commodities that are associated with energy transition themes which includes, but are not limited to, electric vehicles, transmission, charging, energy storage, solar, wind and hydrogen production. Reduction in carbon emissions is necessary to combat the impact of climate change. Development of such products and services supports goals to action climate change and ensures access to affordable, reliable sustainable and modern energy for all.

By providing indirect exposure to an index of commodity futures associated with energy transition themes, as described in the Index methodology, the Fund may channel liquidity into the relevant commodity market(s) and may promote the accessibility of commodities associated with energy transition themes to investors.

The Index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental characteristic that it promotes.

## **Investment strategy**

The investment objective of the Fund is to track the price and yield performance, before fees and expenses, of the Index. In order to do so, the Fund will employ a "passive management" (or indexing) investment approach to gain indirect exposure to the individual constituents of the Index, which are associated with energy transition themes.

The Fund will enter into swap(s) with an approved counterparty (the "Approved Counterparty") who provides exposure to the performance of the Index. Such swaps will be unfunded total return swaps which means that, under the terms of the swap, the Fund will exchange one stream of cash flows, such as a US Treasury Bill return, with the Approved Counterparty against another stream which provides the return of the Index pursuant to a master agreement in accordance with the requirements of the International Swaps and Derivatives Association.

Counterparties are selected based on a range of financial, risk, reputational and other criteria, in accordance with the guidance of the Central Bank of Ireland.

The Fund has direct physical holdings in a portfolio of US Treasury Bills and is exposed to constituent commodities in the Index, which consists of commodity futures. The Fund has no direct exposure to companies and therefore an assessment of good governance practices of investee companies is not applicable to the investments of the Fund.

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## Proportion of investments

The Fund's investments will be used to attain the environmental characteristic promoted by the Fund of reduction in carbon emissions generated by gaining indirect exposure to the Index which tracks the performance of a diversified basket of commodities that are associated with energy transition themes. The Fund will achieve this objective through the use of swaps which provides the Fund with the performance of the Index. As a result a minimum of 90% of the Fund's NAV will align with the environmental characteristic promoted by the Fund. To do this, the Fund will invest all or substantially all of the cash proceeds of any issue of Shares in a portfolio of US Treasury Bills, short dated government backed securities, floating rate notes (such as debt securities with varying maturities), commercial paper and certificates of deposit.

Up to 10% of the Fund's assets may be invested in ancillary liquid assets in accordance with the UCITS Regulations or invested commodities which no longer meet the environmental criteria described above but will not be removed from the Index until the next Index rebalance. For more information, please see the Supplement for the Fund.

## Monitoring of environmental or social characteristics

The Fund promotes the environmental characteristic outlined above (under the section "Environmental or social characteristics of the financial product") by synthetically replicating the Index. As such, WisdomTree will monitor the Fund's ability to track the Index in line with the investment strategy of the Fund. WisdomTree monitors the tracking error of the Fund throughout the lifecycle of the Fund to ensure it is within its limits published in the Supplement.

WisdomTree also monitors the Fund's adherence to the environmental characteristic it seeks to promote at each Index rebalance. Each Relevant Commodity receives an energy transition demand rating (the "Energy Transition Demand Rating") to measure the attainment of the environmental characteristic it promotes. The total ETDR of the Index (and by extension, the Fund) is calculated as the weighted average of the individual ETDR of each Relevant Commodity. The Energy Transition Demand Rating for each Relevant Commodity associated with the energy transition is used to measure the attainment of the environmental characteristic promoted by the Fund as further described under the section "Methodologies" below. It is expected that commodities with a higher Energy Transition Demand Rating have a relatively larger forward-looking impact on the energy transition. The Energy Transition Demand Rating forms part of the Index construction and is updated and monitored continuously in line with the Index methodology.

## Methodologies

The environmental characteristic promoted by the Fund are measured using data from the Index Provider and a third-party specialist in the energy transition industry.

In order to measure the environmental characteristic promoted by the Fund, each Relevant Commodity receives an Energy Transition Demand Rating, which is calculated as the 3-year estimated consumption within energy transition divided by the current total consumption as further explained in the Index methodology. The higher the ETDR of a Relevant Commodity, the greater the anticipated contribution it will make to the goal of energy transition and, by extension, reduction of carbon emissions. The Index is weighted in favour of commodities with the highest ETDRs, in line with the methodology outlined immediately below and in the Index methodology.

The Energy Transition Demand Rating of a Relevant Commodity is calculated as its 3-year estimated consumption through its use in energy transition-related activities divided by current total consumption of the Relevant Commodity. In addition, each Relevant Commodity receives a market balance rating, which is calculated as the average of the estimated surplus or deficit supply of each Relevant Commodity divided by its annual total consumption over the previous 2 years (the “Market Balance Rating”). The Market Balance Rating takes into account the total consumption of the Relevant Commodity, not only the energy-transition related consumption. For each Relevant Commodity, the intensity rating is calculated as  $\frac{2}{3}$  of ETDR plus  $\frac{1}{3}$  of Market Balance Rating (the “Overall Intensity Rating”). The Index is weighted by the Overall Intensity Rating (i.e., the target weight of each metal reflects its proportional share based on the Overall Intensity Rating) subject to diversification and liquidity caps as further defined in the Index methodology.

### **Data sources and processing**

The Fund is a passively managed index tracking fund and attains the environmental characteristic it promotes by tracking the Index. As such, WisdomTree uses Index composition data as provided by the Index provider to implement the investment strategy of the Fund. Data provided by the Index Provider is used to select Relevant Commodities based on a scoring process. This process identifies exposure and growth metrics for each Relevant Commodity and selects and weighs the commodities accordingly as set out in the Index methodology.

The Index as well as the Fund utilises the Energy Transition Demand Rating which is a model-based estimation that assesses the quantitative exposure and growth metrics for each Relevant Commodity within the usage in energy transition solutions as further described above.

Monitoring of the Index Provider is carried out annually as part of WisdomTree's enhanced oversight and due diligence processes. This due diligence includes evaluating methodologies adopted by the Index Provider to assess constituent securities, the sources of information that they use and the quality of the ESG data they provide.

### **Limitations to methodologies and data**

To meet the stated investment objective and policy of the Fund, WisdomTree relies on data provided by the third-party specialist, which may be incomplete, inaccurate, or unavailable. The Index Provider also places reliance on third-party specialists' expertise to select Relevant Commodities and as such there may be inherent risks associated with errors in third-party data which may not be detected by WisdomTree or the Index Provider.

As a result, there is a risk that the Index Provider or the third-party specialist may incorrectly assess a Relevant Commodity as being associated with energy transition themes. This may result in the incorrect inclusion or exclusion of a Relevant Commodity from the Index and therefore the portfolio of the Fund or an incorrect measurement of the environmental characteristic promoted by the Fund. WisdomTree seeks to mitigate this risk by obtaining data from reputable sources.

Please refer to the section above “Data Sources and Processing” and “Due Diligence” regarding internal controls to monitor constituent data.

## Due diligence

Where a Relevant Commodity is identified as not meeting the environmental characteristic of the Fund, it will be removed from the Index at the next scheduled rebalance. The Fund may cease to meet its stated environmental characteristic between index rebalances until the Index is rebalanced back in line with the Index methodology, at which point the Fund will also be rebalanced in line with the Index.

Third-party specialists may have different business interests that could give rise to conflicts of interest when assessing the association of a Relevant Commodity with energy transition themes.

These limitations do not impact on the Fund's ability to achieve its objective of tracking the Index as the Fund utilises the index composition data disseminated by the Index Provider to attain the environmental characteristic that it promotes.

## Due diligence

WisdomTree carries out initial and ongoing due diligence on the Index Provider and reference Index as well as other data providers prior to the launch of the Fund.

As part of this due diligence, WisdomTree assesses the Index methodology to determine whether it would achieve the desired investment outcome and environmental characteristic promoted by the Fund.

This evaluation includes the universe of eligible commodities and degree of coverage by third-party specialists in the energy transition industry

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## Engagement policies

As a responsible investor, WisdomTree adopts an active ownership approach to promote better corporate behaviour in investee companies in terms of sustainability and management of ESG risks.

WisdomTree exercises voting rights and constructively engages with investee companies through its investment managers, to whom portfolio management activities are outsourced. In selecting and monitoring investment managers, WisdomTree ensures that voting and engagement policies of the Investment Managers match the standards defined by WisdomTree.

Further details on WisdomTree's proxy voting policy are available at <https://www.wisdomtree.eu/en-gb/wisdomtree-investment-governance> and on WisdomTree voting dashboard available at: <https://www.wisdomtree.eu/en-ie/proxy-voting-dashboard>.

## Designated reference benchmark

The Index has been designated as a reference benchmark to meet the environmental characteristic promoted by the Fund.

The Index has been selected on the basis that it aligns with the environmental characteristic promoted by the Fund which is the reduction in carbon emissions generated, primarily by investing in Relevant Commodities that are associated with energy transition themes. Information on how the Index is aligned with the environmental characteristic promoted by the Fund, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the Index is calculated can be found [here](#).