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# WisdomTree Recycling UCITS ETF - USD Acc

Sustainability-related disclosure


## Summary

**Nessun danno significativo all'obiettivo di investimento sostenibile.**

Il Fondo replica l'Indice Tortoise Recycling Decarbonization UCITS (l'Indice). L'Indice è concepito per garantire che gli investimenti sostenibili in esso inclusi non arrechino alcun danno significativo, applicando criteri di esclusione e selezione di tipo ambientale, sociale e di governance (ESG) che tengano conto degli indicatori dei principali effetti negativi (Indicatori PAI) come da Tabella 1 dell'Allegato I delle Norme tecniche di regolamentazione relative al regolamento 2019/2088 (RTS del regolamento SFDR). L'Indice applica filtri di esclusione basati su norme e valori, come illustrato in dettaglio nella metodologia dell'Indice.

**Obiettivo di investimento sostenibile del Fondo**

Il Fondo ha come obiettivo d'investimento sostenibile quello di investire in imprese legate alle attività di termovalorizzazione e riciclaggio che contribuiscono agli obiettivi ambientali di mitigazione dei cambiamenti climatici e di economia circolare. Il Fondo raggiunge questo obiettivo replicando l'Indice.

**Strategia di investimento**

L'obiettivo di investimento del Fondo consiste nel replicare la performance dell'Indice in termini di prezzo e rendimento, al lordo di commissioni e spese. Per raggiungere questo obiettivo il Fondo adotterà un approccio di investimento "a gestione passiva" e investirà in un campione rappresentativo di titoli costituenti dell'Indice, concepito per replicare la performance di società operanti nelle tecnologie di riciclo e gestione dei rifiuti nell'ambito del megatrend della decarbonizzazione globale. L'Indice è stato designato come indice di riferimento al fine di agevolare l'obiettivo di investimento sostenibile del Fondo.

**Quota degli investimenti**

Il Fondo investirà tutte, o quasi tutte, le sue attività nei costituenti dell'Indice; di conseguenza almeno il 90% del valore patrimoniale netto (NAV) del Fondo sarà composto da investimenti sostenibili.

**Monitoraggio dell'obiettivo di investimento sostenibile**

WisdomTree monitora il raggiungimento dell'obiettivo di investimento sostenibile del Fondo contestualmente a ogni ribilanciamento dell'Indice.

**Metodologie**

La misura in cui l'obiettivo di investimento sostenibile del Fondo è conseguito viene misurata dal Fondo utilizzando i dati ottenuti dal Fornitore dell'Indice e da fornitori di dati terzi, se del caso.

**Fonti e trattamento dei dati**

Il Fondo è un fondo indicizzato a gestione passiva e consegue il proprio obiettivo di investimento sostenibile replicando l'Indice. WisdomTree tratta i dati ottenuti da fornitori di dati terzi allo scopo di selezionare gli emittenti in base ai criteri di esclusione ESG e creare l'universo di investimento ammissibile.

**Limitazioni delle metodologie e dei dati**

Per rispettare l'obiettivo e la politica di investimento dichiarati del Fondo, WisdomTree si avvale di dati ESG ottenuti da fornitori terzi che potrebbero essere incompleti o inesatti o potrebbero non essere disponibili. Sussiste anche il rischio che il Fornitore dell'Indice o altri fornitori di dati (a seconda del caso) potrebbero valutare erroneamente il rating ESG o il coinvolgimento di una società in determinate attività.

**Dovuta diligenza**

Prima del lancio del Fondo WisdomTree esegue un processo di dovuta diligenza sul Fornitore dell'Indice e sull'Indice di riferimento per stabilire se il Fondo potrà raggiungere il risultato di investimento desiderato e il suo obiettivo di investimento sostenibile.

**Politiche di impegno**

WisdomTree esercita diritti di voto e si impegna costruttivamente con le imprese beneficiarie degli investimenti tramite i propri gestori degli investimenti, a cui sono esternalizzate le attività di gestione del portafoglio. Nel selezionare e monitorare i gestori degli investimenti, WisdomTree si accerta che le politiche di voto e impegno dei Gestori degli investimenti soddisfino gli standard da essa definiti.

**Raggiungimento dell'obiettivo di investimento sostenibile.**

L'Indice è stato designato come indice di riferimento per soddisfare l'obiettivo di investimento sostenibile del Fondo. Le informazioni sull'Indice sono disponibili qui.

## No significant harm to the sustainable investment objective

The Fund tracks the Tortoise Recycling Decarbonization UCITS Index. The Index is designed to ensure that sustainable investments included in the Index do not cause significant harm to other environmental or social objectives by implementing ESG exclusionary screening and selection criteria that takes account of PAI Indicators based on Table 1 of Annex I of the RTS. The Index applies norms and values-based exclusion screens as detailed in the Index methodology.

The ESG exclusionary criteria are aligned with certain mandatory PAI Indicators such as exposure to fossil fuels, controversial weapons, non-renewable energy consumption and production and violations of UN Global Compact Principles (UN GCPs) and OECD guidelines. Each PAI Indicator is individually assessed and compared, where relevant, against an absolute or relative threshold having regard to the individual PAI Indicator and underlying metric set out in SFDR RTS. PAI Indicator performance is assessed quarterly at the Fund level based on a tailored PAI dataset received from the Investment Manager and third-party data provider. An investee company's performance, either overall or on certain PAI Indicators may be assessed possibly leading to engagement with the issuer and tracking performance after the engagement based on relevant PAI-related KPI and / or exclusion from the investable universe.

In addition, the Index the Index applies a tiered screening approach which includes a review of companies' carbon emissions data reported in a company's most recent annual or quarterly report and/or sustainability report as assessed by the Index Provider and set out in the Index methodology.

The Index methodology includes robust governance criteria whereby companies are assessed based on the Global Standards Screening (GSS) assessment which identifies and excludes from the eligible investment universe companies that violate or are at risk of violating international norms and standards, such as UNGCPs, UN Guiding Principles on Business and Human Rights (UN GPs) and OECD Guidelines for Multinational Enterprises and their underlying conventions. Companies on the UN, US and EU sanctions list are excluded. In addition to the governance screening, to be eligible for inclusion in the Index, a company must be listed on an eligible stock exchange listed in the Index methodology and must comply with securities listing rules including relevant corporate governance codes.

Based on the DNSH assessment, the sustainable investments made by the Fund do not significantly harm any other environmental or social objective.

## Sustainable investment objective of the financial product

The Fund has a sustainable investment objective of investing in companies involved in waste-to-energy and recycling activities which contributes to environmental objectives of climate change mitigation and circular economy. Waste-to-energy activities include waste disposal processes used to generate energy from waste such as garbage, animal manure, products and/or animal fats. This process generates clean energy and has a positive effect on energy-related greenhouse gases. In addition, recycling activities include plastics recycling which helps prevent, amongst others, ocean plastic pollution.

The Fund achieves this objective by tracking the Index, which has a methodology that is aligned with attaining the sustainable investment objective of the Fund.

## Investment strategy

The investment objective of the Fund is to track the price and yield performance, before fees and expenses, of the Index. To achieve this objective, the Fund will employ a ""passive management"" (or indexing) investment approach and will invest in a representative sample of component securities of the Index which is designed to track the performance of companies primarily involved in waste-to-energy and recycling activities. The Index has been designated as a reference benchmark for the purpose of supporting the sustainable investment objective of the Fund.

The Index only includes companies from eligible Global Industry Classification Standard (GICS) sub-industries which derive at least 20% of revenue, or operating profit, or own assets, or 20% of the company's capital expenditure is in decarbonising waste management and recycling related businesses. The tiered screen applied by the Index reviews companies' involvement in the waste-to-energy and recycling activities and emissions data to evaluate emissions avoided as described in the Index methodology. The tiered weighting approach aims to overweight companies with higher exposure to waste-to energy and recycling activities and companies with zero or negative reported carbon emissions.

In addition, the Index applies ESG exclusionary criteria and seeks to exclude companies from the eligible investment universe that are significantly involved (as described in the Index methodology) in thermal coal, conventional and unconventional oil and gas exploration/production and in the tobacco industry and small arms sectors. Companies with any involvement in controversial weapons are also excluded from the eligible investment universe by the Index.

To be included in the Index, a security must be issued by a company operating a business related to waste-to- energy and recycling. The preliminary universe of companies is identified based on the following screens:

- Companies that derive revenue, operating profit, own assets or capital expenditures in decarbonizing waste-to-energy and recycling related businesses included in the Index provider's proprietary database of global energy companies.
- Waste-to-energy business activity includes production of renewable natural gas and renewable diesel. It also includes production of ethanol and other biomass like wood waste.
- Recycling business activity includes traditional recycling activities such as glass, paper and cardboard recycling as well as recycling plastics into original materials such as polypropylene for re-use. In addition, includes lithium-ion battery recycling as well as companies engaged in carbon capture and sequestration.

The Index methodology includes good governance criteria whereby companies are assessed based on the GSS assessment described above. The GSS assessment identifies and excludes companies from the eligible investment universe that violate or are at risk of violating certain commonly accepted international norms and standards, such as United Nations and OECD guidelines.

The Fund, through its Investment Manager, adopts an active ownership policy and believes in constructive engagement and exercising voting rights to promote stronger corporate governance and better management of ESG risks in investee companies.

## Proportion of investments

The Fund will invest all, or substantially all, of its assets in the constituents of the Index with the result that a minimum of 90% of the Fund's NAV will be aligned with the sustainable investment objective of the Fund.

Up to 10% of the Fund's assets may be invested in ancillary liquid assets in accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, or invested in assets for which there is insufficient ESG-related data. This applies in particular to assets for which ESG factors are insufficiently defined at present or which are not covered by third-party data providers.

For more information, please see the Supplement for the Fund.

## Monitoring of environmental or social characteristics

The Fund achieves the sustainable investment objective outlined above by tracking the Index.

WisdomTree monitors the attainment of the Fund's sustainable investment objective at the time of each Index rebalance. This is carried out by evaluating whether the Index is correctly applying the stated ESG exclusionary and GSS assessment criteria outlined in detail above as well as determining the proportion of the Fund's investments active in waste-to-energy and recycling business activities in line with the Index methodology. This includes an evaluation by WisdomTree of ESG data, including sustainable investment data which is provided by third-party data providers. As described more fully in the Index methodology, sustainable investment indicators used comprise of a company's revenue, operating profit, assets or capital expenditure used to measure the perceived degree of involvement in waste to energy and recycling activities and is derived from each company's most recent annual report or quarterly report, and/or sustainability report (as assessed by the Index Provider).

WisdomTree also monitors the tracking error of the Fund and reports this to investors as part of the publication of annual and interim financial statements of the ICAV. Information on the anticipated tracking error is also published in the Supplement for the Fund.

## Methodologies

The extent to which the sustainable investment objective of the Fund is attained is measured using data provided by the Index Provider and third-party data providers, where relevant.

The Index methodology is assessed by the Fund as being aligned with its sustainable investment objective of investing in companies being involved in waste to energy and recycling business activities. This assessment is carried out by the Fund at the time of each Index rebalance and is based on quantitative measures to evaluate the waste to energy and recycling categories described in the Index methodology. The relevant thresholds for evaluating the waste to energy and recycling categories are described in the Index methodology.

The Index excludes companies based on ESG exclusionary and GSS assessment criteria described above and in the Index methodology. The ESG exclusionary criteria are applied based on companies' revenue levels at the time of each Index rebalance using data provided by third-party data providers.

## Data sources and processing

The Fund is a passively managed index tracking fund and attains its sustainable investment objective by tracking the Index.

WisdomTree processes data provided by its ESG Data Provider to screen issuers based on the ESG exclusionary criteria as set out in the Index Methodology in order to establish the eligible investment universe.

Monitoring of the Index Provider and third-party data providers is carried out annually as part of WisdomTree's enhanced oversight and due diligence processes. This due diligence includes evaluating the methodologies adopted by our ESG Data Provider to assess issuers, the sources of information that they use and the quality of ESG data they provide. ESG Data coverage provided by third-party data providers is also assessed at the time of each Index rebalance.

WisdomTree uses data sources from other third-parties for comparison purposes to identify any potential data inconsistencies. There may be issuers for which insufficient ESG-related data is available due to a lack of coverage by third-party data providers.

Data estimates may be used by third-party data providers particularly for smaller companies or where there are gaps in company reported data or where a company does not report actual revenues for certain business involvement categories.

## Limitations to methodologies and data

To meet the stated investment objective and policy of the Fund, WisdomTree relies on ESG data provided by third-party data providers and may be incomplete, inaccurate, or unavailable. As a result, there is a risk that the Index Provider or other data providers (as applicable) may incorrectly assess the ESG rating or the involvement of a company in certain activities as part of the ESG exclusionary criteria applied by the Index Provider. This may result in the incorrect inclusion or exclusion of a security from the Index and therefore the portfolio of the Fund.

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

In placing reliance on external data providers, there may be inherent risk associated with errors in third-party data which may not be detected by WisdomTree or the Index Provider. The result being that companies may from part of the investment universe that are inconsistent with the stated methodology of the Index and/or the stated investment objective/policy of the Fund. WisdomTree seeks to mitigate this risk by obtaining ESG data from reputable sources, using a second independent data source and investigating data differences to our primary ESG data provider.

Where an index constituent is identified as not meeting the stated sustainable investment objective of the Fund, it will removed from the Index at the next scheduled rebalance (or periodic review). The Index may cease to meet the stated ESG criteria 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.

ESG Data Providers may have different business interests that could give rise to conflicts of interest when assigning ESG ratings or assessing the involvement of a company in certain activities.

## Due diligence

WisdomTree carries out due diligence on the Index Provider and reference Index 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 the sustainable investment objective of the Fund. This evaluation includes the investment universe of the Index, coverage by third-party ESG data providers, ESG exclusionary criteria and security weighting methodology.

The evaluation also ensures that the Fund's sustainable investment objective does no significant harm to other environmental or social objectives. In addition, WisdomTree monitors PAIs indicators on sustainability factors of investee companies at the Fund level on a quarterly basis using an internally developed monitoring system and data received from the Investment Manager and the third-party ESG data provider.

## 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 Environmental, Social and Governance 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.

## Attainment of the Sustainable Investment Objective

The Index has been designated as a reference benchmark and is designed to track the performance of companies primarily involved in waste-to-energy and recycling. Waste-to-energy activities include waste disposal processes used to generate energy from waste such as garbage, animal manure, products and/or animal fats. This process generates clean energy and has a positive effect on energy-related greenhouse gases. In addition, recycling activities include plastics recycling which helps prevent, amongst others, ocean plastic pollution. The Fund has determined that tracking the Index will enable it to meet its sustainable investment objective.

Information on how that Index is aligned with the sustainable investment objective of 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 in the index methodology here.