

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:**

Lyxor ESG USD High Yield (DR) UCITS ETF

**Legal entity identifier:**

549300UNTZ7FKYG3CT58

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**



Yes



No



It made **sustainable investments with an environmental objective**: \_\_\_\_%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made a **sustainable investments with a social objective**: \_\_\_\_%



It **promotes Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of **28.04%** of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**



**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The investment objective of the Product is to track an Index, which is based on a Parent Index. At each of the Index rebalancing date, at least 20% of the Parent Index constituents were removed based on sustainability criteria, among others, an environmental, social and governance ("ESG") rating.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● **How did the sustainability indicators perform?**

Date	Index	ESG Score *	Coverage
31/01/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
28/02/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
31/03/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
29/04/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
31/05/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
30/06/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,1	100%
29/07/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,2	100%
31/08/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,2	100%
30/09/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,2	100%
31/10/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,2	100%
30/11/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,3	100%
30/12/2022	Bloomberg MSCI US Corporate High Yield SRI Sustainable	6,4	100%
31/01/2022	Bloomberg US Corporate High Yield Statistics Index	4,6	100%
28/02/2022	Bloomberg US Corporate High Yield Statistics Index	4,6	100%
31/03/2022	Bloomberg US Corporate High Yield Statistics Index	4,6	100%
29/04/2022	Bloomberg US Corporate High Yield Statistics Index	4,6	100%
31/05/2022	Bloomberg US Corporate High Yield Statistics Index	4,6	100%
30/06/2022	Bloomberg US Corporate High Yield Statistics Index	4,7	100%
29/07/2022	Bloomberg US Corporate High Yield Statistics Index	4,8	100%
31/08/2022	Bloomberg US Corporate High Yield Statistics Index	4,8	100%
30/09/2022	Bloomberg US Corporate High Yield Statistics Index	4,8	100%
31/10/2022	Bloomberg US Corporate High Yield Statistics Index	4,9	100%
30/11/2022	Bloomberg US Corporate High Yield Statistics Index	5,0	100%
30/12/2022	Bloomberg US Corporate High Yield Statistics Index	5,1	100%

\* as reported in the PCD

● **... and compared to previous periods?**

The above sustainability indicators were not compared to previous periods as the regulation was not yet in force

● ***What were the objectives of the sustainable investments that the financial product partially intends to make and how did the sustainable investment contribute to such objectives?***

The objectives of the sustainable investments were to invest in investee companies that seek to meet two criteria:

1. Follow best environmental and social practices; and
2. Avoid making products or providing services that harm the environment and society.

At the investee company level this means that an investee company must be a “best performer” within its sector of activity on at least one of its material environmental or social factors. The definition of “best performer” relies on Amundi’s proprietary ESG methodology which aims to measure the ESG performance of an investee company.

In order to be considered a “best performer”, an investee company must perform with the best top three rating (A, B or C, out of a rating scale going from A to G) within its sector on at least one material environmental or social factor. Material environmental and social factors are identified at a sector level. The identification of material factors is based on Amundi ESG analysis framework which combines extra-financial data and qualitative analysis of associated sector and sustainability themes. Factors identified as material result in a contribution of more than 10% to the overall ESG score.

Amundi considers the second criterion as met if the investee company does not have significant exposure to activities not compatible with such criteria (e.g. tobacco, weapons, gambling, coal, aviation, meat production, fertilizer and pesticide manufacturing, single-use plastic production).

The sustainable nature of an investment is assessed at investee company level.

By applying the Amundi’s above described Sustainable Investment definition to the Index constituents of this passively managed ETF Product, Amundi has determined that this Product has the minimum proportion of sustainable investments stated in page 1 above. However, please note that Amundi Sustainable Investment definition is not implemented at the Index methodology level.

**Principal adverse impacts** are the most significant negative

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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

The first DNSH test relies on monitoring the mandatory Principal Adverse Impacts indicators where robust data is available via a combination of 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)
- Have a Board of Directors' diversity which does not belong to the last decile compared to other companies within its sector
- Be cleared of any controversy in relation to work conditions and human rights
- Be cleared of any controversy in relation to biodiversity and pollution

Amundi already considers specific Principle 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 sustainability factors covered in the first test, Amundi has defined a second test 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.

– ***How were the indicators for adverse impacts on sustainability factors taken into account?***

The first DNSH test relies on monitoring the mandatory Principal Adverse Impacts indicators where robust data is available via a combination of indicators and specific thresholds or rules as described above.

– ***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Yes, 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 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.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **How did this financial product consider principal adverse impacts on sustainability factors?**

Amundi considers all the mandatory Principal Adverse Impacts applying to the Product’s strategy and relies on a combination of exclusion policies (normative and sectorial), engagement and voting approaches:

- **Exclusion:** Amundi has defined normative, activity-based and sector-based exclusion rules covering some of the key adverse sustainability indicators listed by the Disclosure Regulation.
- **Engagement:** Engagement is a continuous and purpose driven process aimed at influencing the activities or behaviour of investee companies. The aim of engagement activities can fall into two categories : to engage an issuer to improve the way it integrates the environmental and social dimension, to engage an issuer to improve its impact on environmental, social, and human rights-related or other sustainability matters that are material to society and the global economy. This approach applies to all of Amundi products. In 2021, Amundi has engaged with 1364 companies.
- **Vote:** Amundi’s voting policy responds to an holistic analysis of all the long-term issues that may influence value creation, including material ESG issues. For more information please refer to Amundi’s Voting Policy . This approach applies by default to all of Amundi products. In 2021, Amundi has voted 4 008 companies.
- **Controversies monitoring:** Amundi has developed a controversy tracking system that relies on three data providers to systematically track controversies and their level of severity. This quantitative approach is then enriched with an in-depth assessment of each severe controversy, led by ESG analysts and the periodic review of its evolution. This approach applies to all of Amundi’s funds.



### **What were the top investments of this financial product?**

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: **From 01/11/2021 to 31/10/2022**

Largest Investments	Sector	% Assets	Country
CNC 4.625% 12/29	CONSUMER_NON_CYCLICAL	0.77%	USA
DTV 5.875% 08/27 144A	COMMUNICATIONS	0.75%	USA
VOD VAR 04/79	COMMUNICATIONS	0.57%	GBR
CNC 4.25% 12/27	CONSUMER_NON_CYCLICAL	0.53%	USA
UNIT 7.875% 02/25 144A	COMMUNICATIONS	0.51%	USA
DVA 4.625% 06/30 144A	CONSUMER_NON_CYCLICAL	0.49%	USA
NWL 4.2% 01/04/26	CONSUMER_NON_CYCLICAL	0.46%	USA
LNG 4.625% 10/28	ENERGY	0.46%	USA
CNC 2.45% 07/28	CONSUMER_NON_CYCLICAL	0.46%	USA
THC 6.125% 06/30 144A	CONSUMER_NON_CYCLICAL	0.45%	USA
THC 6.125% 10/28 144A	CONSUMER_NON_CYCLICAL	0.43%	USA
NXST 5.625% 07/27 144A	COMMUNICATIONS	0.41%	USA
OGN 4.125% 04/28 144A	CONSUMER_NON_CYCLICAL	0.41%	USA
UVN 6.625% 06/27 144A	COMMUNICATIONS	0.40%	USA
VRXCN 5.5% 11/25	CONSUMER_NON_CYCLICAL	0.40%	CAN

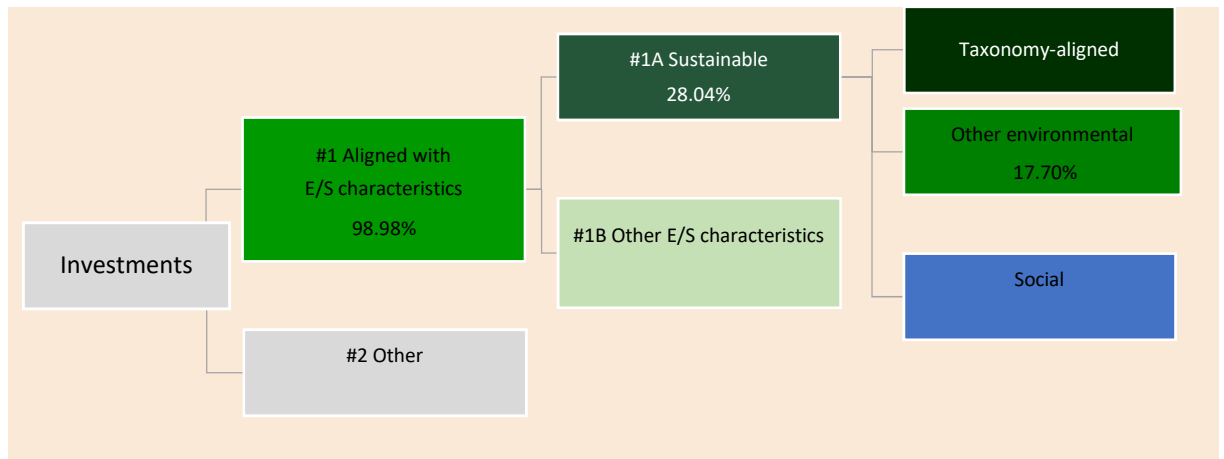


**What was the proportion of sustainability-related investments?**



**What was the asset allocation?**

**Asset allocation** describes the share of investments in specific assets.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● *In which economic sectors were the investments made?*

<i>Sector</i>	<i>% Assets</i>
COMMUNICATIONS	16.78%
CONSUMER_CYCLICAL	16.44%
CONSUMER_NON_CYCLICAL	15.93%
TECHNOLOGY	11.34%
ENERGY	9.37%
CAPITAL_GOODS	9.23%
BASIC_INDUSTRY	7.04%
REITS	3.06%
FINANCE_COMPANIES	2.17%
TRANSPORTATION	2.06%
INDUSTRIAL_OTHER	1.51%
BANKING	1.26%
ELECTRIC	1.22%
FINANCIAL_OTHER	1.16%
BROKERAGE	0.73%
INSURANCE	0.67%
Forex	0.34%
Cash	-0.32%

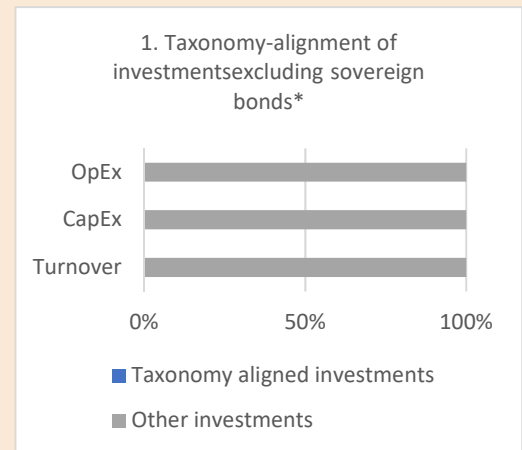
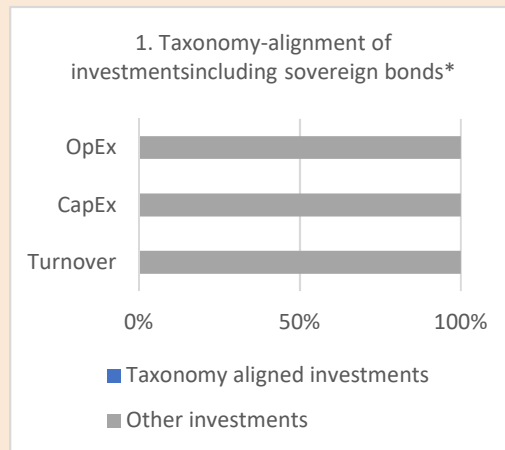
**Taxonomy-aligned activities** are expressed as a share of:  
-turnover reflecting the share of revenue from green activities of investee companies  
-capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.  
- operational expenditure (OpEx) reflecting green operational activities of investee companies.



## To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

Reliable data regarding the EU Taxonomy was not available during the period

**The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign first graph shows the Taxonomy alignment in relation to all the investments of the financial product, while the second graph shows the Taxonomy alignment only in relation to the investments in sovereign bonds.**



Data not yet available

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### What was the share of investments in transitional and enabling activities?

Reliable data regarding transitional and enabling activities was not available during the period.

### How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Reliable data regarding EU Taxonomy was not available during on the previous reference periods



are sustainable investments with an environmental objective that do not take into



## What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with environmental objective not aligned to taxonomy is 17.70%.

This is due to the fact that some issuers are considered sustainable investments under the SFDR Regulation but do have a portion of activities that are not aligned with EU taxonomy standards, or for which data is not yet available to perform an EU taxonomy assessment.



account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What was the share of socially sustainable investments?

This product does not commit to have social sustainable investments



### What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

“#2 Other” includes cash and unrated instruments held for the purpose of liquidity and portfolio risk management. There were no minimum environmental or social safeguards in place for these investments



### What actions have been taken to meet the environmental and/or social characteristics during the reference period?

This product is passively managed. Its investment strategy is to replicate the Index while minimizing the related tracking error. Binding elements in the Index methodology ensure environmental and/or social characteristics are met at each rebalancing date. The Product strategy is also relying on systematic exclusions policies (normative and sectorial) as further described in Amundi Responsible Investment policy .



### How did this financial product perform compared to the reference benchmark?

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

This product is passively managed. Its investment strategy is to replicate the Index while minimizing the related tracking error.

#### ● *How does the reference benchmark differ from a broad market index?*

The index only includes issuers with an MSCI ESG Rating of BBB or higher, and negatively screens issuers involved in certain values-based business involvement criteria, including activities related to controversial military weapons, and those with a “red” MSCI ESG Controversy Score.

#### ● *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

This product is passively managed. Its investment strategy is to replicate the Index while minimizing the related tracking error. As a result, the sustainability indicators of the Product performed overall in line with the ones of the Index.

#### ● *How did this financial product perform compared with the reference benchmark?*

This product is passively managed. Its investment strategy is to replicate the Index while minimizing the related tracking error. As a result, the sustainability indicators of the Product performed overall in line with the ones of the Index.

#### ● *How did this financial product perform compared with the broad market index?*

This product is passively managed. Its investment strategy is to replicate the Index while minimizing the related tracking error. A comparison of the Index replicated by the Sub Fund vs its Parent index has already been detailed on section How did the sustainability indicators perform?