

ETFs, a new route to Impact Investing ?

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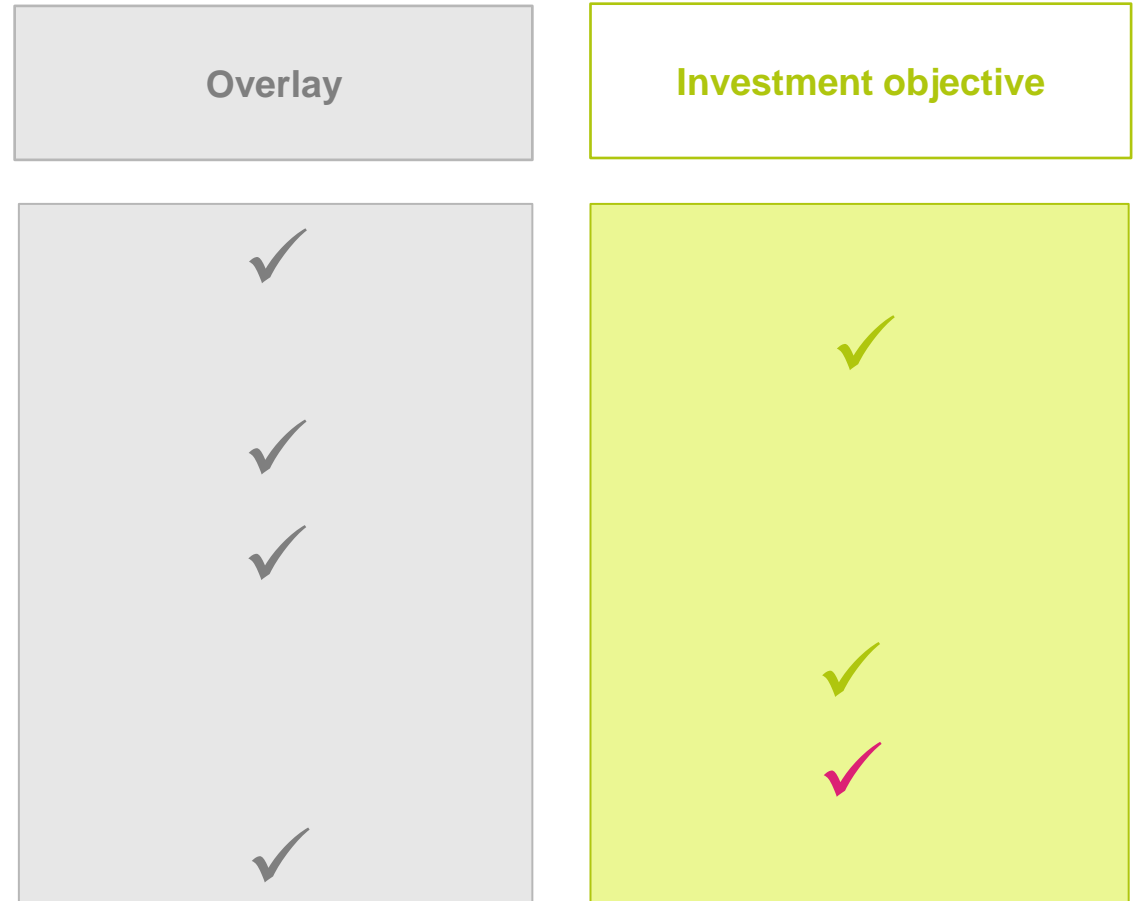
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IMPACT INVESTING WITHIN SRI

SRI incorporates ESG factors in investment decisions to better manage risk and generate sustainable long term returns.

- ▶ **Negative/exclusionary screening**
Rules out sectors and companies
- ▶ **Positive/best-in-class screening**
Focuses on ESG champions
- ▶ **Norms-based screening**
Picks those in compliance with international norms
- ▶ **ESG integration**
Explicitly includes ESG factors in investment process
- ▶ **Sustainability themed investing**
Finances sustainable assets (e.g. clean energy)
- ▶ **Impact/community investing**
Targets specific social/environmental issues
- ▶ **Corporate engagement and shareholder action**
Influences corporate behaviour through direct engagement

SRI as:



* Based on the 7-strategy definition proposed by the Global Sustainable Investment Alliance (GSIA) as global standard of classification. We call "SRI overlays" strategies that can be applied in all investment portfolios, traditional and SRI oriented ones.

“LISTED IMPACT” VS UNLISTED IMPACT

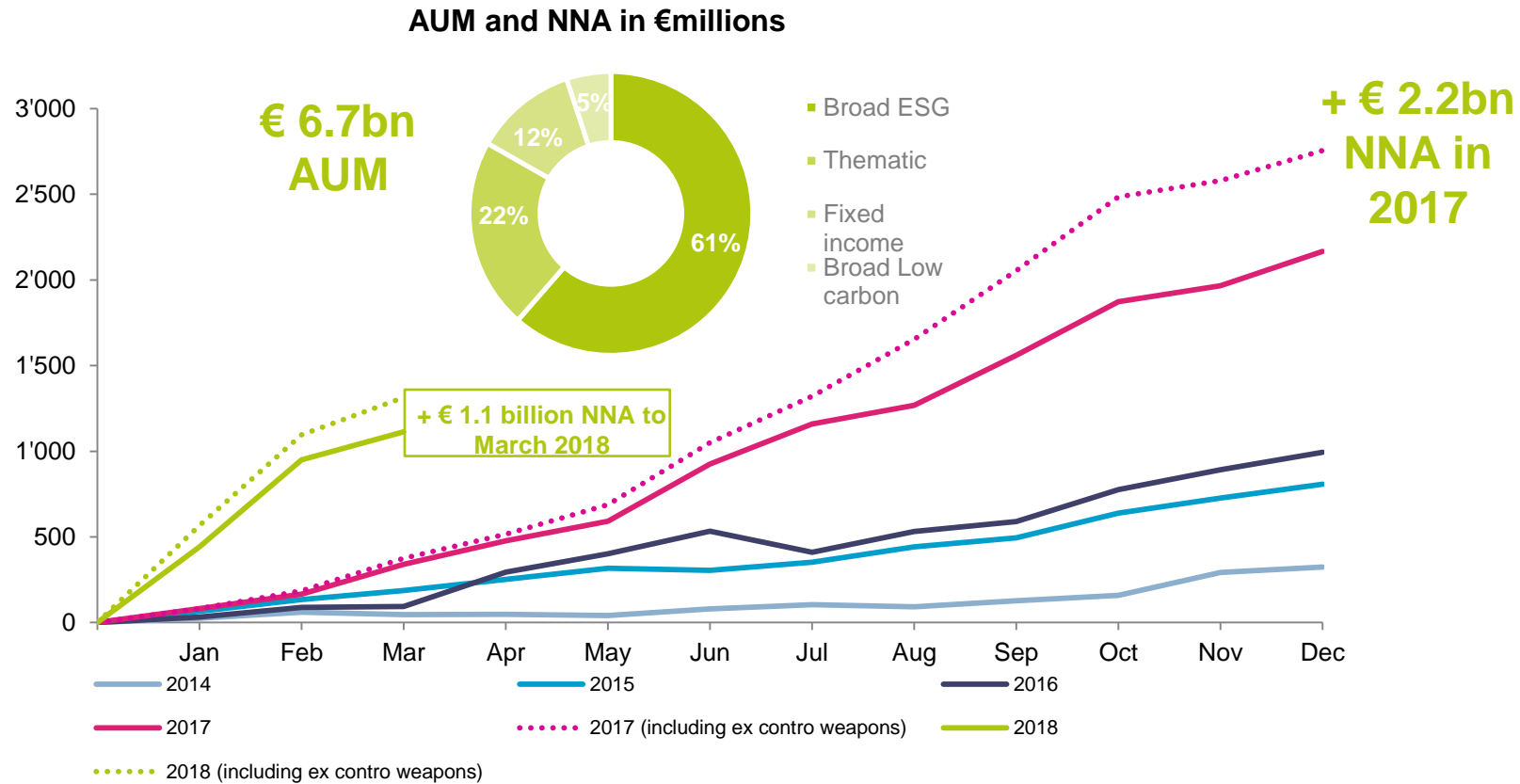
Key attributes of
impact investing

| | Unlisted | Listed |
|---------------------------|---|----------------------------------|
| | <i>Private loans Private equity Real assets</i> | <i>Listed equities Bonds</i> |
| Search for Return | Yes | Yes |
| Intentionality | Explicit | Implicit |
| Additionality | Yes | Variable |
| Representation (1) | Direct | Indirect |
| Measurability | Variable | Variable |
| Scale | Low scalability | High scalability |
| Liquidity | Low or No | High |
| Investment horizon | Long or undetermined | Free |
| Operational burden | Significant | Low |

What does «Listed
impact» add?

(1) ability to influence

ETFs A NEW ROUTE TO SUSTAINABLE INVESTING



Source: Lyxor International AM, Bloomberg, data as at 31 March 2018

“LISTED IMPACT” USING THEMATIC ETFs

- ▶ European ETFs already offer a set of thematic investment solutions aligned with 4 of the 17 SDGs *



(*) Sustainable Development Goals are engagements taken by 193 member-states of the UNs in 2015, reflected in 169 goals and quantitative targets to be reached by 2030. They provide a framework for investor commitments and reporting.

Thematic ESG



SOLACTIVE GREEN BOND EUR USD IG INDEX

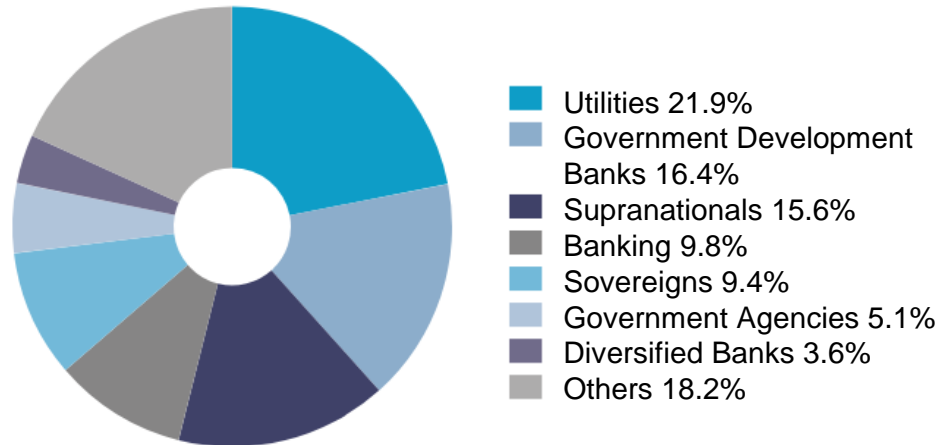
INVESTMENT GRADE GREEN BONDS APPROVED BY THE CLIMATE BOND INITIATIVE

190
bonds

AA-
average rating

Green
CBI approved issues

Issuer breakdown by type*



Index analytics*

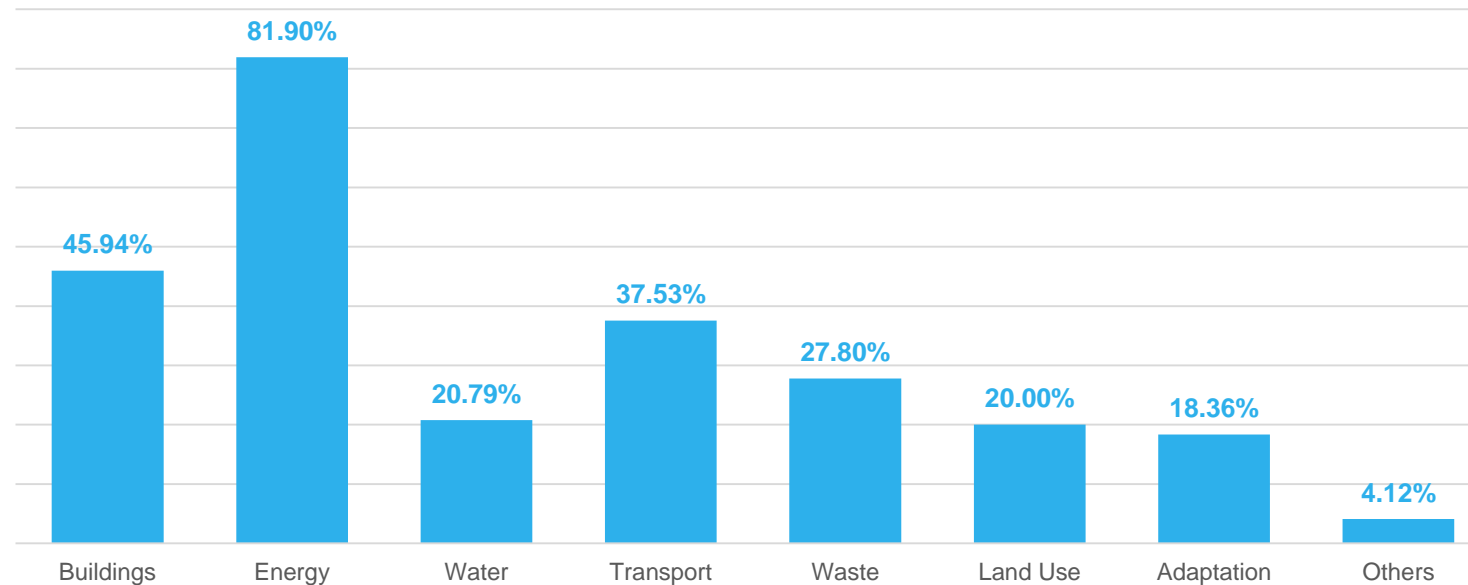
| The things you need to know | |
|-----------------------------|------------------|
| Yield to maturity | 1.65% |
| Duration | 7.5 |
| Avg. maturity | 8.6 years |
| Avg. coupon | 1.4% |
| # issuers | 115 |
| # bonds | 190 |
| Avg. rating | AA- |
| Currency breakdown | 70% EUR, 30% USD |
| Rebalancing freq. | Monthly |

*Source: Lyxor International Asset Management. Data as at 28/05/2018

USE-OF-PROCEEDS

DISTRIBUTION OF THE USE-OF-PROCEEDS IN THE GREEN BOND INDEX

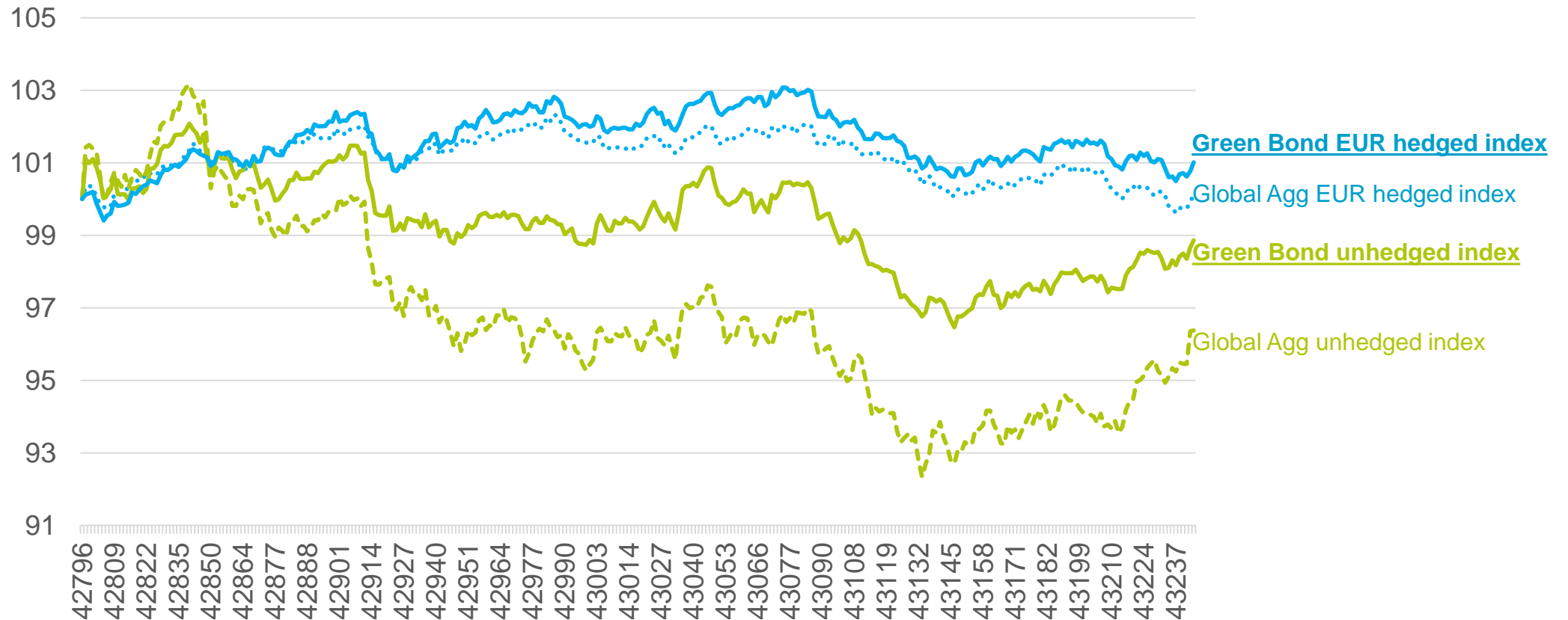
Percentage of the portfolio having a Use-of-Proceeds in the respective UoP category



*Source: Lyxor International Asset Management, Bloomberg. Data in EUR as at 24/05/2018. Past performance is not a reliable indicator of future results.

HOW DOES IT COMPARE TO A BARCLAYS GLOBAL AGG?

PERFORMANCE SINCE ORIGINAL ETF LAUNCH (HEDGED AND UNHEDGED)



*Source: Lyxor International Asset Management, Bloomberg. Data in EUR period from 03/03/2017 to 24/05/2018. Past performance is not a reliable indicator of future results.

GENDER EQUALITY INDEX

- ▶ Jointly designed by Equileap and German index provider Solactive
- ▶ It identifies:
 - ▷ Companies that are at the forefront of change
 - ▷ Listed in 23 developed countries
 - ▷ Minimum market cap of US\$ 2bn
- ▶ It removes:
 - ▷ Weapons, gambling and tobacco industries
 - ▷ All companies excluded by the Norwegian sovereign fund
 - ▷ Companies involved in gender-related legal cases
- ▶ It ranks:
 - ▷ 3,000 publicly-traded companies according to their progress towards equality



Gender balance in leadership and workforce



Equal compensation & work life balance



Policies promoting gender equality



Commitment to transparency and accountability

WHAT GETS MEASURED GETS MANAGED

| Category | Equileap criteria | Factors measured | Weight |
|---|---|---|--------------------|
| Gender balance in leadership and workforce | Non-executive board | What is the percentage split of males/females on the board of directors? | 40% of total score |
| | Executives | What is the male/female percentage split of executives? | |
| | Senior management | What is the percentage split of males/females in senior management? | |
| | Workforce | What is the percentage split of males/females in the total workforce? | |
| | Promotion & career development opportunities | What is the ratio of each gender in management compared to ratio of each gender in the workforce? | |
| Equal compensation and work life balance | Fair remuneration | Is there a commitment to ensure payment of fair wages to all employees? | 30% of total score |
| | Equal pay | Is there a commitment to provide comparable wages, hours, and benefits for all employees? How big is the gender pay gap, and is there a strategy to close it? | |
| | Parental leave | Are paid leave programmes for child care available to both men and women? | |
| | Flexible work options | Are flexible working hours and locations available to all employees? | |
| Policies promoting gender equality | Training & career development | Is access to training and career development equal for men and women? | 20% of total score |
| | Recruitment strategy | Is there an equal opportunity policy to ensure gender diversity? | |
| | Freedom from violence, abuse and sexual harassment | Is there an anti-sexual harassment, anti-bullying and/or anti-violence policy? | |
| | Safety at work | Is there an employee health and safety policy? | |
| | Human rights | Are all employees entitled to participate in legal, civic and political affairs? | |
| | Social supply chain | Are initiatives in place to reduce the social risks in its supply chain (e.g. trafficking, labour exploitation...etc) | |
| | Supplier diversity | Is there a commitment to ensure diversity in the supply chain? | |
| Employee protection | Are employees protected by a whistle-blower policy? | | |
| Commitment to transparency and accountability | Commitment to Women's Empowerment | Is the company a signatory to the UN's Women's Empowerment Principles? | 10% of total score |
| | Audit | Has the company been awarded an independent gender audit certificate by an Equileap recognised body? | |

Broad ESG



ESG TREND LEADERS

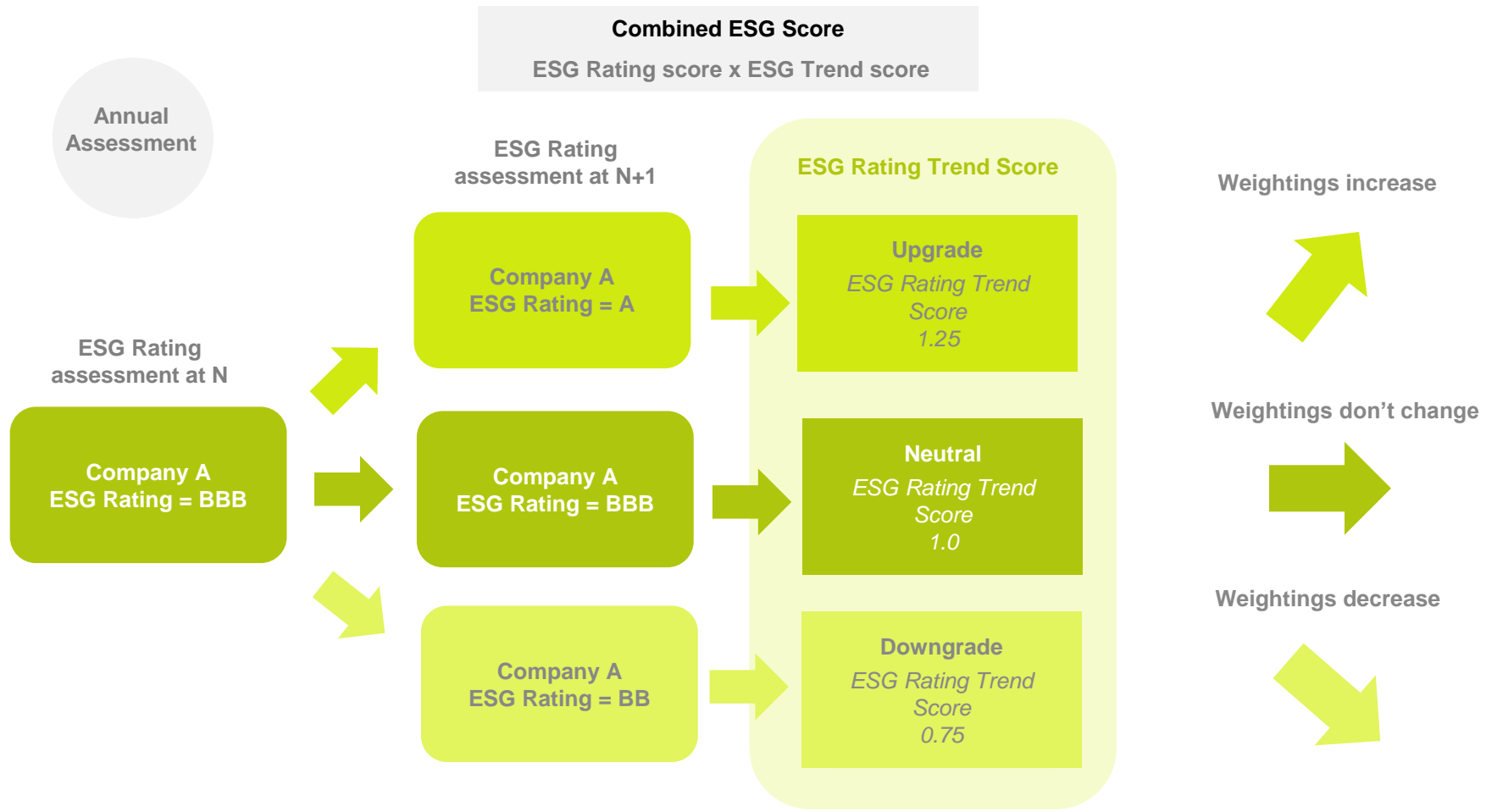
REWARDING COMPANIES THAT IMPROVE THEIR ESG SCORE



Source: Lyxor International AM, MSCI, for illustrative purpose only

MIND THE TREND

COMPANIES THAT IMPROVE THEIR RATING ARE MORE IMPACTFUL



Source: Lyxor International AM, MSCI, for illustrative purpose only

« PASSIVE ACTIVISM » IN PRACTICE

CONSTRUCTION OF ESG TREND LEADERS



1
5

- ▶ **50% coverage target** of the parent index
- ▶ **Like-for-like** building blocks for core equity allocations:
 - Moderate deviation from benchmark
(TE around 1.5% for DC and 2.5% for EM countries, 40% lower than for MSCI SRI indices on average)
 - High level of diversification (c. twice the stocks in the MSCI SRI)

Source: Lyxor International AM, MSCI

Knowing your risk

It is important for potential investors to evaluate the risks described below and in the fund prospectus which can be found on www.lyxoretf.com

CAPITAL AT RISK

ETFs are tracking instruments: Their risk profile is similar to a direct investment in the Underlying Index. Investors' capital is fully at risk and investors may not get back the amount originally invested.

REPLICATION RISK

The fund objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

COUNTERPARTY RISK

Investors are exposed to risks resulting from the use of an OTC Swap with Societe Generale. In-line with UCITS guidelines, the exposure to Societe Generale cannot exceed 10% of the total fund assets. Physically replicated ETFs may have counterparty risk resulting from the use of a Securities Lending Programme.

UNDERLYING RISK

The Underlying Index of a Lyxor ETF may be complex and volatile. When investing in commodities, the Underlying Index is calculated with reference to commodity futures contracts exposing the investor to a liquidity risk linked to costs such as cost of carry and transportation. ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

CURRENCY RISK

ETFs may be exposed to currency risk if the ETF is denominated in a currency different to that of the Underlying Index they are tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

LIQUIDITY RISK

Liquidity is provided by registered market-makers on the respective stock exchange where the ETF is listed, including Societe Generale. On exchange liquidity may be limited as a result of a suspension in the underlying market represented by the Underlying Index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, Societe Generale or other market-maker systems; or an abnormal trading situation or event.

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Thank you

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