

Investing in Green Bonds

A pure way to finance a green economy

With rising acceptance of the reality of climate change and an increasingly firm hand from regulators, bond issuers and investors alike are paying closer attention to eco-investing. Green bonds are uniquely placed to fund pro-climate projects, while representing a compelling investment opportunity.

What are green bonds?

- ▶ Green bonds are a way for investors to fund **environmental-friendly projects**
- ▶ Proceeds are **earmarked** for eligible green projects focused on climate change mitigation or adaptation efforts
- ▶ Most bonds are **investment grade**, across maturity buckets

What are the potential benefits?

- ▶ Exposure to issuers at the **forefront of green investing**, less at risk from future regulation or environmental change
- ▶ **Diversification** across issuer types and markets
- ▶ **Mitigated portfolio risk**, at both micro and macro levels
- ▶ The 'green' element comes with **no additional cost** to the investor

We see green bonds as a purer way to invest, as the bond holders know with certainty that 100% of their money is used to benefit the environment.

Index and fund details ²		
Index name	Solactive Green Bond EUR USD IG	Solactive Green ESG Bond EUR USD IG TR
Index Bloomberg ticker	SGREENIG	SGRESGIG
Number of holdings	402	313
Coupon Rate (%)	1.51	1.42
Yield (%)	0.45	0.41
Duration (Years)	8.57	8.58
ETF Name	Lyxor Green Bond (DR) UCITS ETF 	Lyxor Green Bonds ESG Screened (DR) UCITS ETF
ETF Bloomberg Ticker	CLIM	XCO2
Replication	Direct (Physical)	Direct (Physical)
Hedged share class	Yes - EUR	No
TER	0.25%	0.25%
AuMs	€394m	€12m

¹Index data as at 01/09/2020, TER & AuMs as at 03/09/2020

Eligible green projects as defined by the Climate Bonds Taxonomy²



¹Source: Climate Bonds Initiative.

²Taxonomy as of Sep 2018. <https://www.climatebonds.net/files/files/CBI-Taxonomy-Sep18.pdf>

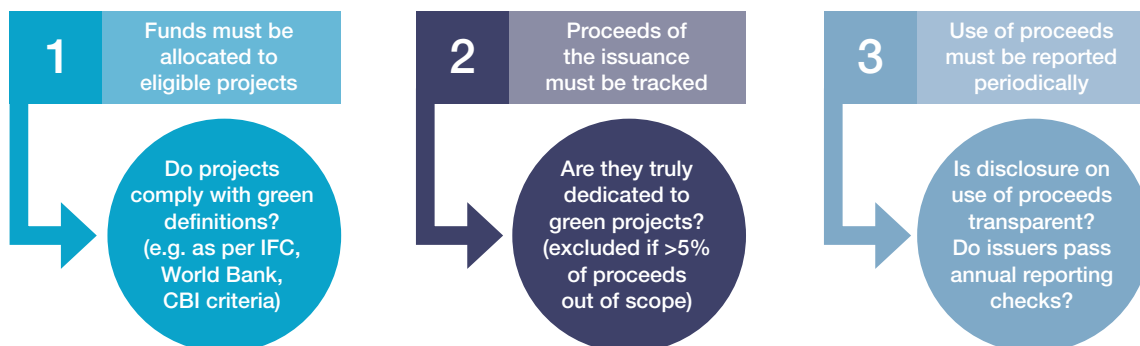
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Find us online
www.lyxoretf.com

The CBI seal of approval

The Climate Bond Initiative (CBI) is an investor focused, not-for-profit organization dedicated to promoting investments for a low-carbon and climate-resilient economy. To be approved, bonds must comply with the Climate Bonds Standard framework, which is fully aligned with the Green Bonds Principles.

The Green Bond Principles



The “Use of Proceeds” principle

- ▶ Green bond proceeds are **purely** dedicated to eligible projects and assets that help improve the environment
- ▶ At the time of issue, the issuer explains how the money raised will be used
- ▶ During the life of the bond, the issuer reports back to subscribers on **impact metrics**

We offer two ways to access green bonds

With or without an ESG screen

- ▶ Our first green bond ETF offers exposure to green bonds that directly fund pro-climate projects, regardless of industry exposure or ESG metrics
- ▶ Our ESG-screened variant is similar but uses additional issuer-level information from global ESG data provider Sustainalytics
- ▶ The screen may, for example, filter out companies with a significant carbon footprint, even if they are using the bond issuance to transition to greener policies

CLIM

Lyxor Green Bonds (DR) UCITS ETF

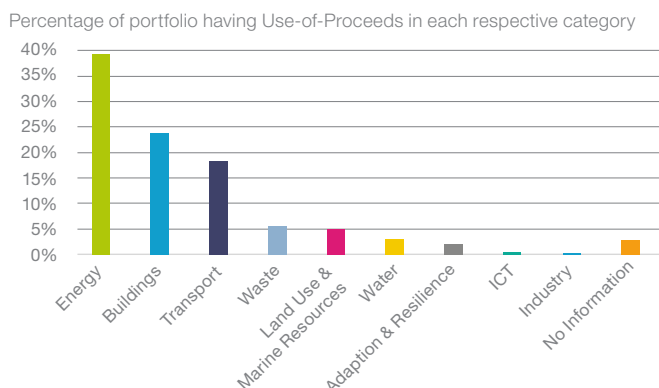
- ▶ CBI approved green bonds
- ▶ Based on Use-of-Proceeds principle
- ▶ No exclusions based on business involvement or further ESG metrics

XC02

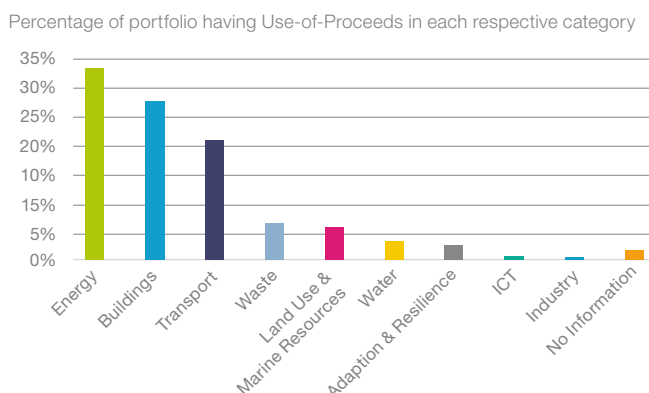
Lyxor Green Bonds ESG Screened (DR) UCITS ETF

- ▶ CBI approved green bonds
- ▶ Based on Use-of-Proceeds principle
- ▶ Additional ESG screen by Sustainalytics scrutinises issuers based on: Fossil fuel, Nuclear power, Controversial businesses, UN Global Compact Compliance

Breakdown by UoP – Solactive Green Bond EUR USD IG index



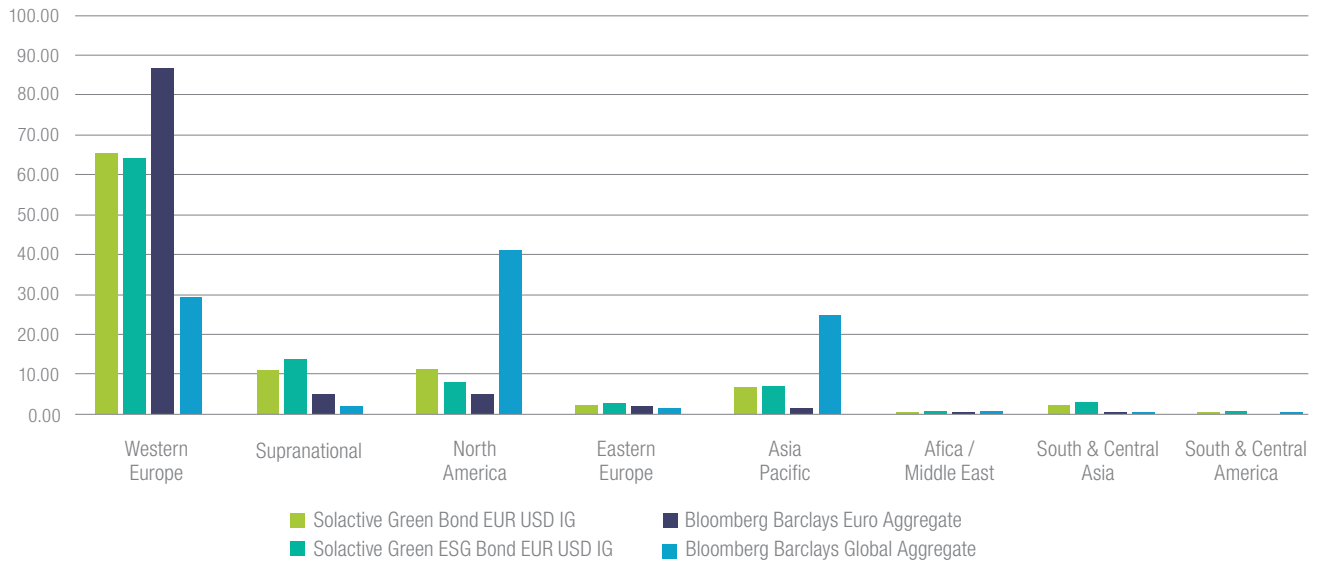
Breakdown by UoP – Solactive Green ESG Bond EUR USD IG TR index



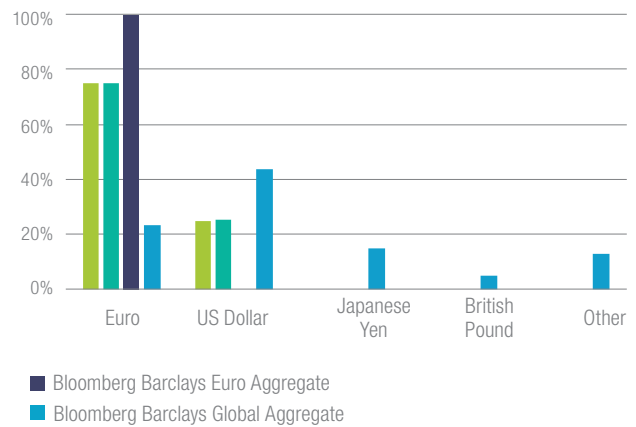
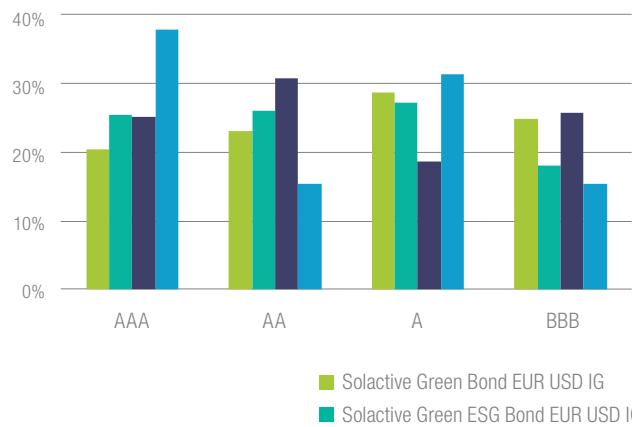
Source: Lyxor International Asset Management, Climate Bonds Initiative. Data as at 31/07/2020.

Index snapshot

Breakdown by regions



Breakdown by Ratings & FX exposure



Source: Lyxor International Asset Management, Bloomberg, Solactive, data as at 31/07/2020

Why Lyxor for Green Bonds



Accomplished

The first green bond ETF in the world, with over €390m in assets¹



Greenfin label

CLIM awarded French Label for Energy and Ecological Transition



Impactful

Implement a low carbon / SRI transition policy, with or without extra ESG screen



Pure

CBI-approved labelled green bonds only for a pure exposure



Quality

Investment grade, EUR and USD denominated, liquid bonds

¹Source: Lyxor International Asset Management, Bloomberg, as of 03/09/2020.

Knowing your risk

It is important for potential investors to evaluate the risks described below and in the fund prospectus on our website 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

With synthetic ETFs, investors are exposed to risks resulting from the use of an OTC swap with Societe Generale. In-line with UCITS guidelines, the exposure to Société Générale cannot exceed 10% of the total fund assets. Physically replicated ETFs may have counterparty risk if they use a securities lending programme.

Underlying risk

The Underlying index of a Lyxor ETF may be complex and volatile. For example, 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.

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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, or other market-maker systems; or an abnormal trading situation or event.

Solactive

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