

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**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:** Future of European Defence Screened UCITS ETF  
**Legal entity identifier:** 254900J0M1GZ0P9HTA76

## Environmental and/or social characteristics

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

**Yes**                         **No**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b>  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### What environmental and/or social characteristics are promoted by this financial product?

- 1) To promote adherence to and the conduct of business activities in accordance with global environmental and social norms by avoiding investment in companies that violate UNGC Principles or the OECD Guidelines. This helps to avoid investments that, at a minimum, do not meet social and environmental norms with regards to human rights, labour rights, and anti-corruption, as well as the prevention of environmental degradation.
- 2) To promote:
  - (i) human rights by avoiding investment in controversial weapons-related activities, in particular, the production, development or maintenance of anti-personnel mines, biological or chemical weapons, cluster munitions, depleted uranium, or any other

weapon that violates humanitarian principles through normal use and, in the absence of certain safeguards, the production of nuclear weapons, that can cause widespread harm or violate human rights;

- (ii) health and avoidance of harm due to significant and well-documented public health risks associated with tobacco use; and
- (iii) climate change mitigation and avoidance of harm to the environment arising from the use of thermal coal;

by applying the relevant Exclusionary Criteria set out below.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The percentage (to be 0%) of the Fund's net assets invested in any companies which:

- (i) violate the UNGC Principles or the OECD Guidelines;
  - (ii) are linked to, or derive any percentage of their revenues from, controversial weapons, in particular, companies that are involved in the production, development or maintenance of anti-personnel mines, biological or chemical weapons, cluster munitions, depleted uranium, or any other weapon that violates humanitarian principles through normal use;
  - (iii) produce or develop key and dedicated components for controversial weapons;
  - (iv) are from countries not signatories to the Non-Proliferation Treaty and participate in the production of nuclear weapons;
  - (v) are linked to, or derive 5% or more of their revenues from, tobacco;
  - (vi) are linked to, or derive any percentage of their revenues from, thermal coal; and/or
  - (vii) cannot be assessed against the criteria listed at (i) to (iv) above, due to insufficient and/or missing data.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A – the Sub-Fund does not make any sustainable investments.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A – the Sub-Fund does not make any sustainable investments.

— — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A - the Sub-Fund does not take into account the indicators for adverse impacts on sustainability factors.

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

N/A – the Sub-Fund does not make any sustainable investments.

**Sustainability indicators**

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

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*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.*



### Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Sub-Fund does not consider principal adverse impacts on sustainability factors.



### What investment strategy does this financial product follow?

In order to seek to achieve its investment objective, the Sub-Fund will adopt a “passive management” investment strategy and will seek to employ a replication methodology, meaning as far as possible and practicable, it will invest in all of the securities in proportion to the weightings comprising the Index.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Index (and therefore the Sub-Fund) will exclude companies which:

- violate the UNGC Principles or the OECD Guidelines;
- are linked to, or derive any percentage of their revenues from, controversial weapons, in particular, companies that are involved in the production, development or maintenance of anti-personnel mines, biological or chemical weapons, cluster munitions, depleted uranium, or any other weapon that violates humanitarian principles through normal use;
- produce or develop key and dedicated components for controversial weapons;
- are from countries not signatories to the Non-Proliferation Treaty and participate in the production of nuclear weapons;
- are linked to, or derive 5% or more of their revenues from, tobacco; and/or
- are linked to, or derive any percentage of their revenues from, thermal coal;

(the **Exclusionary Criteria**).

In addition, companies in respect of which an evaluation against the Exclusionary Criteria cannot be made due to insufficient and/or missing data will be excluded.

The Index is adjusted and rebalanced on a quarterly basis. Whilst the Sub-Fund and the Index seek to ensure compliance with such criteria at each rebalance or review

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

date, between these reviews or rebalances, securities which no longer meet these criteria may remain included in the Index until they are removed at the subsequent rebalance or review or the portfolio of the Sub-Fund until it is possible and practicable to sell down such positions.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

There is no committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

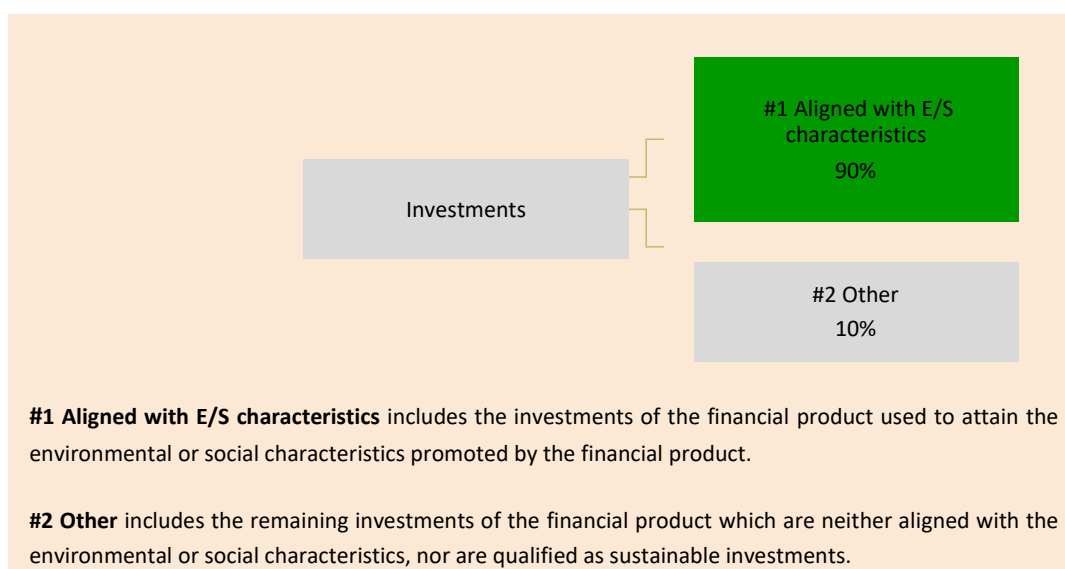
- **What is the policy to assess good governance practices of the investee companies?**

The Index methodology screens companies for compliance with UNGC Principles and OECD Guidelines. Companies that fail the screening process will be excluded from the Index Universe. In addition, to be eligible for inclusion in the Index Universe, companies must be publicly listed on one of the markets/stock exchanges listed in Appendix 1 of the Prospectus and must therefore comply with securities listing rules, including relevant corporate governance codes. The Investment Manager performs a regular assessment of the alignment of the Sub-Fund's environmental and social characteristics with the Index, which takes account of the good governance criteria embedded in the Index methodology.



### **What is the asset allocation planned for this financial product?**

At least 90% of the Sub-Fund's assets are aligned with the environmental and social characteristics promoted by the Sub-Fund (#Aligned with E/S characteristics), which do not qualify as sustainable investments. Up to 10% of the investments of the Sub-Fund are not aligned with these characteristics (#2 Other).



- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Sub-Fund may use FDIs for efficient portfolio management and hedging purposes. These FDIs are not used to attain the environmental and social characteristics promoted by the Sub-Fund.

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

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 minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%. The Sub-Fund does not commit to a minimum extent of EU Taxonomy alignment for its investments.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?**



Yes:



In fossil gas



In nuclear energy

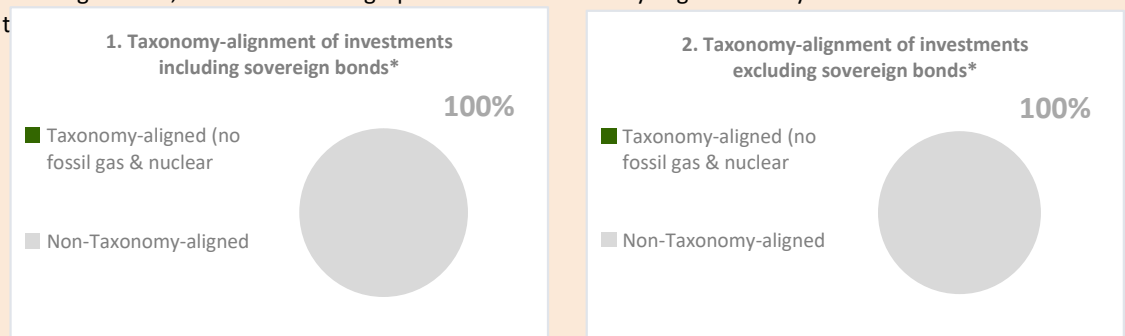


No

**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.

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



This graph represents 100% of the total investments

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

- **What is the minimum share of investments in transitional and enabling activities?**

N/A – the Sub-Fund has no minimum proportion of investment in transitional or enabling activities.



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A – the Sub-Fund has no minimum share of investments with an environmental objective that are not aligned with the EU Taxonomy Regulation.

<sup>7</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of socially sustainable investments?**

N/A – the Sub-Fund has no minimum share of socially sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The Sub-Fund predominantly makes investments that are aligned with environmental and social characteristics (#1 Aligned with E/S characteristics).

Those investments included under “#2 Other”, may include ancillary liquid assets, money market instruments, investments in ETFs authorised as UCITS, futures, currency swaps and currency forwards. It may also include securities which no longer meet the environmental and/or social criteria described above but will not be removed from the Index until the next Index rebalance. There are no minimum environmental or social safeguards.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Yes, the Sub-Fund has designated the VettaFi European Future of Defence Screened Index as the reference index.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

The Index promotes environmental and social characteristics by excluding companies which: violate the UNGC Principles or the OECD Guidelines; are linked to, or derive any percentage of their revenues from, controversial weapons, in particular, companies that are involved in the production, development or maintenance of anti-personnel mines, biological or chemical weapons, cluster munitions, depleted uranium, or any other weapon that violates humanitarian principles through normal use; produce or develop key and dedicated components for controversial weapons; are from countries not signatories to the Non-Proliferation Treaty and participate in the production of nuclear weapons; are linked to, or derive 5% or more of their revenues from, tobacco; and/or are linked to, or derive any of their revenues from, thermal coal. The Index is continuously aligned with the environmental and social characteristics promoted by the Sub-Fund by applying these Exclusionary Criteria.

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

The Sub-Fund will adopt a “passive management” investment strategy and will seek to employ a replication methodology, meaning as far as possible and practicable, it will invest in all of the securities in proportion to the weightings comprising the Index, which is comprised of a global investable universe of securities of publicly listed companies headquartered in European NATO countries that generate revenues from the defence (including cyber defence) sector. The Sub-Fund may, from time to time, use a sampling methodology under various circumstances.

- **How does the designated index differ from a relevant broad market index?**

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

The Index differs from a broad market index as it seeks to measure the performance of an investable universe of companies, listed globally on recognized exchanges, that provide exposure to European NATO defence and cyber-defence spending. The Index includes companies headquartered in European NATO countries and incorporated and/or domiciled within them trading on major global exchanges and which derive more than 50% of their revenues from the manufacture and development of military aircraft (subject to the requirement that any companies manufacturing military aircraft must derive at least 20% of their revenue from defence) and defence equipment (such as military armored vehicles & tanks, weapon systems and missiles, munitions and accessories, electronics & mission systems, and naval ships), defence technology applications, or cyber security contracting with a NATO member nation verified by publicly available contract information. Eligible companies must also meet the minimum market capitalisation and liquidity requirements and have a primary listing on a stock exchange or regulated market as described in Appendix 1 of the Prospectus for at least three months prior to an index rebalance date. The Index also applies the Exclusionary Criteria.

- ***Where can the methodology used for the calculation of the designated index be found?***

Additional information on the Index can be found at <https://www.vettafi.com/indexing/index/armys>.



#### **Where can I find more product specific information online?**

Additional information on the Sub-Fund can be found at <https://www.hanetf.com/product-list>