

WisdomTree Renewable Energy UCITS ETF has SFDR Article 9 status. What does that mean and why is it important?

Published August 9, 2023

Mobeen Tahir

Director, Research

Our recently launched [WisdomTree Renewable Energy UCITS ETF \(WRNW\)](#) is consistent with Article 9 under the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR). WRNW is our second Article 9 fund and follows the launch of [WisdomTree Recycling Decarbonisation UCITS ETF \(WRCY\)](#) in 2022.

As the world faces pressing environmental and social challenges, the need for sustainable finance has become increasingly evident. The SFDR is a crucial step taken by the EU to encourage sustainable investments and create a more transparent financial system. One of the key aspects of this regulation is Article 9, which plays a pivotal role in defining and promoting environmentally and socially conscious investments. In this blog, we will delve into the SFDR, explore the distinction between Articles 8 and 9, shed light on the requirements for obtaining an Article 9 status, illustrate how WRNW achieves it, and discuss why it matters to investors.

Understanding the SFDR

Introduced in March 2021, the SFDR is a regulatory framework that aims to align financial markets more closely with sustainability objectives and boost the flow of capital towards investments with positive environmental and social impacts. The SFDR enhances transparency and comparability by obliging financial market participants and advisers to disclose the environmental and social characteristics of their investment products within a consistent framework.

Article 8 vs Article 9: the distinction

The SFDR categorises sustainable investment products based on their characteristics and objectives. Article 8 reflects products that promote environmental or social outcomes indirectly without specifically targeting sustainability as their primary goal. In contrast, Article 9 designates products with explicit sustainability objectives and features intending to have a positive impact on these objectives.

The features and significance of Article 9

- Clear sustainable goals: Article 9 lays down stringent criteria for sustainable investment products, ensuring they genuinely contribute to environmental and social objectives. Investors seeking products with a clear commitment to sustainability can rely on those classified under Article 9.

- **Transparency and accountability:** Article 9 mandates enhanced disclosure requirements, demanding transparency from financial institutions regarding how their products achieve sustainability goals. This empowers investors to make informed decisions, promoting accountability and avoiding greenwashing.
- **Risk mitigation:** investing in sustainable assets has the potential to reduce long-term risks. By adhering to Article 9 standards, investors can support projects and companies that prioritise sustainable practices, reducing exposure to environmentally or socially detrimental activities.

The WisdomTree Renewable Energy UCITS ETF (WRNW)

WRNW has a sustainable investment objective in the growth of renewable energy which contributes to the environmental objective of mitigating climate change. The exchange-traded fund (ETF) tracks the WisdomTree Renewable Energy Index (the Index) which picks companies primarily involved in the renewable energy value chain. This includes technologies and solutions which aim to develop renewable sources of energy including wind, solar, green hydrogen, as well as others.

The screening criteria implemented by the index also determines that the companies selected do no significant harm to the fund's sustainable investment objective. The index applies numerous screens to achieve this objective. For example, the index excludes companies that fall within the bottom 5% based on their greenhouse gas intensity (GHG intensity) from the universe of renewable energy value chain companies. GHG intensity is the total carbon dioxide equivalent GHG emissions per company's total revenues in million USD.

Numerous other ESG (environmental, social, governance) screens are also applied. Among the screens which support the strategy's environmental goals are:

1. Maintaining a live universe of companies that belong to the renewable energy value chain. Each company is then classified into 5 categories (raw materials, manufacturing, applications, enablers, and emerging technologies), partitioned into 32 sub-sectors.
2. Each sub-sector within the value-chain receives a score based on the three factors:
 - a. Size (10%)
 - b. Exposure (50%)
 - c. Growth (40%)
3. Each company in the universe receives an intensity rating based on its revenue exposure to each sub-sector. This intensity rating ultimately influences the weight of the companies in the final portfolio.

The application of these expert and ESG screens allows the index to maintain purity of exposure to the renewable energy theme. Most of the portfolio weight is allocated to companies that have more than 50% revenue exposure to the renewable energy value chain, highlighting a strong exposure to pure-play companies, thereby maintaining the strategy's focus on its sustainable objectives.

Source: WisdomTree, Wood Mackenzie, FactSet, Bloomberg. As of 31 May 2023. Each company's revenue exposure and intensity score are estimated by Wood Mackenzie as of 30 September 2022 as part of the last rebalance of the WisdomTree Renewable Energy Index in October 2022. You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

Conclusion

The SFDR and its Article 9 play a pivotal role in driving sustainable investments and ensuring transparency in the financial industry. It is a rigorous framework for environmental performance. By adhering to Article 9 standards, investors can not only make choices that align with their values but also contribute to a greener and socially responsible future.

Sources

1 Source: WisdomTree, July 2023. For a full list of all exclusions, see the [index methodology](#).

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this

document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund. Investors should read the prospectus of WT Issuer ("WT Prospectus") before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares.

WisdomTree Recycling Decarbonisation UCITS ETF The Tortoise Recycling Decarbonization UCITS IndexSM (the "Index") is the exclusive property of TIS Advisors, LLC. TIS Advisors, LLC makes no express or implied representation, guarantee or assurance with regard to (a) the advisability in investing in the Fund; and/or (b) the results obtained or to be obtained by any person or entity from the use of the Fund. The Index is calculated by Solactive AG ("Solactive"). The financial instruments that are based on the Index are not sponsored, endorsed, promoted or sold by Solactive in any way, and Solactive makes no express or implied representation, guarantee or **assurance with regard to:** (a) the advisability in investing in the financial instruments; (b) the quality, accuracy and/or completeness of the Index or the calculations thereof; and/or (c) the results obtained or to be obtained by any person or entity from the use of the Index. It is not possible to invest directly in an index.

Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree¼s website: **https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports**

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal

Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France: The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.