

## **WISDOMTREE ISSUER ICAV**

(the ICAV)

An open-ended Irish collective asset management vehicle which is constituted as an umbrella fund with segregated liability between sub-funds and with variable capital

The ICAV was registered under the laws of Ireland with registered number C132923

### **ADDENDUM TO THE PROSPECTUS**

**4 March 2021**

**This Addendum is supplemental to, forms part of and should be read in conjunction with, the prospectus for the ICAV dated 6 May 2020 (the Prospectus).**

The Directors of the ICAV, whose names appear under the heading “Management and Administration” are the persons responsible for the information contained in this Prospectus and accept responsibility accordingly. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Addendum. For the purposes of interpretation, in the event of any conflict between this Addendum and the Prospectus, any such conflict shall be resolved in favour of this Addendum.

The purposes of this Addendum is to update the Prospectus to include sustainability-related disclosures required under the SFDR (defined below).

## **AMENDMENTS TO THE PROSPECTUS**

### **1 DEFINITIONS**

The section of the Prospectus entitled "Definitions" is to be amended by the inclusion of the following definitions:

#### **1.1 Definition of SFDR**

**SFDR** means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector as modified, amended, consolidated or re-enacted from time to time.

#### **1.2 Definition of Sustainability Risk**

**Sustainability Risk** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The particular sustainability risks which may apply to the Funds are included in the section entitled Risk Factors.

### **2 SUSTAINABILITY DISCLOSURES**

The Prospectus is amended by the inclusion of a new section "Sustainability Disclosures", after the section "Dividend Policy", all sections thereafter are renumbered accordingly:

The SFDR requires that the Manager disclose the manner in which Sustainability Risks are integrated into investment decision-making and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Funds.

The extent to which Sustainability Risks represent potential or actual material risks to the Funds is not considered by the Investment Manager in its investment decision making where the aim of the Fund is to replicate the composition or track the performance of an Index. Where a Fund seeks to track the performance of an Index which excludes securities based on environmental, social or governance criteria, this will be reflected in the relevant Supplement.

The Manager may consider environmental, social or governance factors as part of the Index selection process and will aim to work with Index Providers to mitigate Sustainability Risks where possible. The factors which will be considered by the Manager will vary depending on the Index in question, but typically include the themes addressed by the Sustainability Risk.

The Manager will assess whether Sustainability Risks may have an impact on the return of an Index during the Index selection process for any new Funds or where an Index is being replaced for an existing Fund. Where possible, the Manager will work with the relevant Index Provider to mitigate Sustainability Risks, which may have an adverse impact on a Fund's return.

Assessment of Sustainability Risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and may be incomplete, estimated, out of date or otherwise materially

inaccurate. Even when identified, there can be no guarantee that the Manager and/or the Index Provider will correctly assess the impact of Sustainability Risks on the investments or proposed Investments of a Fund.

The impacts following the occurrence of a Sustainability Risk may be numerous and may vary depending on the specific risk, region and asset class. In general, where a Sustainability Risk occurs in respect of an asset, there could be a negative impact on, or entire loss of, its value.

Any Sustainability Risk can either represent a risk on its own or have an impact on other risks and contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks.

The Manager does not currently consider the principal adverse impacts of their investment decisions on sustainability factors. The Manager has opted against doing so, primarily as the regulatory technical standards, supplementing SFDR which will set out the content, methodology and information required in the principal adverse sustainability impact statement, have been delayed. The Manager intends to consider the principal adverse impacts of investment decisions on sustainability factors once there is sufficient data available for the Manager to achieve the required regulatory technical standards.

### 3 RISK FACTORS

The section of the Prospectus entitled "Risk Factors" is amended by the insertion of the following risk factors:

**Sustainability Risks.** Sustainability risks may arise in respect of an issuer itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region. Environmental sustainability risks, including risks arising from climate change, are associated with events or conditions affecting the natural environment. Social risks may be internal or external to an issuer and are associated with employees, local communities, customers or populations of companies or countries and regions. Governance risks are associated with the quality, effectiveness and process for the oversight of day to day management of companies and issuers.

Loss of investment value following a sustainability risk may occur in numerous ways. For investments in a corporate issuer, losses may result from damage to its reputation with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. Laws, regulations and industry norms play a significant role in controlling the impact of sustainability factors on many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of businesses. A corporate may also suffer the impact of fines and other regulatory sanctions. The time and resources of the corporate's management team may be diverted from furthering its business and be absorbed seeking to deal with the sustainability risk, including changes to business practices and dealing with investigations and litigation. Sustainability risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by businesses to which a Fund is exposed may also be adversely impacted by a sustainability risk. Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on sustainability which may cause affected industries to make material changes to their business practices which can increase costs and result in a material negative impact on the profitability of businesses. Such scrutiny may also materially impact the consumer demand for a business's products and services which may result in a material loss in value of an investment linked to such businesses.

Sustainability risks are relevant as both standalone risks, and also as cross-cutting risks which manifest through many other risk types which are relevant to the assets of a Fund. For example, the occurrence of a sustainability risk can give rise to financial and business risk, including though a negative impact on the creditworthiness of other businesses.

#### **Environmental Risks**

### *Carbon Emissions Risk*

Many economic sectors, regions and/or jurisdictions, including those in which the Fund may invest, are currently and/or in the future may be, subject to a general transition to a greener, lower carbon and less polluting economic model. Drivers of this transition include governmental and/or regulatory intervention, evolving consumer preferences and/or the influence of non-governmental organisations and special interest groups.

As the market appreciates tightening regulation and accounts for higher carbon prices, repricing of carbon-intensive sectors occurs, reducing the value of those securities. As carbon pricing continues to be a mechanism through which various policymakers seek to mitigate climate change, companies may be impacted in different ways based on their sectors and region of operations.

Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or otherwise are not environmentally sustainable may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost. Attempts by sectors, regions, businesses and technologies to adapt so as to improve sustainability may not be successful, may result in significant costs being incurred, and future ongoing profitability may be materially reduced.

### *Climate Change Risk*

The Fund may have exposure to potential physical risks resulting from climate change. For example, the tail risk of significant damage due to increasing erratic and potentially catastrophic weather events such as droughts, wildfires, flooding and heavy precipitations, heat/coldwaves, landslides or storms. As the frequency of extreme weather events increases, the Fund's assets exposure to these events increases too.

Alongside these acute physical risks, the Fund may be exposed to the chronic physical risks stemming from climate change, including amongst others, coastal flooding, coastal erosion, soil degradation and erosion, water stress, changing temperatures or changing wind or precipitation patterns.

Such risks may arise in respect of a company itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region.

### *Natural Resource Depletion Risk*

The relationship between businesses and natural resources is becoming increasingly important due to the scarcity of fresh water, loss of biodiversity and risks arising from land use. Water is critical to agricultural, industrial, domestic, energy generation, recreational and environmental activities. Reduced supply or allocation of water and/or increased cost in supply and controls over its use may adversely impact the operations, revenue and expenses of certain industries in which the Fund may invest. Biodiversity underpins ecosystem services such as food, clean water, genetic resources, flood protection, nutrient cycling and climate regulation. A continued loss of biodiversity may adversely affect the operations, revenue and expenses of certain industries in which the Fund may invest, such as land users and marine industries, agriculture, the extractives industries (cement and aggregates, oil, gas and mining) forestry and tourism. Land use and land use management practices have a major impact on natural resources.

### *Pollution and Waste Risk*

Pollution adversely affects the environment and may for example, result in negative impact on human health, damage to ecosystems and biodiversity and reduced crop harvests. Measures introduced by governments or regulators to reduce pollution and control and reduce waste may adversely impact the operations, revenue and expenses of industries in which the Fund may invest.

## **Social Risks**

### *Human Capital Risk*

Human capital offences, were they to occur, would rise to negative consumer sentiment, fines and other regulatory sanctions and investigations and litigation in respect of entities in which the Fund may be invested. These could include human rights violations, lack of access to clean water, food and sanitary living environment, human trafficking, modern slavery, forced labour, inadequate health and safety, discrimination, breaches of employee rights and use of child labour. The profitability of a business which is reliant on adverse treatment of human capital may appear materially higher than if appropriate practices were followed and it may not be apparent to investors such as the Fund that such adverse treatment is occurring at the time.

#### *External Social Risk*

Were they to occur, restrictions on or abuse of the rights of consumers including consumer personal data, management of product safety, quality and liability, relationships with and infringements of rights of local communities and indigenous populations may, in particular, give rise to negative consumer sentiment, fines and other regulatory sanctions and/or investigations and litigation in respect of entities in which the Fund is invested.

#### *Megatrends*

Trends such as globalisation, automation and the use of artificial intelligence in manufacturing and service sectors, inequality and wealth creation, digital disruption and social media, changes to work, leisure time and education, changes to family structures and individual rights and responsibilities of family members, changing demographics including health and longevity and urbanisation are all examples of social trends that can have a material impact on businesses, sectors, geographical regions and the vulnerability and inability to adapt or take advantage of such trends may result in a material negative impact on the Fund's investments.

### **Governance Risks**

#### *Board Diversity and Structure Risk*

The absence of a diverse (in terms of age, gender, educational and professional background) and relevant skillset within a board or governing body may result in less well informed decisions being made without appropriate debate and an increased risk of "group think". Further, the absence of independence among board members, particularly where roles are combined, may lead to a concentration of powers and hamper the board's ability to exercise its oversight responsibilities, challenge and discuss strategic planning and performance, input on issues such as succession planning and executive remuneration and otherwise set the board's agenda.

#### *Inadequate External or Internal Audit Risk*

Ineffective or otherwise inadequate internal and external audit functions may increase the likelihood that fraud and other issues within a company are not detected and/or that material information used as part of a company's valuation and/or the Investment Manager's investment decision making is inaccurate.

#### *Fair Tax Strategy Risk*

The tax strategy employed by a company may impact on the returns and performance of that company. Where an aggressive tax strategy is pursued by a company this may increase the tax risks associated with that company.

#### *Shareholders Rights Risk*

The extent to which rights of shareholders, and in particular minority shareholders (which may include the Fund) are appropriately respected within a company's formal decision making process may have an impact on the extent to which a company is managed in the best interest of its shareholders as a whole (rather than, for example, a small number of dominant shareholders) and therefore the value of an investment in it.

### *Bribery and Corruption Risk*

The effectiveness of a company's controls to detect and prevent bribery and corruption both within a company and its governing body and also its suppliers, contractors and sub-contractors may have an impact on the extent to which a company is operated in furtherance of its business objectives. Lack of scrutiny of executive pay: failure to align levels of executive pay with performance and long-term corporate strategy in order to protect and create value may result in executives failing to act in the long-term interest of a company.

### *IT Safeguards Risk*

The effectiveness of measures taken to protect personal data of employees and customers and, more broadly, IT and cyber security will affect a company's susceptibility to inadvertent data breaches and its resilience to "hacking".

### *Employee Safeguards Risk*

The absence of appropriate and effective safeguards for employment related risks such as discriminatory employment practices, workplace harassment, discrimination and bullying, respect for rights of collective bargaining or trade unions, the health and safety of the workforce, protection for whistle-blowers and non-compliance with minimum wage or (where appropriate) living wage requirements may ultimately reduce the talent pool available to a company, the wellbeing, productivity and overall quality of its workforce and may lead to increased employment and other business costs.