

ESG characteristics of Solactive Candriam index range

Table of contents

| | | |
|----|--------------------------------------|---|
| 1. | INTRODUCTION | 2 |
| 2. | Overview of Candriam's SRI Screening | 2 |
| 3. | Overall ESG score of the indices | 3 |
| 4. | Macro Analysis / Long Term View | 4 |
| 5. | Micro Analysis / Stakeholders view | 6 |
| 6. | Norms-based screening | 7 |
| 7. | Controversial activities | 8 |
| 8. | Conclusion | 9 |

1. INTRODUCTION

This document describes the ESG characteristics of the indices that are replicated in the IndexIQ ETF fund range. These indices integrate Candriam's SRI screening and hence, the ESG profile of the index is expected to improve compared to the widely used market capitalization based indices. The analysis below illustrates this with quantitative data.

The table below lists the indices that will be described together with the name of the corresponding reference index.

| Solactive Candriam Factors Sustainable Index | Traditional Index |
|---|-------------------|
| Solactive Candriam Factors Sustainable EMU Equity | MSCI EMU |
| Solactive Candriam Factors Sustainable Europe Equity | MSCI Europe |
| Solactive Candriam Factors Sustainable Japan Equity | MSCI Japan |
| IQ Candriam SRI World Equity | MSCI World |
| Solactive Candriam Factors Sustainable Corporate Bond | ML Euro Corporate |

2. OVERVIEW OF CANDRIAM'S SRI SCREENING

Candriam's SRI methodology ranks companies per sector and per geographical region (Europe, Asia Pacific and North America) based on Micro and Macro analyses :

- The Micro Analysis procedure assesses the company's management of customers, employees, the environment, suppliers, investors and the broad society.
- The Macro Analysis procedure measures the company's exposure to global sustainability trends such as climate change, resource depletion, developing economies, demographic evolutions, health & wellness and interconnectivity.

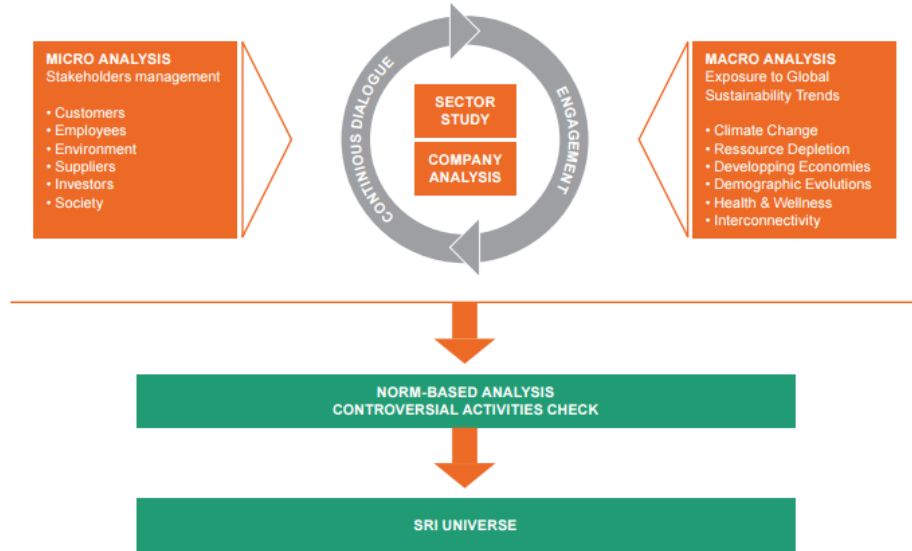
The results of the Macro and Micro analyses are combined and the companies are ranked per sector. For the above indices, the eligible companies are composed of the **Top 70%** of stocks within their sector in the respective universe.

Additionally, a norms-based analysis based on an assessment of how companies comply with the ten principles of the United Nations Global Compact and a verification of controversial activities such as armaments, gambling, tobacco and nuclear activity will eliminate other companies.

Candriam's ETFs

ESG characteristics

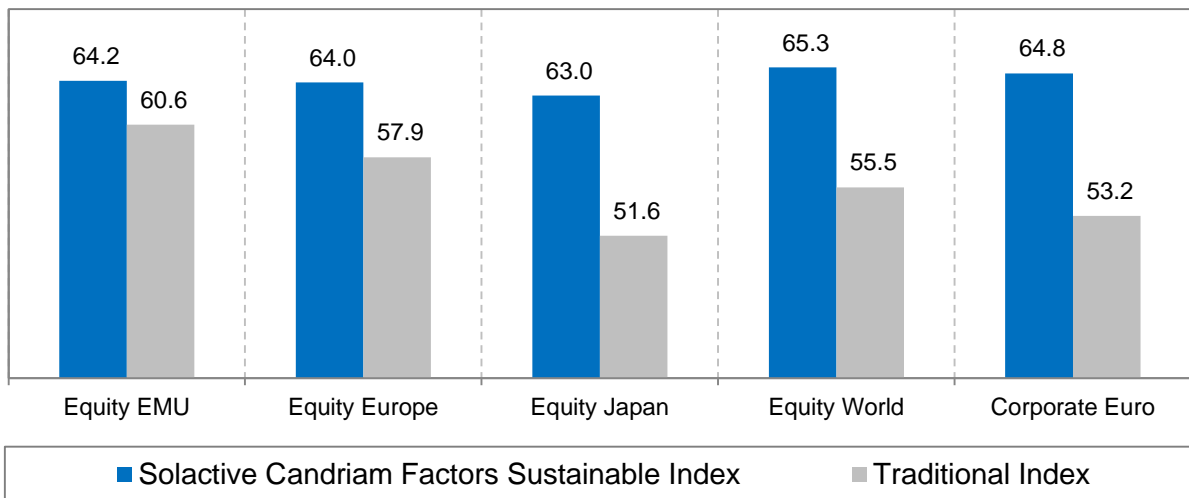
OVERVIEW OF CANDRIAM'S SRI APPROACH



3. OVERALL ESG SCORE OF THE INDICES

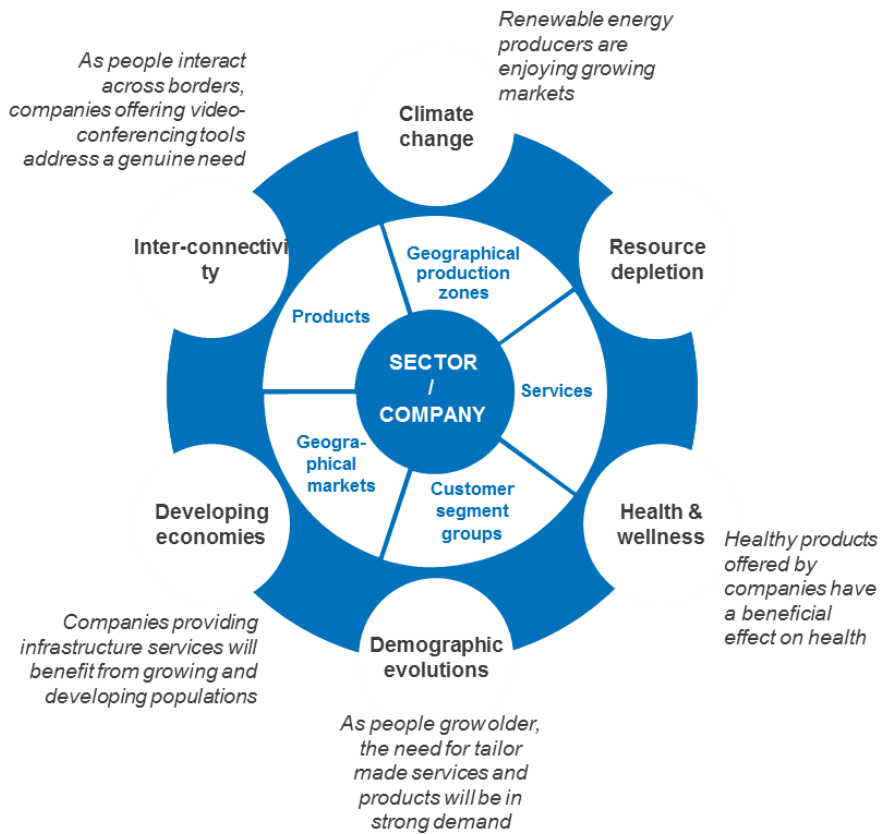
The table below illustrates the overall ESG score of the indices, compared to the standard market capitalization based indices. All indices have a better ESG score than the equivalent market index. In the remainder of this document, a detailed breakdown of this score will be given.

Overall ESG Score (Weighted Average)



4. MACRO ANALYSIS / LONG TERM VIEW

Candriam defined six Global Sustainability Trends influencing companies' business environment, and shaping future market challenges and long-term growth :



For each category, Candriam's SRI analysts score the companies from -10 to 10.

Example of macros Model:



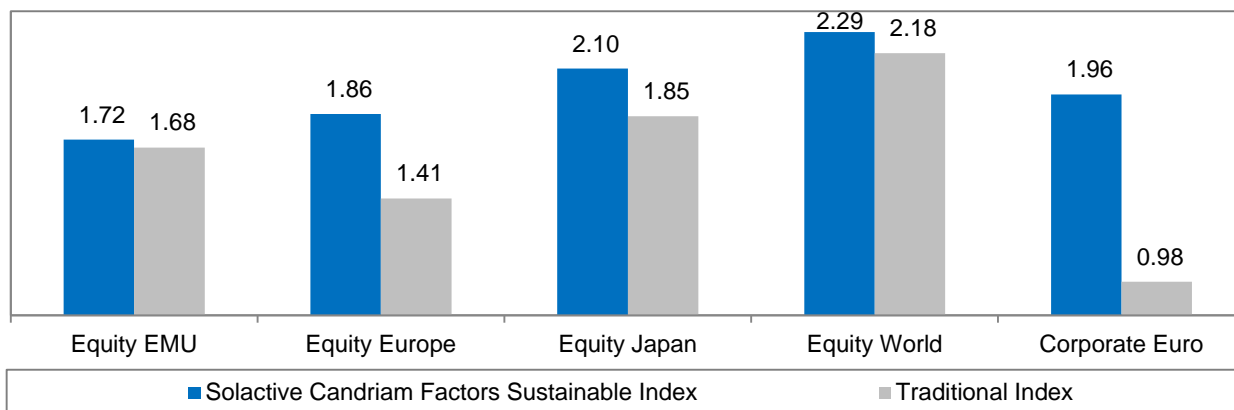
Candriam's ETFs

ESG characteristics

Macro Score (Weighted Average) of the Index range

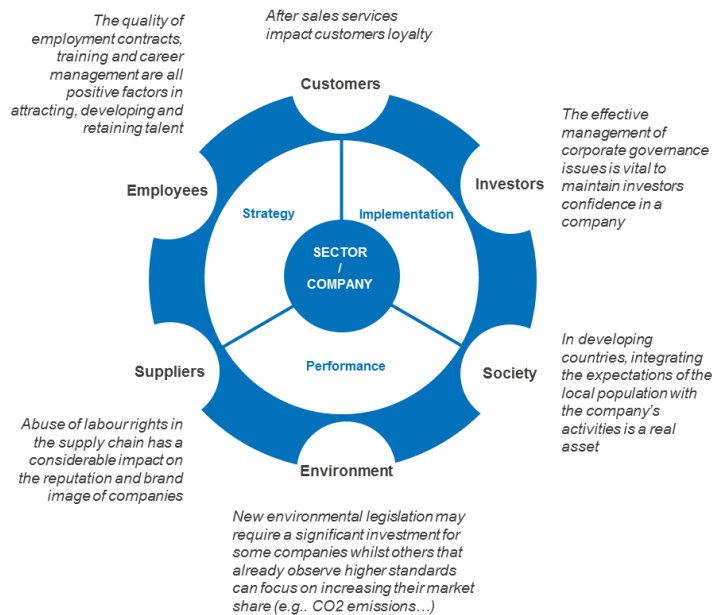
| Universe | Index | Climate Change | Resource Depletion | Health & wellness | Demographic Evolution | Developing Economies | Inter Connectivity | Macro Score |
|----------------|--|----------------|--------------------|-------------------|-----------------------|----------------------|--------------------|-------------|
| Equity EMU | Solactive Candriam Factors Sustainable Index | -0.92 | -1.37 | -0.60 | 0.39 | 2.68 | 1.54 | 1.72 |
| | Traditional Index | -0.82 | -1.41 | -0.63 | 0.27 | 2.95 | 1.29 | 1.68 |
| Equity Europe | Solactive Candriam Factors Sustainable Index | -0.95 | -1.35 | -0.33 | 0.31 | 2.87 | 1.31 | 1.86 |
| | Traditional Index | -1.01 | -1.53 | -0.37 | 0.29 | 3.01 | 1.01 | 1.41 |
| Equity Japan | Solactive Candriam Factors Sustainable Index | -1.26 | -1.66 | -0.96 | 0.17 | 3.76 | 2.04 | 2.10 |
| | Traditional Index | -1.45 | -1.68 | -0.69 | 0.22 | 3.71 | 1.73 | 1.85 |
| Equity World | Solactive Candriam Factors Sustainable Index | -1.23 | -1.46 | -0.35 | 0.28 | 3.48 | 1.56 | 2.29 |
| | Traditional Index | -1.25 | -1.57 | -0.28 | 0.28 | 3.37 | 1.55 | 2.18 |
| Corporate Euro | Solactive Candriam Factors Sustainable Index | -0.87 | -1.52 | -0.30 | 0.31 | 3.07 | 1.26 | 1.96 |
| | Traditional Index | -0.86 | -1.43 | -0.96 | 0.13 | 2.87 | 1.22 | 0.98 |

Macro Score (Weighted Average)



5. MICRO ANALYSIS / STAKEHOLDERS VIEW

Stakeholder interactions are a source of business risks and opportunities that are sector-specific. For each sector, the specific challenges and the degree of relevance for each stakeholder are defined. The capacity of each company to manage the sector-specific relationships with their stakeholders is assessed.



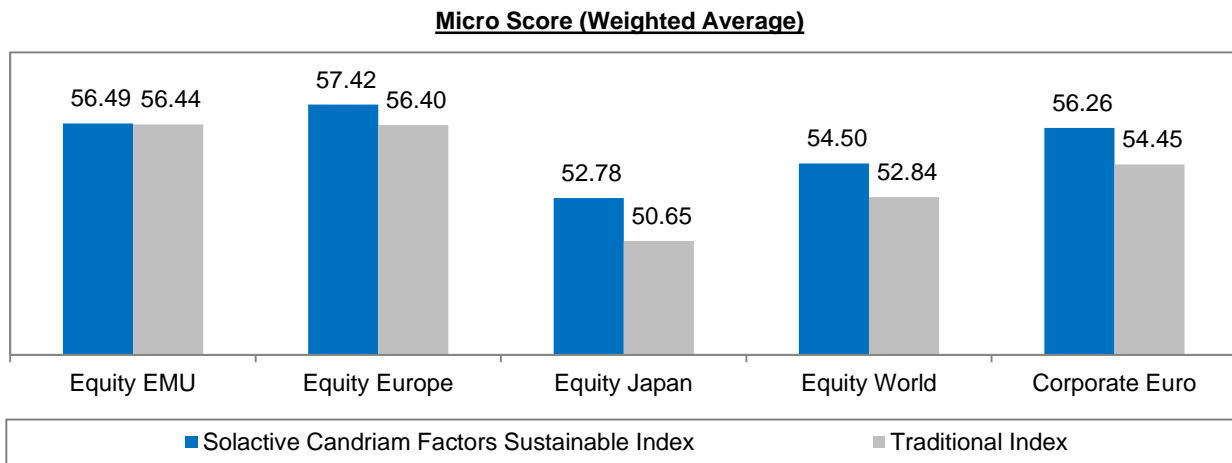
For each category, Candriam SRI analyst scores from 0 to 100.

Micro Score (Weighted Average) of the Index range

| Universe | Index | Customers | Investors | Society | Environment | Suppliers | Employee | Micro Score |
|----------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Equity EMU | Solactive Candriam Factors Sustainable Index | 56.78 | 54.32 | 54.99 | 57.63 | 53.63 | 58.34 | 56.49 |
| | Traditional Index | 56.06 | 54.24 | 54.49 | 58.73 | 53.81 | 58.40 | 56.44 |
| Equity Europe | Solactive Candriam Factors Sustainable Index | 56.51 | 57.95 | 55.63 | 58.55 | 55.43 | 58.18 | 57.42 |
| | Traditional Index | 54.94 | 56.93 | 54.17 | 58.82 | 55.74 | 57.56 | 56.40 |
| Equity Japan | Solactive Candriam Factors Sustainable Index | 52.34 | 46.41 | 52.58 | 55.98 | 54.31 | 55.34 | 52.78 |
| | Traditional Index | 49.87 | 45.72 | 50.27 | 54.33 | 52.82 | 53.48 | 50.65 |
| Equity World | Solactive Candriam Factors Sustainable Index | 52.65 | 54.66 | 52.64 | 56.02 | 54.19 | 55.82 | 54.50 |
| | Traditional Index | 50.18 | 52.81 | 50.95 | 55.13 | 53.52 | 54.87 | 52.84 |
| Corporate Euro | Solactive Candriam Factors Sustainable Index | 53.85 | 57.41 | 53.69 | 59.34 | 55.28 | 58.04 | 56.26 |
| | Traditional Index | 53.45 | 54.05 | 51.44 | 57.32 | 52.98 | 57.30 | 54.45 |

Candriam's ETFs

ESG characteristics



6. NORMS-BASED SCREENING

Candriam assesses how companies live up to the ten principles of the United Nations' Global Compact. The UN Global Compact consists of 10 principles covering:

- Human rights
 - o 1/ Businesses should support and respect the protection of internationally proclaimed human rights
 - o 2/ make sure that they are not complicit in human rights abuses
- Labour rights
 - o 3/ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
 - o 4/ The elimination of all forms of forced and compulsory labour
 - o 5/ The effective abolition of child labour
 - o 6/ The elimination of discrimination in respect of employment and occupation
- Environment
 - o 7/ Businesses should support a precautionary approach to environmental challenges
 - o 8/ Undertake initiatives to promote greater environmental responsibility;
 - o 9/ encourage the development and diffusion of environmentally friendly technologies.
- Corruption
 - o 10/ Businesses should work against corruption in all its forms, including extortion and bribery

Candriam's norms-based analysis considers breaches of / non-compliance with the principles and company responses and exclude non-respect companies.

The table below shows the weight of companies in traditional indices that do not respect UN Global Compact according to Candriam. Obviously, the Solactive Candriam indices is not invested in these companies.

Candriam's ETFs

ESG characteristics

| Portfolio Name | Norms-based (Weight of excluded companies) |
|-------------------|--|
| MSCI EMU | 1.18% |
| MSCI Europe | 1.86% |
| MSCI Japan | 1.81% |
| MSCI World | 4.27% |
| ML Euro Corporate | 5.10% |

7. CONTROVERSIAL ACTIVITIES

Candriam excludes companies involved in these controversial activities :

| Controversial activities | Exclusion threshold |
|----------------------------------|--|
| Activities in oppressive regimes | <ul style="list-style-type: none">● Large presence in highly oppressive regimes● Revenues > 1% |
| Adult content | <ul style="list-style-type: none">● Revenues > 5% |
| Alcohol | <ul style="list-style-type: none">● Revenues > 10% without any responsible policy |
| Animal testing | <ul style="list-style-type: none">● Responsible policy if no legal requirement● Breaches to legislation |
| Gambling | <ul style="list-style-type: none">● Revenues > 5% |
| Genetic modification | <ul style="list-style-type: none">● Revenues > 10% |
| Nuclear | <ul style="list-style-type: none">● Revenues > 30% |
| Tobacco | <ul style="list-style-type: none">● Revenues > 5% |
| Weapon | <ul style="list-style-type: none">● Illegal Weapons : involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium and/or chemical / nuclear / biological weapons, regardless of the revenues involved● Conventional Weapons : Revenues >3% |

Candriam's ETFs

ESG characteristics

The table below shows the weight of companies in traditional indices that are involved in controversial activities according to Candriam. Obviously, the Solactive Candriam indices is not invested in these companies.

| Portfolio Name | MSCI EMU | MSCI Europe | MSCI Japan | MSCI World | ML Euro Corporate |
|----------------|--------------|--------------|--------------|--------------|-------------------|
| Total | 2.97% | 4.85% | 7.63% | 5.53% | 6.59% |

8. CONCLUSION

Due to Candriam's SRI screening, the range of Solactive Candriam indices undeniably shows improved ESG characteristics. Eliminating companies that score adversely in the SRI screening adds value and additionally, leaves room to build a broadly diversified portfolio with attractive risk-return perspectives.

Please feel free to contact capitalmarkets@candriam.com for more information.

DISCLAIMER

This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Warning: Past performances of a given financial instrument or index or an investment service, or simulations of past performances, or forecasts of future performances are not reliable indicators of future performances. Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change.

The present document does not constitute investment research as defined by Article 24, paragraph 1 of the Commission Directive 2006/73/EC. Candriam stresses that this information has not been prepared in compliance with the legal provisions promoting independent investment research, and that it is not subject to any restriction prohibiting the execution of transactions prior to the dissemination of investment research.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds. These documents are available either in English or in local languages for each country where the fund's marketing is approved.

The ETFs' strategies are not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Indexes and/or Indexes trade mark or the Indexes' Price at any time or in any other respect. The Indexes are calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Indexes are calculated correctly. Irrespective of its obligations towards the Issuer, Solactive AG has no obligation to point out errors in the Indexes to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither publication of the Indexes by Solactive AG nor the licensing of the Indexes or Indexes trade mark for the purpose of use in connection with the financial instrument constitutes a recommendation by Solactive AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.