

Investment Policy for Responsible Investing funds



1 JANUARY 2023

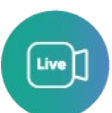
1. Introduction

With Responsible Investing, KBC Asset Management Group ("KBC AM") aims to support the evolution towards a more sustainable world by not investing in activities with a severe negative impact on Environmental, Social and Governance ("ESG") themes, by promoting ESG principles with their investments, by encouraging countries and companies to consider sustainability and climate change in their decision-making process and by promoting sustainable development by investing in green, social and sustainability bonds and in issuers aligned with the UN Sustainable Development Goals.

As such, our Responsible Investing funds¹:

- promote the integration of sustainability into the policy decisions of issuers (companies, governments, supranational debtors and/or agencies linked to governments), by preferring issuers with a better ESG score, where ESG stands for 'Environmental, Social and Governance';
- promote climate change mitigation, by preferring issuers with lower Carbon Intensity, with the goal of meeting a predetermined carbon intensity target;
- support sustainable development, by including issuers that contribute to the UN Sustainable Development Goals;
- support sustainable development by encouraging the transition to a more sustainable world via investing in green, social and sustainability bonds.
- In this policy document we only describe the positive selection methodology. More information about the negative screening can be found in our exclusion policies: [General exclusion policy for conventional and Responsible Investing funds](#) and [Exclusion Policy for Responsible Investing funds](#).

¹ With Responsible Investing funds, we refer to 'all undertakings for collective investment (UCIs) and KBC Life funds as listed in the overview under section 4.3'. KBC Life funds are internal unit-linked life insurance (class 23) investment funds offered as part of KBC Insurance NV insurance contracts. The fund's assets are invested through UCIs and are managed by KBC Asset Management NV, with registered office at Havenlaan 2, 1080 Brussels, Belgium. KBC Insurance is part of the KBC group. KBC Insurance NV has its registered office at Professor Roger Van Overstraetenplein 2, 3000 Leuven.





2. Specific ESG objectives

Within Responsible Investing, KBC Asset Management offers three types of investment funds:

- Responsible funds: funds that invest in companies and countries that promote sustainability features and mitigate climate change.
- ECO-thematic funds: funds that invest in companies that provide a solution to a specific sustainability challenge such as water scarcity or climate change.
- Impact funds: funds that invest in companies whose products and/or services have a positive impact on society and/or the environment.

2.1. Responsible funds

For the responsible funds, specific ESG and climate targets are set on portfolio level through ESG scores and carbon intensity scores. Since both companies and countries are in scope of this approach, a total of four objectives apply. The objectives as described below apply to all funds that invest directly in financial instruments. The funds for which different objectives apply are discussed in chapter 4 of this document, addressing the implementation of the methodology.

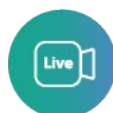
2.2. Promotion of responsible behaviour

Companies

KBC assigns to every company in a responsible fund an ESG Risk Score. The ESG Risk Score is a measure of the Environmental, Social and Governance (ESG) risk present in a company. To determine the rating, relevant material ESG issues for that subsector are considered, together with the quality of the management team of the company and possible ESG controversies the company faced in the recent past.

The ESG Risk Score for companies measures the difference between a company's exposure to ESG risks relevant to its sector and the extent to which a company covers these risks. The lower a company's ESG Risk Score is on a scale of 0 to 100, the less sustainability risk is present in the company. The ESG Risk Scores for companies are based on data from data provider Morningstar Sustainalytics.

Next to the exclusion of companies with a severe ESG risk (measured as an ESG Risk Score > 40), a responsible fund will promote best practices by having an overall ESG Risk Score which is 10% better than its benchmark. For portfolios without a benchmark, this target will be set versus the calculated value corresponding to the target allocation. External circumstances such as market movements and updates of ESG Risk Rating data can lead to investment solutions failing to achieve this target after which the investment solution will be adapted to again meet the target in a timing taking into account the best interest of the client. The ESG objective will be evaluated annually and possibly adjusted. The concrete ESG objectives per fund as well as the reference or benchmark against which these objectives are measured can be found in the following [overview](#), in the columns 'ESG Target' and 'ESG Target Reference or Benchmark'.





Countries

KBC assigns an ESG Score to every country in a responsible fund. Countries are evaluated on general environmental, social and governance themes. To calculate the ESG Score, each country is assessed against five groups of criteria, which are equally weighted:

1. overall economic performance and stability;
2. socio-economic development and health of the population;
3. equality, freedom and rights of the population;
4. environmental performance and ecological footprint;
5. security, peace and international relations.

The ESG Score for countries assesses how well the government policy of countries performs in terms of ESG. The higher the ESG Score for a country on a scale of 0 to 100, the more it is committed to sustainable development.

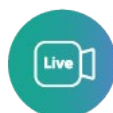
Next to the exclusion of the 10% worst scores, a responsible fund will promote best practices by having an overall ESG Score which is 10% better than the global bond benchmark² for EMU sovereign bonds and 5% better than the global benchmark for Global sovereign bond funds. The overall ESG Score for emerging markets sovereign bond funds can be max. 20% worse than the global benchmark. This allows us to incorporate the improvement potential of these countries versus the developed countries. For portfolios without a benchmark, the regional allocation will be based on the target allocation. External circumstances such as market movements and updates of ESG data can lead to investment solutions failing to achieve this target after which the investment solution will be adapted to again meet the target in a timing taking into account the best interest of the client. The ESG objectives will be evaluated annually and possibly adjusted. The concrete ESG objectives per fund as well as the reference or benchmark against which these objectives are measured can be found in the following [overview](#), in the columns 'ESG Target' and 'ESG Target Reference or Benchmark'.

TABLE 1: PORTFOLIO TARGETS ESG SCORE

Regional Focus	Portfolio target ESG score
EMU	At least 10% better than worldwide benchmark
Global / High Yield	At least 5% better than worldwide benchmark
Emerging Markets	Max. 20% worse than worldwide benchmark

For the Supranational bonds, the Responsible Investing research team will assign an ESG Score as a weighted average of member states, whereby the weights are determined by voting power, paid-in capital or % of population.

² The global bond benchmark has following composition: 67% Developed Markets: J.P. Morgan GBI Global Unhedged EUR and 33% Emerging Markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR





2.3. Mitigating climate change

Companies

Climate change is one of the biggest challenges in the 21st century. KBC aims to limit global warming through its responsible funds by reducing greenhouse gas emissions ('GHG emissions') through these investments.

As fossil fuels are identified as one of the most prominent sources of human induced GHG emissions, a strict divestment policy is applied to these. All companies in the energy sector are excluded as well as mining companies that mine thermal coal. In addition, only utilities that strive to achieve reliable, safe and low-carbon energy efficiency electricity are eligible for the responsible funds. An exception is foreseen for investments in green bonds of these companies, facilitating the energy transition. Climate change is however not limited to fossil fuel companies but involves the whole economy. Therefore a carbon intensity score, measuring greenhouse gas emissions per million of revenues, is calculated for all companies.

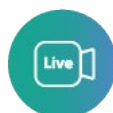
A company's carbon intensity reflects how many tons of CO₂ a company emits per million in US dollar sales (tCO₂e/\$M sales). The amount of tons of CO₂ emitted by a company is the sum of

- the direct CO₂ emissions as a result of the company's own activities (scope 1); and
- the indirect CO₂ emissions as a result of the generation of purchased electricity (scope 2)

The indirect CO₂ emissions as a result of activities of e.g. suppliers and customers (scope 3) are not included in the sum. The carbon intensity calculations are based on data provided by Trucost.

Within the responsible funds, the carbon intensity score based on scope 1 and 2 emissions is assigned to at least 90% of companies in the fund. Responsible funds commit to a 50% reduction path by 2030 versus the benchmark at end 2019. An immediate reduction of 30% is taken into account in 2019, followed by a 3% decrease on annual basis (see table 2). The weighted average of the portfolio will be constraint against this pathway. To calculate carbon intensity at the portfolio level, we take the weighted average of the carbon intensity of the positions in the fund. We do not take technical items such as cash and derivatives into account in this calculation and also leave out companies without data. The weights used in the calculation depend on the size of the positions in the fund, rescaled for these items without data. Those companies for which data is not available are included in the negative screening and given an overall ESG Risk Score. For portfolios without a benchmark, this target will be set versus the calculated value corresponding to the target allocation.

External circumstances such as market movements and updates of carbon intensity data can lead to failing to achieve this target pathway after which the investment solution will be adapted to again meet the target in a timing taking into account the best interest of the client. The carbon intensity targets will be monitored and evaluated on a yearly basis. The carbon intensity targets can be revised upward or downward. For example, if companies do not show sufficient progress in reducing their carbon intensity and if this cannot be compensated by portfolio optimization, we may be forced to revise the target upwards. It is also possible that at some point the carbon intensity will reach a lower level much faster





than expected. When companies make very good progress in terms of carbon intensity, we want to be able to follow that acceleration in the portfolio. In that case the target can be adjusted downwards. The concrete carbon intensity targets per fund as well as the reference or benchmark against which these targets are compared can be found in the following [overview](#), in the columns 'Carbon Intensity Target' and 'Carbon Intensity Target Reference or Benchmark'.

TABLE 2: REDUCTION PATH CARBON INTENSITY

Year	Target relative versus end 2019 benchmark or target allocation
2019	70.0
2020	67.9
2021	65.9
2022	63.9
2023	62.0
2024	60.1
2025	58.3
2026	56.6
2027	54.9
2028	53.2
2029	51.6
2030	50.1

Via the collective engagement initiative Climate Action 100+ KBC stimulates systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition to help achieve the goals of the Paris Agreement.

Principal adverse impacts (PAI)

Funds with a carbon intensity reduction target (Responsible funds) that invest in companies, take due account of adverse effects on sustainability factors (Principal Adverse Impact as defined by SFDR) under the 'greenhouse gas emissions' theme in Table 1, Indicator 3: greenhouse gas intensity of companies.

Countries

Similar to the corporate assets, KBC aims to limit global warming through its responsible funds by reducing greenhouse gas emissions ('GHG emissions') within its sovereign investments.

For all sovereigns, a carbon intensity score is calculated, measuring GHG emissions (territorial + direct & indirect imported emissions) per million of GDP.

The CO2 intensity of a country indicates how many tons of CO2 a country emits per million of Gross Domestic Product in US dollars (tCO2e/\$M GDP). The amount of tons of CO2 a country emits is the sum of:



- the CO2 emissions resulting from the domestic production of goods and services for domestic consumption as well as exports; and
- the CO2 emissions resulting from the import of goods and services, going back to the country of origin.

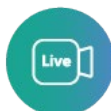
We take the broad approach of a government as a regulator of all economic activities in its territory. We measure territorial emissions and emissions related to imports as reported by PRIMAP. The PRIMAP dataset combines several published datasets to create a comprehensive set of greenhouse gas emission pathways. The GDP figures in million USD are based on data from the International Monetary Fund (IMF).

Within the responsible funds, the carbon intensity score is assigned to at least 90% of assets in the fund, excluding cash, derivatives and items without data. To calculate carbon intensity at the portfolio level, we take the weighted average of the carbon intensity of the positions in the fund. The weights used in the calculation depend on the size of the positions in the fund, rescaled for the items without data. Those countries for which data is not available are included in the negative screening and given an overall ESG score. For sovereign bonds, responsible funds commit to an improvement versus the current global bond benchmark³ carbon intensity score. This improvement is depending on the regional allocation, which is determined by the benchmark or target allocation. EMU sovereign bond investment solutions commit to a 25% improvement and global bond investment solutions commit to a 10% improvement. The carbon intensity score for emerging markets sovereign bond funds can be max. 100% worse than that of the global benchmark. This allows us to incorporate the improvement potential of these countries. External circumstances such as market movements and updates of carbon intensity data can lead to failing to achieve this target after which the investment solution will be adapted to again meet the target in a timing taking into account the best interest of the client. The carbon intensity targets will be monitored and evaluated on a yearly basis. Targets can be revised upward or downward. The concrete carbon intensity targets per fund as well as the reference or benchmark against which these targets are compared can be found in the following [overview](#), in the columns 'Carbon Intensity Target' and 'Carbon Intensity Target Reference or Benchmark'.

TABLE 3: PORTFOLIO TARGETS CARBON INTENSITY

Regional focus	Portfolio target Carbon Intensity
EMU	At least 25% better than global benchmark
Global / High Yield	At least 10% better than global benchmark
Emerging Markets	Max. 100% worse than global benchmark

³ The global bond benchmark has following composition: 67% Developed Markets: J.P. Morgan GBI Global Unhedged EUR and 33% Emerging Markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR





In addition to the carbon intensity objectives on portfolio level, KBC will not invest in sovereigns from countries which are not part of the Paris Agreement.

For the Supranational bonds, the Responsible Investing research team will assign a Carbon Intensity score as a weighted average of member states, whereby the weights are determined by voting power, paid-in capital or % of population.

Principal adverse impacts (PAI)

Funds with a carbon intensity reduction target (Responsible funds) that invest in government bonds, take due account of adverse effects on sustainability factors (Principal Adverse Impact as defined by SFDR) under the 'environment (countries)' theme in Table 1, Indicator 15: greenhouse gas intensity of countries.

2.4. ECO-thematic funds

The purpose of ECO-thematic funds is to provide an answer to a specific environmental or social problem. To be eligible for these funds, a company must make a sustainable contribution to solving such a problem.

At KBC, we distinguish three ECO-thematic funds:

- Water: water and wastewater facilities, water treatment technology, consultancies active in environmental management
- Alternative energy: development of solar energy, wind energy and biofuels
- Climate change: companies active in water, alternative energy, energy savings, recycling and waste processing

The composition of the universe starts with a screening for theme relevance. Companies must be active within a given theme for at least 10%. In addition, a theme relevance target of min. 50% is set at portfolio level. This is calculated as the weighted average of the individual turnover figures.

2.5. Impact funds

The Impact funds focus on companies that have a direct positive impact on society or the environment with their products and/or services. The economic and social progress as well as the environmental protection are assessed. For the companies in these funds, the progress in the proposed social goals is measured and evaluated on an annual basis.

3. Sustainable development

In addition to passing the negative screening and meeting some specific ESG objectives, the Responsible Investing funds will also contribute to sustainable development by investing in instruments that contribute to the UN Sustainable Development Goals and/or green, social and sustainability bonds. In addition, the Responsible Investing Advisory Board can also award the "sustainable development" label to companies.

In order to label an investment as 'sustainable', the investments need to comply with the definition of 'sustainable investment' as specified in article 2(17) of the Sustainable Finance





Disclosure Regulation (SFDR). The SFDR defines a sustainable investment as an objectively measurable 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 negative screening common to Responsible Investing assures good governance principles whereas the positive screening is dependent on the methodology described below. KBC AM will consider bonds from both government-related institutions and companies financing green and/or social projects and all instruments from companies supporting the UN Sustainable Development Goals as a sustainable investment.

3.1. Green, Social & Sustainability bonds

Green, social & sustainability bonds are bonds for which the proceeds will be used to finance a predetermined ESG project. We distinguish between:

- Green bonds: for financing projects with a positive impact on the environment. For example, the purchase of solar panels.
- Social bonds: to finance projects with a positive impact on society. For example, social housing or the expansion of care capacity.
- Sustainability bonds: to finance projects with a positive impact on both the environment and society.

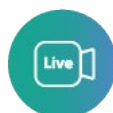
Both companies and governments can issue these types of bonds. To be recognized by KBC as a green, social or sustainability bond, the bonds must comply with the use of proceeds principles of the International Capital Market Association (ICMA) and have an external verification of this compliance, to make sure that the bonds comply with the SFDR definition of a sustainable investment. Through their positive impact, these bonds will contribute to sustainable development and carry the label "sustainable development".

In order to stimulate progress on sustainability themes, our responsible funds commit to invest at least 10% of the corporate bond part and at least 10% of the sovereign part of the portfolio in green, social and sustainability bonds. The concrete sustainability targets per fund can be found in the following [overview](#), in the column 'Sustainability Targets'.

As mentioned before, companies involved in fossil fuels are excluded from Responsible Investing. However, in order to support companies in their transition to a more sustainable future, an exception is granted for green bonds issued by companies that were excluded solely on the basis of the fossil fuel policy.

Instruments of issuers that are labeled "sustainable development" in this way we will count as "sustainable investment" as specified in article 2(17) SFDR⁴.

⁴ See column 'minimum % sustainable investments SFDR on fund level' in the summary table under section 4.3.





3.2. Supporting the UN Sustainable Development Goals

The Sustainable Development Goals ("SDGs") were set up in 2015 by the United Nations as a blueprint to achieve a better and more sustainable future for all people and the world by 2030. There are in total 17 SDGs, covering both social goals and environmental goals.



Source: [THE 17 GOALS | Sustainable Development \(un.org\)](https://www.un.org/sustainabledevelopment/)

Within the responsible funds we want to support companies that stimulate sustainable development by committing that at least 60% of corporate investments are linked to companies that help to improve the world. These are companies that are aligned with at least one of the first 15 UN Sustainable Development Goals (score ≥ 2) while not being misaligned with any of these SDGs (score ≤ -2), or corporate green, social or sustainability bond issuances. SDG 16 (Peace, justice and strong public services) and SDG 17 (Partnership to achieve goals) are not included in our assessment because these are not easily measured for companies and more relevant for governments. The concrete sustainability targets per fund can be found in the following [overview](#), in the column 'Sustainability Targets'.

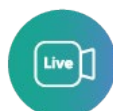
The assessment of the alignment with the UN SDG scores is based on the MSCI5 Net Alignment Score, which is taking into account the alignment on the product & services level as well as the alignment on the operational level of the company. The Net Alignment Score ranges between -10 and +10 on every SDG and can be divided into 5 categories: Strongly misaligned (-10), Misaligned ($-10 < \text{score} \leq -2$), Neutral ($-2 < \text{score} < 2$), Aligned ($2 \leq \text{score} \leq 5$) and Strongly Aligned ($5 < \text{score} \leq 10$).

Note that as part of the negative screening, companies that are strongly misaligned with one of the first 15 SDGs are excluded from Responsible Investing funds.

Instruments of issuers that are labeled "sustainable development" in this way we will count as "sustainable investment" as specified in article 2(17) SFDR⁶.

⁵ See MSCI disclaimer at the end of this document

⁶ See column 'minimum % sustainable investments SFDR on fund level' in the summary table under section 4.3.





3.3. Countries contributing to sustainable development

Within the responsible funds, we want to support countries that stimulate sustainable development by committing that at least 60% of sovereign related instruments are aligned with our in-house country and supranational screening methodology. The methodology is based on the country screening model that is used for the calculation of the ESG score of countries. The model assesses how well the government policy of countries performs in terms of ESG. The UN Sustainable Development Goals are integrated in this model. The higher the ESG score for a country on a scale of 0 to 100, the more it is committed to sustainable development.

In this model, 110 developed and emerging markets countries are evaluated on general environmental, social and governance themes. To calculate the ESG score, each country is assessed against five equally weighted groups (pillars) of criteria (each scored on a scale of 0 to 100). The ESG score is the arithmetic mean of these five pillar scores:

1. Overall economic performance and stability;
2. Socio-economic development and health of the population;
3. Equality, freedom and rights of the population;
4. Environmental performance and ecological footprint;
5. Security, peace and international relations.

In order to be considered as contributing to sustainable development, a country should meet the following two conditions:

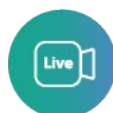
- The country is ESG aligned: it has a score of at least 80 on one of the five pillars and does not receive a score of 50 or less for any other pillar;
- The country is not excluded: it is not among the 50% most controversial regimes AND it does meet the criteria on respecting the sustainable principles AND it is not among the worst scoring 10% countries of the universe.

In order for a supranational organization to be considered as contributing to sustainable development, it must meet one of the following conditions:

- More than 50% of the shareholders are labelled as sustainable countries (weighted according to voting power/paid-in capital/% of population (in order of availability)) OR
- The supranational has a sustainable goal in its mission statement and less than 50% of the shareholders are countries with controversial regimes (weighted according to voting power/paid-in capital/% of population (in order of availability)).

Instruments of issuers that are labeled "sustainable development" in this way we will count as "sustainable investment" as specified in article 2(17) SFDR⁷.

⁷ See column 'minimum % sustainable investments SFDR on fund level' in the summary table under section 4.3.





3.4. Advice from the Responsible Investing Advisory Board

The Responsible Investing Advisory Board can also award the "sustainable development" label to companies. These include companies for which there is no data on the sustainable development goals and for which the Board is convinced that the company contributes to sustainable development. The manual assessment of the sustainable nature of an investment by the Responsible Investing Advisory Board will take into account the principles of the sustainable investment definition, as outlined by the SFDR.

Instruments of issuers that are labeled "sustainable development" in this way we will count as "sustainable investment" as specified in article 2(17) SFDR⁸ and will also be counted as "aligned with the United Nations SDGs" in the sustainable objectives at fund level⁹.

3.5. Fund targets for sustainable development

To support companies and countries in their transition to a more sustainable world, Responsible Investing funds commit to investing a minimum percentage in companies and countries that carry the "sustainable development" label.

The table below shows where KBC sets the bar for each type of Responsible Investing fund. The Responsible funds commit to have at least 60% of corporate investments and at least 10% of sovereign related investments in (sub-)sovereigns and supranationals labeled as sustainable. The ECO-thematic and Impact Investing funds commit to have 100% of corporate investments labelled as sustainable. External circumstances such as market movements and updates ESG screenings can lead to investment solutions falling below this target after which the investment solution will be adapted to again meet the target in a timing taking into account the best interest of the client. The concrete sustainability targets per fund can be found in the following [overview](#), in the column 'Sustainability Targets'.

TABLE 4: PORTFOLIO TARGETS SUSTAINABLE DEVELOPMENT

	Companies	Countries
Responsible funds	At least 60% of the companies, including 10% in green, social and sustainability bonds within the corporate bond part.	Min. 10% sustainable assets through green, social and sustainability bonds+ Min. 60% government-related investments that contribute to sustainable development based on internal screening model
ECO-thematic funds	100% of the companies	Not applicable
Impact funds	100% of the companies	Not applicable

⁸ See column 'minimum % sustainable investments SFDR on fund level' in the summary table under section 4.3.

⁹ See column 'sustainability targets' in the summary table under section 4.3.





4. Implementation in the different types of funds

4.1. Implementation in the responsible funds

Each of the objectives for ESG, carbon intensity or sustainable development is defined at the portfolio level. The ESG (risk) scores and carbon intensity is calculated as the weighted average score of the underlying companies or countries in the fund, for which data is available.

The objectives, as summarized in the table below, apply to all responsible funds that invest directly in financial instruments. Technical items such as cash and derivatives are not taken into account for the calculation of these targets. For fund-of-funds, all building blocks must meet these requirements. On the fund level of fund-of-funds, different ESG and carbon intensity targets, split for corporate and sovereign investments, will apply as well as the sustainable development target.

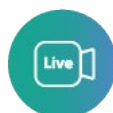
TABLE 5: SUMMARY PORTFOLIO TARGETS RESPONSIBLE FUNDS

	Companies	Countries
Promoting sustainable policies	ESG Risk Rating of portfolio 10% better than benchmark or target allocation	ESG score of portfolio min. 10% better than global benchmark for EMU funds, min. 5% better for global funds and max. 20% worse for emerging markets
Limiting the impact of climate change	Carbon intensity reduction of 50% by 2030 vs end 2019 benchmark or target allocation based on at least a 90% coverage	Carbon intensity min. 25% better than global benchmark for EMU funds, min. 10% better for global funds and max. 100% worse for emerging markets, based on at least 90% coverage
Supporting sustainable development	At least 60% investments in SDG aligned companies, including 10% in green, social and sustainability bonds within the corporate bond part.	Min. 10% investments in green, social and sustainability bonds + Min. 60% government-related investments that contribute to sustainable development based on internal screening model

4.2. Different targets for specific funds

This document does not contain any investment advice, only a summary of certain fund characteristics such as ESG objectives. Detailed information on these funds, the terms and conditions, and the associated risks can be found in the prospectus, the key information document and periodic reports (for UCIs) or in the management rules and key information document (for unit-linked life insurance products). The fund's net asset value can be viewed at www.kbc.be/fundfinder and elsewhere.

Please review the key information document and prospectus (for UCIs) or the key information document and management rules (for unit-linked life insurance products) before deciding to invest in any of these funds. These documents are available free of charge in Dutch and English from your KBC or CBC branch or at www.kbc.be/investment-legal-documents, where you can also view a summary of your rights as an investor. This summary is available in Dutch, English, French and German.





Some funds will have a slightly different set of targets, due to the particular characteristics of these funds.

As such, money market funds commit that the corporate investments will be 100% aligned with the UN sustainable development goals. The ESG and carbon intensity targets don't apply for the corporate investments. There will be no target for green, social & sustainability bonds as these are not relevant considering the short investment horizon of the money market funds. For these funds, there is no sustainable development target applied on fund level as the level of sustainable investments may vary significantly with the asset allocation.

For non-EMU single currency funds the ESG and carbon intensity targets are dependent on the respective regions (see table 1 for ESG targets and table 3 for carbon intensity target). There is a different development target for these funds as there are currently no suitable green, social and sustainable bonds available. The market evolution will be closely monitored in order to include green, social and sustainable bonds as soon as they become a viable option, taking into account the liquidity and risk profile

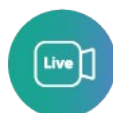
For Hungarian and Czech funds that invest in sovereign bonds, there will be no target for green, social & sustainability bonds as there are currently no suitable ones available. The market evolution will be closely monitored in order to include green, social and sustainable bonds as soon as they become a viable option, taking into account the liquidity and risk profile.

The IN.flanders Employment Fund Responsible Investing commits to invest for at least 60 % in sustainable assets. This fund will not have an ESG, nor carbon intensity target on fund level, due to the unique characteristics of the fund. This fund promotes employment in Flanders.

For the ECO-thematic funds, a sustainable development target of 100% is set on portfolio level, meaning that 100% of the companies in the fund must be labelled as sustainable. These funds do not have an ESG, nor carbon intensity target on fund level.

The Impact funds only invest in sustainable companies and therefore have a sustainable development target of 100% on fund level. These funds do not have an ESG, nor carbon intensity target on fund level, due to the unique characteristics of these funds.

To reflect the specific theme related characteristics of the sub-funds We Care Responsible Investing, We Shape Responsible Investing, We Digitize Responsible Investing, We Like Responsible Investing and We Live Responsible Investing of KBC Equity Fund, a unique starting point will apply for the calculation of the carbon intensity reduction path, which can be higher or lower than the benchmark. However, each of the funds also commit to a 50% reduction path by 2030, versus the starting point end 2019, with an immediate reduction of 30% taken into account in 2019. The weighted average of the portfolio will be constraint against this pathway.





4.3. Overview of the ESG, carbon intensity & sustainable development targets per fund

The targets for all the different funds (UCI) at KBC Asset Management are listed in the following [overview table](#).

The targets for all the different funds (Branch 23) at KBC Insurance are listed in the following [overview table](#).

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