

Оповестявания, свързани с устойчивостта KBC Equity Fund We Care Responsible Investing

Обобщение

Подфондът насърчава комбинацията от екологични и/или социални характеристики и въпреки че няма за цел устойчиви инвестиции, той ще инвестира минимален дял от активите в икономически дейности, които допринасят за постигането на екологични или социални цели („устойчиви инвестиции“). Поради това подфондът се задължава да инвестира поне 50.00% от активите в „устойчиви инвестиции“, както е определено в член 2.17 от Регламента относно оповестяването на информация за финансирането за устойчиво развитие („SFDR“).

Компаниите, в които подфондът инвестира, трябва да следват добри практики на управление.

Подфондът преследва отговорни инвестиционни цели въз основа на дуалистичен подход: отрицателен преглед и методология за положителен подбор.

Чрез отрицателния преглед подфондът предварително изключва от вселената на отговорните инвестиции компании, които са в нарушение на политиката за изключване. Тези принципи на отрицателния преглед не са изчерпателни и могат да бъдат променяни под надзора на Консултативния съвет за отговорно инвестиране.

Подфондът ще насърчава интегрирането на устойчивото развитие в управленските решения на компаниите, като предпочита предприятията с по-добра ESG оценка на риска. Тази оценка представлява обобщената оценка на оценките на даден емитент по отношение на общите екологични, социални и управленски теми.

ESG оценката на риска на портфейла за компаниите се сравнява с референтната стойност.

Подфондът ще насърчава смекчаването на последиците от изменението на климата, като предпочита компании с по-нисък интензитет на парниковите газове, с цел постигане на предварително определена цел за интензитет на парниковите газове.

Подфондът ще подкрепя и устойчивото развитие, като включва компании, които допринасят за постигането на целите на ООН за устойчиво развитие.

Устойчивите инвестиции ще се състоят от облигации, финансиращи екологични и/или социални проекти, и инвестиции в емитенти, допринасящи за постигането на Целите за устойчиво развитие на ООН, плюс инструменти, присъдени с етикета „устойчиво развитие“ от KBC Asset Management NV по препоръка на Консултативния съвет за отговорно инвестиране.

Целите на ООН за устойчиво развитие включват, както социални, така и екологични цели.

Счита се, че компаниите допринасят за устойчивото развитие, когато поне 20% от приходите им са свързани с Целите на ООН за устойчиво развитие.

Чрез Политиката за изключване за фондове за отговорно инвестиране, и по-специално чрез нормативен скрининг и ESG оценка на риска, за инструментите, емитирани от компании, се вземат предвид всички показатели за основното неблагоприятно въздействие на инвестиционните решения върху факторите за устойчивост, изброени в таблица 1 от приложение 1 към Делегиран регламент 2022/1288, както и съответните показатели за основното неблагоприятно въздействие на инвестиционните решения върху критериите за устойчивост в таблици 2 и 3 от приложение 1 към Делегиран регламент 2022/1288.

В допълнение към нормативния скрининг и оценката на риска, свързан с ESG, чрез методологията за положителен подбор по отношение на въглеродния интензитет и изключенията в политиката за изключване на отговорни инвестиционни фондове, за всички инвестиции на този подфонд се разглеждат и следните показатели за неблагоприятно въздействие върху факторите на устойчивостта, както следва:

- **Показател 3:** Дружествата, в които се инвестира, отчетат интензивността на емисиите на парникови газове чрез целта за намаляване на въглеродния интензитет на дружествата.
- **Показател 4:** експозицията към компании за изкопаеми горива се взема предвид, като не се инвестира в компании за изкопаеми горива.
- **Показател 7:** дейностите, които оказват отрицателно въздействие върху чувствителни към биоразнообразието райони, се вземат предвид, тъй като подфондът не инвестира в компании, които имат големи или сериозни противоречия, свързани с използването на земята и биоразнообразието, както и в компании с дейности, които оказват отрицателно въздействие върху биоразнообразието и които не предприемат достатъчно мерки за намаляване на въздействието си.
- **Показател 10:** Нарушенията на принципите на Глобалния договор на ООН или на Насоките на Организацията за икономическо сътрудничество и развитие (ОИСР) за многонационалните предприятия се вземат предвид, като не се инвестира в компании, които сериозно нарушават принципите на Глобалния договор на ООН или на Насоките на ОИСР.
- **Показател 14:** излагането на противоречиви оръжия (противопехотни мини, касетъчни боеприпаси, химически и биологични оръжия) се взема предвид, като не се инвестира в компании, работещи в областта на противоречивите оръжия.

В допълнение, основните неблагоприятни въздействия върху факторите за устойчивост се вземат предвид чрез Политиката за гласуване и ангажиране чрез пълномощник на KBC Asset Management NV.

Подфондът може да инвестира в ценни книжа, инструменти на паричния пазар, дялове в предприятия за колективно инвестиране, депозити, финансови деривати, ликвидни активи и всички други инструменти, доколкото това е разрешено от приложимите закони и разпоредби и съответства на целта, описани в проспекта.

В рамките на тези категории допустими активи, подфондът се стреми да инвестира поне 95% от активите си

в активи, които насърчават екологични или социални характеристики.

Следователно подфондът ще инвестира максимум 5% от активите си в технически инвестиции, като парични средства и деривати, и активи, в които подфондът временно инвестира след планирана актуализация на допустимата съвкупност, която определя кои активи насърчават екологични и/или социални характеристики, за които няма екологични или социални гаранции.

Не е определен референтен бенчмарк за целите на постигане на екологичните и/или социалните характеристики, насърчавани от този подфонд. Екологичните или социалните характеристики на подфонда се наблюдават чрез правила за съответствие преди и след сключването на сделката във вътрешните процеси на KBC Asset Management NV.

За постигане на екологичните или социалните характеристики на подфонда се използват различни източници на данни, като MSCI, Morningstar Sustainalytics, S&P Trucost и Bloomberg. За целите на надлежната проверка за всеки източник могат да бъдат извършени няколко проверки, за да се гарантира качеството на данните. За да обработи данните, KBC Asset Management NV, наред с другото, разчита на механизъм за обобщаване на данни в областта на ESG. Този механизъм за обобщаване на данни в областта на ESG събира данни за ESG от външни източници на данни (като Morningstar Sustainalytics, Trucost и MSCI), както и данни за ESG от вътрешни проучвания на KBC. Върху тези събрани данни механизмът за обобщаване на данни в областта на ESG извършва проверки на качеството и след това ги причислява, като взема предвид капиталовата им структура, към Сферата на интереси на KBC Asset Management NV. За да обработи данните за ESG и да определи отговорните емитенти, KBC Asset Management NV е разработило вътрешни инструменти и модели. Принципите на нашата методология се представят на Консултативния съвет за отговорно инвестиране, а резултатите от нашите модели се представят на Комитета за финансов риск на KBC Asset Management NV.

Като част от инвестиционната си стратегия, KBC Asset Management NV изпълнява правата на глас на акциите, управлявани от фондовете, съгласно Политиката за гласуване и ангажиране чрез пълномощник.

Потенциалните ограничения на методологията за отговорно инвестиране включват зависимостта от външни доставчици на данни и тяхната оценка на характеристиките на ESG и съответствието с Целите за устойчиво развитие на ООН, както и забавянето на отразяването на нови данни, тъй като оценките отразяват минали събития. KBC Asset Management NV ежегодно преразглежда методологиите си и доставчиците на данни, за да следи развитието и да бъде в тясно съответствие с избраните принципи за отговорно инвестиране, които прозрачно съобщава на своите клиенти.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. However, it will invest a minimum proportion of 50% of the assets in economic activities that contribute to achieving environmental or social objectives ('sustainable investments').

The sustainable investments that the sub-fund partially intends to make do not cause significant harm to the sustainable investment objective due to negative screening.

The sub-fund takes into account all indicators for the principal adverse impacts of the investment decisions on sustainability factors as listed in Table 1 of Annex 1 of the Delegated Regulation (EU) 2022/1288 and the relevant indicators for the principal adverse impacts of the investment decisions on sustainability factors in Tables 2 and 3 of Annex 1 of the Delegated Regulation 2022/1288 through the negative screening.

Through the negative screening the sub-fund excludes companies in advance from the Responsible Investment universe which fall foul of the exclusion policies.

The application of these policies means that companies involved in activities such as fossil fuels, the tobacco industry, arms, gambling and adult entertainment are excluded from the sub-fund's investment universe. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenues from the production or 10% of their revenues from the sale of fur or special leather, are excluded. The negative screening also ensures that issuers based in countries that encourage unfair tax practices, that seriously violate fundamental principles of environmental protection, social responsibility and good governance (through the normative screening, through a poor ESG risk rating, due to involvement in unsustainable countries by not meeting the sustainability criteria and controversial regimes, due to severe controversies related to water emissions, pollution or waste and gender diversity and due to high or severe controversies in the context of activities that have a negative impact on biodiversity and for which insufficient measures are taken to reduce their impact) are excluded from the sub-fund's investment universe.

These negative screening principles are not exhaustive and may be adapted on advise of the Responsible Investing Advisory Board.

Through the exclusion policy for responsible investment funds, and in particular through the normative screening and ESG risk assessment, all indicators for the principal adverse impacts of the investment decisions on sustainability factors as listed in Table 1 of Annex 1 of the Delegated Regulation 2022/1288 as well as the relevant indicators for the principal adverse impacts of the investment decisions on sustainability factors in Tables 2 and 3 of Annex 1 of the Delegated Regulation 2022/1288, are taken into account for instruments issued by companies. The sub-fund does not invest in companies that seriously violate the Principles of the United Nations Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. All companies involved in serious controversies related to environmental, social or good governance issues are excluded as well. Also excluded are companies with an ESG risk rating of more than 40 according to data provider Sustainalytics.

On top of the normative screening and the ESG risk assessment, using the positive selection methodology regarding greenhouse gas intensity and the exclusions in the exclusion policy for responsible investment funds, the following indicators for adverse impacts on sustainability factors are also taken into account as follows for all investments of this sub-fund:

- **Indicator 3:** greenhouse gas ('GHG') intensity of investee companies is taken into account through the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** exposure to companies active in the fossil fuel sector is taken into account as the does not invest in companies that are active in the fossil fuel sector.
- **Indicator 7:** Activities negatively affecting biodiversity-sensitive areas are taken into account as the does not invest in companies that have high or severe controversies related to Land Use and Biodiversity as well as companies with activities that have a negative impact on biodiversity and that don't take sufficient measures to reduce their impact.
- **Indicator 10:** Violations of the United Nations Global Compact (UNGC) Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises is taken into account as the does not invest in companies that seriously violate UNGC principles or OECD guidelines.
- **Indicator 14:** exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) is taken into account as the sub-fund does not invest in companies that are active in controversial weapons.

In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through the Proxy Voting and Engagement Policy of KBC Asset Management NV.

A complete overview of the indicators for adverse impacts on sustainability factors that the sub-fund can take into account is included in Annex 1 of Delegated Regulation (EU) 2022/1288.

Companies seriously violating the basic good practices in terms of environmental, social and governance issues, as assessed by the UN Global Compact Principles, are excluded from the sub-fund. The United Nations Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which are part of the internal screening. In addition, KBC Asset Management NV assesses the companies' involvement in violations of the International Labour Organization's (ILO) Conventions, the OECD Guidelines for multinational enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund commits to respect the letter and the spirit of the United Nations Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight International Labour Organisation core conventions as set out in the Declaration on Fundamental Principles and Rights at Work; the UN Declaration on the Rights of Indigenous Peoples; the UK Modern Slavery Act and other international and regional human rights treaties containing internationally recognised standards by which the business sector must abide.

KBC Asset Management NV assesses all companies on the 'Human Rights List' of KBC Group as well as all companies meeting the criteria below:

- a high or severe controversy score related to Human Rights, for subindustries for which Human Rights are considered a high or severe risk;
- a severe controversy score related to Human Rights, for all other subindustries.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to selling positions. More information on the Policy on Human Rights can be found at www.kbc.com/en/corporate-sustainability/setting-rules-and-policies > Limiting our adverse impact > KBC group Sustainability Policies > Human Rights, UN Global Compact and Modern Slavery Act > KBC Group Policy on Human Rights.

Environmental or social characteristics of the financial product

This sub-fund:

- promotes the integration of sustainability into the policy decisions of companies by preferring companies with a better ESG riskscore;
- promotes climate change mitigation by preferring companies with lower greenhouse gas intensity, with the objective of meeting a predetermined greenhouse gas intensity target;
- supports sustainable development through 'sustainable investments' in accordance with art. 2(17) SFDR.

Sustainable investments will consist of investments in companies contributing to the achievement of the UN Sustainable Development Goals plus instruments awarded the 'sustainable development' label by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board.

More information on the sub-fund's objectives can be found at on www.kbc.be/investment-legal-documents > Investment policy for Responsible Investing funds > Overview table.

Investment strategy

The general investment strategy of the sub-fund is described in the prospectus under section 2. Investment information of title "Information concerning the sub-fund We Care Responsible Investing".

Within the limits, as described in the general investment strategy, the sub-fund pursues responsible investment objectives based on a dualistic approach: a negative screening and a positive selection methodology.

The sub-fund promotes a combination of environmental and/or social characteristics and, even though it does not have sustainable investments as an objective, it shall invest a minimum proportion of its assets in economic

activities that contribute to the achievement of social objectives (i.e. 'sustainable investments').

The companies in which it invests must follow good governance practices.

It cannot be ruled out that very limited investments may be made temporarily in assets that no longer contribute to achieving environmental or social objectives promoted by the sub-fund.

Among other things, this can be due to external circumstances, erroneous data, corporate events, and updates to the screening criteria. In these cases, the assets concerned will be replaced with more appropriate assets as quickly as possible, always taking into account the sole interest of the investor. More information can be found in the prospectus under possible exceptions as described in section 2. Investment information of title 'Information concerning the sub-fund We Care Responsible Investing'.

In addition, compliance of the eligible responsible universes is ensured at all times through the use of compliance rules enforced in the front office system.

The negative screening and positive selection methodology are the binding elements in the selection of investments to achieve each of the environmental or social characteristics promoted by the sub-fund.

As indicated above, the result of the negative screening means that the sub-fund excludes in advance companies from the universe of responsible investments that are in breach of the exclusion policy applicable for this sub-fund.

The positive selection methodology

The sub-fund will promote the integration of sustainability into the policy decisions of companies by preferring companies with a better ESG risk score and promote climate change mitigation, by preferring companies with lower greenhouse gas intensity, with the goal of meeting a predetermined greenhouse gas intensity target. The sub-fund will also support sustainable development, by including companies that contribute to the UN Sustainable Development Goals.

The sub-fund's targets are available at www.kbc.be/investment-legal-documents > Investment policy for Responsible Investing funds > Overview table.

The four principles regarding good governance practices, i.e. i) sound management structures, ii) employee relations, iii) remuneration of staff and iv) tax compliance, are taken into account in the negative screening, whereby the sub-fund excludes companies that violate the exclusion policies. In addition to excluding companies involved in certain activities, this screening also ensures that companies who seriously violate fundamental principles of environmental protection, social responsibility and good governance are excluded through the assessment of controversies and by evaluating companies based in countries that encourage unfair tax practices.

Companies are assigned an ESG risk score. The indicators used in this assessment vary depending on the company's subsector, but good governance is always taken into account. Companies with an ESG risk score higher than 40, based on data from the data provider Sustainalytics, are excluded. Ad-hoc exclusions or deviations can be applied to certain companies on the advice of the Responsible Investing Advisory Board.

Proportion of investments

The sub-fund may invest in securities, money market instruments, units in undertakings for collective investment, deposits, financial derivatives, liquid assets and all other instruments insofar as permitted by the applicable laws and regulations and consistent with the object as described in the prospectus under title "Information concerning the sub-fund We Care Responsible Investing".

Within these categories of eligible assets, the sub-fund aims to invest at least 95.00% of the assets in assets that promote environmental or social characteristics.

Corporate investments in issuers passing the negative screening and contributing to at least one specific positive selection Responsible Investing methodology are considered as 'assets promoting environmental and social characteristics'.

(Term) deposits are classified as 'promoting environmental and social characteristics' if the counterparties pass the exclusion policy for conventional and Responsible Investing funds and the exclusion policy for Responsible Investing funds, and are net aligned with at least one of the first fifteen UN Sustainable Development Goals. These counterparties are net aligned with the first 15 UN Sustainable Development Goals if they have at least one +2 Net Alignment Score on any of the first 15 SDGs at MSCI.

More information on the MSCI Net Alignment Score can be found in the investment policy for Responsible Investing funds which is available on www.kbc.be/investment-legal-documents > Investment policy for Responsible Investing funds.

Consequently, the sub-fund will invest a maximum of 5.00% of its assets in technical investments, such as liquidities and derivatives, and assets in which the sub-fund temporarily invests following a scheduled update of the eligible universe that determines which assets promote environmental and/or social characteristics, for which there are no environmental or social safeguards. The sub-fund may hold or invest in these types of assets to achieve its investment objectives, to diversify the portfolio, for liquidity management purposes and to hedge risks.

Derivatives are used to achieve investment objectives and to hedge risks as specified in title 'Permitted derivative transactions' as described in the prospectus under section 2. Investment information of title "Information concerning the sub-fund We Care Responsible Investing".

Investments in derivatives are not used to promote environmental or social characteristics and also will not affect them.

In addition, the sub-fund commits to invest at least 50.00% of the assets in 'sustainable investments with an social objective' as defined by art. 2(17) SFDR.

The objective with respect to sustainable investments for this sub-fund is equal to the sum of investments that are considered "sustainable" based on the published methodology on contributing to the achievement of the UN Sustainable Development Goals.

In addition, companies that have at least 20% of their revenues aligned with the EU Taxonomy Framework according to data from Trucost, are considered to contribute to sustainable development. Instruments of companies that meet these requirements are referred to as "sustainable investments," according to art. 2(17) SFDR. More information on the percentage in the portfolio that was considered "sustainable investments with an environmental objective aligned with the EU Taxonomy Framework" based on this criterion during the reporting period, can be found in the annual reports for this .

Monitoring of environmental or social characteristics

The environmental or social characteristics of the sub-fund is monitored by pre trade and post trade compliance rules in the internal processes of KBC Asset Management NV.

In addition, compliance of the eligible responsible universes is ensured at all times through the use of compliance rules enforced in the front office system.

Methodologies

(1) Indicators related to the ESG-risk score

The contribution to the integration of sustainability into policy decisions of the companies is measured based on an ESG risk score. This score represents the aggregated performance assessment of a given company with respect to general environmental, social and governance themes. The main factors underpinning the ESG criteria are:

- respect for the environment (e.g. reduction in greenhouse gas emissions);
- attention to society (e.g. employee working conditions); and
- corporate governance (e.g. independence and diversity of the board of directors).

At least 90% of the corporate investments in the portfolio, as measured by assets under management, must have an ESG risk score.

The ESG risk score is a measure of a company's environmental, social and governance (ESG) risks. To determine this score, relevant key ESG issues for the sub-sector in question are considered, along with the quality of the company's management team and any possible ESG controversies involving the company 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 hedges those risks. The lower a company's ESG risk score on a scale of 0 to 100, the less its sustainability risk. The ESG risk scores for companies are based on data supplied by data provider Sustainalytics.

In addition to excluding companies with a severe ESG risk (i.e. an ESG risk rating > 40), the sub-fund will promote best practices by using an overall ESG risk score that is better than the ESG risk score of the benchmark MSCI All Countries World - Net Return Index as described in the prospectus under the heading 'Information regarding the sub-fund We Care Responsible Investing'.

This list of factors underpinning the ESG criteria is not exhaustive and may be changed under the supervision of the Responsible Investing Advisory Board.

To calculate the ESG-risk score at portfolio level, the weighted average of the ESG-risk scores of the positions in the are taken into account. Technical items such as cash and derivatives are not taken into account and also companies for which no data is available are left out. The weights used in the calculation depend on the size of the positions in the sub-fund, rescaled for these items.

The ESG objectives will be evaluated annually and may be adjusted. External circumstances such as market movements and updates of data regarding the ESG-risk score can lead to investment solutions failing to achieve this objective. In that case the investment solution will be adapted to meet the objective again within a time frame that takes into account the client's best interest.

More information on the ESG-score and the sub-fund's concrete objectives can be found on www.kbc.be/investment-legal-documents > Investment policy for Responsible Investing funds > Overview table.

(2) Indicators related to the greenhouse gas intensity

The objective to promote climate change mitigation by preferring companies with lower greenhouse gas intensity in order to reach a predetermined greenhouse gas intensity objective, applies to at least 90% of the portfolio. The objective does not apply to companies for which data is not available.

The contribution of companies to climate change mitigation is measured based on their greenhouse gas intensity. Greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes CO2 equivalent) divided by revenues (in million USD).

The number of tonnes of greenhouse gas emitted by a company is the sum of:

- the direct greenhouse gas emissions resulting from the company's own activities (scope 1); and
- the indirect greenhouse gas emissions resulting from the generation of purchased electricity (scope 2).

The indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in the sum as this scope 3 data largely depends on assumptions and is not disclosed by companies. Greenhouse gas intensity calculations are based on data sourced from Trucost. Within the , the greenhouse gas intensity score based on scope 1 and scope 2 emissions is assigned to at least 90% of the companies in the sub-fund.

The sub-fund's target in terms of greenhouse gas intensity is assessed on two targets whereby the most strict of the two will determine the target applied: better than the benchmark MSCI All Countries World - Net Return Index as described in the prospectus under the title 'Information regarding the sub-fund We Care Responsible Investing' and a reduction of 50% of 75% of the benchmark value by 2030 compared to the benchmark MSCI All Countries World -

Net Return Index in 2019 as described in the prospectus under the title 'Information regarding the We Care Responsible Investing'. In order to reflect the specific thematic characteristics of this sub-fund, a unique starting point will apply to the calculation of the greenhouse gas intensity trajectory, which may be higher or lower than the benchmark (MSCI All Countries World - Net Return Index).

The unique starting point of the sub-fund is 75% of the value of this benchmark at the end of 2019.

An immediate 30% reduction will be introduced for 2019, followed by a 3% reduction on an annual basis. The weighted average of the portfolio will be compared to this pathway

Greenhouse gas intensity at the portfolio level is calculated based on the weighted average of the greenhouse gas intensity of the positions in the sub-fund. This calculation does not take technical items such as cash and derivatives into account, and companies without data are also excluded. The weights used in the calculation depend on the size of the positions in the sub-fund, rescaled for the items without data. The companies for which no data is available are included in the negative screening and could be given an overall ESG risk rating. External circumstances such as market movements and updates of data regarding the greenhouse gas intensity can lead to investment solutions not meeting this target trajectory. In that case the investment solution will be adapted to meet the trajectory again within a time frame that takes into account the client's best interest.

Greenhouse gas intensity targets are monitored and evaluated annually. The targets can be revised upwards or downwards. For example, if companies do not show sufficient progress in reducing their greenhouse gas intensity and if this cannot be compensated for through portfolio optimisation, KBC Asset Management NV may be forced to adjust the target upwards. It is also possible that at some point the greenhouse gas intensity will reach a lower level much faster than expected. When companies make very good progress in terms of greenhouse gas intensity, KBC Asset Management NV wants to be able to follow that acceleration in the portfolio. In that case the target can be adjusted downwards.

More information on the greenhouse gas intensity and the sub-fund's concrete objectives can be found on www.kbc.be/investment-legal-documents > Investment policy for Responsible Investing funds > Overview table.

(3) Indicators related to the UN Sustainable Development Goals

To support sustainable development, the sub-fund commits to invest a minimum proportion of the portfolio in companies that contribute to the achievement of the UN Sustainable Development Goals. The UN Sustainable Development Goals include both social and environmental objectives.

Companies are considered to contribute to sustainable development when at least 20% of the revenues are linked to the UN Sustainable Development Goals. The activities of the companies are assessed on multiple sustainable themes that can be linked to the UN Sustainable Development Goals.

In addition, KBC Asset Management NV can also award the "sustainable development" label to instruments, on the advice of the Responsible Investing Advisory Board.

Data sources and processing

Following data sources are used to attain the environmental or social characteristics of the sub-fund:

- The ESG Risk Scores for companies are based on data from data provider Morningstar Sustainalytics.
- The greenhouse gas intensity calculations for companies are based on data provided by S&P Trucost.
- The model to identify instruments that contribute to the UN Sustainable Development Goals is internal. It uses input from MSCI and Morningstar Sustainalytics, as well as the Responsible Investing Advisory Board.

For each source, several controls can be performed to ensure the data quality. These controls may include, and are not limited to, checks on a random sample of the dataset and on the outliers of the dataset. KBC Asset Management NV also runs some manual checks on the data set and makes comparisons to other data providers. To process the data, KBC Asset Management NV, among others, relies on an ESG Data Aggregator. This ESG Data Aggregator collects ESG data from external data sources (such as Morningstar Sustainalytics, S&P Trucost and MSCI), as well as ESG data from KBC internal research. On these collected data, the ESG Data Aggregator performs quality checks and then assigns them, taking into account their capital structure, to the Universe of Interest of KBC Asset Management NV. To process the ESG data and determine the responsible issuers, KBC Asset Management NV has developed internal tools and models. The output of these models is submitted to the Responsible Investing Advisory Board, and presented to the Financial Risk Committee of KBC Asset Management NV.

KBC Asset Management NV itself does not use estimates when processing the data. It is however possible that some of the data providers, that are listed above, may use estimates to compile the underlying data sets used by KBC Asset Management NV or that an estimate based on company disclosures or other data providers is used to adapt a doubtful outlier score.

Limitations to methodologies and data

Potential limitations to the Responsible Investing methodology include the dependence on external data providers and their assessment of ESG characteristics and alignment with the UN Sustainable Development Goals, and the delay in reflecting new data points as assessments reflect past events. This is considered an inherent limitation, as there is no universal definition of ESG characteristics, and judgement is required to interpret the severity of ESG controversies for example, and integrating future plans of issuers will lead to the introduction of a prediction error.

KBC Asset Management NV annually reviews its methodologies and data providers to monitor the evolutions, and to be closely aligned with the chosen Responsible Investing principles transparently communicated to its clients.

Due diligence

Responsible Investing funds invest in admitted issuers, i.e. issuers that have passed the negative screening based on the exclusion policies. More information regarding the exclusion policies applying to the sub-fund can be found at

www.kbc.be/investment-legal-documents > Exclusion policies for responsible investment funds.

The assessment of the issuers depend on a combination of data from the data providers of KBC Asset Management NV. This admitted status is updated regularly. Changes are subject to quality controls and presented to the Financial Risk Committee of KBC Asset Management NV.

To promote social and environmental characteristics, Responsible funds apply portfolio targets based on the data described in section Methodologies. As described previously, various controls may be performed to ensure the data quality linked to issuers. A such KBC Asset Management NV performs several mathematical checks through the model as regards to outliers, large variations from one period to another, missing data points etc. KBC Asset Management NV also runs manual checks on the data set and makes comparisons to other data providers.

Engagement policies

As part of its commitment to responsible investment, KBC Asset Management NV exercises the voting rights of the shares it manages in accordance with the Proxy Voting and Engagement Policy. More information can be found at www.kbc.be/investment-legal-documents > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy.

Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this sub-fund.

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