

Sustainability-related disclosures Optimum Fund World Selection 100-1 Advanced

Summary

The sub-fund invest in:

- bonds, deposits, money market instruments and other debt instruments (directly or indirectly through investments in SPVs) (the interest-bearing component), and;
- swaps (the derivative component).

The derivatives component is not considered in this document as it is neither sustainable investments nor the promotion of E/S characteristics.

The sub-fund promotes a combination of environmental and/or social characteristics and although it does not have sustainable investments as an objective, it will invest a minimum proportion of assets in economic activities that contribute to achieving environmental or social objectives. As such, the sub-fund commits to invest at least 10% of the assets in 'sustainable investments' as defined by art. 2 (17) SFDR.

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

The sub-fund pursues responsible investment objectives based on a dualistic approach: a negative screening and a positive selection methodology.

Through the negative screening the sub-fund excludes in advance issuers from the universe of responsible investments that are in breach of the exclusion policy. These principles of negative screening are not exhaustive and may be modified under the supervision of the Responsible Investing Advisory Board.

The sub-fund will support sustainable development through 'sustainable investments' in accordance with art. 2(17) SFDR.

Sustainable investments will consist of (i) bonds financing green and/or social projects and (ii) investments in governments, supranational debtors and/or agencies linked to governments contributing to the achievement of the UN Sustainable Development Goals plus instruments that have been awarded the 'sustainable development' label by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board.

The UN Sustainable Development Goals include both social and environmental objectives.

If a government scores sufficiently well on one of these pillars and not significantly poor on the other pillars, the bonds of this government and its sub-governments and agencies are considered to be instruments that contribute to the UN Sustainable Development Goals.

As regards the interest-bearing component 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 (directly or indirectly through investments in SPVs).

For investments in instruments issued by countries, 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 by excluding countries in the worst 10% according to the ESG rating model, and by excluding countries that do not comply with the sustainability criteria and are exposed to controversial regimes.

On top of the normative screening and the ESG risk assessment, using the exclusions in the exclusion policy for responsible investment funds, the following indicators for adverse impacts on sustainability factors are also taken into account with respect to investments in bonds; deposits and other debt instruments:

- **Indicator 4:** exposure to companies active in the fossil fuel sector is taken into account as the sub-fund 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 sub-fund 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 sub-fund 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.
- **Indicator 16:** Investee countries subject to social violations is taken into account as the sub-fund does not invest in (i) countries not complying with the sustainability criteria, and (ii) countries exposed to controversial regimes.

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.

Regarding the interest-bearing component, the positive selection methodology entails investing in the following asset categories, all of which are "sustainable investments" or promote a combination of environmental and/or social characteristics:

1. bonds financing green and/or social projects issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia or by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia ("sustainable investments")
2. debt instruments and money market instruments issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia whose issuers contribute to the UN Sustainable Development Goals ('sustainable investments')
3. deposits, money market instruments and/or debt instruments placed with or issued by financial institutions under the prudential supervision of and established in a Member State of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia. The issuers of these deposits and instruments will contribute to the UN Sustainable Development Goals ('promoting environmental and/or social characteristics')

In addition, the sub-fund will respect to the following objectives throughout the life of the sub-fund. The objectives are expressed with respect to the total value of the sub-fund, being the sum of the value of all assets in the sub-fund (including the derivative component). A minimum of 10% of the total value of the sub-fund will be invested in category 1, being bonds financing green and/or social projects, of which a minimum of 1% will be bonds financing green projects ('environmentally sustainable investments in economic activities not considered environmentally sustainable according to the EU taxonomy), and a minimum of 1% in bonds financing social projects ('socially sustainable investments with a social objective'). No minimum percentages apply to the above categories 2 and 3. Consequently, they can represent up to 90% of the total value of the sub-fund. It cannot be ruled out that there may be temporary very limited investment in assets that no longer contribute to achieving environmental or social objectives promoted by the sub-fund. This may be due to external circumstances, erroneous data, corporate events, and updates to screening criteria, among others.

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

Various different data sources are used to attain the environmental or social characteristics of the sub-fund, such as MSCI, Morningstar Sustainalytics, S&P Trucost, Bloomberg and internal research. For due diligence, several controls can be performed for each source to ensure the data quality. 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, 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 principles of our methodology are presented to the Responsible Investing Advisory Board, and the output of our models is presented to the Financial Risk Committee of KBC Asset Management NV.

As part of its investment strategy, KBC Asset Management NV executes the voting rights of shares managed in the funds, according to the Proxy Voting and Engagement Policy.

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. 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.

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 10.00% 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 issuers in advance from the Responsible Investment universe which fall foul of the exclusion policies.

The application of these policies means that:

- issuers involved in certain activities are excluded from the sub-fund's investment universe. A distinction can be made between issuers that are excluded if they exceed a certain turnover threshold in relation to specific activities, such as conventional weapons, fur and special leather, tobacco, gambling or adult entertainment, and those that are excluded outright because they are involved in specific activities, such as, controversial weapons, nuclear weapons, agricultural commodities or the mining of thermal coal, among others
- the sub-fund may nevertheless invest in companies involved in conventional weapons and/or nuclear weapons that exceed certain turnover thresholds, provided they are included on the whitelist as stated in the policy. The whitelist is a list drawn up by KBC Group and includes companies involved in conventional weapons and/or

nuclear weapons but which are nevertheless deemed acceptable as investments within funds that invest responsibly, taking into account factors such as the proportion of arms sales to non-NATO countries and a possible involvement in human rights controversies related to armed conflict.

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.

More information regarding the different exclusions and the applicable turnover thresholds can be found at www.kbc.be/investment-legal-documents > Exclusion policy for Responsible Investing funds.

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

As far as the interest-bearing component (directly or indirectly through investments in SPVs) is concerned: 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 (directly or indirectly through investments in SPVs). 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 or internal research.

For investments in instruments issued by countries, 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 by excluding countries in the worst 10% according to the ESG rating model, and by excluding countries that do not comply with the sustainability criteria and are exposed to controversial regimes.

On top of the normative screening and the ESG risk assessment, using the exclusions in the exclusion policy for responsible investment funds, the following indicators for adverse impacts on sustainability factors are also taken into account with respect to investments in bonds; deposits and other debt instruments:

- **Indicator 4:** exposure to companies active in the fossil fuel sector is taken into account as the sub-fund 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 sub-fund 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 sub-fund 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.
- **Indicator 16:** Investee countries subject to social violations is taken into account as the sub-fund does not invest in (i) countries not complying with the sustainability criteria, and (ii) countries exposed to controversial regimes.

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.

As far as the interest-bearing component is concerned: 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 > KBC Group's rules and policies > Our sustainability policies > Human rights commitment > Human Rights Policy.

Environmental or social characteristics of the financial product

This sub-fund

- supports sustainable development through 'sustainable investments' in accordance with art. 2(17) SFDR.

Sustainable investments will consist of (i) bonds financing green and/or social projects and (ii) investments in governments, supranational debtors and/or agencies linked to governments 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. However, no binding minimum percentage has been set for this latter category (ii), although it contributes to the achievement of the minimum percentage of 'sustainable investments' for this sub-fund.

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 World Selection 100-1 Advanced".

The sub-fund invests in:

- bonds, deposits, money market instruments, and other debt instruments (directly or indirectly through investments in SPVs) (the interest-bearing component) and
- **swaps (the derivatives component).**

In the following paragraphs, the derivatives component is not considered as it neither aims at sustainable investments nor the promotion of E/S characteristics.

Within the interest-bearing component, the sub-fund promotes a combination of environmental and social characteristics and, even though it does not have sustainable investments as an objective, it shall invest a minimum proportion of 10% of its assets in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments').

A positive selection methodology and negative screening are applicable.

Interest-bearing component

With regard to the interest-bearing component, the positive selection methodology entails investing in the following asset categories, all of which are "sustainable investments" or promote a combination of environmental and/or social characteristics:

1. bonds financing green and/or social projects issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia or by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia ("sustainable investments")
2. debt instruments and money market instruments issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia whose issuers contribute to the UN Sustainable Development Goals ('sustainable investments')
3. deposits, money market instruments and/or debt instruments placed with or issued by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia. The issuers of these deposits and instruments will contribute to the UN Sustainable Development Goals ('promoting environmental and/or social characteristics')

In addition, the sub-fund will adhere to the following objectives throughout the life of the sub-fund. The objectives are expressed with respect to the total value of the sub-fund, being the sum of the value of all assets in the sub-fund (including the derivative component). A minimum of 10% of the total value of the sub-fund will be invested in category 1, being bonds financing green and/or social projects, of which a minimum of 1% will be bonds financing green projects ('environmentally sustainable investments in economic activities not considered environmentally sustainable according to the EU taxonomy), and a minimum of 1% in bonds financing social projects ('socially sustainable investments with a social objective'). No minimum percentages apply to the above categories 2 and 3. Consequently, they can represent up to 90% of the total value of the sub-fund.

The issuers invested in will also comply with a negative screening.

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.

Moreover, automatic checks happen in the system that manages investments, constantly ensuring that investments are made only in issuers complying with eligible responsible investment universes.

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.

The negative screening

As described above the end result of this negative screening procedure is that the sub-fund excludes issuers in advance from the Responsible Investment universe which fall foul of the exclusion policies available on www.kbc.be/investment-legal-documents > Exclusion policy for Responsible Investing funds.

The positive selection methodology

The sub-fund will support sustainable development by including issuers that contribute to the achievement of the UN Sustainable Development Goals and by promoting the transition to a more sustainable world through bonds financing green and/or social projects.

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 issuers that violate the exclusion policies. In addition to excluding issuers involved in certain activities, this screening also ensures that issuers 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.

Private issuers 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 or internal research, 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

When describing the proportion of investments, the total portfolio of the sub-fund, being both the interest-bearing component and the derivative component, is taken into account.

The interest-bearing component

As for the interest-bearing component, investments will be made in the following asset categories, all of which are "sustainable investments" or promote a combination of environmental and/or social characteristics:

1. bonds financing green and/or social projects issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia or by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia ("sustainable investments")
2. debt instruments and money market instruments issued or guaranteed by a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia whose issuers contribute to the UN Sustainable Development Goals ('sustainable investments')
3. deposits, money market instruments and/or debt instruments placed with or issued by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia. The issuers of these deposits and instruments will contribute to the UN Sustainable Development Goals ('promoting environmental and/or social characteristics')

(Term) deposits and money market instruments and/or debt instruments placed with or issued by financial institutions under the prudential supervision of and established in a member state of the European Economic Area, the United Kingdom, Switzerland, the United States of America, Japan, Canada or Australia 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 Investment Funds available at www.kbc.be/documentatie-beleggen > Investment Policy for Responsible Investing Funds.

The derivative component

The allocation toward the derivative component will fluctuate over the life of the sub-fund, for example, due to changes in the value of the underlying basket of shares, changes in the interest rate market, changes in equity market volatility, and so on. The impact of the derivative component on the total market value of the sub-fund can be either negative or positive.

Total allocation

The total assets invested consist of the sum of the interest-bearing component and the derivative component. The sub-fund commits to invest at least 10% of the total value of the sub-fund in "sustainable investments" in accordance with Article 2(17) SFDR (directly or indirectly through investments in SPVs), through (i) bonds financing green and/or social projects and (ii) investments in governments, supranational debtors and/or government-linked agencies that are considered "sustainable" based on the methodology of 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. However, no minimum percentage is set for the latter category (ii). The sub-fund will invest a minimum of 1% in environmentally sustainable investments that do not qualify as environmentally sustainable within the meaning of the EU Taxonomy and a minimum of 1% in socially sustainable investments. The sum of investments with an ecological objective that do not qualify as ecologically

sustainable within the meaning of the EU Taxonomy and investments in socially sustainable investments do not necessarily need to be equal to the overall sustainable investment objective in accordance with Article 2(17) SFDR. In the management of the sub-fund, no specific focus is placed on environmentally sustainable investments that do not qualify as environmentally sustainable within the meaning of the EU Taxonomy or socially sustainable investments. The percentages are set so that investments can be made freely within both categories, provided that the overall percentage of sustainable investments in accordance with Article 2(17) SFDR of 10% is always respected.

The sustainable investments for this sub-fund are equal to the sum of

- 1) instruments considered "sustainable" based on the methodology on contributing to the achievement of the UN Sustainable Development Goals.
 - a. Instruments of governments, supranational debtors and/or government-linked agencies are considered to contribute to the UN's sustainable development goals in accordance with what is explained in the section "Methodologies > (1) Indicators related to the UN Sustainable Development Goals" of this document.
 - b. Instruments of companies are considered sustainable if at least 20% of their revenues are aligned with the UN Sustainable Development Goals. In addition companies outside the financial sector 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. For companies in the financial sector, a different methodology applies. For credit institutions, the alignment with the EU Taxonomy Framework is based on the Green Asset Ratio, while for other financial companies the alignment with the EU Taxonomy Framework is based on the alignment of their investment portfolios. 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 sub-fund. Instruments of companies that contribute to the UN's sustainable development goals in accordance with what is explained in the section "Methodologies > (1) Indicators related to the UN Sustainable Development Goals" of this document, do not qualify as "sustainable investments, but as investments aligned with E/S characteristics.
- 2) investments in bonds that can be considered as bonds to finance green and/or social projects. Green bonds complying with the European Green Bond Standard are also considered as aligned with the EU Taxonomy Framework.
- 3) investments in instruments of companies and governments, that are classified as "sustainable" by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board. More information can be found in the section "What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives.

These investments will be realized within the interest-bearing component. However, during the life of the sub-fund, the value of the derivative component may change significantly, so the total value of the sub-fund may also change significantly. Consequently, the proportion of bonds financing green and/or social projects may increase or decrease as a result of evolutions in the derivative component, but the minimum threshold of 10% will always be respected.

In addition, the **sub-fund** invests in technical investments.

The interest-bearing component:

There are technical investments such as derivatives that are not part of the screening methodology. An example of derivatives are interest rate swaps that are used to hedge the fixed income portfolio. Investments in derivatives are not used to promote environmental or social characteristics and will not affect them. There are no environmental or social minimum safeguards for these investments.

The derivative component:

With regard to the underlying basket of shares, a screening methodology applies when swap contracts are concluded. There are no direct investments in the shares of the companies included in the basket of shares.

The swaps entered into on the underlying basket of shares, serve to generate upside potential. No screening criteria apply to these counterparties.

The derivative component does not promote ecological and/or social characteristics, and does not imply a sustainable investment objective.

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.

Moreover, automatic checks happen in the system that manages investments, constantly ensuring that investments are made only in issuers complying with eligible responsible investment universes.

Methodologies

(1) Indicators related to the UN Sustainable Development Goals

To support sustainable development, the sub-fund can invest a part of the assets in issuers that contribute to the achievement of the UN Sustainable Development Goals. The Sustainable Development Goals ("SDGs") were defined by the United Nations in 2015 as a plan of action to achieve a better and more sustainable future for all people and the world by 2030. There are a total of 17 SDGs, representing both social and environmental goals.

Companies that contribute to the UN Sustainable Development Goals are defined as those that are aligned with at least one of the 15 first UN Sustainable Development Goals (score ≥ 2). SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnerships for the Goals) were not included in our assessment because they are not easily measurable for companies and are more relevant for governments. The assessment of alignment with the UN

SDG scores is based on the MSCI Net Alignment Score (source: MSCI), which takes into account alignment at the product and service level as well as alignment at the operational level of the company. The Net SDG Alignment Score is an average of the SDG Product Alignment Score and the SDG Operational Alignment Score, with the exception of a score of -10 corresponding to "strongly misaligned," which remains at -10 in the net score. The Product Alignment Score assesses the net impact of a company's products and services on achieving the goals associated with each of the SDGs. The Operational Alignment Score assesses the extent to which a company's activities may have a positive or negative impact on achieving certain sustainable development goals. The Net Alignment Score ranges between -10 and +10 for each SDG and can be divided into 5 categories: Strongly Aligned (-10), Deviant (-10 < score ≤ -2), Neutral (-2 < score < 2), Aligned (2 ≤ score ≤ 5) and Strongly Aligned (5 < score ≤ 10).

Governments are assessed based on the following five pillars:

- 1° overall economic performance and stability (e.g., quality of institutions and government),
- 2° socio-economic development and public health (e.g., education and employment),
- 3° equality, freedom and rights of all citizens,
- 4° environmental policy (e.g. climate change), and
- 5° security, peace and international relations.

These pillars contain indicators that can be linked to the 17 SDGs. If a government scores sufficiently high on one of these pillars and not significantly poor on the others, bonds from that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals.

In order to be considered as contributing to the UN Sustainable Development Goals, a country should meet the following two conditions:

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

Supranational debt instruments are considered to contribute to the UN Sustainable Development Goals if either of the following criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/full paid-in capital/percentage of population (in order of availability)).
- the mission statement of the supranational institution has a sustainable objective and less than half of its members fall in the worst-scoring half of the screening for controversial regimes.

In addition, KBC Asset Management NV on the advice of the Responsible Investing Advisory Board can also award the "sustainable development" label to instruments of governments. This implies that these instruments are also considered to contribute to the achievement of the UN Sustainable Development Goals. The manual assessment of the sustainable nature of an investment by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board will take into account the principles of the definition of a sustainable investment, as outlined in the SFDR. However, the awarding of the 'sustainable development' label by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board to instruments of governments is very exceptional. The possibility of deviating from the outcomes of the internal KBC country model is mainly intended for countries that just meet or just fall short of the requirements, with the aim of avoiding that countries that would 'leapfrog' the bar over the years (i.e. borderline sustainable or not sustainable or permitted) would have to be in and then out of the investment universe each time, and this in order to avoid transaction costs.

(2) Indicators related to bonds to finance green and/or social projects

To promote the transition to a more sustainable world, the sub-fund commits to invest a minimum proportion of its portfolio in bonds financing green and/or social projects.

Data sources and processing

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

- 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 from the Responsible Investing Advisory Board.
- The model to identify bonds to finance green and/or social projects is internal. It uses input from Bloomberg.

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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