

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and article 6, first paragraph of Regulation (EU) 2020/852**

**Product Name:**  
Optimum Fund World Selection 100-1 Advanced

**Legal entity identifier (LEI):**  
8755006MK4EO84TT2R72

## Environmental and/or social characteristics

**Sustainable investment** means an 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 **EU-Taxonomie** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

Yes    No

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : %	<input checked="" type="checkbox"/> <b>It promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : %.	<input checked="" type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b> .



**What environmental and/or social characteristics are promoted by this financial product?**

This 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 derivative component).

**The interest-bearing component**

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'). The minimum proportion assets promoting environmental and/or social characteristics of this sub-fund is 10%.

The sub-fund shall not invest a minimum proportion of its assets in environmentally sustainable economic activities which contribute to any of the environmental objectives set out in Article 9 of

the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment ('EU Taxonomy'). The minimum proportion of investments in environmentally sustainable economic activities within the meaning of the EU Taxonomy is 0.00%.

The 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 is set for the latter category of investments (ii), although it does contribute to achieving the minimum percentage of 'sustainable investments' for this sub-fund.

The concrete objectives of the sub-fund are:

	<b>Objective</b>
Bonds financing green and/or social projects	A minimum of 10% of the investments should qualify as bonds financing green and/or social projects
Minimum % sustainable investments	A minimum of 10% of sustainable investments. The sustainable investments for this sub-fund 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 the latter category.
Minimum % sustainable investments with a social objective	1%
Minimum % sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	1%
Minimum % of assets promoting E/S characteristics	10%. This minimum percentage includes, among others, the sustainable investments.
Other specific objectives	All bonds not financing green and/or social projects, deposits, money market instruments and other debt instruments will contribute to the UN sustainable development goals.

Bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects that are aligned with the International Capital Market Association (ICMA) Green Bond Principles and Social Bond Principles on the Use of Proceeds, are considered bonds financing green and/or social projects. Compliance with these principles is verified by an external party. In addition, bonds that comply with the European Green Bond Standard will be considered bonds financing green and/or social projects. Bonds financing green and/or social projects are labelled 'sustainable investments'.

Instruments of governments, supranational debtors and/or government-linked agencies that contribute to the UN's sustainable development goals plus instruments awarded the 'sustainable development' label by KBC Asset Management NV on the advice of the Responsible Investing Advisory Board in accordance with what is explained in the section "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" of this annex also qualify as "sustainable investments".

Sustainable investments are investments that meet the definition of art 2.17 SFDR.

The minimum percentage of sustainable investments will be reached according to (i) the minimum percentage to be invested in bonds financing green and/or social projects and through (ii) investments in instruments of governments, supranational debtors and/or government-linked agencies that contribute 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).

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?" of this annex.

### **The derivative component**

Investments in swaps do not imply a sustainable investment objective, nor do they promote ecological and/or social characteristics.

No reference benchmark has been designated for achieving the ecological or social characteristics promoted by this sub-fund.

### **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

**Sustainability indicators**  
measure how the environmental or social characteristics promoted by the financial product are attained.

In the following paragraphs, the derivative component is excluded as it does not promote ecological and/or social characteristics. The description applies only to the interest-bearing component (directly or indirectly through investments in SPVs).

#### **(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  $\geq 2$ ). 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 Misaligned (-10), Deviant ( $-10 < \text{score} \leq -2$ ), Neutral ( $-2 < \text{score} < 2$ ), Aligned ( $2 \leq \text{score} \leq 5$ ) and Strongly Aligned ( $5 < \text{score} \leq 10$ ).

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 government bonds 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 can also award the "sustainable development" label to instruments of governments on advice of the Responsible Investing Advisory Board. 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 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 portion of the portfolio in bonds to finance green and/or social projects. More information on the sub-fund's concrete objectives can be found in the summary table in the section 'What environmental and/or social characteristics are promoted by this financial product?'.  
  
**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?**

In the following paragraphs, the derivative component is excluded as it does not aim at sustainable investments. The description only applies to the interest-bearing component (directly or indirectly through investments in SPVs).

### **(1) UN Sustainable Development Goals**

Instruments of governments, supranational debtors and/or government-linked agencies that contribute to the UN's sustainable development goals in accordance with what is explained in the section "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" of this annex also qualify as "sustainable investments".

Instruments of companies that contribute to the UN's sustainable development goals in accordance with what is explained in the section "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" of this annex, do not qualify as "sustainable investments, but as investments aligned with E/S characteristics.

In addition, KBC Asset Management NV can award the 'sustainable development' label to instruments of governments on advice of the Responsible Investing Advisory Board. In that case, these investments shall also qualify as "sustainable investments" as defined by article 2(17) SFDR. However, the awarding of the 'sustainable development' label by KBC Asset Management NV on 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) 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 portion of the portfolio in bonds to finance green and/or social projects. More information on the sub-fund's concrete objectives can be found in the summary table in the section 'What environmental and/or social characteristics are promoted by this financial product?'.  
  
Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects that comply with the Green Bond Principles and the Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds are considered bonds to finance green and/or social projects. Compliance with these principles is verified by an external party. In addition, bonds that comply with the European Green Bond Standard will be considered bonds financing green and/or social projects. Instruments that meet these requirements are designated as "sustainable investments in accordance with art. 2(17) SFDR.



### **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and

In the following paragraphs, the derivative component is excluded as it does not aim at sustainable investments. The description only applies to the interest-bearing component (directly or indirectly through investments in SPVs).

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.

employee matters,  
respect for human  
rights, anti  
corruption and  
antibribery  
matters.

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.

#### The negative screening

The negative screening entails the advance exclusion from the responsible investment universe by the sub-fund of issuers that violate the general exclusion policy for conventional and responsible investment funds and the exclusion policy for responsible investment funds. These exclusion policies can be found at [www.kbc.be/investment-legal-documents](http://www.kbc.be/investment-legal-documents) > General Exclusion Policy for Conventional and Responsible Investment Funds and Exclusion Policy for Responsible Investment Funds.

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](http://www.kbc.be/investment-legal-documents) > Exclusion policy for Responsible Investing funds.

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

-----*How have the indicators for adverse impacts on sustainability factors been taken into account?*

For the **interest-bearing component** (directly or indirectly through investments in SPVs) : 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 companies with an ESG risk rating of more than 40 according to data provider Sustainalytics or internal research are excluded.

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 belonging to the worst 10% according to the ESG rating model, and by excluding countries that do not comply with the sustainability principles 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 as follows with regard to the 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 principles, and (ii) countries exposed to controversial regimes. More information can be found in the Exclusion policy for responsible investment funds.

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.

----- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details*

Regarding the **interest-bearing component**: 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](http://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.

More information on negative screening can be found in the section on "How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective" of this annex.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do not significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes

### Interest-bearing component

Regarding the interest-bearing component, the principal adverse impacts on sustainability factors are explicitly taken into account through the exclusion policies applied. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through KBC Asset Management NV's proxy voting and engagement policies.

### Derivate component

Regarding the derivative component: for the underlying basket of shares, the principal adverse impacts on sustainability factors will be explicitly taken into account through the general exclusion policy for conventional funds and responsible investing funds and the exclusion policy for responsible investing funds when concluding the swap contracts. During the life of the fund, the underlying basket of shares will comply with the KBC Group Policy on Blacklisted Companies. The KBC Group Policy on Blacklisted Companies can be found at [www.kbc.be/investment/legaldocuments](http://www.kbc.be/investment/legaldocuments) > General Exclusion Policy for Conventional and Responsible Investing Funds > Section 1 'KBC Group Policy on Blacklisted Companies'.

More information on the principal adverse impacts on sustainability factors can be found under the section "How have the indicators for adverse impacts on sustainability factors been taken into account?" of this appendix.

The information on principal adverse impacts on sustainability factors can also be found in the annual report for this sub-fund.

No

## What investment strategy does this financial product follow?

The general investment strategy of the sub-fund is described in section 2. 'Investment information' under title "Information concerning the sub-fund World Selection 100-1 Advanced" of the prospectus.

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 derivate 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 **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

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. More information on negative screening can be found in the section "How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?" of this annex.

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 World Selection 100-1 Advanced'.

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.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

In the following paragraphs, the derivative component is excluded as it does not promote ecological and/or social characteristics, nor does it include sustainable investment objectives. The description applies only to the interest-bearing component (directly or indirectly through investments in SPVs).

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.

Negative screening

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 that apply to this sub-fund.

More information on the negative screening can be found in the section 'How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?.'

The positive selection methodology

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

More information on the concrete objectives applicable to this sub-fund can be found in the overview table under section 'What environmental and/or social characteristics are promoted by this financial product?.'

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

There is no committed minimum rate to reduce the scope of the investments considered prior to the application of the abovementioned investment strategy.

● **What is the policy to assess good governance practices of the investee companies?**

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

In the following paragraphs, the derivative component is excluded as it does not promote ecological and/or social characteristics, nor does it include sustainable investment objectives. The description applies only to the interest-bearing component (directly or indirectly through investments in SPVs).

For the interest-bearing component, 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.

More information on the negative screening can be found in the section 'How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?'



## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

When describing the asset allocation, 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 Investing funds which is available on [www.kbc.be/investment-legal-documents](http://www.kbc.be/investment-legal-documents) > 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 total allocation towards sustainable investments for this sub-fund is 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 "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" of this annex.
  - 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 "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" of this annex, 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 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?.

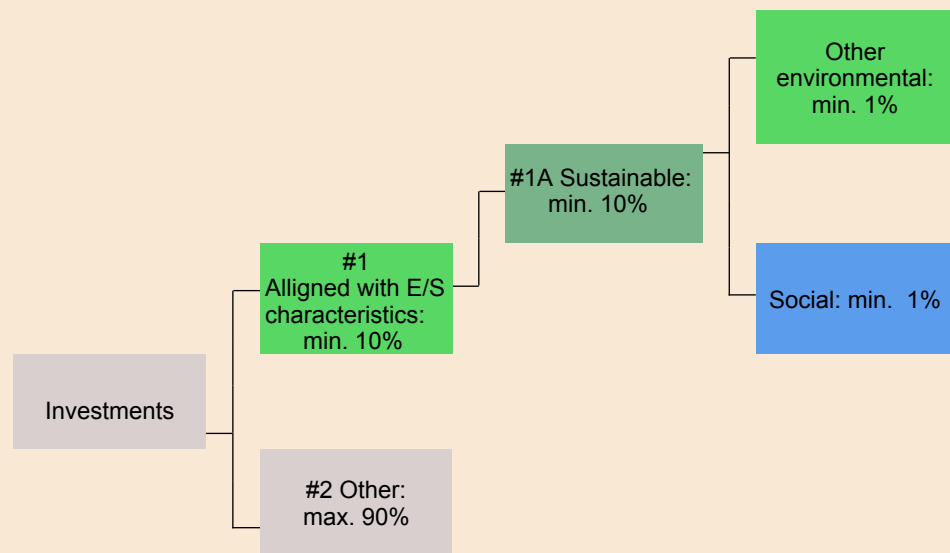
These investments will be realized within the interest-bearing component. However, during the life of the sub-fund, the value of the derivative component may change significantly, so the total value of the sub-fund may also change significantly. Consequently, the proportion of bonds financing green and/or 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.

Taxonomy-aligned activities are expressed as a share of:

**-turnover** reflecting the share of revenue from green activities of investee companies.

**-capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

**-operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product;

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S-characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Investments in derivatives are not used to attain the environmental or social characteristics promoted by the sub-fund and will not affect them.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The sub-fund shall not invest a minimum proportion of its assets in environmentally sustainable economic activities within the meaning of the EU Taxonomy Framework.

The minimum proportion of investments in environmentally sustainable economic activities within the meaning of the EU Taxonomy is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>(1)</sup>?**

Yes

in fossil gas

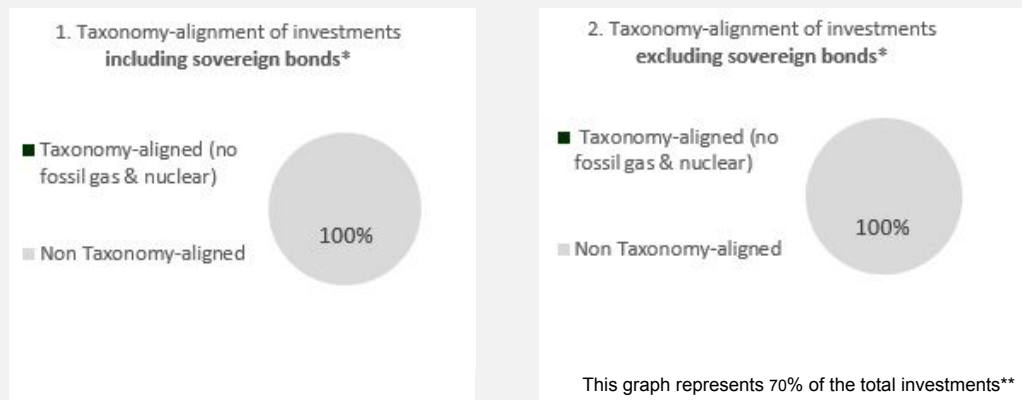
in nuclear energy

No

The sub-fund shall not invest a minimum proportion of its assets in environmentally sustainable economic activities within the meaning of the EU Taxonomy Framework. However, through investments in companies exposure is possible in activities that comply with the EU Taxonomy based on data from Trucost, including the fossil gas and/or nuclear sectors, through bonds financing green projects. Green bonds complying with the European Green Bond Standard are also considered as aligned with the EU Taxonomy Framework. More information on the percentage of the portfolio invested during the reporting period for this sub-fund in activities in the fossil gas and/or nuclear sectors that comply with the EU taxonomy can be found in the annual reports for this sub-fund .

(1) Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, 'sovereign bonds' consists of all sovereign exposures.

\*\* The proportion of total investments excluding government bonds refers to expected exposure and is for illustrative purposes only. This proportion may vary over time.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



**What is the minimum share of investments in transitional and enabling activities?**

Not applicable.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU-Taxonomy.

The sub-fund commits to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.



**What is the minimum share of socially sustainable investments?**

The minimum share of sustainable investments with a social objective is 1%.



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

**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.

**Derivate component:**

With regard to the underlying basket of shares, a screening methodology applies when the swap contracts are concluded. More information on this can be found in the section "Does this financial product consider principal adverse impacts on sustainability factors?" of this annex and in the prospectus. There are no direct investments in the companies' shares 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.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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



**How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.



**How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable.



**How does the designated index differ from a relevant broad market index?**

Not applicable.

● **Where can the methodology used for the calculation of the designated index be found?**

Not applicable.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website: [www.kbc.be/SRD](http://www.kbc.be/SRD) > Optimum Fund World Selection 100-1 Advanced**