Disclosure of sustainability information

Sustainability Risks

KBC Asset Management N.V. ("**KBC AM**") understands sustainability risk as the risk that the return of investments may be negatively affected by environmental, social or governance risks.

Environmental risk is defined as the risk that the return of investments may be negatively affected by environmental factors, including factors resulting from climate change and factors resulting from other environmental degradation. Social risk is defined as the risk that the return of investments may be negatively affected by social factors (e.g., labour disputes). Governance risk is defined as the risk that the return of investments may be negatively affected by governance factors (e.g., transparent corporate structure).

The nature of these risks varies along a time scale:

- In the short term, sustainability risk is typically event risk. Such risks typically only affect return if the event occurs. Examples of such events include an accident (resulting in litigation for example to compensate damage to the environment); court cases and penalties (for example for failing to respect social legislation); scandals (for example when a company gets bad publicity because human rights are not upheld throughout its supply chain or because a company's products do not uphold the ESG standards it promises). These types of sustainability risks are deemed higher, when an issuer is less strict on ESG standards; and

- In the longer term, sustainability risk refers to risks that may develop over the long term, such as: exposure to business activities that may come under pressure due to climate change (for example parts of the automotive industry); changing product preferences from customers (for example an increased preference for more sustainable products); difficulties in recruiting; increased costs (for example insurance companies that face claims due to changing weather conditions). As this risk develops over the long term, companies can take steps to mitigate it e.g. by changing their product offer, improving their supply chains, etc.

In its investment policy, KBC AM takes these sustainability risks into account by:

(i) defining an exclusion policy (the "**Exclusion Criteria**")[1] which applies to all funds; and

(ii) differentiating between sustainable and responsible investing ("**SRI**") funds and other conventional funds, with stricter ESG standards and hence lower sustainability risk for the SRI funds.

The investment policy of KBC AM continuously assesses the underlying investments at issuer level, but also (where relevant) at the level of asset allocation and regional or sectoral allocation level. These regular reviews consider sustainability risk as one of several elements that may affect return. The SRI research team assigns an ESG risk rating to most companies included in the common indices and to a selection of small and midcap companies based on input from an ESG data provider. The ESG risk ratings are shared internally with portfolio managers and strategists so they can use this as a factor in the investment decision process.

Principal Adverse Impacts

[1] The Exclusion Criteria can be modified at any time by the management company.

KBC AM is committed to achieving long-term sustainable investment returns for its clients. This means KBC AM makes investment decisions on behalf of its clients based on an investment policy which includes sustainability risks, social, ethical and environmental standards. The following examples may help to illustrate the practical effect of this policy. As a result of its investment policy KBC AM does not invest in:

- financial instruments issued by manufacturers of controversial weapons weapon systems that are prohibited by international law or for which there is a broad consensus that they should be banned. These weapon systems include (without limitation): cluster bombs and sub-munitions, chemical or biological weapons, anti-personnel mines and weapons containing depleted uranium;
- financial instruments issued by manufacturers of nuclear weapons or weapons containing white phosphorus; and
- financial instruments issued by companies where there are serious indications that they are perpetrators of, accomplices or accessories to, or stand to benefit from the violation of globally recognised standards of corporate sustainability such as human rights, employee rights, environmental protection and anticorruption.

The investment policy does not merely frame permissible investments by reference to the financial position of the business or government but also the societal impact of the company or government in question. KBC AM is constantly monitoring its investment policy and its application to its business as a key part of its drive to deliver long-term sustainable investment returns for its clients.

As part of its commitment to long-term sustainable investment, KBC AM applies additional SRI criteria to its SRI funds. These are described in its SRI policy.

Please note that KBC AM`s passive investment funds, structured funds and funds investing in third party funds may not apply all the Exclusion Criteria.

Shareholder Engagement

As part of its commitment to long-term sustainable investment, KBC AM exercises the voting rights of the shares it manages in accordance with its Proxy Voting and Engagement Policy (the „**Proxy Voting Policy**“). This means that KBC AM makes its voice heard at shareholder meetings and engages with many companies in order to promote the interests of its clients. The key principles of the Proxy Voting Policy can be found here and KBC AM also publishes an annual overview of proxy voting and shareholder engagement activities of KBC AM on its website.

Ethical Standards

The KBC Group, to which KBC AM belongs, is committed to the following international business codes and KBC AM's investment policy and processes are aligned with these commitments:

- United Nations Environmental Programme Finance Initiative (UNEP FI) Principles for Responsible Banking;
- The Collective Commitment to Climate Action, by which the KBC Group committed itself to stimulate the greening of the economy as much as possible and thus to limit global warming to well-below 2°C, striving for 1.5°C, in line with the Paris climate agreement;
- Tobacco-Free Finance Pledge which encourages financial institutions to divest from the tobacco industry; and
- United Nations Principles of Responsible Investments.