

# PROSPECTUS

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## **KBC BONDS**

Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)

LUXEMBOURG

## **UCITS**

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Subscription is permitted solely on the basis of the current prospectus, accompanied by the latest annual report and the latest interim report, if the latter is the more recent. No person is authorised to give any information that is not contained in the present prospectus or in the documents referred to herein that are available for inspection by the public.

In the event of discrepancies between the French and the other language versions of the prospectus, the French takes precedence.

**29/02/2024**

## General remarks

KBC BONDS (the “**SICAV**”) is included on the official list of undertakings for collective investment in accordance with Part I of the Law of 17 December 2010 on undertakings for collective investment, as amended (the “**Law**”). However, this inclusion on the list does not imply that any Luxembourg authority has approved or disapproved of the suitability or accuracy of this prospectus or the securities portfolio held by the Sicav. Any declaration to the contrary would be unauthorised and illegal.

This prospectus may not be used for the purposes of offering for sale and marketing in any country or under any conditions where such offering or marketing is not authorised.

The Sicav will also publish such Key Information Document for each class of shares as is required by law.

None of the shares are or shall be registered under the United States Securities Act of 1933, as amended, and the shares or units may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, or in any of its territories or any of its possessions or regions under its jurisdiction or to a US citizen, as defined in the United States Securities Act. The UCI and its sub-funds have not been registered under the United Investment Company Act of 1940, as amended.

The Board of Directors assumes responsibility for the accuracy of the information contained in this prospectus on its date of publication.

Any information or representation not contained in the present prospectus or in the reports forming an integral part thereof must be considered as unauthorised and consequently as not reliable. Neither the delivery of the present prospectus, nor the offering, issue or sale of shares of the Sicav constitutes a representation that the information contained in the present prospectus will be accurate at any time subsequent to the date of its publication.

The prospectus may be updated at the appropriate time to take account of major changes, specifically the addition of other sub-funds. Prospective subscribers are therefore advised to enquire at the Sicav’s registered office to find out whether the Sicav has published a new prospectus.

Prospective subscribers and purchasers of shares of the Sicav are advised to find out about the potential legal or tax consequences and any currency restrictions or controls to which subscriptions to – or the purchase, possession, redemption, conversion or transfer of – shares of the Sicav may be subject, pursuant to the laws in force in their countries of origin, residence or domicile.

**This issue prospectus is modular in structure. The basic document contains all the necessary information about the Sicav and its legal framework. All the information concerning a specific sub-fund of the Sicav is given in the Appendices.**

- **Appendix 1 contains the specific characteristics of the sub-funds, i.e. the information associated with the investment policy, the terms and conditions of issue and redemption and the fees.**
- **Appendix 2 contains the subscription forms.**
- **Appendix 4 contains information in accordance with Articles 8(1) (2) (2bis) and Article 9(2) of Regulation (EU) 2019/2088.**

**The Appendices form an integral part of this prospectus.**

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# **1. General information**

## **1.1. Board of Directors**

### *Chairman:*

Mr Ivo BAUWENS  
KBC Group RE, General Director  
4, rue du Fort Wallis, L-2714 Luxembourg

### *Directors:*

Mr Johan TYTECA  
5 GV 01, Rolandstraat, B-8670 Koksijde, Belgique

Mr Patrick DALLEMAGNE  
CBC Banque & Assurance, General Manager  
60, Avenue Albert I, B-5000 Namur, Belgium

Mr Ivan MUSICKI  
General Manager, KBC Group Re S.A  
4 rue du Fort Wallis, L-2714 Luxembourg

## **1.2. Registered office**

80 Route d'Esch, 1470 Luxembourg.

## **1.3. Management Company**

KBC Asset Management NV, Havenlaan 2, B-1080 Brussels, Belgium.

## **1.4. Central administration**

The Management Company has delegated the central administration to Brown Brothers Harriman (Luxembourg) S.C.A, 80 Route d'Esch, L-1470 Luxembourg.

## **1.5. Custodian and Paying Agent**

Brown Brothers Harriman (Luxembourg) S.C.A., 80 route d'Esch, L-1470 Luxembourg.

## **1.6. Statutory auditor**

Mazars Luxembourg, 5 rue Guillaume J. Kroll, L-1882 Luxembourg.

## **1.7. Financial services**

Brown Brothers Harriman (Luxembourg) S.C.A., 80 route d'Esch, L-1470 Luxembourg.

Outside Luxembourg:

The agents providing financial services in countries other than Luxembourg where the shares are marketed will be given in the Appendix concerning the marketing of the Sicav in the country in question.

## 2. The Sicav

KBC BONDS is a Société d'Investissement à Capital Variable (Sicav, or open-ended investment company) under Luxembourg law and was established on 20 December 1991 in Luxembourg under the name KB Income Fund for an indefinite period, in accordance with the Law and the Commercial Companies Act of 10 August 1915. In particular, it is governed by the provisions of Part I of the Law.

The Articles of Association of the Sicav were published in Mémorial C, Recueil Spécial des Sociétés et Associations (the 'Mémorial'), the official gazette of the Grand Duchy of Luxembourg, on 15 February 1992. The Articles of Association were amended by notarial deed of 3 October 1994, published in the Mémorial of 28 October 1994. The Articles of Association were amended by notarial deed of 4 November 1998, published in the Mémorial of 25 November 1998. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg. The Articles of Association were amended by notarial deed of 24 June 2004. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg. The Articles of Association were last amended by notarial deed of 30 November 2023, published in the Recueil Electronique des Sociétés et Associations (RESA) on 28 December 2023. These Articles, together with a legal notice concerning the issue of the shares of the Sicav, have been filed with the Chancery of the District Court of and in Luxembourg.

Interested parties may consult these documents there and copies are obtainable, on request, on payment of the registry charges.

The Sicav resulted from the transformation of KB Income Fund, a fonds commun de placement (FCP, a collective investment scheme or mutual fund), established on 26 September 1966. On 3 October 1994, KB Income Fund modified its structure to become a Sicav with multiple sub-funds, or umbrella Sicav, and changed its name to KB BONDS. The shares of KB Income Fund in circulation on 3 October 1994 were assimilated to the shares of a first sub-fund, i.e. 'KB BONDS Income Fund', at the rate of one new KB BONDS Income Fund share for ten old KB Income Fund shares.

An amalgamation also took place on 3 October 1994, whereby KB BONDS absorbed KB Capital Fund and KB High Interest Fund. Following this amalgamation, KB BONDS issued the shareholders of KB Capital Fund with shares of a new sub-fund, KB BONDS Capital Fund, and the shareholders of KB High Interest Fund with shares of another new sub-fund, KB BONDS High Interest.

On 4 November 1998, KB BONDS changed its name to KBC BONDS.

The Sicav is entered in the Luxembourg Trade Register under number B 39.062.

The registered office of the Sicav was located at 11 rue Aldringen, L 1118 Luxembourg until 2 October 2016. From 3 October 2016, the registered office of the Sicav is located at 80 route d'Esch, L-1470 Luxembourg. The Sicav's capital is at all times equal to the net asset value of all the sub-funds and is represented by fully paid-up no-par-value shares. Changes in capital occur ipso jure and are not subject to the requirements of publication and registration in the Registre du Commerce et des sociétés (Trade and Company Register) prescribed for capital increases or decreases of sociétés anonymes (type of limited company). The minimum capital is the equivalent of 1 250 000 euros. The Sicav's capital is expressed in euros.

The Board of Directors of the Sicav is responsible for administering and managing the Sicav and for supervising its operations, as well as for establishing and implementing the investment policy.

In accordance with the Law, the Board of Directors may appoint a Management Company.

The Sicav has appointed KBC Asset Management NV, a public limited liability company, with registered office at Havenlaan 2, B-1080 Brussels, Belgium, as the Management Company of the Sicav.

### **3. The Management Company: KBC Asset Management NV**

#### **3.1. Board of Directors of the Management Company**

<b>Name</b>	<b>Title</b>	<b>Mandate</b>
Axel Roussis	<i>Non-executive director</i>	
Katrien Mattelaer	<i>Non-executive director</i>	
Stefan Van Riet	<i>Non-executive director</i>	
Luc Vanderhaegen	<i>Independent director</i>	
Wouter Vanden Eynde	<i>Independent director</i>	
Peter Andronov	<i>Chairman</i>	
Johan Lema	<i>Chairman of the Executive Committee</i>	<i>Natural person responsible for the executive management of the Management Company</i>
Chris Sterckx	Executive director	<i>Natural person responsible for the executive management of the Management Company</i>
Frank Van de Vel	Executive director	<i>Natural person responsible for the executive management of the Management Company</i>
Jürgen Verschaeve	Executive director	<i>Natural person responsible for the executive management of the Management Company</i>
Klaus Vandewalle	Executive director	<i>Natural person responsible for the executive management of the Management Company</i>

#### **3.2. Registered office of the Management Company**

Havenlaan 2, B-1080 Brussels, Belgium

#### **3.3. Date of incorporation of the Management Company**

KBC Asset Management NV was established on 30 December 1999.

#### **3.4. Issued and fully-paid capital of the Management Company**

The issued capital, which is fully paid up, of the Management Company is 35.754.192 euros.

#### **3.5. Appointment by the Sicav of the Management Company and responsibilities of the Management Company**

##### **3.5.1. Appointment by the Sicav of the Management Company**

Under the terms of the agreement which came into force on 1 April 2022, the SICAV has appointed KBC Asset Management NV as Management Company in accordance with the Belgian law of 3 August 2012 on undertakings for collective investment that comply with the conditions of Directive 2009/65/EC and on debt investment funds (the "**2012 Law**").

KBC Asset Management NV is the legal successor to IVESAM NV, which merged with KBC Asset Management NV with effect from 1 October 2023. Following this merger, all the assets of IVESAM NV, both rights and obligations, were transferred to KBC Asset Management NV, and IVESAM NV was dissolved without liquidation.

### 3.5.2. Management activities

#### 3.5.2.1. General

The object of the Management Company is to manage undertakings for collective investment pursuant to the 2012 Law, and this management activity includes portfolio management, and administration and marketing of undertakings for collective investment such as the SICAV.

#### 3.5.2.2. Activities carried out on behalf of the Sicav

- Portfolio management
- Central administration

The Management Company has delegated the central administration to Brown Brothers Harriman (Luxembourg) S.C.A.(see 5. Domiciliary agent, administrative agent and registrar and transfer agent).

- Distribution

### **3.6. Sicavs and Fonds Communs de Placement (FCPs) that have appointed the Management Company**

#### **UCITS Management Company**

*Luxembourg Sicavs:*

KBC Bonds, KBC Renta & Global Partners

*Belgian SICAV:*

Generation Plan, Horizon, IN.flanders Employment Fund, KBC Eco Fund, KBC Equity Fund, KBC Index Fund, KBC Institutional Fund, KBC Master Fund, KBC Multi Interest, KBC Multi Track, KBC Participation, KBC Select Immo, Optimum Fund, Perspective, Plato Institutional Index Fund and Sivek

*Belgian mutual funds (FCP):*

Pricos Responsible Investing, Pricos SRI, Pricos Defensive Responsible Investing and IN.focus.

#### **Alternative Investment Fund Manager**

*Luxembourg SICAV:*

KBC Interest Fund, KBC Institutional Interest Fund, KBC Select Investors & Contribute Partners

*Luxembourg mutual funds (FCP):*

KBC Life Invest Fund, KBC Life Privileged Portfolio Fund, KBC Life Institutional Fund and KBC Life Invest Platform

### **3.7. Auditor of the Management Company**

PriceWaterhouseCoopers Belgium, Woluwe Garden, Woluwedal 18, 1932 Sint-Stevens-Woluwe, represented by Gregory Joos, company auditor and recognised auditor.

## **4. Custodian and principal paying agent**

Brown Brothers Harriman (Luxembourg) S.C.A., a partnership limited by shares, with its registered office at 80, Route d'Esch, L-1470 Luxembourg, has been designated the SICAV's Custodian on the basis of an agreement entered into on 3 October 2016, which has been amended and updated with effect from 1 April 2022.

Brown Brothers Harriman (Luxembourg) S.C.A. is a credit institution incorporated on 9 February 1989. As Custodian, Brown Brothers Harriman (Luxembourg) S.C.A. performs the usual duties in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in



transferable securities (UCITS), as amended by Directive 2014/91/EU of 23 July 2014 on the coordination of laws, regulations and administrative provisions in respect of custodian functions, remuneration policies and sanctions and the Law.

Specifically, the custodian must ensure that:

- a) the sale, issue, repurchase, redemption and cancellation of the Sicav's shares are carried out in accordance with the law and with the Sicav's Articles of Incorporation;
- b) the value of the Sicav's shares is calculated in accordance with the law, the Articles of Incorporation and the Prospectus;
- c) the instructions of the management company or the Sicav are carried out, unless they conflict with the law or the Sicav's articles of association;
- d) in transactions involving the Sicav's assets, the consideration for the transactions is remitted to it within the customary periods;
- e) the Sicav's products are applied in accordance with Luxembourg law, the Articles of Incorporation and the Prospectus.

The Custodian will ensure that the Sicav's liquid asset flows are correctly tracked and, more specifically, that all payments made by shareholders or on their account when subscribing to shares in the Sicav have been received and that all the Sicav's liquid assets have been recorded in cash accounts that are:

- a) opened in the Sicav's name or that of the Custodian acting on the Sicav's behalf;
- b) opened at an entity as defined by Article 18(1a, b and c) of Commission Directive 2006/73/EC; and
- c) held in accordance with the principles set out in Article 16 of Directive 2006/73/EC.

Custody of the Sicav's assets must be entrusted to a Custodian, taking account of the following elements:

- a) In the case of financial instruments, the safekeeping of which can be ensured, the Custodian:
  - i) must ensure the safekeeping of all the financial instruments that can be entered in a custody account held at the Custodian, and of all financial instruments that can be delivered physically to the Custodian;
  - ii) must ensure that all the financial instruments that can be entered in a custody account held at the Custodian are registered at the Custodian in separate accounts, in accordance with the principles set out in Article 16 of Directive 2006/73/EC, opened in the Sicav's name, such that they may be clearly identified at all times as belonging to the Sicav, in accordance with applicable law.
- b) In the case of other assets, the Custodian:
  - i) must verify that the Sicav is the owner of these assets by evaluating, based on information or documents furnished by the Sicav and, where appropriate, external proofs, whether the Sicav holds the ownership rights;
  - ii) must maintain a register of assets of which it knows the Sicav to be the owner and must ensure the updating of this register.

The Sicav's assets may not be reused other than under the conditions described in the Law and Directive 2009/65/EC.

The Custodian will maintain full and detailed company policies and procedures requiring the Custodian to comply with the applicable laws and regulations.

The Custodian has policies and procedures governing the management of conflicts of interest. These policies and procedures deal with the conflicts of interest that can result from the supply of services to the UCITS.

The Custodian's policies require that all material conflicts of interest involving internal and external parties be acknowledged without delay, reported to management, registered, and where applicable, mitigated

and/or neutralised. Where a conflict of interest cannot be avoided, the Custodian must maintain and apply effective organisational and administrative measures in order to take all reasonable precautions to (i) report the conflicts of interest to the Sicav and its shareholders and (ii) to manage and monitor such conflicts.

The Custodian will ensure that its employees are informed, trained and advised on conflict of interest policies and procedures, and that tasks and responsibilities are separated in an appropriate manner in order to avoid conflicts of interest.

Compliance with the conflict of interest policies and procedures will be supervised and checked by the Executive Committee as general partner and by the authorised management of BBH, as well as by the Custodian's compliance, internal audit and risk management functions.

The Custodian will take all reasonable precautions to identify and mitigate potential conflicts of interest. This includes the implementation of its conflict of interest policies, which are appropriate for the scale, complexity and nature of its activities. This policy identifies the circumstances that give, or might give rise to a conflict of interest, and includes the procedures to be followed and the measures to be adopted to manage conflicts of interest. The Custodian will maintain and monitor a register of conflicts of interest.

The Custodian will also act as administrative agent in accordance with the terms of the fund management agreement between the Custodian and the Management Company. The Custodian has implemented an appropriate separation of activities between its custodian services and its fund management services, including the reporting and governance procedures. The custodian function will, moreover, be hierarchically and functionally distinct from the fund management services unit.

The Custodian may delegate the custody of the Sicav's assets to sub-custodians, subject to the conditions set out by current law and regulations and the provisions of the custody agreement. The Custodian must have a process in place designed to select the sub-custodian in each market based on predefined criteria in accordance with the provisions of the regulations. The Custodian must exercise appropriate care and diligence in selecting and designating each sub-custodian, to ensure that each sub-custodian possesses and maintains the required competence. The Custodian should also determine periodically whether the sub-custodians are complying with the applicable legal and regulatory obligations and must continuously monitor each sub-custodian, to ensure that it continues to meet its obligations in an appropriate manner. The list of its sub-custodians is available on the Management Company's website [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) or from the Custodian on written request.

A potential conflict of interest might arise in situations in which the sub-custodians have or conclude a separate commercial and/or business relationship with the Custodian parallel to the sub-custody relationship. Conflicts of interest can potentially arise between the Custodian and the sub-custodian during the conduct of its business. In the event of a group connection between the sub-custodian and the Custodian, the Custodian undertakes to identify any potential conflict arising from this connection, where applicable, and to take all measures capable of avoiding these conflicts of interest.

The Custodian does not anticipate that it will have any specific conflicts of interest arising from delegation to a sub-custodian. The Custodian will notify the Board of Directors of the Sicav and the Management Company in the event that a conflict of this nature should arise.

Any other potential conflict of interest regarding the Custodian will be identified, mitigated and handled in accordance with the Custodian's policies and procedures.

Updated information on the Custodian's custody obligations and the conflicts of interest to which this might give rise can be obtained free of charge and on request from the Custodian.

The Custodian is liable to the Sicav or its investors for the loss of a financial instrument held in custody by the Custodian or a sub-custodian pursuant to the Law. This liability comprises a duty of restitution on the Custodian's part, unless it can prove that the loss resulted from an external event beyond its reasonable control, the consequences of which could not have been avoided even if all reasonable efforts to do so had been made.

The Custodian is also liable to the Sicav or its investors for all other losses suffered by them as a result of the Custodian's negligent or intentional failure to properly fulfil its duties in accordance with the Law.

## 5. Domiciliary agent, administrative agent and registrar and transfer agent

The Management Company has delegated the functions of Domiciliary Agent, Administrative Agent and Registrar and Transfer Agent to Brown Brothers Harriman (Luxembourg) S.C.A. pursuant to a contract that came into effect on 3 October 2016 and has been amended and updated with effect from 1 April 2022. These contracts were concluded for an indefinite period and may be terminated by each party subject to three months' notice.

Brown Brothers Harriman (Luxembourg) S.C.A. was established on 9 February 1989 in the form of a société en commandite par actions (partnership limited by shares) under Luxembourg law. Its registered office is at 80 route d'Esch, L-1470 Luxembourg.

Brown Brothers Harriman (Luxembourg) S.C.A. will be paid by the Management Company.

## 6. Objectives and investment policy

Under the Articles of Association, the Board of Directors is authorised to set the investment policy for each sub-fund into which the company's capital is divided.

The basic objective of the Sicav is to seek the highest possible return on the capital invested, while observing the principle of spreading risk.

Since the umbrella UCITS has a 'European passport', the investment policy complies with Part I of the Law.

Save with regard to the provisions of 6.4 and unless otherwise indicated, the limits apply per sub-fund.

### Social, ethical and environmental aspects of the investments

Certain social, ethical and environmental aspects are taken into account for the investments described under the investment policy of the sub-funds set out in Annex 1, according to which the issuers of financial instruments are evaluated.

The sub-funds may not invest in, among others:

- financial instruments issued by producers of controversial weapons systems prohibited under international (and national) law or regarding which a broad consensus exists as to their prohibition. These weapons systems include: cluster bombs and sub-munitions; chemical and biological weapons; anti-personnel mines (including Claymore mines); weapons containing depleted uranium;
- financial instruments issued by producers of weapons containing white phosphorus and nuclear weapons;
- 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 on Responsible Investing. The main criteria used cover human rights, employee rights, the environment and anticorruption.

In this way, not only is a purely financial reality represented, but also the social reality of the sector or region. This list of exclusion criteria is not exhaustive. A full overview of exclusion criteria can be found at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. The list of exclusion criteria may be changed at any time by the management company.

### **6.1. Eligible instruments**

The investments of the UCITS will be restricted to the following exclusively:

#### **6.1.1. Listed securities and money market instruments**

6.1.1.1. Securities and money market instruments listed or traded on a regulated market;

6.1.1.2. Securities and money market instruments traded on another market in an EU Member State,

provided that the market is regulated, regularly operating, recognised and open to the public;

6.1.1.3. Securities and money market instruments admitted to official listing on a stock exchange in a non-EU State or traded on another market in a non-EU State, provided that the market is regulated, regularly operating, recognised and open to the public, and that the choice of stock exchange or market has been provided for in the present prospectus.

6.1.1.4. Newly issued securities and money market instruments, provided that:

- the issue conditions include an undertaking that application will be made for admission to official listing on a stock exchange or another market that is regulated, regularly operating, recognised and open to the public, and provided that the choice of stock exchange or market has been provided for in the present prospectus;
- official listing is obtained within no more than one year of the issue.

**6.1.1.5. The Sicav is authorised, in accordance with the principle of spreading risk, to invest up to 100% of its assets in different issues of securities and money market instruments issued or guaranteed by a Member State, its regional or local authorities, an OECD Member State, Singapore, Brazil, Russia, Indonesia and South Africa, or by public international institutions of which one or more EU Member States are members, provided that the securities come from at least six different issues and that securities from any single issue may not exceed 30% of the total amount.**

## **6.1.2. Shares/units in UCIs**

6.1.2.1. Shares of authorised UCITS in accordance with Directive 2009/65/EC, as amended by Directive 2014/91/EC.

6.1.2.2. Other UCIs within the meaning of Article 1(2), first and second indents, of Directive 2009/65/EC, as amended by Directive 2014/91/EC, whether located in an EU Member State or not, on condition that:

- these other UCIs are authorised under laws providing that they are subject to supervision considered by the Luxembourg financial services authority, the CSSF (Commission de Surveillance du Secteur Financier), to be equivalent to that provided for in Community legislation, and that there is sufficient guarantee of cooperation amongst the authorities;
- the level of protection guaranteed to the holders of shares/units in these other UCIs is equivalent to that provided for the holders of the shares/units in a UCITS and, in particular, that the rules relating to asset segregation, borrowing, loans and short sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC, as amended by Directive 2014/91/EC;
- the activities of these other UCIs are the subject of half-yearly and annual reports, permitting the assets and liabilities, profits and operations for the reporting period to be evaluated;
- no more than 10% of the assets of the UCITS or these other UCIs whose acquisition is planned may, under their instruments of incorporation, be invested entirely in the shares/units of other UCITS or other UCIs.

6.1.2.3. Each sub-fund's investments in shares/units in UCIs may not exceed 10% of these assets.

6.1.2.4. The Management Company may not charge any issue or redemption fee and may only charge a reduced management fee (0.25% max.) if it acquires units in UCITS and/or other UCIs that it manages directly or indirectly or which are managed by a company with which it is linked through joint management, through joint control or by a direct or indirect participating interest exceeding 10% of the capital or voting rights.

## **6.1.3. Deposits**

6.1.3.1. Deposits with a credit institution, which are repayable on demand or may be withdrawn, with a maturity of up to one year, provided that the credit institution has its registered office in a Member State of the European Union or, if the registered office of the credit institution is located in another country, is subject to prudential rules considered by the CSSF to be equivalent to those provided for in Community legislation.

## **6.1.4. Derivatives**

6.1.4.1. Derivatives may be used both for achieving the investment objectives and for hedging risks.

6.1.4.2. Derivatives can be both listed and unlisted: they include forward contracts, options or swaps of shares, or index, foreign currency or interest rate contracts or other transactions in derivatives. Transactions

in unlisted derivatives may only be concluded with prime financial institutions specialised in transactions of this type. The sub-fund aims to conclude transactions that are as effective as possible, in compliance with the relevant regulations and the Articles of Association. All fees and charges associated with these transactions are booked to the sub-fund and all the income accrues to the sub-fund.

The counterparty does not have any discretionary decision-making power whatsoever regarding the composition or management of the UCITS' investment portfolio or the underlying of the derivatives, and the counterparty's agreement is not required for any transaction whatsoever involving the UCITS' investment portfolio.

6.1.4.3. The UCITS may conclude contracts relating to the credit risk on issuers of debt instruments as set out in the investment policy of the sub-fund concerned. The credit risk is the risk of the issuer of the debt instrument defaulting. This credit risk relates to parties whose rating at the time the contract is concluded is equivalent to that of issuers whose debt instruments the sub-fund holds directly or indirectly.

6.1.4.4. Derivatives may also be used to protect the sub-fund's assets against the risk of exchange rate fluctuations.

6.1.4.5. Credit derivatives may only be used to achieve the investment objectives and within the limits of the existing profile, without implying any transfer to less credible debtors. Hence there is no increase in the credit risk. In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have the slightest influence on the risks associated with processing, custody, flexibility, inflation or external factors.

6.1.4.6. Exposure to the counterparty risk stemming from an OTC derivatives transaction and efficient portfolio management techniques should be combined when calculating the counterparty risk limits specified in Section 6.3.1. below.

In the case of OTC derivatives transactions, a guarantee is provided to ensure that the counterparty risk does not at any time exceed 10% of the Sicav's net assets. The guarantee shall extend to at least 100% of (the exposure to OTC derivatives transactions as a percentage of the Fund's net assets – x), where x is less than 10%. The minimum operating thresholds and discount percentages mentioned below are taken into account to determine the extent of the guarantee required.

When a Sub-fund contracts OTC derivatives transactions and uses efficient portfolio management techniques, all the collateral used to reduce the exposure to counterparty risk must satisfy the following criteria at all times:

(A) Any collateral received other than cash shall be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. The collateral received must also comply with the provisions of Section 6.4. below.

(B) A daily independent valuation shall be available for collateral received. Assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.

(C) Collateral received shall be of high quality.

(D) The collateral received shall be issued by an entity that is independent of the counterparty and is not expected to display a high correlation with the performance of the counterparty.

(E) Collateral shall be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the sub-fund receives from the counterparty to OTC financial derivative transactions and efficient portfolio management a basket of securities with a maximum exposure to a given issuer not exceeding 20% of its net asset value. When a sub-fund is exposed to different counterparties, the different baskets of securities shall be aggregated to calculate the 20% limit of exposure to a single issuer.

(F) Where there is a title transfer, the collateral received shall be held by the Custodian. For other types of collateral arrangement, the collateral can be held by a third-party custodian, which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

(G) It must be possible for the sub-fund to enforce the collateral in full at any time without being required to

consult or obtain permission from the counterparty.

(H) Non-cash collateral received shall not be sold, re-invested or pledged.

(I) Cash collateral should only be:

- deposited with the entities specified in Section 6.1.3.
- invested in prime government bonds;
- used for repo operations, provided that these involve credit institutions that are subject to prudential supervision and that the Fund may repurchase the entire amount in cash, together with interest accrued, at any time;
- invested in short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds.

Collateral in the form of cash that is reinvested must be diversified in accordance with the diversification criteria applicable to collateral in forms other than cash.

#### 6.1.4.7. Collateral policy

Collateral received by the Fund shall predominantly be limited to cash and investment-grade bonds: sovereign bonds and covered bonds.

At present, the Fund is only in receipt of guarantees in the form of investment grade bonds, not cash.

Since the Fund is not in receipt of any guarantees in cash, there is no reinvestment policy and hence no risks associated with such reinvestment policy.

The prospectus shall be updated if guarantees in the form of cash are used.

#### 6.1.4.8. Haircut policy

The following discounts relating to collateral for derivatives transactions are those applied by the Management Company (the Management Company reserves the right to amend this policy at any time, in which case this Prospectus will be updated accordingly):

The Fund does not use guarantees in cash at present.

Credit quality*	Residual maturity (years)	Assets denominated in the currency of the sub-fund			Assets not denominated in the currency of the sub-fund		
		Categories			Categories		
		Cash	Government bonds	Covered	Cash	Government bonds	Covered
AAA/Aaa	0-1	0.0%	0.5%	5.5%	5.0%	5.5%	10.5%
	1-3	0.0%	2.0%	6.5%	5.0%	7.0%	11.5%
	3-5	0.0%	2.5%	7.5%	5.0%	7.5%	12.5%
	5-7	0.0%	4.0%	8.0%	5.0%	9.0%	13.0%
	7-10	0.0%	4.0%	9.0%	5.0%	9.0%	14.0%
	> 10	0.0%	5.5%	10.5%	5.0%	10.5%	15.0%
AA+ to AA- /Aa1 to Aa3	0-1	0.0%	0.5%	15.0%	5.0%	5.5%	15.0%
	1-3	0.0%	2.0%	15.0%	5.0%	7.0%	15.0%
	3-5	0.0%	2.5%	15.0%	5.0%	7.5%	15.0%
	5-7	0.0%	4.0%	15.0%	5.0%	9.0%	15.0%
	7-10	0.0%	4.0%	15.0%	5.0%	9.0%	15.0%
	> 10	0.0%	5.5%	15.0%	5.0%	10.5%	15.0%
A+ to A- /A1 to A3	0-1	0.0%	1.0%	N/A	5.0%	6.0%	N/A
	1-3	0.0%	3.0%	N/A	5.0%	8.0%	N/A

	3-5	0.0%	3.0%	N/A	5.0%	8.0%	N/A
	5-7	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	7-10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	> 10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
BBB+	0-1	0.0%	1.0%	N/A	5.0%	6.0%	N/A
	1-3	0.0%	3.0%	N/A	5.0%	8.0%	N/A
	3-5	0.0%	3.0%	N/A	5.0%	8.0%	N/A
	5-7	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	7-10	0.0%	6.0%	N/A	5.0%	11.0%	N/A
	> 10	0.0%	6.0%	N/A	5.0%	11.0%	N/A

Credit Quality means the lower of the Ratings assigned by either S&P or Moody's as the case may be.

#### 6.1.4.9.

The Fund does not invest directly in total return swaps.

### 6.1.5. Unlisted money market instruments

6.1.5.1. Money market instruments other than those traded on a regulated market, provided that the issue or the issuer of these instruments is subject to regulation designed to protect investors and savings and that these instruments are:

- issued or guaranteed by a central, regional or local authority, a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, another State or, in the case of a federal State, one of the members of the federation, or a public international institution of which one or more Member States are members, or
- issued by an undertaking whose securities are traded on the regulated markets referred to in points 6.1.1.1, 6.1.1.2 or 6.1.1.3 above, or
- issued or guaranteed by an institution subject to prudential supervision according to the criteria defined by Community law, or by an institution which is subject to and complies with prudential rules considered by the CSSF to be at least as strict as those provided for in Community legislation, or
- issued by other entities belonging to the categories approved by the CSSF, provided that the investments in these instruments are subject to investor protection rules that are equivalent to those provided for in the first, second and third indents and that the issuer is a company with capital and reserves amounting to at least ten million euros (10 000 000 euros) that presents and publishes its annual accounts in accordance with the Fourth Directive 78/660/EEC, or an entity which, within a group of companies including one or more listed companies, is responsible for financing the group, or an entity which is responsible for financing special purpose vehicles benefiting from bank loans.

### 6.1.6. Ancillary liquid assets

The UCITS may hold ancillary liquid assets (bank deposits withdrawable on demand, such as cash held in current accounts with a bank that is accessible at any time) in order to cover routine or exceptional payments, or for the time necessary for reinvestment in the eligible assets provided for in Article 41(1) of the Act of 2010 or for a period strictly necessary in the event of adverse market conditions. The holding of such ancillary liquid assets is limited to 20% of a UCITS' net assets. The 20% limit may be temporarily exceeded only for a period strictly necessary where, due to exceptionally adverse market conditions, circumstances so require and this is justified in the interests of investors.

### 6.1.7. Other

6.1.7.1. The UCITS may invest no more than 10% of its assets in transferable securities and money market instruments other than those referred to above.

6.1.7.2. The UCITS may acquire movable and immovable property that is essential for the direct conduct of its business.

6.1.7.3. The UCITS may not acquire either precious metals or certificates representing them.

## 6.2. Financial techniques and instruments

### 6.2.1. General information

6.2.1.1 The UCITS may employ techniques and instruments relating to transferable securities and money market instruments under the conditions and within the limits laid down by the CSSF provided that such techniques and instruments are used for efficient management of the portfolio.

Where these operations involve the use of derivatives, these conditions and limits must be in accordance with the provisions of the Law.

Under no circumstances may these operations cause the UCITS to depart from its investment objectives as set out in this prospectus.

6.2.1.1.2 The UCITS will ensure that the global exposure associated with the derivatives does not exceed the total net value of its portfolio. Risks are calculated taking account of the current value of the underlying assets, the counterparty risk, the foreseeable market trend and the time available to liquidate the positions. This also applies to the following paragraphs.

The UCITS may, within the framework of its investment policy and the limits set under point 4.3.1.5, invest in financial derivatives insofar as, overall, the risks to which the underlying assets are exposed do not exceed the investment limits set under point 6.3.1. When the UCITS invests in financial derivatives based on an index, these investments are not necessarily combined with the limits fixed under point 6.1.3.

Where a derivative is embedded in a transferable security or a money market instrument, the derivative must be taken into account when applying the provisions of this Article.

## **6.2.2. Securities financing transactions**

The UCITS does not engage in the following securities financing transactions falling within the scope of the Regulation (EU) 2015/2365 of 25 November 2015:

- Repurchase transactions;
- Securities or commodities lending and securities or commodities borrowing;
- Buy-sell back or sell-buyback transactions;
- Margin lending transactions.

If the Fund does make use of transactions of this type, the prospectus must be updated in accordance with the provisions of Regulation (EU) 2015/2365.

## **6.3. Use of benchmark**

### **6.3.1. Benchmark**

6.3.1.1. In accordance with the Investment Policy of the individual sub-fund, 'benchmark' refers to an index or a combination of several indices serving as a point of reference to allow the performance and composition of the sub-funds' portfolios to be measured.

6.3.1.2. Unless stated otherwise in its Investment Policy, the sub-fund which refers to a benchmark is actively managed and does not set out to track the benchmark and may invest in securities that are not included in the benchmark.

6.3.1.3. Investors should be aware that the performance of the sub-fund can deviate from the performance of the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The sub-funds aim to keep the real tracking error below the maximum tracking error. Investors should be aware that the tracking error can vary according to market conditions. While it is the intention of the sub-funds to outperform the benchmark, sub-funds with a lower level of deviation from the benchmark are likely to outperform the benchmark to a more limited extent.

<b>Name of the sub-fund</b>	<b>Benchmark index</b>	<b>Expected tracking error</b>	<b>Administrator of the benchmark listed in the ESMA Register</b>



<b>KBC Bonds Income Fund</b>	a) JP Morgan European Monetary Union Investment Grade Index ( EMU IG) : 50%	0,75 %	No
	b) JP Morgan Government Bond Index (GBI) Japan : 15%		No
	c) JP Morgan Government Bonds Index (GBI) United Kingdom : 5%		No
	d) JP Morgan Government Bonds Index (GBI) United States: 30%		No
<b>KBC Bonds Capital Fund</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG) : 50%	0,75 %	No
	b) JP Morgan Government Bonds Index ( GBI) Japan 15%		No
	c) JP Morgan Government Bonds Index ( GBI) United Kingdom : 5%		No
	d) JP Morgan Government Bond Index (GBI) United States : 30%		No
<b>KBC Bonds Emerging Markets</b>	a) JP Morgan Emerging Markets Bond Index Global Diversified	1,50 %	No
<b>KBC Bonds Corporates Euro</b>	a) IHS Markit iBoxx EUR Corporates	0,75 %	No
<b>KBC Bonds Convertibles</b>	a) Refinitiv Global Focus Convertible Bonds EUR Index	2,00 %	No
<b>KBC Bonds Inflation -Linked Bonds</b>	a) JP Morgan Euro Linker Securities Index (ELSI)	0,75 %	No
<b>KBC Bonds Corporates USD</b>	a) IHS Markit iBoxx USD Corporates	1,25 %	No
<b>KBC Bonds Emerging Europe</b>	a) JP Morgan Government Bond-Emerging Market Index (GBI-EM) Global Diversified Europe	1,50 %	No
<b>KBC Bonds Strategic Broad 70/30</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 70% b) IHS Markit iBoxx Euro Corporates: 30%	0,75 %	No
<b>KBC Bonds High Interest</b>	a) JP Morgan Government Bonds Index (GBI) Global Unhedged EUR : 66,6% b) JP Morgan Government Bonds Index (GBI) Emerging Markets Global Diversified Composite Unhedged EUR : 33,3 %	1,50 %	No
<b>KBC Bonds High Interest Responsible Investing</b>	a) JP Morgan Government Bonds Index ( GBI) Global Unhedged EUR : 66,6% b) JP Morgan Government Bonds Index (GBI) Emerging Markets Global Diversified Composite Unhedged EUR : 33,3 %	1,50 %	No
<b>KBC Bonds Strategic Broad 60/40</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 60% b) IHS Markit iBoxx Euro Corporates: 40%	0,75 %	No
<b>KBC Bonds Strategic Accents</b>	The sub-fund is actively managed without using a benchmark index	N/A	N/A
<b>KBC Bonds Strategic Broad 50/50</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 50% b) IHS Markit iBoxx Euro Corporates: 50%	0,75 %	No
<b>KBC Bonds Strategic Broad 75/25 Responsible Investing</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG) : 75% b) IHS Markit iBoxx Euro Corporates: 25%	0,75 %	No
<b>KBC Bonds Strategic Broad 50/50 Responsible Investing</b>	a) JP Morgan European Monetary Union Investment Grade Index (EMU IG) : 50% b) IHS Markit iBoxx Euro Corporates: 50%	0,75 %	No
<b>KBC Bonds Strategic Broad 25/75 Responsible Investing</b>	a) JP Morgan European Monetary Union Investment Grade Index ( EMU IG) : 25% b) IHS Markit iBoxx Euro Corporates: 75%	0,75 %	No
<b>KBC Bonds Strategic Accents Responsible Investing</b>	Le compartiment fait l'objet d'une gestion active sans utilisation d'un indice de référence.	N/A	N/A
<b>KBC Bonds Strategic Broad 40/60</b>	a) IHS Markit iBoxx Euro Corporates : 60% b) JP Morgan European Monetary Union Investment Grade Index ( EMU IG) : 40%	0,75 %	No
<b>KBC Bonds Strategic Broad 30/70</b>	a) IHS Markit iBoxx Euro Corporates: 70% b) JP Morgan European Monetary Union Investment Grade Index (EMU IG) : 30%	0,75 %	No
<b>KBC Bonds High Yield Responsible Investing</b>	Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR	2 %	No
<b>KBC Bonds Green Social Sustainability Bonds Responsible Investing</b>	Bloomberg Global Aggregate EUR Green Social Sustainability Bond - Total Return Index	0.75 %	No

## **6.3.2. Inclusion in the European Securities and Markets Authority's register**

6.3.2.1 Information about certain of the Sicav's sub-funds that is included in this prospectus may make reference to the use of benchmarks. Under Regulation (EU) 2016/1011 of the European Parliament and of the Council (the 'Benchmark Regulation'), the Sicav is required to disclose information on the inclusion of the benchmarks' administrator(s) in the register of approved administrators and benchmarks as established by the European Markets and Securities Authority (the 'ESMA Register').

6.3.2.2. The Benchmark Regulation provides benchmark administrators with a transitional period for inclusion in the ESMA Register (ending 31 December 2023). The Sicav will monitor the inclusion of entities acting as benchmark administrator(s) used by sub-funds of the Sicav in the ESMA Register and will amend this prospectus accordingly.

## **6.3.3. Contingency plan**

6.3.3.1. The Management Company of the Sicav has drafted a contingency plan on the actions to be taken in case a benchmark used by one or more of the UCI's sub-funds materially changes or ceases to be provided.

Contingency plans can be viewed without charge at the registered office of the management company, KBC Asset Management NV, Havenlaan 2, B-1080 Brussels, Belgium.

Situations where a benchmark might materially change include, but are not limited to:

- The benchmark or its administrator is delisted from ESMA's register;
- The geographical, economical or sectoral scope of the benchmark significantly changes; and
- A new benchmark becomes available that is regarded as the market standard for investors in the particular market and/or as of greater benefit to the fund's investors.

Examples of situations where a benchmark ceases to be provided include, but are not limited to:

- The benchmark ceases to exist;
- The benchmark administrator withdraws the licence to use the benchmark; or
- A new benchmark supersedes the existing benchmark.

6.3.3.2. If a benchmark used by one or more of the UCI's sub-funds materially changes or ceases to be provided, a suitable replacement will be sought.

Elements to be considered when selecting a replacement benchmark include, but are not limited to:

- The geographical, economical or sectoral scope of the new benchmark is in line with the existing benchmark;
- Preference will be given to benchmarks that are regarded as the market standard for investors in the private market; and
- Preference will be given to administrators with an existing license with KBC Asset Management, should this result in lower costs.

6.3.3.3. If no replacement benchmark can be found, consideration can be given to, for example, amending the sub-fund's investment policy or proposing the fund's liquidation.

6.3.3.4. The principles stated above and in the contingency plan are without prejudice to the provisions stipulated in the Information concerning the sub-funds.

## **6.4. Diversification**

### **6.4.1. General rules**

6.4.1.1. The UCITS may not invest more than 10% of its assets in transferable securities or money market instruments issued by the same body. The UCITS may not invest more than 20% of its assets in deposits with the same body. The counterparty risk of the UCITS in an OTC derivatives transaction may not exceed 10% of its assets where the counterparty is a credit institution referred to under 6.1.3.1, or 5% of its assets in other cases.

6.4.1.2. The total value of the transferable securities and money market instruments held by a UCITS of issuers in which it has, in each case, invested more than 5% of its assets may not exceed 40% of the value of its assets. This limit does not apply to deposits with financial institutions subject to prudential supervision and to OTC derivatives transactions with these institutions.

Notwithstanding the individual limits set under point 6.4.1.1, the UCITS may not combine:

- investments in transferable securities or money market instruments issued by one and the same issuing body;
- deposits with one and the same body; and/or
- exposures stemming from OTC derivative transactions with one and the same body,

that exceed 20% of its assets.

6.4.1.3. The limit mentioned in the first sentence of point 6.4.1.1 will be set at a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State of the European Union, by its local authorities, by a non-EU state or by public international institutions of which one or more EU Member States are members.

6.4.1.4. The limit mentioned in the first sentence of point 6.4.1.1 will be set at a maximum of 25% for certain bonds, if they are issued by a credit institution that has its registered office in an EU Member State and is subject by law to specific State supervision designed to protect the bondholders. In particular, the sums deriving from the issue of these bonds must be invested, in accordance with the law, in assets which, throughout the duration of the bonds, are able to cover the claims arising from the bonds and which, in the event of the bankruptcy of the issuer, would be used on a priority basis for the repayment of the principal and payment of the accrued interest.

Where a UCITS invests more than 5% of its assets in the bonds mentioned in the first paragraph that are issued by a single issuer, the total value of these investments may not exceed 80% of the value of the assets of the UCITS.

6.4.1.5. The transferable securities and money market instruments referred to in paragraphs 6.4.1.4 and 6.4.1.4 are not taken into account for the purposes of the 40% limit mentioned in paragraph 6.4.1.2.

The limits specified in points 6.4.1.1, 6.4.1.2, 6.4.1.3 and 6.4.1.4 may not be combined; consequently, investments in the transferable securities or money market instruments issued by one and the same body, in deposits or derivatives made with this same body in accordance with points 6.4.1.1, 6.4.1.2, 6.4.1.3 and 6.4.1.4, may not exceed 35%, in total, of the assets of the UCITS.

Companies grouped together for the purposes of producing consolidated accounts within the meaning of Directive 83/349/EEC, or in accordance with generally accepted international accounting rules, are considered as a single entity for the calculation of the limits laid down in this article.

A single UCI may, on an aggregate basis, invest up to 20% of its assets in transferable securities and money market instruments of the same group.

### **6.4.2. Replication of an index**

6.4.2.1. Without prejudice to the limits provided for under point 6.5, the limits specified under 6.4.1 will be set at maximum 20% for investments in shares and/or bonds issued by one and the same body where, in accordance with the UCITS' instruments of incorporation, the objective of the UCITS' investment policy is to replicate the composition of a specific share or bond index recognised by the CSSF, provided that:

- the composition of the index is sufficiently diversified;
- the index constitutes a representative benchmark for the market to which it refers;
- it is published appropriately.

6.4.2.2. The limit provided for under 6.4.2.1 is set at 35% where this is justified by exceptional conditions

on the markets, and especially on the regulated markets where certain transferable securities or certain money market instruments predominate. Investment up to this limit is only permitted for a single issuer.

### **6.4.3. Exceptions to diversification**

**6.4.3.1. Contrary to point 6.4.1, the Sicav is authorised, in accordance with the principle of spreading risk, to invest up to 100% of its assets in different issues of securities and money market instruments issued or guaranteed by a Member State, its regional or local authorities, an OECD Member State, Singapore, Brazil, Russia, Indonesia and South Africa, or by public international institutions of which one or more EU Member States are members, provided that the securities come from at least six different issues and that securities from any single issue may not exceed 30% of the total amount.**

## **6.5. Limits on participating interests**

6.5.1. The Sicav may not acquire shares with voting rights allowing it to exert a significant influence on the management of an issuer.

6.5.2. Nor may a UCITS acquire more than:

- 10% of the non-voting shares of any single issuer;
- 10% of the bonds of any single issuer;
- 25% of the shares/units in any single UCITS and/or other UCI;
- 10% of the money market instruments issued by a single issuer.

The limits provided for under the second, third and fourth bullets need not be respected at the time of acquisition if, at that time, it is not possible to calculate the gross amount of the bonds or money market instruments or the net amount of the securities issued.

6.5.3. Points 6.5.1 and 6.5.2 do not apply in respect of:

6.5.3.1. Transferable securities and money market instruments issued or guaranteed by a Member State of the European Union or its local authorities;

6.5.3.2. Transferable securities and money market instruments issued or guaranteed by a non-EU Member State;

6.5.3.3. Transferable securities and money market instruments issued by a public international institution of which one or more Member States of the European Union are members;

6.5.3.4. Shares held by a UCITS in the capital of a company incorporated in a non-EU State investing its assets mainly in securities of issuers established in this State where, pursuant to the legislation of that State, an investment of this kind is the only way for the UCITS to invest in securities of issuers of the State in question. However, this exception is only allowed on condition that, in its investment policy, the company of the non-EU State respects the limits laid down in points 6.4.1 and 6.4.4. and 6.5.1 and 6.5.2. If the limits under 6.4.1 and 6.4.4 are exceeded, point 6.6 and Article 49 apply mutatis mutandis;

6.5.3.5. Shares held by one or more investment companies in the capital of subsidiary companies engaging solely in management, advisory or marketing activities exclusively for these companies in the country where the subsidiary is located, with regard to the redemption of units/shares at the request of holders.

## **6.6. Exceptions to the investment policy**

6.6.1. The UCITS shall not necessarily be required to comply with the limits set out in section 6. Objectives and investment policy when exercising subscription rights connected to securities or money market instruments that form part of its assets.

Whilst ensuring that the risk-spreading principle is respected, newly authorised UCITS may derogate from points 6.4.1, 6.4.2, 6.4.3 and 6.4.4. for a period of six months from the date of their authorisation.

6.6.2. If the limits referred to in paragraph 6.6.1 are exceeded for reasons beyond the control of the UCITS or as a result of the exercise of subscription rights, the priority objective of the UCITS in its sales transactions must be to rectify this situation, taking due account of investors' interests.

6.6.3. If the issuer is a legal entity with multiple sub-funds where the assets of one sub-fund are available exclusively to satisfy the rights of investors in relation to this sub-fund and the rights of creditors whose claims derive from the creation, operation or liquidation of this sub-fund, each sub-fund is to be considered

as a separate issuer for the purposes of the application of the risk-spreading rules set out under 6.3.1, 6.3.2 and 6.3.4.

## **6.7. Prohibitions**

6.7.1. The UCITS may not borrow.

However, a UCITS may acquire foreign currency by means of a 'back-to-back' loan.

6.7.2. By way of derogation from 6.7.1, the UCITS may borrow:

6.7.2.1. Up to 10% of its assets, provided that the borrowing is on a temporary basis;

6.7.2.2. Up to 10% of its assets, in the case of investment companies, provided that the borrowing is to make possible the acquisition of immovable property essential for the direct pursuit of its business; in this case the borrowing and that referred to in 6.7.2.1 may not in any case in aggregate exceed 15% of its assets.

6.7.3. Without prejudice to the application of points 6.1 and 6.2, the UCITS may neither grant loans nor act as a guarantor on behalf of third parties. This prohibition does not prevent the UCITS from acquiring securities, money market instruments or other financial instruments referred to in points 6.1.2, 6.1.4 and 6.1.5 that are not fully paid.

6.7.4. The UCITS may not carry out short sales of transferable securities, money market instruments or other financial instruments mentioned under 6.1.2, 6.1.4 and 6.1.5.

## **7. Risk management**

The Management Company uses a risk management method that enables it at any time to check and measure the risk associated with the positions and the contribution they make to the global exposure profile of the Sicav's portfolios; it uses a method that allows the OTC derivatives to be valued precisely and independently.

The method used is the 'commitment approach'. For those sub-funds that require the 'value at risk' method to be used, this method will be used, and this will be indicated for the sub-fund concerned.

The risk management carried out by the Management Company is organised according to the type of risk and covers the following aspects, among others:

- Compliance: control of compliance with the investment restrictions and other limits imposed by the relevant regulations.
- Market risk: the risk that the entire market or a class of assets will fall, which will have an effect on the price and value of the assets in the portfolio. In an equity fund, for instance, there is a risk that the equity market in question will fall, and, in a bond fund, a risk that the bond market in question will fall. The higher the volatility of the market in which the UCI invests, the greater the risk. Such markets are subject to significant fluctuations in return.
- Credit risk: the risk that an issuer or counterparty will default and fail to meet its obligations regarding the fund. This is a real risk if the Fund invests in debt instruments. Debtor quality also affects the credit risk (e.g., an investment in a debtor with a high rating, such as investment grade, will pose a lower credit risk than an investment in a debtor with a low rating, such as speculative grade). Changes in the quality of debtors can have an impact on the credit risk.
- Settlement risk: the risk that settlement via a payments system fails to take place as expected because payment or delivery by a counterparty does not occur or does not satisfy the original criteria. This is a real risk if the UCI invests in regions where the financial markets are not well developed. This risk is limited in regions where the financial markets are well developed.
- Liquidity risk: the risk that a position cannot be liquidated on time at a reasonable price. This means that the UCI has to liquidate its assets at a less favourable price or after a certain period. This is a real risk if the UCI invests in instruments for which there is no market or if the market is limited, For example, in the case of unlisted investments and direct real estate investments. OTC derivatives

may also lack liquidity.

- Exchange or currency risk: the risk that the value of an investment will be affected by exchange rate fluctuations. This is a real risk only if the UCI invests in assets that are denominated in a currency with a trend that differs from that of the reference currency of the sub-fund. For instance, a sub-fund denominated in US dollars will not be exposed to any currency risk when investing in bonds or shares denominated in US dollars. It will however be exposed to a currency risk in the case of investments in bonds or shares denominated in euros.
- Custody risk: the risk of the loss of assets placed in custody as a result of insolvency, negligence or fraud on the part of the custodian or a sub-custodian.
- Concentration risk: the risk relating to a high concentration of investments in specific assets or in specific markets. This means that the performance of those assets or markets will have a significant impact on the value of the UCI's portfolio. The greater the diversification of the UCI's portfolio, the lower the concentration risk. This risk will also be higher in more specialised markets (e.g., specific regions, sectors or themes) than in broadly diversified markets (e.g., a worldwide allocation).
- Performance risk: the risk relating to the performance, including the fact that the risk may vary according to the choice of each fund and the presence or absence of any third-party guarantees or limits to which these are subject. This risk is also affected by the market risk and the level of active management used by the manager.
- Capital risk: the risk relating to capital, including the potential risk of erosion due to the redemption of units and the distribution of profit in excess of the investment return. This risk can be limited by, for example, loss-mitigation, capital-protection or capital-guarantee techniques.
- Flexibility risk: the risk of inflexibility attributable to the product itself, including the risk of early redemption, and restrictions on switching to other providers. This risk can mean that the UCI is unable to take the desired actions at certain times. It can be higher in the case of funds or investments subject to restrictive laws or regulations.
- Inflation risk: this risk is dependent on inflation. It applies, for example, to long-term fixed-income bonds.
- Environmental factors: uncertainty concerning the changeability of external factors (such as the tax system or amendments to the law and regulations) that could affect how the fund operates.
- Sustainability risk: the management company defines sustainability risk as the risk that investment returns will be adversely affected by environmental, social or governance risks.

Environmental risk refers to the risk that investment returns will be adversely affected by environmental factors, including factors resulting from climate change and from other environmental damage.

Social risk is defined as the risk that the return of investments may be negatively affected by social factors.

Governance risk is defined as the risk that the return of investments may be negatively affected by governance factors.

The nature of these risks varies according to a time scale:

– In the short term, sustainability risk is generally an event risk. Such risks typically only affect return if the event occurs. Examples of such events include accidents (e.g., triggering litigation in pursuit of compensation for environmental damage), trials and fines (e.g., failure to respect social legislation), scandals (e.g., when a business is subject to bad publicity because human rights have not been respected throughout its supply chain or because a company's products do not comply with the promised ESG (Environmental, Social and Governance) standard. Sustainability risks of this kind are deemed to be higher when an issuer is less stringent in its pursuit of ESG standards.

– In the longer term, the sustainability risk relates to risks that can develop over a longer period, such as exposure to commercial activities that could come under pressure from climate change (e.g., certain segments of the automotive industry), shifting client preferences towards products (e.g., preference for more sustainable products), recruitment difficulties, increased costs (e.g., insurance companies facing losses attributable to changing weather conditions). Since this risk develops over a longer period, businesses can mitigate it by, for instance, adjusting their

product range or improving their supply chains.

In the investment policy, the management company shall take into account the sustainability risks as follows:

- by defining an exclusion policy (the “exclusion criteria”) applicable to all funds and sub-funds (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policies for conventional and Responsible Investing funds); and
- by identifying the sub-funds to which additional Responsible Investing criteria apply. The additional criteria are, where applicable, specified in the “Investment policy” section in the description of the sub-funds and at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policy for Responsible Investing funds. For these sub-funds, the sustainability risk is lower.

KBC AM's investment policy continuously assesses the underlying investments at issuer level, but also (where applicable) at asset allocation or geographic or sector allocation level. These regular reviews consider sustainability risk as one of many things that can affect performance. The Responsible Investing research team assigns an ESG risk rating to most companies included in common indices and to a selection of small and medium-sized enterprises based on the data supplied by an ESG data provider. ESG risk ratings are shared internally with the portfolio managers and strategists so they can be considered as part of the investment decision-making process. A further objective of the Responsible Investing funds of the KBC group is to improve the weighted average ESG risk score of the companies in which sub-funds following a Responsible Investing policy invest, in comparison to the ESG risk score of a reference portfolio. You will find more detailed information on our Responsible Investing methodology in this policy document [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for responsible investing funds.

The Management Company also calculates and supervises the risk profile of the sub-funds, the risk profile of the target investor and the risks inherent in the sub-funds, as specified for each sub-fund in the detailed description of the sub-funds and in the Key Information Documents.

## 8. Shares

The Sicav offers investors the choice of several portfolios, i.e. sub-funds, each with a different investment objective. Each sub-fund comprises a separate pool of assets, represented by a different class of share. The Sicav is therefore a company with multiple sub-funds, or umbrella Sicav.

In relations among investors, each sub-fund is treated as a separate entity.

The rights of creditors in respect of a sub-fund or rights deriving from the creation, operation or liquidation of a sub-fund are limited to the assets of that sub-fund. The assets of a sub-fund are available exclusively to satisfy the rights of creditors whose claims derive from the creation, operation or liquidation of that sub-fund.

Unless the Board of Directors decides otherwise (which will be specified in the prospectus), in each sub-fund, any share may be issued, at the option of the shareholder:

- either as a distribution (income) share giving rise to the distribution, in the form of a dividend, of a portion of the annual profits of the sub-fund to which this share belongs;
- or as a capitalisation (accumulation) share, for which the portion of the profits accruing to it will be capitalised in the sub-fund to which this share belongs.

Within each share category, the Board of Directors may create different sub-categories of shares, which can be characterised by their reference currency, the level of fees or by any other characteristic as determined by the Board of Directors.

If the Board of Directors decides to issue sub-categories of shares in a sub-fund, the necessary information will be provided in Appendix 1.

Whereas the percentage of a particular sub-fund's net assets to be allocated to distribution shares will be reduced in proportion to the amount paid out in dividends, the percentage to be allocated to capitalisation shares will increase.

Subject to the provisions below, all the shares of the Sicav are freely transferable. The shares confer no preference right or pre-emptive right and each share carries a single voting right, regardless of the sub-

fund to which it belongs or its net asset value, at all general meetings of shareholders. The shares have no par value and must be fully paid up at issue.

There is no limit to the number of shares that may be issued by the Sicav.

The shares are issued in registered form in the name of the investor. The shares will be admitted to clearing institutions.

Immobilised bearer shares may be converted into registered shares. The conversion costs will be charged to the shareholder.

Bearer shares that were not immobilised through the offices of the Custodian of bearer shares by 18 February 2016 have been cancelled. The funds corresponding to those shares have been deposited with the Luxembourg Caisse des Consignations (Consignment Office) until such time as the party able validly to prove claim, right and title thereto applies for the remittance thereof.

## **9. Issue, redemption and conversion of shares**

The Sicav's shares are not being offered for frequent trading by investors seeking to take advantage of short-term fluctuations in the relevant markets. The Sicav will not be managed and is not intended to serve as a vehicle for such transactions. This type of activity, considered to constitute 'market timing', could be prejudicial to the Sicav's shareholders. The Sicav is therefore entitled to refuse any request to subscribe to shares that it considers, in good faith, to constitute market timing activity involving the Sicav's assets.

The Sicav will take the necessary measures to rule out 'late trading' and to ensure that subscription, redemption and conversion applications are accepted at a time when the net asset value applying to these applications is not yet known.

### **9.1. Issue of shares**

For each sub-fund, the Board of Directors may issue distribution and/or capitalisation shares at any time and without limitation.

Nevertheless, the Board of Directors may decide to issue only either distribution shares or capitalisation shares in a sub-fund, which will be specified in the present prospectus.

The specific information concerning the initial subscription period and the subscription price is given in Appendix 1.

After the initial subscription period, the shares of all the sub-funds are issued at a price corresponding to the net asset value per share, plus an entry fee specified in Appendix 1.

When a subscription fee is paid for the benefit of the sub-fund as indicated in Appendix 1, the same effective fee shall be applied to all subscription orders for the same class of shares handled the same day. Subscription applications must reach the Sicav or the counters of the institutions it designates by 2 p.m. on any day on which banks in Luxembourg are open for business. If accepted, they will be processed at the net asset value per share on the day on which the subscription order was received (calculated on the first bank business day in Luxembourg following the receipt of these applications, based on the prices of the underlying securities on the day the subscription order is received).

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

Unless otherwise indicated in the present prospectus, the subscription price of each share must be paid to the Sicav's account at Brown Brothers Harriman (Luxembourg) S.C.A. within three Luxembourg bank business days of receipt of the subscription order.

The shares are issued in registered form in the name of the investor. The shares will be admitted to clearing institutions.

For shareholders having requested entry in the register kept for this purpose by the registrar and transfer agent, certificates representing their shares will not be issued unless they have expressly requested this. Instead, the agent will issue confirmation of entry in the register.



If a holder of registered shares wishes more than one certificate to be issued for his shares, the cost of the additional certificates may be charged to him.

Immobilised bearer shares may still be converted into registered shares. The costs of such conversion may be charged to the shareholder.

The Sicav reserves the right to refuse any subscription application or to accept subscription applications only in part. Furthermore, the Board of Directors reserves the right to suspend the issue and sale of shares at any time without prior notice.

No shares will be issued if calculation of the net asset value of the Sicav is suspended. Notice of any such suspension will be given to persons who have submitted a subscription application and the applications made or pending during such a suspension may be withdrawn if the Sicav receives written notification to that effect before the suspension is lifted. If they have not been withdrawn, the applications will be taken into consideration on the first Valuation Day following the end of the suspension.

The Sicav's shares are not being offered for frequent trading by investors seeking to take advantage of short-term fluctuations in the relevant markets. The Sicav will not be managed and is not intended to serve as a vehicle for such transactions. This type of activity, considered to constitute 'market timing', could be prejudicial to the Sicav's shareholders. The Sicav is therefore entitled to refuse any request to subscribe to or convert shares that it considers, in good faith, to constitute market timing activity involving the Sicav's assets.

## **9.2. Redemption of shares**

Shareholders wishing to have all or some of their shares redeemed may submit a written application to this effect at any time to the registered office of the Sicav or at the counters of institutions it has designated. The application must indicate the number of shares to be redeemed, the sub-fund to which they belong, whether they are distribution or capitalisation shares, and, if the shares are registered, the person in whose name they are registered and the details concerning the person appointed to receive payment.

For bearer shares, the application must be accompanied by any certificates to be redeemed, if such have been issued, together with all their coupons that have not matured.

Redemption will be effected at the net asset value applicable, less an exit fee. The rate of this redemption fee is set, and may be changed, by the Board of Directors and will be specified in Appendix 1. Shareholders will be notified by means of an announcement in the annual report.

When a redemption fee is paid for the benefit of the sub-fund as indicated in Appendix 1, the same effective fee shall be applied to all redemption orders for the same class of shares handled the same day.

Redemption applications must reach the Sicav or the counters of the institutions it designates by 2 p.m. on any day on which banks in Luxembourg are open for business. If accepted, they will be processed at the net asset value per share on the day on which the redemption order was received (calculated on the first bank business day in Luxembourg following the receipt of these applications, based on the prices of the underlying securities on the day the redemption order is received).

Redemption applications received after 2 p.m. on a Luxembourg bank business day will automatically be postponed until the next Luxembourg bank business day.

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

The redemption price will be paid three Luxembourg bank business days at the latest from the date on which the application for redemption was received, provided that the share certificates, if issued, have been handed over. Payment will be made by transfer to an account held by the shareholder. The redemption price of the shares of the Sicav may be higher or lower than the purchase price paid by the shareholder, depending on the fluctuations in the net asset value per share of the Sicav. The right to redemption will be suspended during any period when the calculation of the net asset value per share is suspended.

Notice of any such suspension will be given to each shareholder who has submitted an application for redemption and any applications pending may be withdrawn if the Sicav receives written notification to that effect before the suspension is lifted. If they have not been withdrawn, the shares in question will be redeemed on the first Valuation Day following the end of the suspension.

The redeemed shares will be cancelled. The redemption price of the shares will be paid in the currency in

which the net asset value of the sub-fund concerned is calculated.

### **9.3. Conversion of shares**

Unless stated otherwise in Appendix 1, any shareholder may request the conversion of all or some of their shares to shares of another sub-fund at a price equal to the respective net values of the shares of the different sub-funds less a conversion fee which will be specified in Appendix 1.

If, within one or more sub-funds, distribution shares and capitalisation shares are issued and in circulation, the holders of distribution shares will be entitled to convert all or part of them into capitalisation shares and vice versa, at a price equal to the respective net values on the date the conversion order is received (calculated on the first Luxembourg bank business day following receipt of these applications, based on the price of the underlying securities on the date the conversion order was received) and this within one and the same sub-fund or when switching from one sub-fund to another.

Shareholders wishing to convert their shares as set out above may apply in writing to the Sicav, indicating the number and type of the shares to be converted and also specifying whether the shares of the new sub-fund are to be distribution or capitalisation shares. Shareholders must also specify the address where the payment of any balance from the conversion must be sent and the application must be accompanied by the old share certificate, if issued. Conversion applications must reach the Sicav or the counters of the institutions it appointed by 2 p.m. on any day on which banks in Luxembourg are open for business.

The cut-off time stated in the prospectus applies only to financial and distribution services included in the prospectus. If distribution involves other distributors, the cut-off time may be earlier than that stated in the prospectus. Investors should contact their distributor to ascertain the cut-off time applicable to their investment.

The periods of notice relating to the conversion of shares are identical to those applied for the subscription and redemption of shares.

The number of shares allocated in the new sub-fund will be established according to the following formula:

$$A = \frac{B \times C \times D}{E}$$

where:

- A: is the number of shares to be allocated in the new sub-fund  
(distribution or capitalisation shares, as the case may be)
- B: is the number of shares of the initial sub-fund (distribution shares or capitalisation shares, as the case may be) to be converted into shares in the new sub-fund;
- C: is the net asset value – on the date the order to convert shares in the initial sub-fund is received – of the shares to be converted (distribution shares or capitalisation shares, as the case may be);
- D: is the exchange rate applicable on the day of the transaction between the currencies in which the two classes of share are expressed;
- E: is the net asset value – on the date the order to convert shares into shares in the new sub-fund is received – of the shares to be allocated (distribution shares or capitalisation shares, as the case may be).

No conversion of shares will occur if the calculation of the net asset value of one of the sub-funds concerned is suspended.

## **10. Net asset value**

The net asset value (NAV) and the issue and redemption prices per share of each sub-fund of the Sicav are calculated on each day on which banks in Luxembourg are open for business in the reference currency of the sub-fund concerned, on the basis of the latest available prices on the markets on which the assets held by the Sicav are traded.

The net asset value is obtained by dividing the net asset value of each sub-fund of the Sicav by the total number of shares in circulation on that date of the sub-fund concerned and by rounding the amount obtained for each share to the nearest full hundredth of the currency unit of the sub-fund concerned. In each sub-fund where distribution shares and capitalisation shares have been issued and are in circulation, the net asset value will be determined for each distribution share and for each capitalisation share.

The net asset value of each sub-fund of the Sicav is equal to the difference between the assets and the contingent liabilities relating to this sub-fund of the Sicav, in accordance with the Articles of Association. To determine the net assets, the income and expenditure are booked to the accounts day-to-day.

In respect of third parties, the Sicav constitutes one and the same legal entity, and all commitments are binding on the Sicav as a whole, regardless of the sub-fund to which these debts are allocated, unless otherwise agreed with the creditors. In relations among shareholders, each sub-fund is treated as a separate entity.

The assets, liabilities, charges and costs which are not attributable to any one sub-fund will be allocated to the various sub-funds in equal proportions or, where the amounts in question warrant, in proportion to their respective net assets.

### **10.1. Valuation of the assets**

The value of the assets of the various sub-funds will be determined according to the following principles:

- 10.1.1. The value of cash in hand or on deposit, of bills and demand notes payable and accounts receivable, pre-paid expenses, dividends and interest declared or accrued but not yet received will be the nominal value of such assets, unless it appears unlikely that the full value can be received, in which case the value will be determined by making such deduction as the Board of Directors considers appropriate to reflect the true value thereof;
- 10.1.2. The value of all transferable securities and money market instruments traded or listed on a stock exchange will be determined on the basis of the last available price unless this price is not representative.
- 10.1.3. The value of all transferable securities and money market instruments traded on another regulated market will be determined according to the last available price.
- 10.1.4. The value of transferable securities and money market instruments in portfolio on the Valuation Day that are not traded or listed on a stock exchange or other regulated market, and of securities and instruments traded or listed on a stock exchange or other regulated market where the price determined according to the stipulations of paragraphs 10.1.2 or 10.1.3 is not representative of the fair value of such transferable securities and money market instruments, will be determined on the basis of the foreseeable sales price, estimated prudently and in good faith.
- 10.1.5. The value of options and financial futures will be determined at the last available price on the relevant stock exchanges or regulated markets.
- 10.1.6. The value of the interest rate swap contracts will be determined on the basis of the last available rates on the markets on which these contracts were concluded.
- 10.1.7. The money market instruments with an average residual term to maturity of less than one year may be valued as follows (linear valuation): the price used for these investments will be adapted progressively to the redemption price, based on the net acquisition value while the resulting return is kept constant. If there is any significant change in the market conditions, the valuation basis for money market instruments will be adapted to the new market returns.
- 10.1.8. The UCITS and other UCIs will be valued on the basis of the last net asset value available for the underlying UCITS and other UCIs.
- 10.1.9. If, as a result of special circumstances, valuation on the basis of the rules set out above becomes impracticable or inaccurate, other generally accepted, verifiable valuation criteria will be applied to obtain a fair value.

OTC derivatives will be subject to reliable and verifiable valuation on a daily basis and, on the initiative of the Sicav, can be sold, liquidated or closed out by an offsetting transaction at any time and at their fair value.

The value of all assets not expressed in the reference currency of the sub-fund to which they belong will be converted into the reference currency of the sub-fund at the exchange rate applicable on the business day concerned or at the exchange rate provided for by the forward contracts.

The net asset value per share of each sub-fund, whether distribution shares or capitalisation shares, and their issue, redemption and conversion prices may be obtained on each bank business day at the registered office of the Sicav.

## **10.2. Publication of the net asset value**

The net asset value of each sub-fund and of each class of share, and the issue and redemption prices, will be published on each Luxembourg bank business day at the registered office of the Sicav. This information may also be published in any daily newspaper, as decided by the Board of Directors.

## **11. Temporary suspension of the calculation of the net asset value**

The Board of Directors may suspend calculation of the net asset value of the shares of one or more sub-funds, as well as the issue and redemption of the shares of this sub-fund and conversion from and into these shares

- during any period when one of the major stock exchanges or other markets listing a substantial proportion of the Sicav's investments allotted to that particular sub-fund is closed for a reason other than normal holidays, or when transactions on that market are suspended or subject to restriction;
- when, due to an emergency, the Sicav is unable to dispose in the usual way of the assets allocated to a given sub-fund or is unable to value them correctly;
- when the means of communication normally used to determine the price or the value of the investments of a given sub-fund or the current stock market price of the securities is out of service;
- during any period when the Sicav is prevented from repatriating money to execute payments for the redemption of shares or when the Board of Directors deems that transfer of funds for the realisation or purchase of investments or for payments due for the redemption of shares cannot be effected at normal exchange rates;
- As soon as the announcement is published that a general meeting has been convened for the purpose of passing a resolution for the dissolution of the Sicav.
- on the decision by the Board of Directors to dissolve a sub-fund;
- in the event of computer failure making it impossible to calculate the net asset value.
- in other cases provided for by law.

Notification of such suspension will be published in D'Wort, as well as in any other daily newspaper as determined by the Board of Directors, and will be notified to shareholders who have applied for the redemption or conversion of shares by the Sicav at the time they make the final application in writing. Such suspension of a sub-fund will have no effect on the calculation of the net asset value, or on the issue, redemption or conversion of shares of the other sub-funds.

## **12. General meetings**

The Annual General Meeting of the shareholders of the Sicav will be held each year at the registered office of the Sicav in Luxembourg on the third Wednesday in December at 3 p.m. (or, if this day is a statutory public holiday or not a bank business day in Luxembourg, on the following business day).

Notices will be published in the Mémorial (official journal), D'Wort and in a daily newspaper in those countries where the shares of the Sicav are offered to the public and, where notification of any general meeting are sent to all registered shareholders at the address appearing in the register of shareholders, at least eight days prior to that general meeting. This notification will indicate the time and venue of the general meeting and the conditions of admission thereto, the agenda and the requirements under Luxembourg law concerning the required quorum for attendance and voting.

The requirements concerning the convening notices, attendance and the quorum for attendance and voting of any general meeting are laid down in Articles 67, 67-1 and 70 of the Law of 10 August 1915 of the Grand

Duchy of Luxembourg, as amended.

The resolutions passed at a general meeting will be binding on all the shareholders of the Company, irrespective of the sub-fund in which they hold shares. Where decisions regarding only the specific rights of the shareholders of a sub-fund are concerned, these decisions will be taken by a meeting representing the shareholders of the sub-fund concerned. The requirements concerning the convening of such meetings are the same as those mentioned in the previous paragraph.

The Sicav requests investors to note that no investor may make full exercise of investor rights directly vis-à-vis the Sicav (including the right to take part in general meetings of shareholders) unless the investor's name is recorded in the Sicav's register of shareholders. If an investor invests in the Sicav via an intermediary investing in the Sicav in the intermediary's name but on behalf of the investor, certain shareholder rights may not necessarily be exercised by the shareholder directly vis-à-vis the Sicav. Investors are advised to obtain information on their rights.

No voting rights are attached to bearer shares that had not been immobilised in the hands of the Custodian of bearer shares by 18 February 2015. The holders of these shares will no longer be admitted to general meetings.

### **13. Distribution policy**

On the proposal of the Board of Directors, the general meeting of shareholders will decide each year, for each sub-fund, for both distribution shares and capitalisation shares, on the appropriation of the balance of the net annual investment income. The distribution of a dividend may take place without regard to all realised and unrealised capital gains and losses. In addition, the dividends may include the distribution of capital, provided that after distribution the net assets of the Sicav exceed the minimum capital of 1 250 000 euros.

The net annual investment income of each sub-fund will therefore be divided among all the distribution shares, on the one hand, and all the capitalisation shares, on the other, commensurate with the net assets corresponding to the category represented by these share pools respectively.

The proportion of the net annual income of the sub-fund allocated to the distribution shares may be distributed to the holders of these shares in the form of cash dividends.

The proportion of the net annual income of the sub-fund allocated to the capitalisation shares will be capitalised in the sub-fund corresponding to this class of shares in favour of the holders of the capitalisation shares.

Any resolution for the distribution of dividends to the holders of dividend shares of a sub-fund must be approved by the shareholders of this class of share, voting by a simple majority of the shareholders present and voting.

By decision of the Board of Directors, interim dividends may be paid on the distribution shares of a sub-fund.

The dividends may be paid in the reference currency of the sub-fund concerned or, by decision of the meeting of shareholders, in any other currency, and will be paid at such time and place as determined by the Board of Directors. The Board of Directors may at its discretion determine the exchange rate to be used to convert the dividends into the currency in which payment is made.

Notifications in respect of dividends and the name of the paying agent will be published in D'Wort, as well as in any other daily newspaper specified by the Board of Directors.

The distribution of dividends attached to bearer shares that have not been immobilised in the hands of the Custodian of bearer shares by 17 February 2015 will be deferred until the date of immobilisation, provided that the rights to the distribution have not been prescribed and providing always that no interest payment shall fail to be made.

Any dividend announced which has not been claimed by the beneficiary within ten years of allocation will be forfeit and will accrue to the sub-fund concerned. No interest will be paid on a dividend declared by the Sicav that it holds at the disposal of the beneficiary.

### **14. Liquidation**

The Sicav will be wound up subject to the conditions stated in the Law.

Should the capital of the Sicav fall below two thirds of the minimum capital, the directors must submit the question of the dissolution of the Sicav to the general meeting for which no quorum shall be prescribed and

at which decisions shall be taken by a simple majority of the shares represented at the meeting.

Should the capital of the Sicav fall below one quarter of the minimum capital, the directors must submit the question of the dissolution of the Sicav to the general meeting for which no quorum shall be prescribed; the dissolution may be resolved by shareholders holding one quarter of the shares represented at the meeting.

The meeting is to be so convened that it takes place within forty days of the date on which it is established that the net assets have fallen below two thirds or one quarter, as the case may be, of the minimum capital. Furthermore, the Sicav may be dissolved by decision of a general meeting of shareholders pursuant to the provisions of the Articles of Association on the subject.

The decisions of the general meeting or the court pronouncing the dissolution and liquidation of the Sicav are published in the Mémorial and in three daily newspapers with an adequate circulation, at least one of which shall be a Luxembourg newspaper. These publications are made at the request of the liquidator(s).

If the Sicav is dissolved, liquidation will be carried out by one or more liquidators (natural or legal persons), who will be appointed by the general meeting of shareholders which decided on this dissolution and which will determine their powers and their remuneration. The net proceeds of the liquidation of each sub-fund will be divided by the liquidator(s) among the shareholders of each sub-fund in proportion to the number of distribution and/or capitalisation shares they hold in that sub-fund.

Amounts not claimed by the shareholders at the time liquidation is finalised will in held in escrow by the Caisse des Consignations (Consignment Office) in Luxembourg. Amounts not claimed from escrow within the legally prescribed period (30 years) will be forfeit.

The Board of Directors may propose that a sub-fund be closed at any time in the following cases:

- If the net assets of the sub-fund(s) concerned fall below a volume that does not allow management to be conducted efficiently;
- If economic and/or political circumstances change.

The decision to wind up a sub-fund must be published in accordance with the relevant publication rules. In particular, information must be given on the reasons for, and the terms and conditions of, the winding up.

Unless the Board of Directors decides otherwise, the Sicav may, pending execution of the liquidation decision, continue to redeem the shares of the sub-fund that is to be liquidated. For these redemptions, the investment company must use as a basis the net asset value established taking account of the liquidation costs, but without deduction of an exit fee or any other amount. The capitalised formation expenses are to be amortised in full by the sub-fund concerned as soon as the decision to wind up the sub-fund is taken.

Amounts which it has not been possible to distribute to the beneficiaries by the date liquidation of the sub-fund(s) must be deposited at the Caisse de Consignation (Luxembourg)) in favour of the beneficiaries.

Subject to the conditions provided for by the Law and, where applicable, by a CSSF Regulation, the board of directors is competent to decide on a domestic or cross-border merger and its taking effect with another UCITS in accordance with one of the merger techniques provided for by the Law, either as the merging UCITS or as the receiving UCITS.

For any merger where the Company ceases to exist, the effective date of the merger must be decided by a meeting that deliberates in accordance with the terms and requirements as to quorum and majority provided for in these Articles of Incorporation, subject to the conditions provided for by the Law. In this case, the merger must be evidenced by a notarial deed.

## **15. Annual and interim report and accounts**

The reports to shareholders concerning the previous financial year, verified by the company auditor, are available at the registered office of the Sicav and sent to the holders of registered shares at the address indicated in the register of shareholders at least eight days before the Annual General Meeting. In addition, unaudited interim reports are also available at the registered office and sent to the holders of registered shares. The financial year of the Sicav starts on 1 October and ends on 30 September.

The accounts of the Sicav are expressed in euros. The accounts of the sub-funds expressed in different currencies are converted into euros and added together to make up the accounts of the Sicav.

## 16. Fees, charges and expenses

### **16.1. Fees and expenses payable by the sub-funds**

The fee structure set out below will apply:

#### **Portfolio management fee**

In remuneration for the portfolio management services it provides, the appointed Management Company, KBC Asset Management NV, will receive a portfolio management fee, of which the maximum level charged to the investors is indicated for each share class in the prospectus.

Unless otherwise stipulated in the description of the sub-fund, the portfolio management fee is payable monthly and calculated on the basis of the total average net assets over the month in question.

#### **Fund administration fee**

In remuneration for the fund administration services it provides, the appointed Management Company, KBC Asset Management NV, will receive a fund administration fee. The maximum amount for this fee charged to a sub-fund per share class is indicated in the prospectus.

The fund administration fee will also cover costs and expenses relating to services rendered by service providers other than the Management Company to which the Management Company has delegated one or more tasks relating to the administration of the fund.

The fee is payable monthly and calculated on the basis of the total average net assets over the month in question.

#### **Research fee**

In addition to the portfolio management fee and the fund administration fee, the appointed Management Company will receive a research fee, the maximum amount of which charged to the fund is indicated for each sub-fund. This fee represents compensation for the use of research on the bonds and debt securities in which the fund is invested.

If the actual cost of research is lower than the percentage indicated, the Management Company will only receive this lower amount.

The fee is payable monthly and calculated on the basis of the total average net assets over the month in question.

#### **Depositary and custody fees**

In addition to the portfolio management fee and the fund administration fee charged by the Management Company, each sub-fund will be charged a depositary fee and custody fees to cover the depositary fee and custody fees charged by the Custodian Brown Brothers Harriman (Luxembourg) S.C.A. as set out in the prospectus for each share class.

Custody fees are payable monthly and calculated on the basis of the total net assets under custody in the portfolio at the end of the month. The rate applied varies each month on the basis of the location of the market in which the asset is held.

The depositary fee is payable monthly and calculated as a basis point charge on the total net assets over the month in question.

#### **Other fees and charges**

In addition to the portfolio management fee, the fund administration fee, the research fee, the depositary fee and the custody fees, the sub-fund will incur a number of other fees and charges, an estimate of which is set out in the prospectus for each share class.

This estimate includes, but is not limited to, the following:

- the costs of providing information to Shareholders, including, but not limited to, the costs of creating, translating, printing and distributing financial reports, prospectuses and KIDs;

- all advertising and marketing expenses that the Board of Directors determines that the Fund must pay;
- all fees that the shareholders determine that the fund should pay to Board members for services rendered to the Board;
- fees payable to regulators;
- statutory auditors' remuneration;
- paying agent's fees;
- fees for other professional and legal services.

The following are not included in the portfolio management fee, nor in the fund administration fee, nor in the research fees, nor in the depositary fee and the custody fees, nor in the estimated percentage of "other fees and charges" mentioned above:

- fees and expenses associated with the purchase and sale of securities and financial instruments;
- broker's fees;
- transaction charges (excluding custody service);
- bank interest and charges, as well as other expenses associated with the transactions;
- costs arising from legal action;
- the sum total of all Luxembourg or foreign taxes, duties or similar charges billed or levied on the assets;
- all fees, government duties and expenses payable by the fund;
- registration fees payable to authorities and stock markets;
- all other expenses linked with fund operations, administration, management and distribution, including the costs incurred by the service providers referred to above in the context of fulfilling their responsibilities to the fund.

## **16.2. Fees and expenses to be borne by the investor**

Where applicable, as set out in the prospectus for each share/unit class, investors may be required to pay fees and expenses arising from subscriptions, redemptions or conversions. These fees, which are set out in the prospectus for each share/unit class, may be payable to the sub-fund and/or the distributor.

## **16.3. Taxes payable by the SICAV**

- The annual subscription tax (Luxembourg);
- The subscription tax on net assets in countries other than Luxembourg when a sub-fund and/or share class is distributed outside Luxembourg;
- Withholding taxes on foreign income not recovered by the Fund (in accordance with double taxation agreements).

See Section 17 also. Taxation of the SICAV.

## **16.4. Ongoing charges**

The key information documents set out the ongoing charges, which consist of management fees and other administrative or operating expenses on the one hand and transaction charges on the other, as calculated in accordance with the provisions of Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021.

Ongoing charges are those to which the UCI is subject over the course of a year. They are presented in the form of a single figure for each sub-fund or, where applicable, for each share class or type, of one figure for management fees and other administrative or operating expenses and one figure for transaction charges. The amount of management fees and other administrative and operating expenses represents all annual expenses and other payments taken from the assets of a sub-fund during a given period, on the basis of the figures for the previous year. The figure for transaction charges is an estimate of explicit and implicit annual transaction charges and is based on the transactions carried out during the previous 36



months. For sub-funds, share classes or types that have been in existence for less than 36 months, Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, stipulates a modified estimation method. These figures are always expressed as a percentage of the sub-fund's average net assets or, where applicable, of the share class or type.

The following are not included in the stated charges: entry and exit charges paid by the investor, ancillary costs such as performance-related commissions, and payments for the purpose of creating collateral in the context of derivative financial instruments.

## **17. Taxation**

### **17.1. Taxation of the Sicav**

Under current law, the Sicav is not liable for any Luxembourg income tax. Likewise, the dividends paid by the Sicav are not subject to any Luxembourg withholding tax. However, the Sicav is subject to a tax of 0.05% per year on its net asset value.

The sub-categories "Institutional B Shares", "Institutional F Shares", "Institutional Shares" and "Institutional Discretionary Shares" within the open-ended investment company (Sicav) will be eligible for the reduced tax of 0.01% per year and are intended for institutional investors as defined in Article 174(2) of the Law and as specified in the investor eligibility criteria for the relevant sub-category.

This tax is payable quarterly on the basis of the net assets of the Sicav calculated at the end of the quarter to which the tax relates. Except for the one-off tax of 1 250 euros upon incorporation, no duty or other tax is payable in Luxembourg on the issue of shares in the Sicav.

According to current law and practice, no tax is due on the capital gains realised on the assets of the Sicav. There is not expected to be any tax imposed on the capital gains of the Sicav as a result of the investment of its assets abroad.

The income of the Sicav in the form of dividends and interest from sources outside Luxembourg may be liable to withholding taxes at varying rates, which normally cannot be recovered.

### **17.2 Taxation of the shareholders**

Amounts paid out by the Sicav and the income, dividends, other amounts paid out and capital gains collected or realised by a shareholder residing in Luxembourg or abroad are not subject to any Luxembourg withholding tax of the 'debtor' type.

#### **Taxation of resident shareholders**

In certain cases and under certain conditions, the capital gains realised by an individual resident shareholder directly or indirectly holding or having held more than 10% of the share capital of the Sicav or of a sub-fund or holding shares for six months or less before the transfer thereof, the dividends received by a shareholder and the income realised or received by a collective resident entity may be subject to tax in Luxembourg unless a deduction or exemption applies.

Resident shareholders are also subject in Luxembourg to a wealth tax, a tax on gifts registered in Luxembourg and a tax on inheritance.

#### **Taxation of non-resident shareholders**

In certain cases and under certain conditions, non-resident shareholders directly or indirectly holding or having held more than 10% of the share capital of the Sicav or of a sub-fund of the Sicav, or shareholders with a permanent establishment in Luxembourg to which the share relates may be subject to a tax in Luxembourg, unless a tax convention limiting Luxembourg's right to impose tax or a deduction or exemption applies.

Non-resident shareholders are not subject in Luxembourg to a wealth tax, a tax on gifts not registered in Luxembourg or a tax on inheritance.

Based on Luxembourg legislation, the Sicav is required to collect and automatically report to the Luxembourg tax administration financial information on investors with tax obligations in a country other than

Luxembourg. The Luxembourg tax administration can only use the received data to exchange them with the competent foreign authorities for tax purposes. The reported information shall include identification data on the investor such as name, address, place of birth, date of birth, as well as certain financial details on the investment in the Sicav during a given reference period.

Shareholders may also be subject to tax in their country of residence under the laws and regulations that apply to them and that they are required to observe. Prospective investors are advised to find out about the tax requirements in effect in their country of residence.

The description set out in the 'taxation' section is based on legal and regulatory texts in effect on the date of this prospectus, which are subject to change. Prospective investors are also cautioned that this description is not exhaustive and does not cover all the tax issues that might be of interest to persons who wish to hold shares in the Sicav. Prospective investors are advised to obtain information and advice on the laws and regulations that apply to them on subscription to, or on the purchase, possession, transfer and sale of these shares in their country of origin, in the country in which these transactions take place, in their country of residence or in their country of domicile.

## **18. Information for the shareholders**

### **18.1. Financial notices**

The financial notices will be published in the countries where the Sicav is marketed and, as far as the Grand Duchy of Luxembourg is concerned, in D'Wort.

### **18.2. Available documents**

The Sicav's articles of association, financial reports, prospectus and Key Information Documents are available to the public free of charge at the Sicav's registered office.

The following contracts may also be consulted at the Sicav's registered office:

- the contract with the domiciliary agent, the agent responsible for keeping the register of shareholders and the administrative agent;
- The contract appointing the Management Company;
- The contract with the custodian;
- The paying agent contract.

### **18.3. Inducements**

In order to foster the wider distribution of units in the sub-fund, in addition to using several channels of distribution, the management company has, in its capacity as distributor, entered into a distribution agreement with one or more sub-distributors.

It is in the interests of investors in the sub-fund and the management company that the sub-fund's assets should be as high as possible, including through the sale of the highest possible number of units. In this respect, there is therefore no question of any conflict of interests.

The management company may share its management fee with its sub-distributors, institutional and/or professional parties. The fact that the management fee is shared shall not affect the amount of the management fee paid to the Management Company by the sub-fund.

In principle, this is between 35% and 70% if the sub-distributor is a KBC Group SA entity and between 35% and 70% if the sub-distributor is not a KBC Group SA entity. In a limited number of cases, the fee is less than 35%. Investors may obtain further information on these cases on request.

If the management company invests the assets of the Sicav in units in undertakings for collective investment that are not managed by a KBC Group SA entity, and if the management company receives a fee, it shall pay this fee to the Sicav.

### **18.4. Remuneration policy**

The remuneration policy for employees of the Management Company is based on the KBC Remuneration

Policy, which sets general rules in this area for all members of staff and sets out specific guidelines for employees whose activities could have a material impact on the company's risk profile (Key Identified Staff). The remuneration policy is subject to continuous updating.

### **General rules**

The remuneration policy is in accordance with the economic strategy, the objectives, the values and the interests of the Management Company and the Sicav that it manages and those of the investors in this Sicav.

Employee remuneration comprises a fixed element and a variable element. The fixed element is chiefly determined by the employee's position (e.g., the responsibility he or she assumes and the complexity of the position). The variable element depends on a variety of factors, most notably business performance, the performance of the department in which the employee works and his or her personal targets. The remuneration policy also reflects market practice, competitiveness, risk factors, the long-term objectives of the company and its shareholders, and developments in the legal and regulatory context.

### **Key Identified Staff**

Key Identified Staff are subject to specific rules. These employees receive variable remuneration, which encourages reasonable risk management practices and in no way encourages exposure to extreme risk.

For further information on this matter (e.g., the method for calculating remuneration and allowances, the identity of the people responsible for awarding allowances, including – where applicable – the composition of the remuneration committee set up to this effect), please refer to the website [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) (Remuneration Policy (in English)).

This information can also be obtained free of charge from the management company.

## **19. Personal data protection**

Shareholders are informed that their personal data given in the subscription documents or otherwise in connection with an application to subscribe for shares as well as details of their shareholding (the 'Personal Data') will be collected, recorded, stored, adapted or otherwise processed by electronic or other means in accordance with the applicable Luxembourg law and as of 25 May 2018 the Regulation n° 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the 'GDPR') by the Fund and/or the Management Company acting as a 'controller' in the meaning of GDPR. The Personal Data may also be processed by the Management Company's data Recipients which refers to the Investment Manager, Administrative and Domiciliary Agent, Registrar and Transfer Agent and/or the Depository Bank, Central Administration, the auditor.

Such processing may include the transfer of Personal Data to entities located in jurisdictions outside of the European Economic Area which may not have equivalent data protection legislation. In such case, the Fund and/or the Management Company has entered into legally binding agreements with the relevant Recipients in the form of the EU Commission approved clauses.

Personal Data supplied by the investor is processed for the purpose of (i) subscribing or redeeming in the Fund (ii) maintaining the shareholders register (iii) processing subscriptions and withdrawals and payments of dividends to the investor (iv) account administration (v) sending legal information or notices to investors (vi) complying with applicable anti-money laundering rules and other legal obligations such as CRS/FATCA obligations.

The Personal Data will not be kept longer than necessary to fulfil the above mentioned purposes, or unless any new purposes are agreed with you, or in accordance with applicable laws.

In accordance with the conditions laid down by the GDPR the investor has the right to i) access and correct his/her Personal Data ii) object to the processing of his/her Personal data (iii) restrict the use of his /her Personal Data iv) ask for erasure of his/her Personal data and v) ask for Personal Data portability.

The investor may exercise the above rights by writing to the Management Company at the following address: Havenlaan 2, B-1080 Brussels, Belgium

The investor is informed that he has the right to lodge a complaint by writing a letter to the Complaints Officer of KBC Asset Management NV at the following address : Havenlaan 2, B-1080 Brussels, Belgium

and the National Commission for Data Protection ('CNPD').

Further details about the collection, the processing and the transfer of the Personal Data are contained in the Privacy Statement of KBC Asset Management NV that can be consulted at the following address: [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) (Privacy Statement (English or Dutch))

## **20. Prevention of money laundering and terrorist financing**

Investors should note that the Fund and the Management Company are subject to the national regulatory framework for the prevention of money laundering and terrorist financing, particularly (not exhaustive):

- the Law of 5 April 1993 on the financial sector (as amended);
- the Law of 12 November 2004 on the prevention of money laundering and terrorist financing (as amended);
- the Law of 27 October 2010 strengthening the legal framework for the prevention of money laundering and terrorist financing.
- CSSF Regulation no. 20-05 amending CSSF Regulation no. 12/02 of 14 December 2012 concerning the prevention of money laundering and terrorist financing.

In accordance with the aforesaid legal/regulatory framework, the Fund and the Management Company will take appropriate measures to identify and evaluate the risks of money laundering and terrorist financing to which they are exposed, taking account of risk factors including those associated with clients, countries or geographical zones, products, services and transactions or delivery channels. Following a risk-based approach, the nature and scope of this risk assessment is tailored to the nature and volume of the activity. Effective measures are thus taken to mitigate the identified risks. The Fund and the Management Company implement effective measures in this regard to prevent shares in the Fund being used for purposes of money laundering or terrorist financing, including policies and procedures enabling them to identify, verify and accept Fund's shareholders and their beneficiaries/owners (as applicable), while taking account of a predetermined set of criteria, including client types, geographical zones, products, services, transaction and specific delivery channels. Where shares are subscribed by an intermediary acting on behalf of its clients, the Fund and the Management Company or their respective authorised agent will put in place enhanced client due diligence measures for that intermediary. The Fund and the Management Company will also take all necessary measures to prevent the structuring of the Fund and its investments in such a way as to enable money laundering or terrorist financing.

# Appendix 1. Detailed description of the sub-funds

## Introduction

### **General remarks**

Under the Articles of Association, the Board of Directors is authorised to set the investment policy for each sub-fund into which the company's capital is divided.

The main objective of the Sicav is to offer its shareholders the possibility of investing in an instrument designed to enhance the value of the capital invested in a variety of securities and to seek the highest possible return on the capital invested, while adhering to the principle of spreading risk.

Prospective investors are advised that investment in the emerging markets involves risks which are not generally encountered on the majority of the developed markets. This applies, for instance, to the KBC Bonds Emerging Markets and KBC Bonds Emerging Europe sub-funds.

These risks are the following: political (instability), economic (high inflation rate, lack of development of the financial markets), legal (legal uncertainty and difficulty, in general, of having rights recognised and/or sanctioned), and fiscal (heavy tax burden, no guarantee of uniform, consistent interpretation of the legislation, or the tax authorities having discretionary powers to create new taxes, sometimes with retroactive effect).

Each sub-fund may use derivatives for hedging purposes and/or for the proper management of the portfolio within the limits set out in section 6. Objectives and investment policy. Each sub-fund may thus use derivatives, both listed and unlisted, to achieve its objectives. They may include futures and forward contracts, options or swaps of shares, indices, foreign currency or interest rates or other transactions in derivatives. Transactions in unlisted derivatives may only be concluded with prime financial institutions specialised in transactions of this type. Such derivatives may also be used to protect the assets against exchange rate fluctuations. The aim of each sub-fund is to conclude transactions that are as effective as possible, in compliance with the relevant laws and regulations and the Articles of Association. As described in Section 7. Risk management, KBC Asset Management, as a risk manager, employs a method for managing risks that enables it to check and measure at any time the risk associated with the positions and the contribution they make to the overall exposure profile of the portfolio; it uses a method that allows OTC derivatives to be valued accurately and independently.

### **List of sub-funds**

The sub-funds currently on offer are as follows:

- Appendix 1.1. KBC BONDS INCOME FUND
- Appendix 1.2. KBC BONDS CAPITAL FUND
- Appendix 1.3. KBC BONDS HIGH INTEREST
- Appendix 1.4. KBC BONDS EMERGING MARKETS
- Appendix 1.5. KBC BONDS CORPORATES EURO

- Appendix 1.6. KBC BONDS CONVERTIBLES
- Appendix 1.7. KBC BONDS INFLATION – LINKED BONDS
- Appendix 1.8. KBC BONDS CORPORATES USD
- Appendix 1.9. KBC BONDS EMERGING EUROPE
- Appendix 1.10. KBC BONDS STRATEGIC BROAD 70/30
- Appendix 1.11. KBC BONDS HIGH INTEREST RESPONSIBLE INVESTING
- Appendix 1.12. KBC BONDS STRATEGIC BROAD 60/40
- Appendix 1.13. KBC BONDS STRATEGIC ACCENTS
- Appendix 1.14. KBC BONDS STRATEGIC BROAD 50/50
- Appendix 1.15. KBC BONDS STRATEGIC ACCENTS RESPONSIBLE INVESTING
- Appendix 1.16. KBC BONDS STRATEGIC BROAD 40/60
- Appendix 1.17. KBC BONDS STRATEGIC BROAD 75/25 RESPONSIBLE INVESTING
- Appendix 1.18. KBC BONDS STRATEGIC BROAD 50/50 RESPONSIBLE INVESTING
- Appendix 1.19. KBC BONDS STRATEGIC BROAD 25/75 RESPONSIBLE INVESTING
- Appendix 1.20. KBC BONDS STRATEGIC BROAD 30/70
- Appendix 1.21. KBC BONDS HIGH YIELD RESPONSIBLE INVESTING
- Appendix 1.22. KBC BONDS GREEN SOCIAL SUSTAINABILITY BONDS RESPONSIBLE INVESTING

The Board of Directors may decide to launch these sub-funds at any time. Should it do so, the necessary information will be added to the prospectus.

The Board of Directors may decide at any time, in accordance with the Articles of Association, to issue shares belonging to other sub-funds, with different investment objectives from those of the sub-funds already created.

Likewise, the Board of Directors may dissolve certain sub-funds, in which case investors will be informed through the press and the prospectus will be updated.

Where new sub-funds are created in this way, the prospectus will be updated to contain detailed information on these new sub-funds.

## **Appendix 1.1. KBC BONDS INCOME FUND**

### **1.1.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in various currencies.

The sub-fund's benchmarks are:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 50%;
- b) JP Morgan Government Bond Index (GBI) Japan: 15%;
- c) JP Morgan Government Bonds Index (GBI) United Kingdom: 5%
- d) JP Morgan Government Bonds Index (GBI) United States: 30%

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### Disclaimer from the supplier of the index.

The information was taken from sources considered to be reliable. However, JP Morgan gives no guarantee as to the completeness or exclusivity with regard to the index. Use of the index is permitted. The index may not be copied, used or distributed without the prior written consent of JP Morgan. Copyright 2017, JP Morgan Chase & Co. All rights reserved.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency to which none of the aforementioned agencies has assigned a rating but whose issuer has an investment grade rating from at least one of the rating agencies listed above.

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in 'distressed and defaulted securities'. If over time a security becomes a 'distressed and defaulted security', the manager will always try to sell the position in the interest of the investor if market conditions allow this (for example, sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The main objective of the sub-fund is to provide its shareholders with a high income and possibilities for capital gains, taking account of investment selection principles and the principle of achieving a wide diversification of risks.

Through judicious timing of its investments and the temporary hedging of the exchange and interest rate risk, the sub-fund will seek to achieve the aforementioned objectives in the best possible manner.

An additional advantage for the investor is that the sub-fund can invest in bond markets that are closed or not easily accessible to private investors.

The sub-fund is therefore designed for investors who, in their bond investments, are seeking a good spread to limit risks, as well as a good return.

The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.1.2. Risk profile**

### **1.1.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.



The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

### 1.1.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.1.3. Issue, redemption and fees**

This sub-fund issues distribution shares only.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.

Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.2. KBC BONDS CAPITAL FUND**

### **1.2.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in various currencies.

The sub-fund's benchmarks are:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 50%
- b) JP Morgan Government Bonds Index (GBI) Japan: 15%
- c) JP Morgan Government Bonds Index (GBI) United Kingdom: 5%
- d) JP Morgan Government Bond Index (GBI) United States: 30%

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### Disclaimer from the supplier of the index.

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The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency to which none of the aforementioned agencies has assigned a rating but whose issuer has an investment grade rating from at least one of the rating agencies listed above.

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in 'distressed and defaulted securities' at the time of purchase. If over time a security becomes a 'distressed and defaulted security', the manager will always try to sell the position in the interest of the investor if market conditions allow this (for example, sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The main objective of the sub-fund is to provide its shareholders with a high income and possibilities for capital gains, taking account of investment selection principles and the principle of achieving a wide diversification of risks.

Through judicious timing of its investments and the temporary hedging of the exchange and interest rate risk, the sub-fund will seek to achieve the aforementioned objectives in the best possible manner.

An additional advantage for the investor is that the sub-fund can invest in bond markets that are closed or not easily accessible to private investors.

The sub-fund is therefore designed for investors who, in their bond investments, are seeking a good spread to limit risks, as well as a good return.

KBC BONDS Capital Fund will issue capitalisation shares only.

The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy). The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts ('PAIs') as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.2.2. Risk profile**

### **1.2.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

#### 1.2.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.2.3. Issue, redemption and fees**

#### 1.2.3.1. 'Capitalisation' and 'distribution' sub-categories

This sub-fund issues capitalisation shares only. The Board of Directors may at any time decide to reissue distribution shares. At present, distribution shares of KBC BONDS Capital Fund are still in circulation. Nevertheless, since the amalgamation on 3 October 1994 (whereby KBC BONDS absorbed the former Sicav KB Capital Fund), KBC BONDS Capital Fund issues only capitalisation shares.

The Board of Directors of the Sicav decided to accept the contribution of assets from the sub-fund BR & A PORTFOLIO – Rente Durée Variable to the sub-fund KBC BONDS CAPITAL FUND with effect from Friday, 29 October 1999.

Conversion into distribution shares of KBC BONDS Capital Fund is not possible.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.2.3.2 'Institutional F Shares' sub-category

Shares in the 'Institutional F Shares' sub-category will be issued from 6 December 2017 to 8 December 2017 at a subscription price of 1 000 euros. This 'Institutional F Shares' sub-category will be allocated to the subscription for the collective investment fund under Belgian law Internationaal Obligatiedepot ('IOD').

Only capitalisation shares in this sub-category will be issued.

No entry fee in favour of a financial intermediary or in favour of the sub-fund will apply. Redemption will be effected at the net asset value applicable, without deduction of an exit fee.

These shares will be eligible for the reduced Luxembourg subscription tax of 0.01%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.

Other taxes	See Section 16.1
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### 1.2.3.3. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 23 November to 26 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 29 November 2018, at the first net asset value of 27 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below:

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of</p>

	the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1



## **Appendix 1.3. KBC BONDS HIGH INTEREST**

### **1.3.1. Investment policy**

At least two thirds of the total assets of the sub-fund will be invested in bonds denominated mainly in currencies with a considerably higher yield than that achieved on strong currencies.

The sub-fund's benchmarks are:

- a) JP Morgan Government Bonds Index (GBI) Global Unhedged EUR: 66.6%
- b) JP Morgan Government Bonds Index (GBI) Emerging Markets Global Diversified Composite Unhedged EUR: 33.3%

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 1.50 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### Disclaimer from the supplier of the index.

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The sub-fund may invest up to 10% of its assets in bonds listed on the China Interbank Bond Market (CIBM) thanks to the mutual bond market access between mainland China and Hong Kong under the Bond Connect scheme (Bond Connect Securities and Bond Connect Program) supported by the People's Bank of China (PBOC) and the Hong Kong Monetary Authority (HKMA).

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and mainland China, established by the China Foreign Exchange Trade System & National Interbank Funding Centre (CFETS), China Central Depository & Clearing Co, Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Units.

Under the regulations in force in mainland China, eligible foreign investors will be allowed to invest in bonds traded on the Chinese Interbank Bond Market through the 'Northbound trading of Bond Connect'. There will be no investment quotas for 'Northbound Trading Link'.

#### Risks relating to the China Interbank Bond Market (CIBM)

- The CIBM is in the process of development and internationalisation. Therefore the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and a potential lack of liquidity due to low trading volumes can lead to significant fluctuations in certain securities traded on these markets. By investing in this market, the sub-fund is therefore exposed to liquidity and volatility risks, and may suffer losses on Chinese market bond transactions. In particular, the spread between the supply and demand of Chinese bonds (bid-offer spread) compared to developed markets may therefore generate substantial transaction and realisation costs for the sub-fund in question.
- The sub-fund may face currency risks if the currency risk is not hedged.
- The sub-fund may also incur risks in connection with the settlement process and counterparty default. It is possible that the sub-fund may enter into transactions with counterparties who are then unable to fulfil their obligations by delivering or paying for the appropriate securities
- The CIBM is also subject to regulatory risk. The relevant rules and regulations

#### Risks relating to investments in the CIBM via Bond Connect

- Transactions through Bond Connect are carried out by way of newly developed transaction platforms and

operational systems. In the event that the system fails to function properly, the transaction through Bond Connect may be disrupted. There is no assurance that such systems will continue to be adapted to changes and developments in the market.

- For investments via Bond Connect the relevant filings, registration with the PBOC and account openings have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties. As such, the sub-fund is subject to the risks of default or errors on the part of these parties.
- Investing via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on Bond Connect are subject to changes which may have a potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account openings or transactions on the CIBM, the ability of the sub-fund to invest in the CIBM market will be adversely affected and limited.

High-yield currencies are those with a yield at least 0.5% higher than the yield on bonds issued by the Federal Republic of Germany.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned rating agencies has assigned a rating but whose issuer has an investment grade rating from at least one of the rating agencies listed above.

\* subordinated corporate bonds are, in the event of the bankruptcy of the concerned issuer, subordinated to the company's other debts: the company's other debts are paid first, then, and only if there is still capital left, the holders of the subordinated bonds are reimbursed in whole or in part; the holder of the subordinated bond does, however, have priority over the shareholders of the concerned issuer.

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in 'distressed and defaulted securities' at the time of purchase. If over time a security becomes a 'distressed and defaulted security', the manager will always try to sell the position in the interest of the investor if market conditions allow this (for example, sufficient liquidity).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

It appears that the higher-than-average currency risk attached to the high-yield currencies is often more than offset in the medium term by the high interest yield. In the short term, investments in high-yield bonds often provide a high overall income since the periods during which a currency goes down in value alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of high-yield bonds may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest on the high-yield currency bond markets which, through all kinds of measures to try to protect the currency or to counter the outflow of capital, are often closed or not easily accessible to private investors.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques.

The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.3.2. Risk profile**

### **1.3.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade

rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

- Exchange risk: high. since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

### 1.3.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.3.3. Issue, redemption and fees**

The KBC Bonds Europe Ex-Emu sub-fund was merged with the KBC Bonds High Interest sub-fund on 9 July 2021.

#### 1.3.3.1. 'Capitalisation' and 'distribution' sub-categories

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.3.3.2. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category was issued from 3 July 2006 to 4 July 2006 at the initial subscription price of 500 euros.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Law). At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 0.60% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.3.3.3. 'USD frequent dividend' sub-category

A 'USD frequent dividend' sub-category shall be issued from 2 January 2008 to 2 January 2008. As from that date, the net asset value in US dollars will be calculated for this category of shares.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a year.

During the initial subscription period, the shares of the sub-category will be issued at a price corresponding to the net asset value plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
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Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.3.3.4. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 0.75% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.3.3.5. 'Institutional F Shares' sub-category

Shares in the 'Institutional F Shares' sub-category will be issued from 6 December 2017 to 7 December 2017 at a subscription price of 1 000 euros.

This 'Institutional F Shares' sub-category will be allocated to the subscription for the collective investment fund under Belgian law High Interest Obligatiedepot ('HOD'). Only capitalisation shares in this sub-category will be issued.

No entry fee in favour of a financial intermediary or in favour of the sub-fund will apply.

Redemption will be effected at the net asset value applicable, without deduction of an exit fee.

These shares will be eligible for the reduced Luxembourg subscription tax of 0.01%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.3.3.6. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>1</sup> and must invest in their own name. Investors must fulfil these

<sup>1</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed

conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or

- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	0%
<b>Total:</b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: 0%</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.



## **Appendix 1.4. KBC BONDS EMERGING MARKETS**

### **1.4.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in bonds issued by borrowers that operate primarily in emerging markets or whose head office is located in the emerging markets. Emerging markets can currently be taken to mean the markets of Southeast Asia, Latin America, Eastern Europe and Africa. The sub-fund will be able to invest more than 10% of its net assets specifically in Russia. It is compulsory for the securities of Russian issuers in which investments are made to be listed on a stock exchange or traded on a regulated market in Western Europe or North America. The sub-fund will ensure there is an adequate and appropriate spread among the various regions.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund's benchmark is the JP Morgan Emerging Markets Bond Index Global Diversified.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 1.50 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### Disclaimer from the supplier of the index.

The information was taken from sources considered to be reliable. However, JP Morgan gives no guarantee as to the completeness or exclusivity with regard to the index. Use of the index is permitted. The index may not be copied, used or distributed without the prior written consent of JP Morgan. Copyright 2017, JP Morgan Chase & Co. All rights reserved.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets directly or indirectly in bonds and debt securities with a rating below investment grade and/or whose issuer has a rating lower than investment grade. A rating below investment grade means less than BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

It may invest up to 10% of its assets in bonds and debt securities to which none of the aforementioned rating agencies has assigned a rating and/or whose issuer does not have a rating by one of the agencies listed above.

The sub-fund may invest up to 10% of its assets in distressed and defaulted securities at the time of purchase. These securities have a rating lower than CCC by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings, or which do not have a rating from one of the above rating agencies. Investments in this type of asset carry a high risk of loss because the issuers are in serious financial difficulties or have gone bankrupt.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

Prospective investors are advised that investment in the KBC BONDS Emerging Markets sub-fund involves risks which are not generally encountered on the majority of the developed markets. These risks are the following:

- political: including the instability and volatility of the environment and the political situation

- economic: including high inflation rates, currency depreciation and lack of development of the financial markets
- legal: legal uncertainty and difficulty, in general, of having rights recognised and/or sanctioned
- tax: in some states of the emerging markets mentioned above, the tax burden may be very heavy and there is no guarantee of uniform, consistent interpretation of the legislation. The local authorities often possess discretionary powers to create new taxes, sometimes with retroactive effect.

There are also risks of loss on account of the lack of appropriate systems for the transfer, valuation, clearing, accounting and registration of securities, the custody of securities and the settlement of transactions, risks that do not occur so frequently on the developed markets.

This gives rise to increased volatility and illiquidity of the investments, since market capitalisation in these states is lower than that of developed markets.

Since investments will be made in all currencies, there will be a USD exchange rate risk, the USD being the currency in which the sub-fund in question is denominated, in relation to these other currencies. This risk will not necessarily be covered by the techniques and instruments intended to hedge the exchange risks to which the sub-fund is exposed in managing its net assets. It is also possible that certain foreign currencies are not entirely convertible and that exchange controls will have a negative impact on the exchange rates.

On the other hand, it appears that the higher-than-average exchange risk attached to bonds issued by debtors in the emerging markets may often be more than offset in the medium term by the high interest yield. In the short term, investments in bonds of emerging market issuers often provide a high overall income since periods during which the currency goes down in value will alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of bonds of emerging market issuers may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest in markets in bonds denominated in high-yield currencies or issued by debtors who, through all kinds of measures, try to protect the currency or to counter the outflow of capital. These markets are often closed or not easily accessible to private investors.

On account of the high level of risk, the sub-fund is suitable exclusively for informed investors able to cope with the high level of risk entailed in the sub-fund, to the extent that the investment corresponds to their financial requirements and objectives; they are advised to invest only part of their assets in this sub-fund.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques.

The net asset value will be expressed in US dollars.

#### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

#### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are

explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.4.2. Risk profile**

### **1.4.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A high credit risk: this sub-fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- A moderate liquidity risk: since the sub-fund invests in emerging market bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.
- A moderate concentration risk: investments are concentrated in the emerging markets.

### **1.4.2.2. Risk profile of the typical investor**

The sub-fund was set up for dynamic investors.

## **1.4.3. Issue, redemption and fees**

### **1.4.3.1. 'Capitalisation' and 'distribution' sub-categories**

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund.

For redemptions involving an amount in excess of 6 million US dollars, the redemption fee will comprise the actual transaction costs, with a maximum of 1% in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.4.3.2. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.50% for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.4.3.3. Institutional Shares' sub-category

From 16 October 2017 until 17 October 2017, capitalisation shares in the 'Institutional Shares' sub-category will be issued at the initial subscription price of 1 000 US dollars per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price will be paid on 20 October 2017, with the first net asset value dated 18 October 2017.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund.

For redemptions involving an amount in excess of 6 million US dollars, the redemption fee will comprise the actual transaction costs, with a maximum of 1%. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Law ) seeking a sub-category of shares whose net asset value will be expressed in US dollars. At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 0.50% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.4.3.4. 'Institutional Shares EUR' sub-category

From 17 December 2020 until 18 December 2020, capitalisation shares in the 'Institutional Shares EUR' sub-category will be issued at the subscription price of 1 000 euros per share, plus an entry fee in favour of the professional intermediaries during and after the initial subscription period, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 23 December 2020, at the first net asset value of 21 December 2020.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%.

Redemption will occur at the applicable net asset value less a fee not exceeding 1% of this value.

For redemptions involving an amount in excess of the euro equivalent of 6 million USD, the redemption fee will comprise the actual transaction costs, with a maximum of 1%. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

The 'Institutional Shares EUR' sub-category is intended for institutional investors (as defined in Article 174 of the Law) seeking a sub-category of shares whose net asset value will be expressed in euros. At present, only capitalisation shares in this 'Institutional Shares EUR' sub-category are being issued.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 0.50% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

The net asset value will be expressed in euros.

An investment in the 'Institutional Shares EUR' sub-category also has:

A high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

#### 1.4.3.5. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>2</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

<sup>2</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	Max. 1% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b><i>Total:</i></b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: Max. 1% as indicated above</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1



## **Appendix 1.5. KBC BONDS CORPORATES EURO**

### **1.5.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in euros and issued by companies with an investment grade rating from S&P Global Ratings or the equivalent rating from Moody's Investors Service or Fitch Ratings. All durations are considered in the selection of the bonds.

The sub-fund will ensure there is an adequate and appropriate spread among the various economic sectors. The sub-fund may invest in bonds issued by industrial corporations that are not denominated in euros. In this case, the exchange rate risk of the currency in which the bonds of industrial corporations are denominated against the euro will be hedged at all times within the limits provided for under point 6.2.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, of which a maximum of 10% assets in contingent convertible bonds, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

Contingent convertible bonds are debt instruments issued by banks or financial institutions that will be converted into a given number of shares or will be cancelled in full or in part on the occurrence of a triggering event. Triggering events include capital ratios set by the issuer falling below a set level, or an issue/issuer being the subject of regulatory measure or decision instituted by the regulator responsible for the issuer's home market.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The sub-fund's benchmark is the IHS Markit iBoxx EUR Corporates.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### **Disclaimer from the supplier of the index.**

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The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.5.2. Risk profile**

### **1.5.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is reviewed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- a moderate inflation risk: bond funds do not provide protection against a rise in inflation;
- a high credit risk: this sub-fund may invest a significant portion of its assets in bonds with a lower credit rating. Consequently, the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease. The sub-fund may invest a maximum of 10% of its assets in contingent convertible bonds issued by financial institutions. If the issuing financial institutions encounter financial problems, these instruments may be converted into shares or written down in full or in part.

Investment in the 'PLN' share class also entails:

- a high exchange risk: since the sub-fund invests in securities denominated in a currency other than the reference currency of the fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

The specific risks of investment in contingent convertible bonds are the following:

- trigger level risk: if the issuer's capital ratio falls below a set level and/or is the subject of a decision by the supervisory authority, the bonds may be converted into shares or written down in full or in part. Where this is the case, the sub-fund may incur investment losses on the contingent convertible bonds prior to the shareholders of the financial institutions if the contingent convertible bonds are written down before the financial institution becomes insolvent;
- coupon cancellation/non-payment risk: the issuer of the contingent convertible bond in which the sub-fund invests may have the discretion to decide not to pay the coupon on the contingent convertible bond;
- capital structure inversion risk: where this is the case, the holders of contingent convertible debt instruments will incur losses prior to the holders of equity interest units issued by the same issuer, in contrast to the conventional capital structure hierarchy whereby the holders of equity interest units sustain losses prior to the holders of debt instruments;
- call extension risk and maturity risk: contingent convertible bonds may be perpetual bonds that may only be redeemed on preset call dates. Redemption on the call date may be subject to the discretionary decision-making powers of the issuer;
- liquidity risk: under certain circumstances, it may be difficult to find a purchaser for contingent convertible bonds and the seller may be obliged to accept a significant discount from the value anticipated in order to sell the bonds.
- yield valuation risk and unknown risk: contingent convertible debt instruments are also innovative financial instruments and their behaviour in a stressed financial environment is therefore unknown. This increases the uncertainty as to the value of contingent convertible debt instruments and the potential contagion risks for prices and for volatility, as well as the liquidity risks inherent in all contingent convertible asset classes.

### 1.5.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

## **1.5.3 Issue, redemption and fees**

### 1.5.3.1 General

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.5.3.2. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category was issued from 18 October 2004 to 27 October 2004 at the initial subscription price of 100 euros.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Law). At present, only distribution shares in this 'Institutional Shares' sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 0.60% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>

Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.5.3.3. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 1.125% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.5.3.4. 'PLN' sub-category

Capitalisation shares in the 'PLN' sub-category will be offered for subscription as from 22 April 2013 at an initial subscription price of 100 PLN. The first net asset value of the new 'PLN' sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription by the first investor to the new 'PLN' class of shares.

The net asset value of the 'PLN' share class will be expressed in PLN.

During and after the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of

Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.6. KBC BONDS CONVERTIBLES**

### **1.6.1. Investment policy**

At least two thirds of the sub-fund's assets shall be invested in convertible bonds from all over the world or bonds with a similar effect to convertible assets through the use of a combination of derivatives and bonds.

The sub-fund may not invest more than 25% of its total assets in bonds, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The sub-fund's benchmark is the Refinitiv Global Focus Convertible Bonds EUR Index.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 2.00 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

Investors should note that the composition of the benchmark is taken into account when defining the asset allocation of the sub-funds' portfolio. The sub-fund does not however set out to track the benchmark. For more information regarding the benchmark, please refer to Section 6.3. 'Use of benchmark'.

In view of the specific features of the market in convertible bonds, the sub-fund may invest, directly or indirectly:

- up to 100% of its assets in bonds and debt instruments with a rating lower than investment grade (i.e. lower than BBB-/Baa3 long-term and A3/F3/P3 short-term) from one or more of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

- up to 100% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies.

The sub-fund managers will replicate the effect of convertible securities when one of the following two conditions is fulfilled:

- when, in their opinion, the entire convertible securities market in any country or the convertible securities of a specific company is/are overvalued;

- when there are no convertible securities available for a country, a market sector or a specific company.

The managers will replicate the effect of convertible securities in one of the following ways:

- They will buy warrants or call options on a specific company or share index within the limits provided for in the section entitled 'Financial Techniques and Instruments'. The nominal value of the warrants purchased or of the options results from an estimate by the managers regarding the conversion into shares of an equivalent convertible bond. This purchase will always be accompanied by an investment in a government bond or corporate bond denominated in the same currency. It is not necessary for this bond to be issued by the same issuer as that of the warrant, but it may never be issued by a less solvent issuer.

- If no warrant or option for a specific share is available, the managers may replicate the effect of an equivalent convertible security dynamically by purchasing the share directly, at the same time as the bond.

The nominal value of this combined purchase will be the value of an equivalent convertible bond. It is not necessary for the bond purchased in this way to be issued by the same issuer as that of the share, but it may never be issued by a less solvent issuer.

The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.6.2. Risk profile**

### **1.6.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.



- A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- Exchange risk: high. since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

### 1.6.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.6.3. Issue, redemption and fees**

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.6.3.1 'Euro Hedged' sub-category

#### 1.6.3.1.1.Risk profile of the 'Euro Hedged Share' sub-category

#### 1.6.3.1.2 Risk profile of the typical investor in the 'Euro Hedged Share' sub-category

Distribution shares in the sub-category are intended for dynamic investors.

A 'Euro-Hedged' sub-category was issued from 11 December 2006.

The objective of the 'Euro Hedged' sub-category, in addition to the objectives set out under 1.6.1 is to hedge the exchange risk of the assets in the portfolio relative to the euro. In other words, the aim of this sub-category relative to the other sub-categories is to minimise the impact of fluctuations in exchange rates.

This hedging of the exchange risk may result in the performance of this sub-category differing from that of the other sub-categories. This difference in performance may be either positive or negative.

The costs incurred to hedge exchange risks by the 'Euro Hedged' sub-category will be charged to this sub-category.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.6.3.2. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 1.125% maximum for the sub-fund.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for</p>

	the management fee of the investment portfolio. (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.6.3.3. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>3</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<sup>3</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b>Subscription</b>	<b>Redemption</b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	Max. 1% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b>Total:</b>	<b>Subscription fee during and after the initial subscription period: 0%</b>	<b>Redemption fee: Max. 1% as indicated above</b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.6.3.4. 'Euro-Hedged Institutional Discretionary Shares Capitalisation' and 'Euro-Hedged Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Euro-Hedged Institutional Discretionary Shares Capitalisation' and 'Euro-Hedged Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

The objective of these share classes, in addition to the objectives set out under 1.6.1, is to hedge the exchange risk of the assets in the portfolio relative to the euro. In other words, the aim of this sub-category relative to the other sub-categories is to minimise the impact of fluctuations in exchange rates.

This hedging of the exchange risk may result in the performance of these sub-categories differing from the performance of other sub-categories. This difference in performance may be either positive or negative.

The costs incurred by these share classes to hedge the exchange risk will be charged to this sub-category.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>4</sup> and must invest in their own name. Investors must fulfil these

<sup>4</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or

- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	Max. 1% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b><i>Total:</i></b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: Max. 1% as indicated above</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

## **Appendix 1.7. KBC BONDS INFLATION – LINKED BONDS**

### **1.7.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in inflation-linked bonds, primarily denominated in European currencies (not restricted to EMU currencies), for instance OATi (index-linked fungible Treasury bonds) on the French market or ILGs (index-linked gilts) on the UK market, provided that this involves transferable securities in accordance with Article 41 (1) of the Law.

The structure of an inflation-linked bond is that of a fixed-income bond on which the payments (accrued interest and/or cum coupon and/or principal on maturity) are made by applying an indexation coefficient corresponding to the difference in inflation between the initial payment date and the date the payment is made.

**Investors should note that the sub-fund may invest (in keeping with the principle of spreading risk) up to 100% of its net assets in securities issued or backed by Italy, subject to the conditions set out in point 6.4.3.1.**

The sub-fund may also invest in other bonds on an ancillary basis. The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency to which none of the aforementioned agencies has assigned a rating but whose issuer has an investment grade rating from at least one of the rating agencies listed above.

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The sub-fund's benchmark is the JP Morgan Euro Linker Securities Index (ELSI).

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### **Disclaimer from the supplier of the index.**

The information was taken from sources considered to be reliable. However, JP Morgan gives no guarantee as to the completeness or exclusivity with regard to the index. Use of the index is permitted. The index may not be copied, used or distributed without the prior written consent of JP Morgan. Copyright 2017, JP Morgan Chase & Co. All rights reserved.

The sub-fund is designed for long-term investors sensitive to inflation risk who are seeking a yield equal to the real, i.e. inflation-proof, rate.

The net asset value will be expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.7.2. Risk profile**

### **1.7.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.

### **1.7.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

### 1.7.3. Issue, redemption and fees

#### 1.7.3.1. General

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.7.3.2. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category was issued from 18 October 2004 to 27 October 2004 at the initial subscription price of 100 euros.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Law). At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.



<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 0.60% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.7.3.3. 'USD frequent dividend' sub-category

As from (to be determined) until (to be determined), a 'USD frequent dividend' sub-category will be issued at an initial subscription price of 500 US dollars.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a year.

During the initial subscription period, an entry fee of 2.50% maximum in favour of the professional intermediaries shall be charged in addition to the initial subscription price of 500 US dollars.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for</p>

	the management fee of the investment portfolio. (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.7.3.4. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 1.125% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.7.3.5. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>5</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	0%
<b><i>Total:</i></b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: 0%</i></b>

<sup>5</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

## **Appendix 1.8. KBC BONDS CORPORATES USD**

### **1.8.1. Investment policy**

At least two thirds of the sub-fund's total assets shall be invested in bonds denominated in US dollars and issued by companies with an investment grade rating from S&P Global Ratings or the equivalent rating from Moody's Investors Service or Fitch Ratings. All durations are considered in the selection of the bonds.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund's benchmark is the IHS Market iBoxx USD Corporates . The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 1.25 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

The sub-fund will ensure there is an adequate and appropriate spread among the various economic sectors. On a secondary basis, the sub-fund may invest in corporate bonds not denominated in US dollars. In this case, the exchange rate risk of the currency in which these bonds are expressed against the USD will be hedged at all times within the limits provided for under 6.2.

To achieve the sub-fund's investment objectives or reduce its exposure to credit risk on issuers of debt instruments, the sub-fund may conclude credit default swaps (CDS) on indices (such as iTraxx and CDX). Long credit positions will be taken on an ancillary basis only.

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

#### **Disclaimer from the supplier of the index.**

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The net asset value will be expressed in US dollars.

#### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts:**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts ('PAIs') as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.8.2. Risk profile**

### **1.8.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A high credit risk: this sub-fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- A moderate concentration risk: the investments are concentrated in the United States of America.

Investment in the 'PLN' share class also entails:

- a high exchange risk: since the sub-fund invests in securities denominated in a currency other than the reference currency of the sub-fund, there is a real risk of the value of an investment being

affected by exchange-rate fluctuations.

### 1.8.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.8.3. Issue, redemption and fees**

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.8.3.1. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 1.125% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.8.3.2. 'PLN' sub-category

Capitalisation shares in the 'PLN' sub-category will be offered for subscription as from 22 April 2013 at an initial subscription price of 100 PLN. The first net asset value of the new 'PLN' sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription by the first investor to the new 'PLN' class of shares.

The net asset value of the 'PLN' share class will be expressed in PLN.

During and after the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.



<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.8.3.3. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>6</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

<sup>6</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	Max. 1% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b><i>Total:</i></b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: Max. 1% as indicated above</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

## **Appendix 1.9. KBC BONDS EMERGING EUROPE**

### **1.9.1. Investment policy**

At least two thirds of the sub-fund's assets shall be invested in bonds and debt instruments issued by borrowers in Eastern and Central Europe or denominated in a currency in circulation in the region. This region is less developed economically than Western Europe. The sub-fund invests primarily in the emerging markets, which implies greater than average economic risks.

The sub-fund makes a selection from among bonds and debt instruments issued by governments, public or supranational institutions and companies, and all durations are considered. It may invest in bonds denominated in EUR, GBP, JPY, CHF or USD and other currencies and, in particular, local currencies in circulation in Eastern and Central Europe.

The remaining third is invested in other assets as defined in section 6.1 'Eligible Instruments'.

**Investors should note that the sub-fund may invest (in keeping with the principle of spreading risk) up to 100% of its net assets in securities issued or backed by Poland, Russia and Turkey, subject to the conditions set out in point 6.4.3.1.**

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund's benchmark is the JP Morgan Government Bond-Emerging Market Index (GBI-EM) Global Diversified Europe.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 1.5 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

#### **Disclaimer from the supplier of the index.**

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Since it focuses on the emerging markets, the sub-fund may invest up to 100% of its assets directly or indirectly in bonds and debt securities with a rating lower than investment grade and/or whose issuer has a rating lower than investment grade. A rating lower than investment grade means less than BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

It may invest up to 10% of its assets in bonds and debt securities to which none of the aforementioned rating agencies has assigned a rating and/or whose issuer has not been assigned a rating by one of the agencies listed above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value will be expressed in euros.

#### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.9.2. Risk profile**

### **1.9.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A high credit risk: this sub-fund may invest a significant portion of its assets in bonds with a lower rating. Consequently the risk of an issuer defaulting is high. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- A high exchange risk: since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

- A moderate concentration risk: the investments are concentrated in European markets.
- A moderate concentration risk: the investments are concentrated in Emerging Europe.

### 1.9.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.9.3. Issue, redemption and fees**

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.20% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.010% p.a.
Depositary and custody fees	Max. 0.090% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.9.3.1. 'USD frequent dividend' sub-category

A 'USD frequent dividend' sub-category shall be issued from 2 January 2008 to 2 January 2008. As from that date, the net asset value in US dollars will be calculated for this category of shares.

The net asset value of this sub-category will be expressed in US dollars.

The objective of this sub-category is to pay dividends to shareholders on a monthly basis, but this does not constitute a formal undertaking. However, the sub-category undertakes to pay a dividend at least once a

year.

During the initial subscription period, an entry fee of 2.50% maximum in favour of the professional intermediaries shall be charged in addition to the initial subscription price of 500 US dollars.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share, plus an entry fee in favour of the professional intermediaries, which amounts to a maximum of 2.50%.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.20% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.010% p.a.
Depositary and custody fees	Max. 0.090% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.9.3.2. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional B Shares' sub-category will be offered for subscription as from 24 November 2011. The first net asset value of this new sub-category will be the net asset value for the capitalisation shares sub-category on the date of the first subscription to the new 'Institutional B Shares' class of shares.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 0.75% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.20% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for</p>

	<p>collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.010% p.a.
Depositary and custody fees	Max. 0.090% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

## **Appendix 1.10. KBC BONDS STRATEGIC BROAD 70/30**

### **1.10.1. Investment policy**

The KBC Bonds Strategic Broad 70/30 sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

Typically, the sub-fund invests 70% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund generally invests the remaining 30% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily in interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is the:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 70%;
- b) IHS Markit iBoxx Euro Corporates: 30%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that are not included in the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured on the basis of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform that index.

#### **Disclaimer by the supplier of the benchmark.**

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Derivatives may be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically the sub-fund may use futures contracts on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX) may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards or futures may be used to hedge any unwanted foreign-exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

If derivatives are used, these will be instruments that are readily negotiable and liquid. The use of derivatives does not, therefore, affect liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect concentration risk. Derivatives do not guarantee full or partial capital protection. They do not increase nor decrease capital risk. Nor does the use of derivatives have any influence whatsoever on settlement risk, custodian risk, flexibility risk, inflation risk or environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and participatory rights, more than one-third of its total assets in money market instruments and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment-grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to a maximum of 25% of its assets in bonds and debt instruments to which the aforementioned agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.10.2. Risk profile**

### **1.10.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by market rates.

The method used to calculate the global exposure is the commitment approach.

Investment in this sub-fund is also subject to:

- a capital risk: there is no capital protection;
- a moderate inflation risk: there is no protection against a rise in inflation;
- a moderate credit risk: the assets are primarily (but not exclusively) invested in investment-grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment composed solely of investment-grade bonds. If investors come to doubt the solvency of the issuers, the value of the bond may decline.

The method used to calculate the global exposure is the commitment approach.

### **1.10.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

### 1.10.3. Issue, redemption and fees

#### 1.10.3.1. 'Institutional B Shares' sub-category

Capitalisation shares in the 'Institutional Shares' sub-category were issued from 21 November 2011 to 25 November 2011 at the initial subscription price of 1 000 euros. At present, only capitalisation shares in this 'Institutional Shares' sub-category are being issued.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the costs of the purchase/sale of assets: 0.50% maximum for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.10.3.2. 'Corporate Shares' sub-category

From 22 to 23 May 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

The initial subscription price must be paid on 28 May 2018. The first net asset value will be dated 24 May 2018.

As described in Section 16 “Fees, charges and expenses”, the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.11. KBC BONDS HIGH INTEREST RESPONSIBLE INVESTING**

### **1.11.1. Investment policy**

The sub-fund invests at least two thirds of its assets in bonds denominated mainly in currencies with a considerably higher yield than that of strong currencies.

High-yield currencies are those with a yield at least 0.5% higher than the yield on bonds issued by the Federal Republic of Germany.

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 its assets (50%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds High Interest Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.1 in respect of KBC Bonds High Interest Responsible Investing.

The sub-fund's benchmarks are:

The sub-fund seeks to outperform the benchmarks:

- a) JP Morgan Government Bonds Index (GBI) Global Unhedged EUR: 66.6%
- b) JP Morgan Government Bonds Index (GBI) Emerging Markets Global Diversified Composite Unhedged EUR: 33.3%

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and for composition of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The composition of the portfolio may differ from that of the benchmark index, since the composition of the benchmark index is not entirely consistent with the environmental and/or social characteristics promoted by the sub-fund. The use of the benchmark does not detract from the responsible nature of the portfolio. The responsible nature of the portfolio is guaranteed by the Responsible Investing methodology mentioned above.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 1.5 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

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The manager bases its investment decisions on macroeconomic criteria and company-specific factors.

The sub-fund invests, directly or indirectly, at least 75% of its assets in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but whose issuer has an investment grade

rating from at least one of the rating agencies listed above.

\* subordinated corporate bonds are, in the event of the bankruptcy of the concerned issuer, subordinated to the company's other debts: the company's other debts are paid first, then, and only if there is still capital left, the holders of the subordinated bonds are reimbursed in whole or in part; the holder of the subordinated bond does, however, have priority over the shareholders of the concerned issuer.

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and shares or units, more than one third of its total assets in money market instruments and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

It appears that the higher-than-average currency risk attached to the high-yield currencies is often more than offset in the medium term by the high interest yield. In the short term, investments in high-yield bonds often provide a high overall income since the periods during which a currency goes down in value alternate with periods of recovery or stabilisation of this currency.

Through judicious timing of its investments and the periodic hedging of the exchange and interest rate risk, the sub-fund seeks to achieve the aforementioned objectives in the best possible manner. In addition, the prices of high-yield bonds may sometimes fluctuate considerably without any immediate causal link with the exchange rate risk: the sub-fund seeks to deal with this factor in order to enhance the investment return.

An additional advantage for the investor is that the sub-fund may invest on the high-yield currency bond markets which, through all kinds of measures to try to protect the currency or to counter the outflow of capital, are often closed or not easily accessible to private investors.

The sub-fund is therefore designed primarily for investors who seek high income (distributed or capitalised depending on whether the shareholder opts for distribution or capitalisation shares) and the possibility of earning capital gains and who are prepared to accept a higher-than-average risk, but who also wish this risk to be offset as much as possible through a judicious selection of investments and professional management techniques. The net asset value will be expressed in euros.

### **Information about the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.1 of the prospectus on KBC Bonds High Interest Responsible Investing.

## **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investment funds and the exclusion policy for Responsible Investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for Responsible Investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.1 of the prospectus on KBC Bonds High Interest Responsible Investing. A declaration on the manner in which the sub-fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund, which will be published after 1 January 2023.

### **1.11.2. Risk profile**

#### **1.11.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A moderate inflation risk: bond funds do not provide protection against an increase in inflation.
- A moderate credit risk: this fund invests primarily, but not solely, in bonds with an investment grade rating. Consequently the risk of an issuer being unable to honour its obligations is higher than for a sub-fund that invests only in bonds with an investment grade rating. If investors have doubts about the solvency of bond issuers, the value of the bonds may decrease.
- A high exchange risk: since the sub-fund invests in securities denominated in currencies other than the reference currency of the sub-fund, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.

#### **1.11.2.2. Risk profile of the typical investor**

The sub-fund was set up for dynamic investors.

### 1.11.3. Issue, redemption and fees

Capitalisation and distribution shares will be available for subscription from 12 November 2014 to 14 November 2014 at an initial subscription price of 500 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 19 November 2014, at the first net asset value of 17 November 2014.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.20% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

#### 1.11.3.1. 'Institutional Shares' sub-category

An 'Institutional Shares' sub-category will be available for subscription from 12 November 2014 to 14 November 2014 at an initial subscription price of 500 euros, plus an entry fee of 2.5% maximum in favour



of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

Capitalisation and distribution shares will be issued.

The 'Institutional Shares' sub-category is intended for institutional investors (as defined in Article 174 of the Law).

The initial subscription price must be paid on 19 November 2014, at the first net asset value of 17 November 2014.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

These shares are eligible for the reduced subscription tax of 0.01% and a reduced level of fees.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 0.60% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.11.3.2. 'Institutional B Shares' sub-category

The 'Institutional B Shares' sub-category is open for subscription as of 31 January 2017.

On the date of the first subscription, the 'Institutional B Shares' sub-category capitalisation shares will be offered at the initial price of 1 000 euros plus an entry fee payable to professional intermediaries, to a maximum of 2.5%. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 February 2017, at the first net asset value of 1 February 2017.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.50%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified of this by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.75% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.20% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)

Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.11.3.3. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>7</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	Max. 1% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b>Total:</b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: Max. 1% as indicated above</i></b>

### **Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of**

<sup>7</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

<b>the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

## **Appendix 1.12. KBC BONDS STRATEGIC BROAD 60/40**

### **1.12.1. Investment policy**

The KBC Bonds Strategic Broad 60/40 sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures and forwards, interest rate swaps and CDS contracts) or CIU units, subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

Typically, the sub-fund invests 60% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund typically invests the remaining 40% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is the:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 60%;
- b) IHS Markit iBoxx Euro Corporates: 40%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that are not included in the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured on the basis of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform that index.

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Derivatives may be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically the sub-fund may use futures contracts on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX), may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards or futures may be used to hedge any unwanted foreign-exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

If derivatives are used, these will be instruments that are readily negotiable and liquid. The use of derivatives does not, therefore, affect liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect concentration risk. Derivatives do not guarantee full or partial capital protection. They do not increase nor decrease capital risk. Nor does the use of derivatives have any influence whatsoever on settlement risk, custodian risk, flexibility risk, inflation risk or environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in equities and other securities and participatory rights and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment-grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

It may invest up to 25% of the assets in bonds and debt instruments that have not been assigned a rating by any of the rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an "article 6" product under Regulation (EU) 2019/2088 of the European

Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts ('PAIs') as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.12.2. Risk profile**

### **1.12.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment-grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment composed solely of investment-grade bonds. If investors come to doubt the solvency of the issuers, the value of the bond may decline.
- A moderate inflation risk: there is no protection against an increase in inflation.

### **1.12.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

## **1.12.3. Issue, redemption and fees**

### **1.12.3.1. 'Institutional B Shares' sub-category**

An 'Institutional B Shares' sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

At present, only capitalisation shares in this 'Institutional B Shares' sub-category are being issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV., the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.12.3.2. 'Corporate Shares' sub-category

From 22 to 23 May 2018, shares in the 'corporate shares' sub-category will be issued at a subscription



price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

The initial subscription price must be paid on 28 May 2018. The first net asset value dated from 24 May 2018.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV., the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.13. KBC BONDS STRATEGIC ACCENTS**

### **1.13.1. Investment policy**

The sub-fund is actively managed without use of a benchmark.

The KBC Bonds Strategic Accents sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest-rate swaps and CDS contract) or CIU units subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

The sub-fund's objective is to respond tactically to opportunities on the bond and money markets.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund may invest up to 100% of its assets directly or indirectly in:

- bonds and debt instruments with a rating below investment grade;
- bonds and debt instruments of issuers with a rating below investment grade.

Below investment grade means: lower than a BBB-/Baa3 (long term) and/or A3/F3/P3 (short term) rating from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

The sub-fund may invest up to 50% of its net assets in bonds and debt instruments to which the aforementioned agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The net asset value of the sub-fund is expressed in euros.

Derivatives may be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on bonds issued by EMU States to create exposure, outright or via a spread theme, and/or to efficiently manage duration and curve risk.

In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX) may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards may be used to hedge any unwanted foreign-exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

If derivatives are used, these will be instruments that are readily negotiable and liquid. The use of derivatives does not, therefore, affect liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect concentration risk. Derivatives do not guarantee full or partial capital protection. They do not increase nor decrease capital risk. Nor does the use of derivatives have any influence whatsoever on settlement risk, custodian risk, flexibility risk, inflation risk or environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, of which a maximum of 10% in contingent convertible bonds, more than 10% of its total assets in equities and other securities and participatory rights, more than one-third of its total assets in money market instruments and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives,

for cash flow purposes and/or in the event of adverse market conditions.

Contingent convertible bonds are debt instruments issued by banks or financial institutions that will be converted into a given number of shares or will be cancelled in full or in part on the occurrence of a triggering event. Triggering events include capital ratios set by the issuer falling below a set level, or an issue/issuer being the subject of regulatory measure or decision instituted by the regulator responsible for the issuer's home market.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an "article 6" product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts ('PAIs') as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.13.2. Risk profile**

### **1.13.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate

for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- a capital risk: there is no capital protection;
- a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline. The sub-fund may invest a maximum of 10% of its assets in contingent convertible bonds issued by financial institutions. If the issuing financial institutions encounter financial problems, these instruments may be converted into shares or written down in full or in part;
- a high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations;
- a moderate inflation risk: there is no protection against a rise in inflation;
- a moderate liquidity risk: since the fund partially invests in less liquid bonds, investors run the risk of not being able to sell a position in time and at a reasonable price;
- a moderate market risk: the level of this risk reflects the sensitivity of the bonds to interest rates and the risk of movements in the euro exchange rate.

The specific risks of investment in contingent convertible bonds are the following:

- trigger level risk: if the issuer's capital ratio falls below a set level and/or is the subject of a decision by the supervisory authority, the bonds may be converted into shares or written down in full or in part. Where this is the case, the sub-fund may incur investment losses on the contingent convertible bonds prior to the shareholders of the financial institutions if the contingent convertible bonds are written down before the financial institution becomes insolvent;
- coupon cancellation/non-payment risk: the issuer of the contingent convertible bond in which the sub-fund invests may have the discretion to decide not to pay the coupon on the contingent convertible bond;
- capital structure inversion risk: where this is the case, the holders of contingent convertible debt instruments will incur losses prior to the holders of equity interest units issued by the same issuer, in contrast to the conventional capital structure hierarchy whereby the holders of equity interest units sustain losses prior to the holders of debt instruments;
- call extension risk and maturity risk: contingent convertible bonds may be perpetual bonds that may only be redeemed on preset call dates. Redemption on the call date may be subject to the discretionary decision-making powers of the issuer;
- liquidity risk: under certain circumstances, it may be difficult to find a purchaser for contingent convertible bonds and the seller may be obliged to accept a significant discount from the value anticipated in order to sell the bonds;
- yield valuation risk and unknown risk: contingent convertible debt instruments are also innovative financial instruments and their behaviour in a stressed financial environment is therefore unknown. This increases the uncertainty as to the value of contingent convertible debt instruments and the potential contagion risks for prices and for volatility, as well as the liquidity risks inherent in all contingent convertible asset classes.

#### 1.13.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.13.3. Issue, redemption and fees**

#### 1.13.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by

means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

At present, only capitalisation shares in this 'Institutional B Shares' sub-category are being issued.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.13.3.2. 'Corporate Shares' sub-category

From 22 to 23 May 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified

by means of an announcement in the annual report.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

The initial subscription price must be paid on 28 May 2018. The first net asset value will be dated 24 May 2018.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.14. KBC BONDS STRATEGIC BROAD 50/50**

### **1.14.1 Investment policy**

The KBC Bonds Strategic Broad 50/50 sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures and forwards, interest rate swaps and CDS contracts) or CIU units, subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

Typically, the sub-fund invests 50% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund typically invests the remaining 50% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is the:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 50%;
- b) IHS Markit iBoxx Euro Corporates: 50%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that are not included in the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured on the basis of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform that index.

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Derivatives may be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX), may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Furthermore, forward foreign-exchange contracts or futures may be used to hedge unwanted currency risk. This list of derivative-based strategies is representative but non-exhaustive.

If derivatives are used, these will be instruments that are readily negotiable and liquid. The use of derivatives does not, therefore, affect liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect concentration risk. Derivatives do not guarantee full or partial capital protection. They do not increase nor decrease capital risk. Nor does the use of derivatives have any influence whatsoever on settlement risk, custodian risk, flexibility risk, inflation risk or environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in shares and other securities and participatory rights and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment-grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to 25% of its assets in bonds and debt instruments to which the aforementioned agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).



The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.14.2. Risk profile**

### **1.14.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. That is because the interest rate for these bonds is fixed, and is not affected by the market rates.

Investment in this sub-fund is also subject to:

- a capital risk: there is no capital protection;
- a moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment-grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment composed solely of investment-grade bonds. If investors come to doubt the solvency of the issuers, the value of the bonds may decline;
- a moderate inflation risk: there is no protection against a rise in inflation.

### **1.14.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

### 1.14.3. Issue, redemption and fees

#### 1.14.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available on 14 September 2015 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 17 September 2015, at the first net asset value of 15 September 2015.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

At present, only capitalisation shares in this 'Institutional B Shares' sub-category are being issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.

Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.14.3.2. 'Corporate Shares' sub-category

From 22 to 23 May 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

The initial subscription price must be paid on 28 May 2018. The first net asset value will be dated 24 May 2018.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.15. KBC BONDS STRATEGIC ACCENTS RESPONSIBLE INVESTING**

### **1.15.1. Investment policy**

The sub-fund is actively managed without use of a benchmark. 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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds Strategic Accents Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.2 in respect of KBC Bonds Strategic Accents Responsible Investing.

The KBC Bonds Strategic Accents Responsible Investing sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or units in UCIs within the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. – 'Eligible Instruments'.

The sub-fund's objective is to react tactically to opportunities in bond markets and money markets. The sub-fund may invest in securities and/or derivatives denominated in any currency. Currency risk is not systematically hedged. In addition, the portfolio may be concentrated in certain issuers, currencies or types of securities and/or derivatives. The composition of the portfolio may therefore fluctuate significantly over time.

The sub-fund may invest up to 100% of its assets directly or indirectly in:

- bonds and debt instruments with a rating lower than investment grade
- bonds and debt instruments of issuers with a rating lower than investment grade

Lower than investment grade means: lower than BBB-/Baa3 (long term debt) or A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

It may invest up to 50% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The net asset value of the sub-fund is expressed in euros.

Derivatives can be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on EMU government bonds to create exposure outright or via a spread theme, and/or to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX) may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards may be used to hedge any unwanted foreign-exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, of which a maximum of 10% in contingent convertible bonds, more than 10% of its total assets in equities and other securities and units, more than one third of its total assets in money market instruments and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

Contingent convertible bonds are debt instruments issued by banks or financial institutions that will be converted into a given number of shares or will be cancelled in full or in part on the occurrence of a triggering event. Triggering events include capital ratios set by the issuer falling below a set level, or an issue/issuer being the subject of regulatory measure or decision instituted by the regulator responsible for the issuer's home market.

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

### **Information about the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.2 of the prospectus on KBC Bonds Strategic Accents Responsible Investing.

### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investment funds and the exclusion policy for Responsible Investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for Responsible Investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.2 of the prospectus on KBC Bonds Strategic Accents Responsible Investing. A declaration on the manner in which the sub-fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund, which will be published after 1 January 2023.

### **Liability disclaimer from the index provider.**

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## **1.15.2. Risk profile**

### **1.15.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline. The sub-fund may invest a maximum of 10% of its assets in contingent convertible bonds issued by financial institutions. If the issuing financial institutions encounter financial problems, these instruments may be converted into shares or written down in full or in part;
- A moderate liquidity risk: since the fund partially invests in less liquid bonds, investors run the risk of not being able to sell a position on time and at a reasonable price.
- A high exchange risk: since the fund invests in securities denominated in currencies other than the euro, there is a real risk of the value of an investment being affected by exchange-rate fluctuations.
- A capital risk: there is no capital protection.
- A moderate inflation risk: there is no protection against an increase in inflation.
- A moderate market risk: the level of this risk reflects the sensitivity of the bonds to interest rates and the risk of movements in the euro exchange rate.

The specific risks of investment in contingent convertible bonds are the following:

- trigger level risk: if the issuer's capital ratio falls below a set level and/or is the subject of a decision by the supervisory authority, the bonds may be converted into shares or written down in full or in part. Where this is the case, the sub-fund may incur investment losses on the contingent convertible bonds prior to the shareholders of the financial institutions if the contingent convertible bonds are written down before the financial institution becomes insolvent;

- coupon cancellation/non-payment risk: the issuer of the contingent convertible bond in which the sub-fund invests may have the discretion to decide not to pay the coupon on the contingent convertible bond;
- capital structure inversion risk: where this is the case, the holders of contingent convertible debt instruments will incur losses prior to the holders of equity interest units issued by the same issuer, in contrast to the conventional capital structure hierarchy whereby the holders of equity interest units sustain losses prior to the holders of debt instruments;
- call extension risk and maturity risk: contingent convertible bonds may be perpetual bonds that may only be redeemed on preset call dates. Redemption on the call date may be subject to the discretionary decision-making powers of the issuer;
- liquidity risk: under certain circumstances, it may be difficult to find a purchaser for contingent convertible bonds and the seller may be obliged to accept a significant discount from the value anticipated in order to sell the bonds;
- yield valuation risk and unknown risk: contingent convertible debt instruments are also innovative financial instruments and their behaviour in a stressed financial environment is therefore unknown. This increases the uncertainty as to the value of contingent convertible debt instruments and the potential contagion risks for prices and for volatility, as well as the liquidity risks inherent in all contingent convertible asset classes.

#### 1.15.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

### **1.15.3. Issue, redemption and fee**

#### 1.15.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 “Fees, charges and expenses”, the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.15.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 “Fees, charges and expenses”, the sub-fund will pay the fees and expenses indicated below.



<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.16. KBC BONDS STRATEGIC BROAD 40/60**

### **1.16.1. Investment policy**

The KBC Bonds Strategic Broad 40/60 sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or units in UCIs within the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in other assets as defined in Section 6.1. – ‘Eligible instruments’.

Typically, the sub-fund invests 60% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund typically invests the remaining 40% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund may invest in transferable securities and derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives, subject to the statutory limitations. The composition of the portfolio may therefore vary significantly over time.

The sub-fund’s benchmark is:

- a) IHS Markit iBoxx Euro Corporates: 60%
- b) JP Morgan European Monetary Union Investment Grade Index ( EMU IG) : 40%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and composition of the portfolio. The majority of the bonds held by the sub-fund are likely to belong to one or other of the indices included in the benchmark.. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund’s investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

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Derivatives can be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically the sub-fund can use futures on government bonds from the Economic and Monetary Union (EMU) to manage duration or curve risk. Also credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX) may be used both to carry out the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without implying any shift towards less creditworthy debtors than those the UCITS is permitted to invest in. The sub-fund may, for instance, sell credit protection on investment-grade indices via Credit Default Swap contracts (with a maximum limit of 50% of its assets) in order effectively to create a liquid exposure to corporate credit or, conversely, buy credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally FX forwards can be used to hedge any unwanted FX risk. This list of likely derivative based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in equities and other securities and participatory rights and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment-grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

It may invest up to 25% of its assets in bonds and debt instruments that have not been assigned a rating by any of the rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a transferable security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts ('PAIs') as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund's annual reports, which will be published after 1 January 2023.

## **1.16.2. Risk profile**

### **1.16.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment-grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment composed solely of investment-grade bonds. If investors come to doubt the solvency of the issuers, the value of the bonds may decline;
- A moderate inflation risk: there is no protection against a rise in inflation.

### **1.16.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

### 1.16.3. Issue, redemption and fee

#### 1.16.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.

Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.16.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018. The first net asset value will be dated 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.17. KBC BONDS STRATEGIC BROAD 75/25 RESPONSIBLE INVESTING**

### **1.17.1. Investment policy**

The KBC Bonds Strategic Broad 75/25 Responsible Investing sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds Strategic Broad 75/25 Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.3 in respect of KBC Bonds Strategic Broad 75/25 Responsible Investing.

Typically, the sub-fund invests 75% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund generally invests the remaining 25% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is the:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 75%;
- b) IHS Markit iBoxx Euro Corporates: 25%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure the performance and composition of the portfolio. The majority of the bonds held by the sub-fund are likely to belong to one or other of the indices included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The composition of the portfolio may differ from that of the benchmark index, since the composition of the benchmark index is not entirely consistent with the environmental and/or social characteristics promoted by the sub-fund. The use of the benchmark does not detract from the responsible nature of the portfolio. The responsible nature of the portfolio is guaranteed by the RResponsible Investing methodology mentioned above.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the

difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

Liability disclaimer from the index provider.

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Derivatives may be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on EMU government bonds to manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX), may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards or futures may be used to hedge any unwanted foreign-exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in equities and other securities and shares or units and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests, directly or indirectly, at least 75% of its assets in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- Government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these*



*other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Information about the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.3 of the prospectus on KBC Bonds Strategic Broad 75/25 Responsible Investing.

### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investment funds and the exclusion policy for Responsible Investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for Responsible Investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy). As part of its commitment to sustainable investing, KBC Asset Management NV exercises the voting rights of the shares it manages in accordance with its Proxy Voting and Engagement Policy. Where relevant, KBC Asset Management NV will engage in dialogue with the management of the companies concerned, before voting if necessary.

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.3 of the prospectus on KBC Bonds Strategic Broad 75/25 Responsible Investing. A declaration on the manner in which the sub-fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund, which will be published after 1 January 2023.

## **1.17.2. Risk profile**

### **1.17.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.  
'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment made up only of bonds with an investment grade rating. If investors come to doubt the solvency of the issuers, the value of the bond may decline.
- A moderate inflation risk: there is no protection against an increase in inflation.

#### 1.17.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

### **1.17.3. Issue, redemption and fee**

#### 1.17.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose

shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.50% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.17.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018. The first net asset value will be dated 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a

maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 “Fees, charges and expenses”, the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.18. KBC BONDS STRATEGIC BROAD 50/50 RESPONSIBLE INVESTING**

### **1.18.1. Investment policy**

The KBC Bonds Strategic Broad 50/50 Responsible Investing sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - “Eligible instruments”.

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds Strategic Broad 50/50 Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.4 in respect of KBC Bonds Strategic Broad 50/50 Responsible Investing.

Typically, the sub-fund invests 50% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund typically invests the remaining 50% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 50%;
- b) IHS Markit iBoxx Euro Corporates: 50%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that do not belong to the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The composition of the portfolio may differ from that of the benchmark index, since the composition of the benchmark index is not entirely consistent with the environmental and/or social characteristics promoted by the sub-fund. The use of the benchmark does not detract from the responsible nature of the portfolio.

The responsible nature of the portfolio is guaranteed by the Responsible Investing methodology mentioned above.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75 %. Investors should be aware that the real tracking error may vary according to market conditions. A fund with a lower level of deviation from the benchmark is more likely to outperform the benchmark to a more limited extent.

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Derivatives can be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX), may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Furthermore, forward foreign-exchange contracts or futures may be used to hedge unwanted currency risk. This list of derivative-based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in equities and other securities and shares or units and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests, directly or indirectly, at least 75% of its assets in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment grade-rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

#### **Information about the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.4 of the prospectus on KBC Bonds Strategic Broad 50/50 Responsible Investing.

#### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investment funds and the exclusion policy for Responsible Investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for Responsible Investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.4 of the prospectus on KBC Bonds Strategic Broad 50/50 Responsible Investing. A declaration on the manner in which the sub-fund took the

principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund, which will be published after 1 January 2023.

## **1.18.2. Risk profile**

### **1.18.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.  
'

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment made up only of bonds with an investment grade rating. If investors come to doubt the solvency of the issuers, the value of the bond may decline.
- A moderate inflation risk: there is no protection against an increase in inflation.

### **1.18.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

## **1.18.3. Issue, redemption and fees**

### **1.18.3.1. 'Institutional B Shares' sub-category**

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the



net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.18.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018. The first net asset value will be dated 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group S.A., the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.19. KBC BONDS STRATEGIC BROAD 25/75 RESPONSIBLE INVESTING**

### **1.19.1. Investment policy**

The KBC Bonds Strategic Broad 25/75 Responsible Investing sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits set in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - "Eligible instruments".

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds Strategic Broad 25/75 Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.5 in respect of KBC Bonds Strategic Broad 25/75 Responsible Investing.

Typically, the sub-fund invests 75% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund typically invests the remaining 25% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 25%;
- b) IHS Markit iBoxx Euro Corporates: 75%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that are not included in the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The composition of the portfolio may differ from that of the benchmark index, since the composition of the benchmark index is not entirely consistent with the environmental and/or social characteristics promoted by the sub-fund. The use of the benchmark does not detract from the responsible nature of the portfolio. The responsible nature of the portfolio is guaranteed by the Responsible Investing methodology mentioned above.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75 %. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

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Derivatives can be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically the sub-fund can use futures on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX), may be used both to achieve the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without involving any shift towards less creditworthy debtors than those in which the UCITS is permitted to invest. The sub-fund may, for instance, sell a credit protection on investment-grade indices via Credit Default Swap contracts (up to a maximum ceiling of 50% of its assets) in order effectively to create liquid exposure to corporate credit risk or, conversely, buy a credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign-exchange forwards or futures may be used to hedge any unwanted foreign-exchange risk. This list of likely derivative based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its assets in convertible bonds and bond options, more than 10% of its assets in equities and other securities and shares or units and more than one third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests, directly or indirectly, at least 75% of its assets in:

- bonds and debt securities with an investment grade rating. An investment grade rating corresponds

to at least BBB-/Baa3 (long term debt), A3/F3/P3 (short term debt) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;

- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to 25% of its assets in bonds and debt securities to which the aforementioned rating agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

#### **Information about the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.5 of the prospectus on KBC Bonds Strategic Broad 25/75 Responsible Investing.

#### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investment funds and the exclusion policy for Responsible Investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for Responsible Investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.5 of the prospectus on KBC Bonds Strategic Broad 25/75 Responsible Investing. A declaration on the manner in which the sub-fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual report for this sub-fund, which will be published after 1 January 2023.

## **1.19.2.Risk profile**

### **1.19.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading 'What are the risks and what could I get in return?'.

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the fund will mainly (but not exclusively) invest its assets in investment grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment made up only of bonds with an investment grade rating. If investors come to doubt the solvency of the issuers, the value of the bond may decline.
- A moderate inflation risk: there is no protection against an increase in inflation.

### **1.19.2.2. Risk profile of the typical investor**

The sub-fund was set up for defensive investors.

## **1.19.3. Issue, redemption and fees**

### **1.19.3.1. 'Institutional B Shares' sub-category**

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before

the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 0.5% of the net asset value for the sub-fund.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.19.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 "Fees, charges and expenses", the sub-fund will pay the fees and expenses indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	<p>Max. 1.10% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1



## **Appendix 1.20. KBC BONDS STRATEGIC BROAD 30/70**

### **1.20.1. Investment policy**

The KBC Bonds Strategic Broad 30/70 sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% may be invested in the other assets specified in Section 6.1 - Eligible instruments.

Typically, the sub-fund invests 70% of its assets in corporate bonds, primarily of investment grade denominated in euros, and/or in derivatives, which create exposure to the credit risk of the underlying companies (primarily from interest-rate swaps, forward and futures contracts and CDS). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager adopts a more procyclical approach.

The sub-fund typically invests the remaining 30% of its assets in a diversified range of government bonds issued by States that are, or intend to become, members of the Economic and Monetary Union (EMU), primarily of investment grade, denominated in euros and of various maturities, and/or in derivatives, which create exposure to sovereign risk (primarily in interest-rate swaps and forward or future contracts). The sub-fund may, however, invest up to 100% in assets of this type if the sub-fund manager opts for more defensive exposures.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. The currency risk will not be hedged systematically. In addition, the portfolio may be concentrated in certain issuers, currencies or types of transferable securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

The sub-fund's benchmark is the:

- a) JP Morgan European Monetary Union Investment Grade Index (EMU IG): 30%;
- b) IHS Markit iBoxx Euro Corporates: 70%.

The sub-fund seeks to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used to measure performance and for composition of the portfolio. The majority of the bonds held by the sub-fund are likely to be component elements of one or more of the indexes included in the benchmark. The Fund Manager may, at its discretion, invest in bonds that are not included in the benchmark in order to take advantage of specific investment opportunities for the sub-fund.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This deviation is measured by means of the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of its benchmark. The expected tracking error is 0.75%. Investors should be aware that the real tracking error may vary according to market conditions. Sub-funds with a lower level of deviation from the benchmark are less likely to outperform the benchmark.

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Derivatives can be used to achieve the investment objectives and to hedge the sub-fund's risks.

Typically, the sub-fund may use futures contracts on EMU government bonds to efficiently manage duration and curve risk. . Also credit derivatives, such as Credit Default Swaps (CDS) on indices (such as iTraxx or CDX) may be used both to carry out the investment objectives and to hedge the credit risk, but solely within the existing risk profile and without implying any shift towards less creditworthy debtors than those the UCITS is permitted to invest in. The sub-fund may, for instance, sell credit protection on investment-grade indices via Credit Default Swap contracts (with a maximum limit of 50% of its assets) in order effectively to create a liquid exposure to corporate credit or, conversely, buy credit protection on investment-grade indices to effectively reduce exposure to corporate credit risk. Additionally FX forwards can be used to hedge any unwanted FX risk. This list of likely derivative based strategies is representative but non-exhaustive.

In so far as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of derivatives does not, therefore, influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They never increase nor decrease the capital risk. Nor does the use of derivatives have any influence whatsoever on the settlement risk, custodian risk, flexibility risk, inflation risk or the environment risk (risk associated with external factors).

The sub-fund may not invest more than 25% of its total assets in convertible bonds and bond options, more than 10% of its total assets in equities and other securities and participatory rights, more than one-third of its total assets in money market instruments and more than one-third of its total assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

The sub-fund invests at least 75% of its assets directly or indirectly in:

- bonds and debt instruments with an investment-grade rating. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating but the issuer of which holds an investment-grade rating from at least one of the agencies listed above;
- money market instruments, the issuer of which is rated as investment grade by one of the aforementioned rating agencies.

*\* In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed, whether in full or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.*

This means that the sub-fund may invest up to a maximum of 25% of its assets in bonds and debt instruments to which the aforementioned agencies have not assigned a rating and/or which do not meet the rating conditions specified above.

The sub-fund will not invest in securities that are distressed and defaulted at the time of purchase. If, over time, a security becomes distressed and defaulted, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The sub-fund may hold ancillary liquid assets as described in point 6.1.6 of this prospectus.

The net asset value of the sub-fund is expressed in euros.

### **Environmental, social and governance (ESG) aspects**

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities, as defined by 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 (the Taxonomy).

The sub-fund is classified as an “article 6” product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

### **Transparency regarding adverse sustainability impacts**

The sub-fund considers the principal adverse impacts on sustainability factors by taking into account the indicators concerning the principal adverse impacts (‘PAIs’) as described in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the ‘SFDR’). The principal adverse impacts on sustainability factors are explicitly taken into account via the general exclusion policy. More detailed information on the principal adverse impacts on sustainability factors taken into account is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account through our proxy voting and engagement policy (more information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospect Proxy Voting – overview > Proxy Voting and Engagement Policy).

Information on the principal adverse effects on sustainability factors can also be found in the sub-fund’s annual reports, which will be published after 1 January 2023.

## **1.20.2. Risk profile**

### **1.20.2.1. Risk profile of the sub-fund**

The method used to calculate the global exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’.

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- A capital risk: there is no capital protection.
- A moderate credit risk: the assets are primarily (but not exclusively) invested in investment-grade bonds. Consequently the risk of an issuer being unable to honour its obligations is higher than for an investment

composed solely of investment-grade bonds. If investors come to doubt the solvency of the issuers, the value of the bond may decline.

- A moderate inflation risk: there is no protection against an increase in inflation.

#### 1.20.2.2. Risk profile of the typical investor

The sub-fund was set up for defensive investors.

### **1.20.3. Issue, redemption and fees**

#### 1.20.3.1. 'Institutional B Shares' sub-category

An 'Institutional B Shares' sub-category will be available from 27 November 2018 to 28 November 2018 at an initial subscription price of 1 000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018, at the first net asset value of 29 November 2018.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Conversion will be undertaken at a price equal to the respective net values of the shares of the different sub-funds, less a conversion fee equal to a maximum of 0.5% of the net asset value of the sub-fund whose shares are presented for conversion and to a maximum of 0.5% of the net asset value of the new sub-fund, in favour of the respective sub-funds.

Only capitalisation shares in this sub-category will be issued. The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

Amount to cover the fees for purchase and sale of the assets: maximum 1.5% of the net asset value for the sub-fund.

As described in Section 16 'Fees, costs and expenses', the sub-fund will pay the Management Company indicated below.:

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for

	collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.20.3.2. 'Corporate Shares' sub-category

From 27 November 2018 to 28 November 2018, shares in the 'corporate shares' sub-category will be issued at a subscription price of 1 000 euros, plus an entry fee of 2.5% maximum in favour of the professional intermediaries. The rate of this entry fee is fixed and the Board of Directors may set a lower rate. Shareholders will be notified by means of an announcement in the annual report.

The initial subscription price must be paid on 3 December 2018. The first net asset value will be dated 29 November 2018.

Subscriptions to shares in the sub-class will only be accepted if one and the same person subscribes in an amount of at least 200 000 euros.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus an entry fee in favour of professional intermediaries, which amounts to a maximum of 2.5%. The rate of this entry fee is set, and may be changed, by the Board of Directors. Shareholders will be notified by means of an announcement in the annual report.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund. The rate of this redemption fee is set, and may be changed, by the Board of Directors. If the redemption fee is increased, the investor will have the right for a period of one month before the increased fee comes into effect to request the redemption of his shares free of cost. Shareholders will be notified by means of an announcement in the annual report.

Only capitalisation shares in this sub-category will be issued.

As described in Section 16 'Fees, costs and expenses', the sub-fund will pay the Management Company indicated below.

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value of the asset)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.  For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.

	(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

## **Appendix 1.21. KBC BONDS HIGH YIELD RESPONSIBLE INVESTING**

### **1.21.1. Investment policy**

The KBC Bonds High Yield Responsible Investing sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds (including contingent convertible bonds), deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps, and CDS contracts) or units in undertakings for collective investment within the limits specified in point 6.1.2.3 of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible Instruments' of the prospectus.

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 its assets (10%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). Within the eligible asset categories, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The issuers in which the sub-fund invests must follow good governance practices. The sub-fund complies with the transparency obligations under Article 8(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the 'SFDR'). More detailed information on the manner in which the sub-fund promotes environmental and social characteristics is available in the Annex of KBC Bonds High Yield Responsible Investing of the prospectus. The pre-contractual information relating to financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852 can be found in Annex 4.6 in respect of KBC Bonds High Yield Responsible Investing.

As a general rule, the sub-fund invests at least 67% of its assets in a diversified range of bonds issued by companies with a non-investment grade rating and/or in derivatives that create a similar exposure (mainly interest-rate swaps, futures contracts and CDS contracts). However, in exceptional circumstances, the sub-fund may invest up to 100% of its assets temporarily in the bonds of companies with an investment grade rating or in government bonds and/or in derivatives that create a similar exposure. For example, this may occur if the manager of the sub-fund opts for more defensive exposures or in the event of substantial subscriptions or redemptions. All durations are considered in the selection of the bonds.

The sub-fund may not invest more than 25% of its assets in convertible bonds, with a maximum of 10% in contingent convertible bonds. Contingent convertible bonds are debt securities issued by banks or financial institutions that, after the occurrence of a predefined trigger event, are converted into a predetermined number of shares or are partly or wholly cancelled. Trigger events include the issuer's predefined capital ratios falling to a particular level, or the issue/issuer being made the subject of an action or a regulatory decision by the responsible regulator in the issuer's home market.

The sub-fund may invest up to 10% of its assets in equities and other securities and shares or units, up to one third of its assets in money market instruments, and up to one third of its assets in bank deposits. Within these limits, the sub-fund may invest in bank deposits, money market funds and/or money market instruments to achieve its investment objectives, for cash flow purposes and/or in the event of adverse market conditions.

Within the limits defined below, the sub-fund may invest up to 100% of its assets directly or indirectly in:

- bonds and debt instruments with a rating lower than investment grade;
- bonds and debt instruments of issuers with a rating lower than investment grade.

Lower than investment grade means: lower than BBB-/Baa3 (long term) or A3/F3/P3 (short term) from at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings.

The sub-fund may invest up to 50% of its assets in subordinated bonds. In the event of the issuer's failure, subordinated bonds are ranked below the company's other debts: these other debts will be redeemed first. Only then, assuming sufficient capital remains, will the holders of subordinated bonds be reimbursed,

whether fully or in part. Holders of subordinated bonds do, however, enjoy priority over the shareholders of the relevant issuer.

It may invest up to 25% of its assets in bonds and debt instruments that have not been assigned a rating by any of the aforementioned rating agencies or whose issuers have not been assigned a rating by any of the aforementioned agencies. Based on KBC Asset Management NV internal credit scores, these debt instruments will be of comparable quality to instruments rated at least CCC- at the time of acquisition.

The sub-fund may invest up to 5% of its assets in securities that are distressed at the time of purchase. These are securities that are rated below CCC- by at least one of the following rating agencies: Moody's Investors Service, S&P Global Ratings or Fitch Ratings, or are of comparable credit quality.

The sub-fund will not invest in securities that are defaulted securities at the time of purchase. If over time a security becomes a distressed and defaulted security, the manager will always try to sell the position in the interest of the investor if market conditions allow this (for example, sufficient liquidity).

The sub-fund may hold ancillary liquidity as described in point 6.1.6 of this prospectus.

The benchmark for the sub-fund is the Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR.

The sub-fund sets out to outperform the benchmark.

The sub-fund is actively managed and does not set out to replicate the benchmark. The benchmark is used for measuring performance and for the composition of the portfolio. The manager may use its discretion to invest in bonds not included in the benchmark in order to take advantage of the sub-fund's specific investment opportunities.

The sub-fund's investment policy restricts the extent to which the portfolio holdings may deviate from the benchmark. This difference is measured using the tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of the benchmark. The expected tracking error is 2.0%. Investors should be aware that the actual tracking error may vary depending on market conditions. Funds with a lower level of deviation from the benchmark are likely to outperform the benchmark to a lesser extent.

The sub-fund may invest in securities and/or derivatives denominated in any currency. The sub-fund will invest primarily in euro-denominated debt. The currency risk will not be systematically hedged. Furthermore, the portfolio may, within the legal limits, be concentrated on particular issuers, currencies or types of securities and/or derivatives. The portfolio composition may therefore vary significantly over time.

Derivative instruments may be used to achieve the investment objectives and to hedge the risks of the sub-fund.

As a general rule, the sub-fund may use futures on EMU government bonds to efficiently manage duration and curve risk. In addition, credit derivatives, such as Credit Default Swap (CDS) contracts on indices (e.g. iTraxx or CDX), may be used both to achieve the investment objectives and to hedge credit risk, but solely within the context of the existing risk profile and without entailing any shift to less creditworthy debtors than those in which the UCITS can invest. The sub-fund may, for example, sell credit protection on non-investment grade indices through Credit Default Swap (CDS) contracts (subject to a maximum limit of 25% of its assets) to effectively create a liquid exposure to corporate credit risk, or, conversely, purchase credit protection on non-investment grade indices to effectively reduce exposure to corporate credit risk. Additionally, foreign exchange forwards may be used to hedge any unwanted foreign exchange risk. This list of derivative-based strategies is representative but non-exhaustive.

Insofar as derivatives are used, this will involve instruments that are liquid and readily negotiable. Use of



derivatives therefore does not influence the liquidity risk. Nor does use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It therefore does not affect the concentration risk. Derivatives do not guarantee the full or partial protection of the capital. They neither increase nor decrease the capital risk. Nor does the use of derivatives have the slightest influence on settlement risk, custody risk, flexibility risk, inflation risk or any risk dependent on external factors.

The net asset value of the sub-fund is expressed in euros.

### **Information regarding the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 ('European Taxonomy') is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be 'sustainable investments' if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.6 of the prospectus on KBC Bonds High Yield Responsible Investing.

### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund takes account of the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in the SFDR. The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and Responsible Investing funds and the Exclusion policies for responsible investment funds. More detailed information on the principal adverse impacts is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional and Responsible Investing funds and [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policies for responsible investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.6 on KBC Bonds High Yield Responsible Investing. A declaration on the manner in which the sub-fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund, which will be published after 1 January 2024.

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## **1.21.2. Risk profile**

### **1.21.2.1. Risk profile of the sub-fund**

The method used to calculate the overall exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EU) 2021/2268 of 6 September 2021, a summary risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The summary risk indicator is a guide to the level of risk of this product compared with other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest ranking on the scale does not imply that the investment is entirely risk-free. It only implies that, compared with the higher rankings, the product concerned would, under normal circumstances, generate a lower return, which is also easier to predict.

The summary risk and reward indicator is assessed at regular intervals, and products may therefore be reclassified with a lower or higher ranking on the scale on the basis of past data. Past data does not always provide a reliable indication of the future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading ‘What are the risks and what could I get in return?’ ».

The value of bond funds is primarily affected by interest-rate fluctuations. This is because the interest rate for these bonds is fixed, and is not affected by market rates.

Investment in this sub-fund is also subject to:

- a moderate inflation risk: there is no protection against an increase in inflation;

- a high credit risk: the fund may invest a high percentage of its assets in bonds with a poor credit rating. There is a significant risk of an issuer being unable to honour its obligations. If investors come to doubt the solvency of the issuers, the value of the bonds may decline. The sub-fund may invest up to 10% of its assets in contingent convertible bonds issued by financial institutions. When the issuing financial institutions run into financial problems, these instruments may be converted into shares or be wholly or partially written down;
- a moderate liquidity risk: since the fund partially invests in less liquid bonds, investors run the risk of not being able to sell a position in good time and at a reasonable price;
- a capital risk: there is no capital protection;
- a moderate market risk: the level of this risk reflects the sensitivity of the bonds to interest rates and the exchange-rate risk relative to the euro.

The risks specific to investments in distressed securities are as follows:

- a high risk of loss, because the issuers are in serious financial difficulty and therefore present a more significant risk of default;
- higher volatility, because these securities are more volatile than better-rated securities and adverse economic events can have a more significant impact on these securities than on better-rated securities;
- risks related to a lack of information on the issuer's credit quality and the ability of the portfolio manager to assess the issuer's performance.

The risks specific to investments in contingent convertible bonds are as follows:

- trigger level and conversion risk: if the issuer's capital ratio has fallen below a certain level, and/or by a decision of the supervisory authority, the bonds may be converted into shares or wholly or partially written down. In this case, the sub-fund could incur losses on the investment in contingent convertible bonds before the financial institution's shareholders if a write-down of the contingent convertible bonds were to occur before the insolvency of the financial institution;
- coupon cancellation/non-payment risk: the issuer of the contingent convertible bond in which the sub-fund invests may have a discretionary power to decide not to pay the coupon on the contingent convertible bond;
- capital structure inversion risk: in this case, holders of contingent convertible debt securities will suffer losses before holders of equity securities issued by the same issuer, contrary to the normal order of a capital structure hierarchy where equity holders are expected to suffer losses before debt holders;
- call extension risk and maturity risk: contingent convertible bonds may be perpetual bonds, which can only be redeemed on predetermined call dates. Redemption on the call date depends on the issuer's discretionary decision-making power;
- liquidity risk: in certain circumstances, it may be difficult to find a buyer for contingent convertible bonds, and the seller may be forced to accept a significant discount on the expected value of the bond in order to sell it;
- yield valuation risk and unknown risk: contingent convertible debt securities are also innovative financial instruments, and their behaviour in a stressed financial environment is therefore unknown. This increases the uncertainty of the valuation of contingent convertible debt securities and the risks of potential price contagion, as well as the volatility and also the liquidity risks of the entire asset class of contingent convertible securities.

#### 1.21.2.2. Risk profile of the typical investor

The sub-fund was set up for dynamic investors.

#### **1.21.3. Issues, redemptions and fees**

### 1.21.3.1. 'Accumulation' and 'distribution' sub-categories

Shares in the 'accumulation' and 'distribution' sub-categories will be available from 27 September 2023 to 4 October 2023 at an initial subscription price of 1,000 euros plus an entry fee of a 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed, and the Board of Directors may set a lower rate.

The initial subscription price is payable on 9 October 2023. The first net asset value shall be dated 5 October 2023.

After the initial subscription period, shares in the sub-fund shall be issued at a price corresponding to the net asset value per share:

- plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is set, and may be changed by, the Board of Directors. Shareholders will be notified of any such changes by means of an announcement in the annual report;
- plus an amount of 1% maximum in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Redemption will occur at the applicable net asset value less a fee of a maximum of 1% of this value in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Conversion will be undertaken at a price equal to the respective net asset values of the shares in the different sub-funds:

- less an amount to cover the fees for the purchase/sale of the assets, which shall be equal to the amount applicable to a redemption of the initial sub-fund;
- plus an entry fee to the new sub-fund in favour of the professional intermediary, which shall be equal to the fee applicable to a purchase in the new sub-fund;
- plus an amount in favour of the new sub-fund to cover the fees for the purchase/sale of assets, which shall be equal to the amount applicable to a purchase in the new sub-fund.

As described in Section 16 'Fees, charges and expenses', the sub-fund will pay the fees and expenses indicated below:

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount. For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.

Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.21.3.2. 'Discretionary accumulation' and 'discretionary distribution' sub-categories

Shares in the 'discretionary accumulation' and 'discretionary distribution' sub-categories will be available from 27 September 2023 to 4 October 2023 at an initial subscription price of 1,000 euros.

These share classes are reserved for investors with a current discretionary management agreement with KBC Asset Management NV, Belgium, or with another company affiliated with KBC Asset Management NV. Upon notification of the end of the discretionary management agreement by KBC Asset Management NV, Belgium, or another affiliate of KBC Asset Management NV, the shares will be converted into shares in the relevant non-discretionary 'accumulation' or 'distribution' category, without the application of fees.

The initial subscription price is payable on 9 October 2023. The first net asset value shall be dated 5 October 2023.

After the initial subscription period, shares in the sub-fund shall be issued at a price corresponding to the net asset value per share:

- plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is set, and may be changed by, the Board of Directors. Shareholders will be notified of any such changes by means of an announcement in the annual report;
- plus an amount of 2% maximum in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Redemption will occur at the applicable net asset value less a fee of a maximum of 2% of this value in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Conversion will be undertaken at a price equal to the respective net asset values of the shares in the different sub-funds:

- less an amount to cover the fees for the purchase/sale of the assets, which shall be equal to the amount applicable to a redemption of the initial sub-fund;
- plus an entry fee to the new sub-fund in favour of the professional intermediary, which shall be equal to the fee applicable to a purchase in the new sub-fund;
- plus an amount in favour of the new sub-fund to cover the fees for the purchase/sale of assets, which shall be equal to the amount applicable to a purchase in the new sub-fund.

As described in Section 16 'Fees, charges and expenses', the sub-fund will pay the fees and expenses indicated below:

**Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value)**

Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount. For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.21.3.3. 'Institutional B' sub-category

Accumulation shares in the 'Institutional B' sub-category will be available from 27 September 2023 to 4 October 2023 at a subscription price of 1,000 euros.

The 'Institutional B' sub-category is reserved for investment vehicles sponsored by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

The initial subscription price is payable on 9 October 2023. The first net asset value shall be dated 5 October 2023.

After the initial subscription period, shares in the sub-fund shall be issued at a price that corresponds to the net asset value per share, plus an amount of 2% maximum in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Redemption will occur at the applicable net asset value less a fee of a maximum of 2% of this value in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Conversion will be undertaken at a price equal to the respective net asset values of the shares in the different sub-funds:

- less an amount to cover the fees for the purchase/sale of the assets, which shall be equal to the amount applicable to a redemption of the initial sub-fund;
- plus an entry fee to the new sub-fund in favour of the professional intermediary, which shall be equal to the fee applicable to a purchase in the new sub-fund;
- plus an amount in favour of the new sub-fund to cover the fees for the purchase/sale of assets, which shall be equal to the amount applicable to a purchase in the new sub-fund.

As described in Section 16 'Fees, charges and expenses', the sub-fund will pay the fees and expenses indicated below:

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value)</b>	
Portfolio management fee	Max. 1.30% on an annualised basis, calculated on the sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount. For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.  (* ) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.21.3.4. 'Institutional accumulation' and 'Institutional distribution' sub-categories

The Board of Directors may decide to issue 'Institutional accumulation' and 'Institutional distribution' shares. In this event, these shares shall be issued at a subscription price of 1,000 euros plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is fixed, and the Board of Directors may set a lower rate.

The 'Institutional accumulation' and 'Institutional distribution' sub-categories are reserved for institutional investors as defined in Article 174(2) of the Law and shall benefit from the reduced annual tax rate of 0.01%.

The initial subscription price shall be paid on a date to be set by the Board of Directors. The first net asset value shall be on a date to be set by the Board of Directors.

After the initial subscription period, shares in the sub-fund shall be issued at a price corresponding to the net asset value per share:

- plus an entry fee of 2.5% maximum in favour of professional intermediaries. The rate of this entry fee is set, and may be changed by, the Board of Directors. Shareholders will be notified of any such changes by means of an announcement in the annual report;
- plus an amount of 2% maximum in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Redemption will occur at the applicable net asset value less a fee of a maximum of 2% of this value in favour of the sub-fund to cover the fees for the purchase/sale of assets.

Conversions shall be made at a price equal to the respective net asset values of the shares in the different sub-funds:

- less an amount to cover the fees for the purchase/sale of the assets, which shall be equal to the

- amount applicable to a redemption of the initial sub-fund;
- plus an entry fee to the new sub-fund in favour of the professional intermediary, which shall be equal to the fee applicable to a purchase in the new sub-fund;
- plus an amount in favour of the new sub-fund to cover the fees for the purchase/sale of assets, which shall be equal to the amount applicable to a purchase in the new sub-fund.

As described in Section 16 'Fees, charges and expenses', the sub-fund will pay the fees and expenses indicated below:

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency in which the sub-fund is denominated or as a percentage of the net asset value)</b>	
Portfolio management fee	<p>Max. 1.30% on an annualised basis, calculated on the sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of KBC Group NV, the fee for the management of the investment portfolio is equal to the difference between the fee for the management of the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the management fee of the investment portfolio.</p> <p>(*) The fee for the management of the investment portfolio of the undertakings for collective investment in which the sub-fund invests will amount to a maximum of 1.70%.</p>
Fund administration fee	Max. 0.040% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

#### 1.21.3.5. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective



investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>8</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or

- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: Max. 2% for the sub-fund, calculated as a percentage of the amount invested	Max. 2% for the sub-fund, calculated as a percentage of the net asset value of the redeemed shares
<b><i>Total:</i></b>	<b><i>Subscription fee during and after the initial subscription period: Max. 2% as indicated above</i></b>	<b><i>Redemption fee: Max. 2% as indicated above</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depositary and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

<sup>8</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.

## **Appendix 1.22. KBC BONDS GREEN SOCIAL SUSTAINABILITY BONDS RESPONSIBLE INVESTING**

### **1.22.1. Investment policy**

The KBC Bonds Green Social Sustainability Bonds Responsible Investing sub-fund has a sustainable investment objective: to contribute to sustainable development by encouraging the transition to a more sustainable world through bonds that finance green and/or social projects. The issuers in which it invests must follow good governance practices. The sub-fund's objective is sustainable investment within the meaning of Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR"). The sub-fund complies with the transparency obligations in Article 9(2) of the SFDR. Further information on how the sub-fund achieves the sustainable investment objective can be found in the annex to KBC Bonds Green Social Sustainability Bonds Responsible Investing. The pre-contractual information for the financial products referred to in Articles 9 (1 to 4 bis) of Regulation (EU) 2019/2088 and Article 5 (1) of Regulation (EU) 2020/852 in respect of KBC Bonds Green Social Sustainability Bonds Responsible Investing can be found in Annex 4.7.

The sub-fund invests at least 80% of its assets in bonds that finance green and/or social projects in any region, sector or theme. These may be bonds issued by governments, public or supranational bodies, government-linked agencies or companies. Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects aligned with the "Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the Use of Proceeds" are considered to be bonds that finance green and/or social projects. Instruments that meet these requirements are classified as "sustainable investments" in accordance with Article 2(17) of the SFDR.

The remaining 20% of assets may include (i) ancillary liquid assets as described in section 6.1.6 of the prospectus, (ii) bank deposits meeting the criteria of Article 41(1) of the 2010 Law for cash management purposes or in the event of adverse market conditions, and/or (iii) derivatives, which can only be used for hedging.

The sub-fund may invest in transferable securities and/or derivatives denominated in any currency. Currency risk is not systematically hedged. Furthermore, the portfolio may be concentrated in certain issuers, currencies or types of securities and/or derivatives. The allocation of the portfolio may therefore vary significantly over time.

The fund is actively managed by reference to the following benchmark index: Bloomberg Global Aggregate EUR Green Social Sustainability Bond - Total Return Index.

The sub-fund is actively managed and does not aim to replicate the benchmark index. The benchmark index is used to measure performance and for the allocation of the portfolio. The majority of the bonds held by the sub-fund belong to the benchmark index. The fund manager may, at its discretion, invest in bonds that do not belong to the benchmark index in order to take advantage of specific investment opportunities for the sub-fund.

The use of the benchmark index is consistent with the sub-fund's sustainable investment objective, but the benchmark index is not used to achieve this objective or to measure its achievement. The responsible nature of the portfolio is guaranteed by the responsible investment methodology mentioned below.

The sub-fund's investment policy restricts the extent to which portfolio positions may deviate from those of the benchmark index. This deviation is measured using tracking error, which indicates the volatility of the difference between the performance of the sub-fund and that of the benchmark index. The expected tracking error is 0.75%. Investors should be aware that the actual tracking error may vary, depending on market conditions. Sub-funds with a lower level of deviation from the benchmark index are less likely to outperform that index.

Derivatives may be used to hedge the sub-fund's risks.

If derivatives are used, these will be instruments that are readily negotiable and liquid. The use of derivatives does not, therefore, affect liquidity risk. Nor does the use of derivatives alter the allocation of the portfolio between regions, sectors or themes. It does not, therefore, affect concentration risk. Derivatives

do not guarantee full or partial capital protection. They neither increase nor reduce capital risk. Nor does the use of derivatives have any influence whatsoever on settlement risk, custodian risk, flexibility risk, inflation risk or environment risk (risk associated with external factors).

The sub-fund invests, directly and/or indirectly, at least 85% of its assets in bonds and debt instruments, as follows:

- bonds and debt instruments rated “investment grade”. An investment-grade rating corresponds to at least a BBB-/Baa3 (long term), A3/F3/P3 (short term) rating by at least one of the following rating agencies: Moody’s Investors Service, S&P Global Ratings or Fitch Ratings;
- government bonds issued in local currency or non-subordinated corporate bonds\* to which none of the aforementioned agencies has assigned a rating, but whose issuer is rated “investment grade” by at least one of the agencies listed above;

*\*in the event of the failure of the relevant issuer, the subordinated bonds are subordinated to the other debts of the company: the company’s other debts are paid first and then, and only if there is any capital left, the holders of the subordinated bonds are reimbursed in whole or in part; the holder of the subordinated bond, however, ranks above the shareholders of the issuer.*

This means that the sub-fund may invest a maximum of 15% of its assets in bonds and debt instruments to which none of the aforementioned rating agencies has assigned a rating, or which do not meet the rating conditions listed above.

The sub-fund will not invest in securities that are “distressed and defaulted” at the time of purchase. If, over time, a security becomes “distressed and defaulted”, the manager will always attempt to sell the position in the interests of the investor insofar as market conditions permit (for example, if there is sufficient liquidity).

The net asset value of the sub-fund is denominated in euro.

### **Information regarding the Taxonomy**

The minimum percentage invested in environmentally sustainable economic activities that contribute to one of the environmental objectives set out in Article 9 of 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 and amending Regulation (EU) 2019/2088 (‘European Taxonomy’) is 0%.

This point will be monitored on a regular basis and the prospectus may be revised. It is not the objective of the sub-fund to invest in the instruments of corporate issuers, but such investments are not excluded. Corporate issuers are considered to be ‘sustainable investments’ if at least 20% of their revenue is aligned with the European Taxonomy (based on Trucost data). More detailed information on the percentage of the portfolio that qualifies as ‘sustainable investments with an environmental objective aligned with the EU taxonomy framework’ on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on the European Taxonomy is available in Annex 4.7 of the prospectus on KBC Bonds Green Social Sustainability Bonds Responsible Investing.

### **Transparency on indicators regarding the principal adverse impacts**

The sub-fund considers the principal adverse impacts of its investment decisions on sustainability factors by taking into account the principal adverse impacts as described in the SFDR. The principal adverse impacts on sustainability factors are explicitly taken into account by the general exclusion policy for conventional and responsible investment funds and the exclusion policy for responsible investment funds. More detailed information on the principal adverse impact indicators taken into account is available on the websites [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > General exclusion policy for conventional funds and responsible investment funds and > Exclusion policies for responsible investment funds. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy (more detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Retrospective Proxy Voting - overview > Proxy Voting and Engagement Policy).

More detailed information on the manner in which the sub-fund aims to take into account the principal adverse impacts on sustainability factors is also available in Annex 4.7 of the prospectus on KBC Bonds Green Social Sustainability Bonds Responsible Investing. A declaration on the manner in which the sub-

fund took the principal adverse impacts on sustainability factors into account during the reference period can also be found in the annual reports for this sub-fund.

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## **1.22.2. Risk profile**

### **1.22.2.1. Risk profile of the sub-fund**

The method used to calculate the overall exposure is the commitment approach.

In accordance with Commission Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EC) 2017/653 of 8 March 2017, as amended by Commission Delegated Regulation (EC) 2021/2268 of 6 September 2021, a synthetic risk indicator has been calculated for each sub-fund or, where applicable, for each share class or type. The synthetic risk indicator is a guide to the level of risk of this product compared with other products. It indicates the probability that the product will lose money due to market fluctuations, or because we are unable to pay you. The indicator is expressed as a figure between 1 and 7. The higher the figure, the higher the potential return, although the return is also more difficult to predict. Losses are also possible. The lowest figure does not mean that the investment is entirely risk-free. It indicates that in comparison to the higher figures, this product will usually generate a lower return, but which is more predictable.

The synthetic risk and return indicator is reviewed at regular intervals, and may therefore be raised or lowered on the basis of previous performance data. Previous performance is not always a reliable guide to future return and risk.

The most recent figure for the indicator can be found in the key information document under the heading “What are the risks and what is the potential return?”.

The value of a bond fund is primarily sensitive to interest-rate fluctuations. This is because the interest rate for such bonds is a fixed rate, unaffected by market rates.

An investment in this sub-fund is also exposed to:

- capital risk: there is no capital protection;
- moderate credit risk: the assets will be invested mainly (but not exclusively) in investment-grade bonds. For bonds not rated “investment grade” (such as junk bonds), the risk of an issuer being unable to honour its commitments is higher than for an investment composed solely of investment-grade bonds. If investors start having doubts about the solvency of the bond issuers, the value of the bonds may fall;
- moderate liquidity risk: since the fund partially invests in less liquid bonds, the sub-fund runs the risk of not being able to sell a position in a timely manner and at a reasonable price;
- moderate inflation risk: there is no protection against a rise in inflation.

**1.22.2.2. Risk profile of the typical investor**

The sub-fund is designed for defensive investors.

**1.22.3. Issues, redemptions and fees**

**1.22.3.1. 'Accumulation' and 'distribution' sub-categories**

Shares in the ‘accumulation’ and ‘distribution’ sub-categories will be offered at an initial subscription price of 100 euros, plus a maximum entry fee of 2.5% payable to professional intermediaries, from 25 October 2023 to 26 October 2023. The rate of this entry fee is fixed, but the Board of Directors may set a lower rate.

The initial subscription price is payable on 31 October 2023. The first net asset value shall be dated 27 October 2023.

After the initial subscription period, the shares of the sub-fund will be issued at a price corresponding to the net asset value per share plus a maximum entry fee of 2.5% payable to professional intermediaries. The rate of this entry fee is fixed, but may be changed by the Board of Directors. The shareholders will be notified accordingly, through a notice in the annual report.

As described in Section 16 ‘Charges, costs and expenses’, the sub-fund will pay the fees and charges indicated below:

<b>Ongoing fees and charges paid by the Sub-fund (unless indicated otherwise, in the currency of the Sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	<p>Max. 1.20% on an annual basis, calculated on the average total net assets of the Sub-fund. The management fee cannot under any circumstances be a negative amount.</p> <p>For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group S.A., the fee for managing the investment portfolio is equal to the difference between the fee for managing the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the investment portfolio management fee.</p> <p>(*) The fee for managing the investment portfolio of the undertakings for collective investment in which the sub-</p>

	fund invests will be a maximum of 1.70%.
Administrative management fee	Max. 0.040% p.a.
Custodian fee and custody charges	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.22.3.2. 'Discretionary accumulation' and 'discretionary distribution' sub-categories

Shares in the 'discretionary accumulation' and 'discretionary distribution' sub-categories will be offered at an initial subscription price of 100 euros from 25 October 2023 to 26 October 2023.

These share classes are reserved for investors with a current discretionary management agreement with KBC Asset Management NV, Belgium, or with another company affiliated with KBC Asset Management NV. Upon notification of the end of the discretionary management agreement by KBC Asset Management NV, Belgium, or another company affiliated with KBC Asset Management NV, the shares will be converted free of charge into shares in the 'accumulation' or 'distribution' (non-Discretionary) share category.

The initial subscription price is payable on 31 October 2023. The first net asset value shall be dated 27 October 2023.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below:

<b>Ongoing fees and charges paid by the Sub-fund (unless indicated otherwise, in the currency of the Sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	<p>Max. 0.80% on an annual basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount. For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group S.A., the fee for managing the investment portfolio is equal to the difference between the fee for managing the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the investment portfolio management fee.</p> <p>(*) The fee for managing the investment portfolio of the undertakings for collective investment in which the sub-fund invests will be a maximum of 1.70%.</p>
Administrative management fee	Max. 0.040% p.a.
Custodian fee and custody charges	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.05% p.a.
Other taxes	See Section 16.1

### 1.22.3.3. 'Institutional B' sub-category

Accumulation shares in the 'Institutional B' sub-category will be offered at a subscription price of 100 euros from 25 October 2023 to 26 October 2023.

The 'Institutional B Shares' sub-category is intended for investment vehicles promoted by the KBC group.

These shares will be eligible for the reduced subscription tax of 0.01%.

The initial subscription price is payable on 31 October 2023. The first net asset value shall be dated 27 October 2023.

Amount set aside to cover charges on buying and selling assets: maximum 0.75% for the sub-fund.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below:

<b>Ongoing fees and charges paid by the Sub-fund (unless indicated otherwise, in the currency of the Sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	Max. 1.20% on an annual basis, calculated on the Sub-fund's average total net assets. The management fee cannot under any circumstances be a negative amount. For the portion of the net assets corresponding to an investment in undertakings for collective investment (*) managed by a financial institution of the KBC Group S.A., the fee for managing the investment portfolio is equal to the difference between the fee for managing the investment portfolio of the aforementioned undertakings for collective investment and the percentage indicated above for the investment portfolio management fee.  (* ) The fee for managing the investment portfolio of the undertakings for collective investment in which the sub-fund invests will be a maximum of 1.70%.
Administrative management fee	Max. 0.040% p.a.
Custodian fee and custody charges	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

### 1.22.3.4. 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories

Shares in the 'Institutional Discretionary Shares Capitalisation' and 'Institutional Discretionary Shares Distribution' sub-categories will be offered at an initial subscription price of 100 euros from 12 February 2024 to 22 February 2024.

The initial subscription price must be paid on 27 February 2024, at the first net asset value of 23 February 2024.

These share classes are reserved for the following investors:

- Investors with a current discretionary management agreement with KBC Asset Management NV, or with another company affiliated with KBC Asset Management NV, and who pay a discretionary management fee on the part of their portfolio invested in KBC undertakings for collective investment. These persons must also have the status of 'eligible investors' within the meaning of Article 5(3/1) of the Law of 2012<sup>9</sup> and must invest in their own name. Investors must fulfil these conditions at the time of subscription and for as long as they remain invested in the category of shares; and/or
- Institutional undertakings for collective investment managed by KBC Asset Management NV or by another company affiliated with KBC Asset Management NV and which pay a fee on the part of their assets invested in KBC undertakings for collective investment.

If it turns out that shares of this category are held by persons other than those authorised, those shares shall be converted into shares in the 'Capitalisation' or 'Distribution' class (not 'Discretionary') without conversion or redemption fees (excluding taxes). In all other cases, the conversion of this category of shares into shares of another sub-fund is not permitted.

These shares will be eligible for the reduced subscription tax of 0.01%.

As described in Section 16 'Charges, costs and expenses', the sub-fund will pay the fees and charges indicated below.

<b>One-off fees and charges payable by the investor (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>		
	<b><i>Subscription</i></b>	<b><i>Redemption</i></b>
Trading fee	During and after the initial subscription period: 0%	0%
Amount to cover the costs of the purchase/sale of assets	During and after the initial subscription period: 0%	0%
<b>Total:</b>	<b><i>Subscription fee during and after the initial subscription period: 0%</i></b>	<b><i>Redemption fee: 0%</i></b>

<b>Ongoing fees and charges paid by the sub-fund (unless indicated otherwise, in the currency of the sub-fund or as a percentage of the net asset value)</b>	
Portfolio management fee	0%
Fund administration fee	Max. 0.020% p.a.
Depository and custody fees	Max. 0.030% p.a.
Research fee	Max. 0.005% p.a.
Other fees and charges	0.020% (estimate)
Subscription tax (Luxembourg)	0.01% p.a.
Other taxes	See Section 16.1

<sup>9</sup> This means both professional investors, as referred to in Annex A, I to the Belgian Royal Decree of 3 June 2007 setting detailed rules for the application of the Markets in Financial Instruments Directive, and legal persons not considered to be professional investors who have requested to be entered in the register of eligible investors at the Belgian FSMA. Natural persons, and legal persons who are not eligible investors as defined above, do not have access to this share class.



# Appendix 2 Subscription form

Copy for shareholder

## KBC BONDS

*Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)*

80 Route d'Esch, 1470 Luxembourg

Luxembourg Trade Register No. B 39.062

### SUBSCRIPTION FORM

The Legal Notice has been filed with the Chancery of the District Court of and in Luxembourg.

The undersigned:

Surname : .....

First name : .....

Address : .....

having received and read the prospectus of KBC BONDS (the 'Sicav') declare(s) that he/she (they) is (are) subscribing to

..... shares in the 'KBC BONDS – INCOME FUND' sub-fund

..... shares in the 'KBC BONDS – CAPITAL FUND' sub-fund

..... shares in the 'KBC BONDS – HIGH INTEREST' sub-fund

..... shares in the 'KBC BONDS – EMERGING MARKETS' sub-fund

..... shares in the 'KBC BONDS – CORPORATES EURO' sub-fund

..... shares in the 'KBC BONDS – CONVERTIBLES' sub-fund

..... shares in the 'KBC BONDS – INFLATION-LINKED BONDS' sub-fund

..... shares in the 'KBC BONDS – CORPORATES USD' sub-fund

..... shares in the 'KBC BONDS – EMERGING EUROPE' sub-fund

..... shares in the 'KBC BONDS – STRATEGIC BROAD 70/30' sub-fund

..... shares in the 'KBC BONDS –HIGH INTEREST RESPONSIBLE INVESTING' sub-fund

..... shares in the 'KBC BONDS – STRATEGIC BROAD 60/40' sub-fund

..... shares in the 'KBC BONDS – STRATEGIC ACCENTS' sub-fund

..... shares in the 'KBC BONDS – STRATEGIC BROAD 50/50' sub-fund

..... shares in the KBC BONDS –STRATEGIC ACCENTS RESPONSIBLE INVESTING sub-fund

..... shares in the KBC BONDS –STRATEGIC BROAD 40/60 sub-fund

..... shares in the KBC BONDS –STRATEGIC BROAD 75/25 RESPONSIBLE INVESTING sub-fund

..... shares in the KBC BONDS –STRATEGIC BROAD 50/50 RESPONSIBLE INVESTING sub-fund

..... shares in the KBC BONDS –STRATEGIC BROAD 25/75 RESPONSIBLE INVESTING sub-fund

..... shares in the KBC BONDS –STRATEGIC BROAD 30/70 sub-fund

..... shares in the KBC BONDS-HIGH YIELD RESPONSIBLE INVESTING sub-fund

..... shares in the KBC BONDS-GREEN SOCIAL SUSTAINABILITY BONDS RESPONSIBLE INVESTING sub-fund

Note that the KBC BONDS Income Fund sub-fund will issue distribution shares only and that the KBC BONDS Capital Fund sub-fund will issue capitalisation shares only.

The shares are to be issued and delivered in the form of

- a registration certificate for registered distribution/capitalisation (\*) shares
- a confirmation of registration for registered distribution/capitalisation (\*) shares

Drawn up in duplicate in ..... on .....

The signature should be preceded by the words 'read and approved'.

Signature(s)

(\*) delete as appropriate

Copy for the bank

**KBC BONDS**

*Société d'Investissement à Capital Variable (Sicav – Open-ended Investment Company)*

80 Route d'Esch, 1470 Luxembourg

Luxembourg Trade Register No. B 39.062

**SUBSCRIPTION FORM**

The Legal Notice has been filed with the Chancery of the District Court of and in Luxembourg.

The undersigned:

Surname : .....

First name : .....

Address : .....

having received and read the prospectus of KBC BONDS (the 'Sicav') declare(s) that he/she (they) is (are) subscribing to

- ..... shares in the 'KBC BONDS – INCOME FUND' sub-fund
- ..... shares in the 'KBC BONDS – CAPITAL FUND' sub-fund
- ..... shares in the 'KBC BONDS – HIGH INTEREST' sub-fund
- ..... shares in the 'KBC BONDS – EMERGING MARKETS' sub-fund
- ..... shares in the 'KBC BONDS – CORPORATES EURO' sub-fund
- ..... shares in the 'KBC BONDS – CONVERTIBLES' sub-fund
- ..... shares in the 'KBC BONDS – INFLATION-LINKED BONDS' sub-fund
- ..... shares in the 'KBC BONDS – CORPORATES USD' sub-fund
- ..... shares in the 'KBC BONDS – EMERGING EUROPE' sub-fund
- ..... shares in the 'KBC BONDS – STRATEGIC BROAD 70/30' sub-fund
- ..... shares in the 'KBC BONDS –HIGH INTEREST' RESPONSIBLE INVESTING sub-fund
- ..... shares in the 'KBC BONDS – STRATEGIC BROAD 60/40' sub-fund
- ..... shares in the 'KBC BONDS – STRATEGIC ACCENTS' sub-fund
- ..... shares in the 'KBC BONDS – STRATEGIC BROAD 50/50 ' sub-fund
- ..... shares in the KBC BONDS –STRATEGIC ACCENTS RESPONSIBLE INVESTING sub-fund
- ..... shares in the KBC BONDS –STRATEGIC BROAD 40/60 sub-fund
- ..... shares in the KBC BONDS –STRATEGIC BROAD 75/25 RESPONSIBLE INVESTING sub-fund
- ..... shares in the KBC BONDS –STRATEGIC BROAD 50/50 RESPONSIBLE INVESTING sub-fund
- ..... shares in the KBC BONDS –STRATEGIC BROAD 25/75 RESPONSIBLE INVESTING sub-fund
- ..... shares in the KBC BONDS –STRATEGIC BROAD 30/70 sub-fund
- ..... shares in the KBC BONDS – HIGH YIELD RESPONSIBLE INVESTING sub-fund
- ..... shares in the KBC BONDS – GREEN SOCIAL SUSTAINABILITY BONDS RESPONSIBLE INVESTING sub-fund

Note that the KBC BONDS Income Fund sub-fund will issue distribution shares only and that the KBC BONDS Capital Fund sub-fund will issue capitalisation shares only.

The shares are to be issued and delivered in the form of

- a registration certificate for registered distribution/capitalisation (\*) shares
- a confirmation of registration for registered distribution/capitalisation (\*) shares
- 

Drawn up in duplicate in ..... on .....

The signature should be preceded by the words 'read and approved'.

Signature(s)

(\*) delete as appropriate

**Appendix 3 Addenda concerning the marketing of KBC Bonds  
outside Luxembourg**

# Appendix 4. Information pursuant to Articles 8(1)(2)(2bis) and Article 9(2) SFDR

## Appendix 4.1 for KBC Bonds High Interest Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

**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 Taxonomy** 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.

**Product name:** KBC Bonds High Interest Responsible Investing  
**Legal entity identifier:** 5493002VVBRCUEHV0B06

## Environmental and/or social characteristics

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

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

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

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 its assets (50%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). The sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%. This sub-fund:

- promotes the integration of sustainability into the policy decisions of governments, supranational debtors and/or governmental agencies, favouring governments, supranational debtors and/or governmental agencies with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and
- promotes climate change mitigation, with a preference for governments, supranational debtors and/or governmental issuing agencies with a lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target; and
- supports sustainable development by including governments, supranational debtors and/or governmental agencies that contribute to the UN Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Target ESG score</b>	5% above the benchmark index of global bonds (composed of the following benchmark index figures: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>greenhouse gas intensity target</b>	10% above the benchmark index of global bonds (composed of the following benchmark figures: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Target for bonds financing green and/or social projects</b>	At least 10% of the sub-fund's investments in instruments issued by governments, supra-national borrowers and/or government-linked bodies must be considered bonds financing green and/or social projects.
<b>Minimum percentage of sustainable investments for the sub-fund</b>	50%
<b>Minimum percentage of sustainable investments with a social objective</b>	1%

<b>Minimum percentage of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	1%
<b>Minimum percentage of assets promoting E/S characteristics</b>	90%
<b>Other specific objectives</b>	If investments are to be made in instruments issued by corporate issuers, those issuers must meet the negative selection criteria set out in the section "To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to any environmental or social sustainable investment objective?".

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the benchmark index of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

**(1) ESG score indicators**

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

The contribution to the inclusion of sustainability in the policy decisions of governments, supranational debtors and/or government-linked issuing agencies is measured on the basis of an ESG score awarded by KBC Asset Management NV. This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. To calculate the ESG score, each country is assessed in accordance with five equally weighted groups of criteria. The main factors underlying the ESG criteria are the following five pillars:

- overall economic performance and stability (for example, the quality of the institutions and government);
- the socioeconomic development and health of the population (e.g., education and employment);
- equality, freedom and rights of all citizens;
- environmental policy (e.g., climate change); and
- security, peace and international relations.

This list of the factors underlying the ESG criteria is not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board. KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country's engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 5% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified

Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund's holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund's holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for governments, supranational debtors and/or agencies linked to governments with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The contribution of governments, supranational debtors and/or agencies linked to governments to mitigating climate change is measured on the basis of their greenhouse gas intensity. Greenhouse gas intensity is defined as the greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent) divided by gross domestic product (in USD millions).

A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO<sub>2</sub> emissions figure in tonnes is the sum of:

- Greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- Greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For sovereign bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. Investment solutions in EMU government bonds aim to beat the benchmark by 10%. Outside circumstances such as market movements and updates to greenhouse gas intensity data may result in investment solutions exceeding this target, in which case the investment solution will be adjusted to meet the target again within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award a greenhouse gas intensity ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity

and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV wants to be able to track this acceleration in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in governments, supranational debtors and/or governmental agencies that contribute to the UN Sustainable Development Goals. The UN Sustainable Development Goals include social and environmental objectives.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

The Responsible Investment Advisory Board may also assign the 'sustainable development' label to government instruments.

### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the strategy for responsible investments, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investments contribute to such objectives?***

#### **1. UN Sustainable Development Goals**

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.



Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Instruments that meet these requirements are considered sustainable investments

More detailed information on the 17 UN Sustainable Development Goals is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to government instruments. In that case, these investments are also considered 'sustainable investments'.

## **2. Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects and which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Instruments that meet these requirements are considered sustainable investments.

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

The sustainable investments that the sub-fund intends to make do not cause significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening :

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund's investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (as determined via norms-based screening, a poor ESG risk score, severe human rights violations, involvement in countries that do not satisfy the sustainability criteria or are exposed to controversial regimes, serious controversies related to emissions into water, pollution or waste or gender diversity, or controversies that are major or serious or related to activities that have a negative impact on biodiversity and for which insufficient measures are taken to reduce their impact). The negative screening criteria are not exhaustive and may be adjusted from time to time on the advice of the Responsible Investment Advisory Board.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex 1 to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 15:** The GHG intensity of investee countries is taken into account via the objective of reducing the greenhouse gas intensity for sovereign investments.
- **Indicator 16:** ‘Investee countries subject to social violations’ is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet sustainability criteria, and (ii) countries with controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

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

A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:*

The sub-fund invests at least two thirds of its assets in bonds denominated mainly in currencies with a considerably higher yield than that of strong currencies. High-yield currencies are those with a yield at least 0.5% higher than the yield on bonds issued by the Federal Republic of Germany. However, the sub-fund may also invest in the instruments of corporate issuers (within the limits set by the prospectus).

Any investments in the instruments of corporate issuers must comply with the negative screening criteria.

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management also assesses companies’ involvement in violations of the International Labor Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labor Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to any environmental or social sustainable investment objective?'

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

The "do no 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, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More detailed information on this topic is also available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?'

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund's annual report, which will be published after 1 January 2023.

No



## What investment strategy does this financial product follow?

The general investment strategy of the sub-fund is described in section 1.11.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to any environmental or socially responsible investment objective?' and 'What limiting factors are used in the investment strategy for selecting investments so as to achieve each of the environmental or social characteristics promoted by this financial product?' The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. 'sustainable investments'). Issuers in which the sub-fund invests must follow good governance practices.

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as 'assets promoting environmental or social characteristics'. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as

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

possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

● ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

Negative screening methodology

As described in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to any environmental or social sustainable investment objective?', the end result of the negative screening methodology is that the sub-fund excludes all issuers falling under the exclusion policies from its responsible universe.

Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the political decisions of governments, supranational debtors and/or governmental agencies, giving preference to governments, supranational debtors and/or governmental agencies with a higher ESG score, and will encourage the mitigation of climate change, giving preference to governments, supranational debtors and/or governmental agencies with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including governments, supranational debtors and/or governmental agencies that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects.

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity, the sustainable Investment Goals and bonds financing green and/or social projects is available in the summary table shown in the section entitled '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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but

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

governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an 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.

Within the eligible asset categories described in section 1.11.1 of the prospectus, the sub-fund aims to invest at least 90% of its assets in assets that promote environmental or social characteristics. Investments in instruments issued by governments, supra-national borrowers and/or government-linked bodies that pass the negative screening test and contribute to at least one specific positive selection in the responsible investment methodology are deemed "assets that promote environmental and social characteristics". (Term) deposits are deemed "assets that promote environmental and social characteristics" if the counterparties pass the negative screening test and contribute to at least one of the first 15 United Nations (UN) Sustainable Development Goals. Such counterparties contribute to one of the first 15 UN Sustainable Development Goals if they have a net alignment score of +2 on one of the first 15 MSCI sustainable development objectives. More information about the MSCI net alignment score is available in the investment policy for responsible investment funds at <https://www.kbc.be/retail/en/legal-information/investment-legal-documents.html?zone=topnav> > Investment policy for Responsible Investing funds.

The remaining 10% of assets may include (i) potential exceptions explained in the section "What is the investment strategy followed by this financial product?", (ii) ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and (iii) term deposits that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the purposes specified in the investment policy described in section 1.11.1 of the prospectus.

The sub-fund further undertakes to invest at least 50% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 1% in sustainable investments with a social objective. The sub-fund aims to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.

The sustainable investment target for this sub-fund is equal to the total of the investments regarded as 'sustainable' on the basis of the published methodology on alignment with the UN Sustainable Development Goals plus investments in bonds that may be regarded as bonds financing green and/or social projects, plus instruments deemed 'sustainable' by the Responsible Investment Advisory Board. If investments are to be made in instruments issued by corporate issuers, those issuers must meet the negative selection criteria set out in the section entitled 'How do the sustainable investments that the financial product intends to make not cause significant harm to any environmental or social sustainable investment objective?' Corporate issuers may be considered to contribute to sustainable development if at least 20% of their revenue is linked to the Sustainable Development Goals of the United Nations. In this case, these investments are considered 'sustainable investments'. In addition, the Responsible Investment Advisory Board may designate corporate instruments as sustainability instruments. Investments in corporate bonds may also qualify as bonds intended to finance green and/or social products. Furthermore, corporate issuers are considered to contribute to sustainable development if at least 20% of their revenue is aligned with the EU taxonomy (based on Trucost data). Corporate instruments that meet these requirements are also considered 'sustainable investments'. More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled ‘What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?’

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

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

Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.11.1 of the prospectus.

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

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>10</sup>?**

Yes:  
 In fossil gas In  nuclear energy

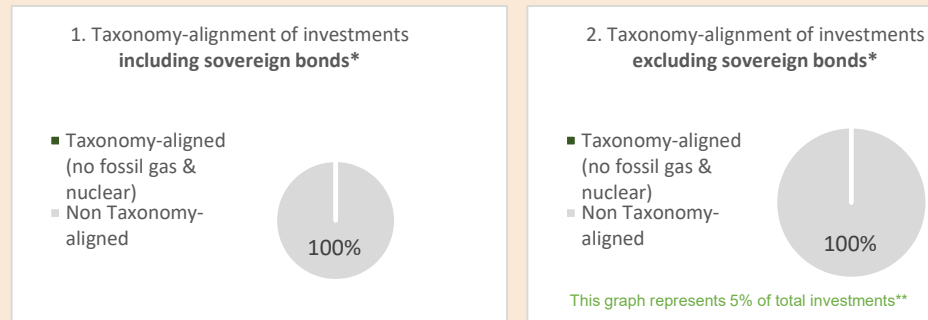
No

<sup>10</sup> 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.

Taxonomy-aligned activities are expressed as a % 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.

*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' consist of all sovereign exposures.

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

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

Not applicable.

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



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

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with an environmental objective that are not aligned within the meaning of the European Union Taxonomy.



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

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with a social objective.



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

These are technical items such as ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and term deposits and derivatives that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology.

The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.11.1 of the prospectus.



No minimum environmental or social guarantees exist for investments included in category #2 Other.



### **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

No benchmark index has been set for the achievement of the environmental and/or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the 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) > KBC Bonds High Interest Responsible Investing**

## Appendix 4.2 for KBC Bonds Strategic Accents Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

Product name: KBC Bonds Strategic Accents Responsible Investing  
 Legal entity identifier: 875500GPDO6YM2TYOJ13



# Environmental and/or social characteristics

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

<input checked="" type="radio"/> <input type="radio"/> <b>Yes</b>	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>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 22.5 % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics, <b>but will not make any sustainable investments</b>

**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 Taxonomy** 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.

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

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). The sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.This sub-fund:

- promotes the integration of sustainability into the policy decisions of governments, supranational debtors and/or governmental agencies, favouring governments, supranational debtors and/or governmental agencies with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and
- promotes climate change mitigation, with a preference for governments, supranational debtors and/or governmental issuing agencies with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target; and
- supports sustainable development by including issuers that contribute to the United Nations Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Instruments of corporate issuers</b>	
<b>Target ESG risk score</b>	Higher than the reference portfolio based on the target gap referred to in the prospectus under the title 'KBC Bonds SRI Strategic Accents Responsible Investing'.
<b>Greenhouse gas intensity target</b>	Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the target spread mentioned in the prospectus under the heading "KBC Bonds Strategic Accents Responsible Investing". A reduction of 50% by 2030 relative to the target distribution from the end of 2019. For 2019, an immediate reduction of 30% is introduced, followed by a reduction of 3% per year
<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of corporate issuers should be considered bonds financing green and/or social projects
<b>Instruments issued by governments, supranational institutions and/or governmental agencies</b>	
<b>Target ESG score</b>	10% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Greenhouse gas intensity target</b>	25% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)

<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of governments, supranational institutions and/or governmental agencies should be considered bonds financing green and/or social projects
<b>Minimum percentage of sustainable investments for the sub-fund</b>	22.5%
<b>Minimum percentage of sustainable investments with a social objective</b>	5%
<b>Minimum percentage of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	1%
Minimum percentage of assets promoting E/S characteristics	90%
<b>Other specific objectives</b>	Not applicable

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the benchmark index of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

**(1) ESG (risk) score indicators**

The contribution to the inclusion of sustainability in the policy decisions of governments, supranational debtors and/or government-linked issuing agencies is measured on the basis of an ESG (risk) score . This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. The main factors underlying the ESG criteria are the following:

- For instruments of corporate issuers:

- respect for the environment (e.g., reducing greenhouse gas emissions);
- respect for society (e.g., working conditions of employees); and
- corporate governance (e.g., independence and diversity of the board of directors).

At least 90% of the corporate investments in the portfolio as measured by assets under management must have an ESG risk score. The ESG risk score is a measure of the environmental, social and governance risk (ESG) of a company. This score is determined by taking into account the main ESG matters relevant to the company, as well as the quality of the company's management team and any ESG controversies that the company has faced in the recent past. The ESG score of companies measures the difference between a company's exposure to the relevant ESG risks for its sector and the extent to which the company hedges those risks. ESG scores are on a scale from 0 to 100. The lower the ESG score, the lower the company's exposure to sustainability risk. The ESG scores for companies are based on data from the data provider Sustainalytics.

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

As well as excluding companies with a high ESG risk (i.e., an ESG risk score above 40), the sub-fund will encourage best practices by adopting a global ESG risk score better than the target spread mentioned in the prospectus under the heading “KBC Bonds Strategic Accents Responsible Investing”.

The main factors underlying the ESG criteria are the following:

- For instruments issued by national governments, supranational institutions and/or governmental agencies, the following five pillars are used:
  - overall economic performance and stability (for example, the quality of the institutions and government);
  - the socioeconomic development and health of the population (e.g., education and employment);
  - equality, freedom and rights of all citizens;
  - environmental policy (e.g., climate change); and
  - security, peace and international relations.

This list of the factors underlying the ESG criteria is not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board.

KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

To achieve this objective, the portfolio’s ESG score for companies is compared to a reference portfolio based on the target gap referred to in the prospectus under the heading ‘KBC Bonds Strategic Accents Responsible Investing’. The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country’s engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 10% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund’s holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund’s holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer’s best interests. For supranational bonds, the Responsible Investing research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled ‘What environmental and/or social characteristics are promoted by this financial product?’

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for governments, supranational debtors and/or agencies linked to governments with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled ‘What environmental and/or social characteristics are promoted by this financial product?’

The contribution of issuers to mitigating climate change is measured on the basis of their greenhouse gas intensity.

For companies, greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent) divided by revenue (in USD millions). For countries, it is defined as the greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent) divided by gross domestic product (in USD millions).

The targets for instruments issued by companies are different from the targets for instruments issued by

governments, supra-national borrowers and/or government-linked bodies.

The volume in tonnes of greenhouse gases emitted by a company is the sum of:

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

Indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in this sum because the data in scope 3 depend largely on assumptions and are not disclosed by the companies. Calculations of greenhouse gas intensity are based on data from Trucost. Within the sub-fund, the greenhouse gas intensity score based on the emissions in scopes 1 and 2 is attributed to at least 90% of the sub-fund companies.

Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the target spread mentioned in the prospectus under the heading "KBC Bonds Strategic Accents Responsible Investing" and a 50% reduction by 2030 in relation to the target breakdown at end-2019. For 2019, an immediate 30% reduction was introduced, followed by a reduction of 3% per year.

The portfolio's weighted average will be evaluated against this trajectory. The weighted average of the greenhouse gas intensity of the sub-fund's positions will be used to calculate the portfolio's greenhouse gas intensity. This calculation does not take into account technical items such as cash and derivatives, and excludes undated companies. The weightings used in the calculation depend on the size of the positions in the sub-fund, rescaled for items without data. However, companies for which no data is available are included in the negative screening and given an overall ESG risk score.

External circumstances such as market movements and updates to greenhouse gas intensity data may cause investment solutions to diverge from this target trajectory. In this event, the investment solution will be adjusted to realign it with the trajectory within a time frame that takes the client's interests into account.

A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO<sub>2</sub> emissions figure in tonnes is the sum of:

- greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For sovereign bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. The greenhouse gas intensity score of the sub-fund may not be more than 100% worse than that of the benchmark index of global bonds. Outside circumstances such as market movements and updates to greenhouse gas intensity data may result in investment solutions exceeding this target, in which case the investment solution will be adjusted to meet the target again within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award a greenhouse gas intensity ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV KBC Asset Management NV wants to be able to track this acceleration in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in governments, supranational debtors and/or governmental agencies that contribute to the UN Sustainable Development Goals. The UN Sustainable Development Goals include social and environmental objectives.

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments.

### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?***

#### **1. UN Sustainable Development Goals**

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Instruments of governments, supranational institutions and/or governmental agencies that contribute to the UN Sustainable Development Goals, in the manner set out in the section of this annex entitled 'What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the financial product?', are also deemed to be 'sustainable investments'. »

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

to corporate and government instruments. In that case, these investments are also considered 'sustainable investments'.

More detailed information on the 17 UN Sustainable Development Goals is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

## **2. Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Instruments that meet these requirements are considered 'sustainable investments'.

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

The sustainable investments that the sub-fund intends to make do not cause significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund's investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact). The negative screening criteria are not exhaustive and may be adjusted from time to time on the advice of the Responsible Investment Advisory Board.

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

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken



into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex 1 to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 3:** 'GHG intensity of investee companies' is taken into account via the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** Exposure to companies active in the fossil fuel sector' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector
- **Indicator 7:** Activities that have a negative impact on sensitive areas from a biodiversity perspective are taken into account, because the sub-fund does not invest in companies involved in major or serious controversies relating to land use and biodiversity, or in companies whose activities are detrimental to biodiversity and which do not take adequate measures to reduce this impact.
- **Indicator 10:** 'Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises' is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines.
- **Indicator 14:** 'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 15:** 'GHG intensity of investee countries' is taken into account via the greenhouse gas intensity reduction target for sovereign investments.
- **Indicator 16:** 'Investee countries subject to social violations' is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries which do not meet the sustainability criteria, and (ii) countries exposed to controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:*

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management also assesses companies' involvement in violations of the International Labor Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labor Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

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



**Does this**

The "do no 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.*

**financial product consider principal adverse impacts on sustainability factors?**



Yes, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More detailed information on this topic is also available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?'

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund's annual report, which will be published after 1 January 2023.

No

## What investment strategy does this financial product follow?

The general investment strategy of the sub-fund is described in section 1.15.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or socially responsible investment objective?' and 'What limiting factors are used in the investment strategy for selecting investments so as to achieve each of the environmental or social characteristics promoted by this financial product?' The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. 'sustainable investments'). Governments, supranational debtors and/or issuing agencies associated with governments in which it invests must follow good governance practices.



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

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as 'assets promoting environmental or social characteristics'. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives

transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

● ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

Negative screening methodology

As described in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?', the end result of the negative screening methodology is that the sub-fund excludes all issuers falling under the exclusion policies from its responsible universe.

Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the policy decisions of issuers (companies, governments, supranational issuers and/or government agencies) by giving preference to issuers with a higher ESG score, and will encourage the mitigation of climate change, giving preference to issuers with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including issuers that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects.

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity and the sustainable investment Goals is available in the summary table shown in the section entitled 'What environmental and/or social characteristics are promoted par 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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

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



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

The sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivatives (including bond futures, interest rate swaps and CDS contracts) or in UCI units subject to the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible instruments' of the prospectus.

Within the eligible asset categories as set out in section 1.15.1 of the prospectus, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. Investments in instruments issued by governments, supranational institutions and/or governmental agencies that pass the negative screening and contribute to at least one specific positive selection of the responsible investment policy qualify as 'assets promoting environmental or social characteristics'. (Term) deposits qualify as 'assets promoting environmental or social characteristics' if the counterparties pass the negative screening and contribute to at least one of the first 15 of the United Nations Sustainable Development Goals. These counterparties contribute to one of the first 15 of the United Nations Sustainable Development Goals if they have a net alignment score of at least +2 for one of the first 15 of the Sustainable Development Goals from MSCI. More detailed information on the MSCI net alignment score is available in the investment policy for responsible investing funds, which can be found at [www.kbc.be/documentation-investissements](http://www.kbc.be/documentation-investissements) > Investment policy for responsible investing funds.

The remaining 10% of assets may include (i) potential exceptions as set out in the section 'What investment strategy does this financial product follow?' (ii) ancillary liquidity (bank deposits withdrawable on demand, as described in section 6.1.6 of the prospectus) and (iii) term deposits that do not qualify as assets promoting environmental and social characteristics, and derivatives that do not form part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.15.1 of the prospectus.

The sub-fund further undertakes to invest at least 22.5% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 5% in sustainable investments with a social objective. The sub-fund aims to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.

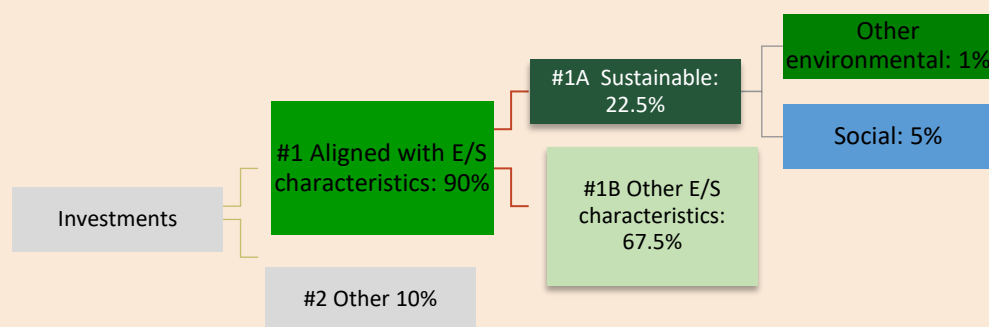
The sustainable investment target for this sub-fund is equal to the total of the investments regarded as 'sustainable' on the basis of the published methodology on alignment with the UN Sustainable Development Goals plus investments in bonds that may be regarded as bonds financing green and/or social projects, plus instruments deemed 'sustainable' by the Responsible Investment Advisory Board. In addition, companies with at least 20% of their turnover aligned to the EU taxonomy framework (based on Trucost data) are deemed to contribute to sustainable development.

Corporate instruments that meet these requirements are also designated as "sustainable investments" under Article 2(17) of the SFDR. Further information on the percentage of the portfolio considered to be "sustainable investments with an environmental objective aligned with the EU's fiscal framework" on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled 'What sustainable investment objectives does the financial product intend to achieve and how does sustainable investment contribute to these objectives?'

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

Investments in derivatives are not used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.15.1 of the prospectus.



Category **#1 Aligned with E/S characteristics** comprises investments made by the financial product that are used to achieve the environmental or social characteristics promoted by the financial product.

Category **#2 Other** comprises the remaining investments made by the financial product which are neither aligned with environmental or social characteristics nor regarded as sustainable investments.

Category **#1 Aligned with E/S characteristics** includes:

- sub-category **#1A Sustainable**, covering sustainable investments with environmental or social objectives;
- sub-category **#1B Other E/S characteristics**, covering investments aligned with environmental or social characteristics that are not regarded as sustainable investments.

Taxonomy-aligned activities are expressed as a % 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.



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

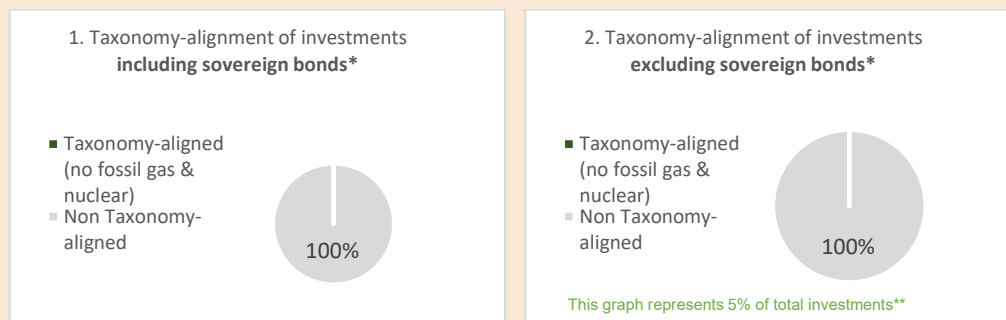
The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>11</sup>?

Yes:  
 In fossil gas  In nuclear energy

No

*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' consist of all sovereign exposures.

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

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

Not applicable.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

<sup>11</sup> 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.



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



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

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with an environmental objective that are not aligned within the meaning of the European Union Taxonomy.



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

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with a social objective.



### What investments are included in category #2 Other, what is their purpose and are there any minimum environmental or social guarantees?

These are technical items such as ancillary liquidity (bank deposits withdrawable on demand, as described in section 6.1.6 of the prospectus) and term deposits that do not qualify as assets promoting environmental and social characteristics, cash (including bank deposits) and derivatives that do not form part of the screening methodology. The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.15.1 of the prospectus.

No minimum environmental or social guarantees exist for investments included in category #2 Other.



### 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

No benchmark index has been set for the achievement of the environmental and/or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the 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 detailed information about the product can be accessed on the website**  
[www.kbc.be/SRD](http://www.kbc.be/SRD) > KBC Bonds Strategic Accents Responsible Investing

## Appendix 4.3 for KBC Bonds Strategic Broad 75/25 Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

**Product name:** KBC Bonds Strategic Broad 75/25 Responsible Investing  
**Legal entity identifier:** 875500TE51MEVZCOEG58

**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 Taxonomy** 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.

## Environmental and/or social characteristics

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

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective: \_\_\_%**

- in economic activities that qualify as environmentally sustainable under the EU taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

It will make a minimum of **sustainable investments with a social objective: \_\_\_%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 22.5 % of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy
- with a social objective

It promotes E/S characteristics, **but will not make sustainable investments**



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

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). The sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

This sub-fund:

- promotes the integration of sustainability into the policy decisions of governments, supranational debtors and/or governmental agencies, favouring governments, supranational debtors and/or governmental agencies with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and
- promotes climate change mitigation, with a preference for governments, supranational debtors and/or governmental issuing agencies with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target; and
- supports sustainable development by including issuers that contribute to the United Nations Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Instruments of corporate issuers</b>	
<b>Target ESG risk score</b>	Higher than the reference portfolio based on IHS Markit iBoxx Euro Corporates.
<b>Greenhouse gas intensity target</b>	A reduction of 50% by 2030 relative to the reference portfolio based on IHS Markit iBoxx Euro Corporates at the end of 2019. For 2019, an immediate reduction of 30% is introduced, followed by a reduction of 3% per year
<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of corporate issuers should be considered bonds financing green and/or social projects
<b>Instruments issued by governments, supranational institutions and/or governmental agencies</b>	
<b>Target ESG score</b>	10% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Greenhouse gas intensity target</b>	25% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of governments, supranational institutions and/or governmental agencies should be considered bonds financing green and/or social projects

<b>Minimum percentage of sustainable investments for the sub-fund</b>	22.5%
<b>Minimum percentage of sustainable investments with a social objective</b>	5%
<b>Minimum percentage of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	1%
<b>Minimum percentage of assets promoting E/S characteristics</b>	90%
<b>Other specific objectives</b>	Not applicable

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the benchmark index of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

**(1) ESG (risk) score indicators**

The contribution to the inclusion of sustainability in the policy decisions of governments, supranational debtors and/or government-linked issuing agencies is measured on the basis of an ESG risk score. Companies are attributed an ESG risk score and countries are attributed an ESG score.

This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. The main factors underlying the ESG criteria are the following :

- For instruments of corporate issuers:
  - respect for the environment (e.g., reducing greenhouse gas emissions);
  - respect for society (e.g., working conditions of employees); and
  - corporate governance (e.g., independence and diversity of the board of directors).

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

The ESG risk score is a measure of the environmental, social and governance risk (ESG) of a company. This score is determined by taking into account the main ESG matters relevant to the company, as well as the quality of the company's management team and any ESG controversies that the company has faced in the recent past. The ESG score of companies measures the difference between a company's exposure to the relevant ESG risks for its sector and the extent to which the company hedges those risks. ESG scores are on a scale from 0 to 100.

The lower the ESG score, the lower the company's exposure to sustainability risk. The ESG scores for companies are based on data from the data provider Sustainalytics.

As well as excluding companies with a high ESG risk (i.e., an ESG risk score above 40), the sub-fund will encourage best practices by adopting a global ESG risk score better than the reference portfolio based on IHS Markit iBoxx Euro Corporates.

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

The main factors underlying the ESG criteria are the following:- For instruments issued by national governments, supranational institutions and/or governmental agencies, the following five pillars are used:

- overall economic performance and stability (for example, the quality of the institutions and government);
- the socioeconomic development and health of the population (e.g., education and employment);
- equality, freedom and rights of all citizens;
- environmental policy (e.g., climate change); and
- security, peace and international relations.

This list of the factors underlying the ESG criteria is not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board. KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

To achieve this objective, the portfolio's ESG score for companies is compared to a reference portfolio based on the target gap referred to in the prospectus under the heading 'KBC Bonds SRI Strategic Accents'. The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country's engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 10% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund's holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund's holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for governments, supranational debtors and/or agencies linked to governments with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available.' Further information on the specific objectives of the sub-fund can be found in the summary table in the section "What environmental and/or social characteristics are promoted by this financial product?".

The contribution of issuers to mitigating climate change is measured on the basis of their greenhouse gas intensity.

For companies, greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes of CO2 equivalent) divided by revenue (in USD millions). For countries, it is defined as the greenhouse gas emissions (in tonnes of CO2 equivalent) divided by gross domestic product (in USD millions).

The targets for instruments issued by companies are different from the targets for instruments issued by governments, supra-national borrowers and/or government-linked bodies.

The volume in tonnes of greenhouse gases emitted by a company is the sum of:

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

Indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in this sum because the data in scope 3 depend largely on assumptions and are not disclosed by the companies. Calculations of greenhouse gas intensity are based on data from Trucost. Within the sub-fund, the greenhouse gas intensity score based on the emissions in scopes 1 and 2 is attributed to at least 90% of the sub-fund companies.

Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the reference portfolio determined by IHS Markit iBoxx Euro Corporates mentioned in the prospectus under the heading "KBC Bonds Strategic Broad 75/25 Responsible Investing" and a 50% reduction by 2030 in relation to the target breakdown at end-2019. For 2019, an immediate 30% reduction was introduced, followed by a reduction of 3% per year.

The portfolio's weighted average will be evaluated against this trajectory. The weighted average of the greenhouse gas intensity of the sub-fund's positions will be used to calculate the portfolio's greenhouse gas intensity. This calculation does not take into account technical items such as cash and derivatives, and excludes undated companies. The weightings used in the calculation depend on the size of the positions in the sub-fund, rescaled for items without data. However, companies for which no data is available are included in the negative screening and given an overall ESG risk score.

External circumstances such as market movements and updates to greenhouse gas intensity data may cause investment solutions to diverge from this target trajectory. In this event, the investment solution will be adjusted to realign it with the trajectory within a time frame that takes the client's interests into account.

A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO<sub>2</sub> emissions figure in tonnes is the sum of:

- greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For sovereign bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. Investment solutions in global government bonds aim to beat the benchmark by 25%. Outside circumstances such as market movements and updates to greenhouse gas intensity data may result in investment solutions exceeding this target, in which case the investment solution will be adjusted to meet the target again within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award a greenhouse gas intensity ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV wants to be able to track this acceleration in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in governments,

supranational debtors and/or governmental agencies that contribute to the UN Sustainable Development Goals. The UN Sustainable Development Goals include social and environmental objectives.

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments.

#### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?***

#### **1. UN Sustainable Development Goals**

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Instruments of governments, supranational institutions and/or governmental agencies that contribute to the UN Sustainable Development Goals, in the manner set out in the section of this annex entitled 'What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the financial product?', are also deemed to be 'sustainable investments'. »

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments. In that case, these investments are also considered 'sustainable

investments’.

More detailed information on the 17 UN Sustainable Development Goals is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

## **2. Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled ‘What environmental and/or social characteristics are promoted by this financial product?’

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Instruments that meet these requirements are considered ‘sustainable investments’.

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

The sustainable investments that the sub-fund intends to make do not cause significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund’s investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact). These negative screening principles are not exhaustive and may be adapted from time to time under the supervision of the Responsible Investment Advisory Board.

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

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 3:** GHG intensity of investee companies' is taken into account via the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** Exposure to companies active in the fossil fuel sector' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector.
- **Indicator 7:** Activities that have a negative impact on sensitive areas from a biodiversity perspective are taken into account, because the sub-fund does not invest in companies involved in major or serious controversies relating to land use and biodiversity, or in companies whose activities are detrimental to biodiversity and which do not take adequate measures to reduce this impact.
- **Indicator 10:** Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises' is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines.
- **Indicator 14:** Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 15:** GHG intensity of investee countries' is taken into account via the greenhouse gas intensity reduction target for sovereign investments.
- **Indicator 16:** Investee countries subject to social violations' is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet sustainability criteria, and (ii) countries with controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:*

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management NV also assesses companies' involvement in violations of the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labour Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

*The EU taxonomy lays down a principle of 'do no significant harm'. Taxonomy-aligned investments should therefore cause no significant harm to the objectives of the EU taxonomy. The principle is accompanied by specific criteria set by the EU.*

The 'do no significant harm' principle applies only to underlying investments of the financial product that take the EU criteria on environmentally sustainable economic activities into account. The investments underlying the remaining portion of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

*All other sustainable investments must also do no significant harm to environmental or social objectives.*



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

- ✘ Yes, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More

detailed information on this topic is also available in the section entitled ‘How are indicators in relation to adverse impacts taken into consideration?’

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund’s annual report, which will be published after 1 January 2023.

■ No



## What investment strategy does this financial product follow?

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

The general investment strategy of the sub-fund is described in section 1.17.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled ‘To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or socially responsible investment objective?’ and ‘What limiting factors are used in the investment strategy for selecting investments so as to achieve each of the environmental or social characteristics promoted by this financial product?’

The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. ‘sustainable investments’). Governments, supranational debtors and/or issuing agencies associated with governments in which it invests must follow good governance practices.

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as ‘assets promoting environmental or social characteristics’. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);

- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

● ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

Negative screening methodology

As described in the section entitled ‘To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?’, the end result of the negative screening methodology is that the sub-fund excludes all issuers falling under the exclusion policies from its responsible universe.

Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the political decisions of governments, supranational debtors and/or governmental agencies, giving preference to governments, supranational debtors and/or governmental agencies with a higher ESG score, and will encourage the mitigation of climate change, giving preference to governments, supranational debtors and/or governmental agencies with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including issuers that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity, sustainable investment Goals and bonds financing green and/or social projects are available in the summary table shown in the section entitled ‘What environmental and/or social characteristics are promoted par 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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good

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

governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an 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.

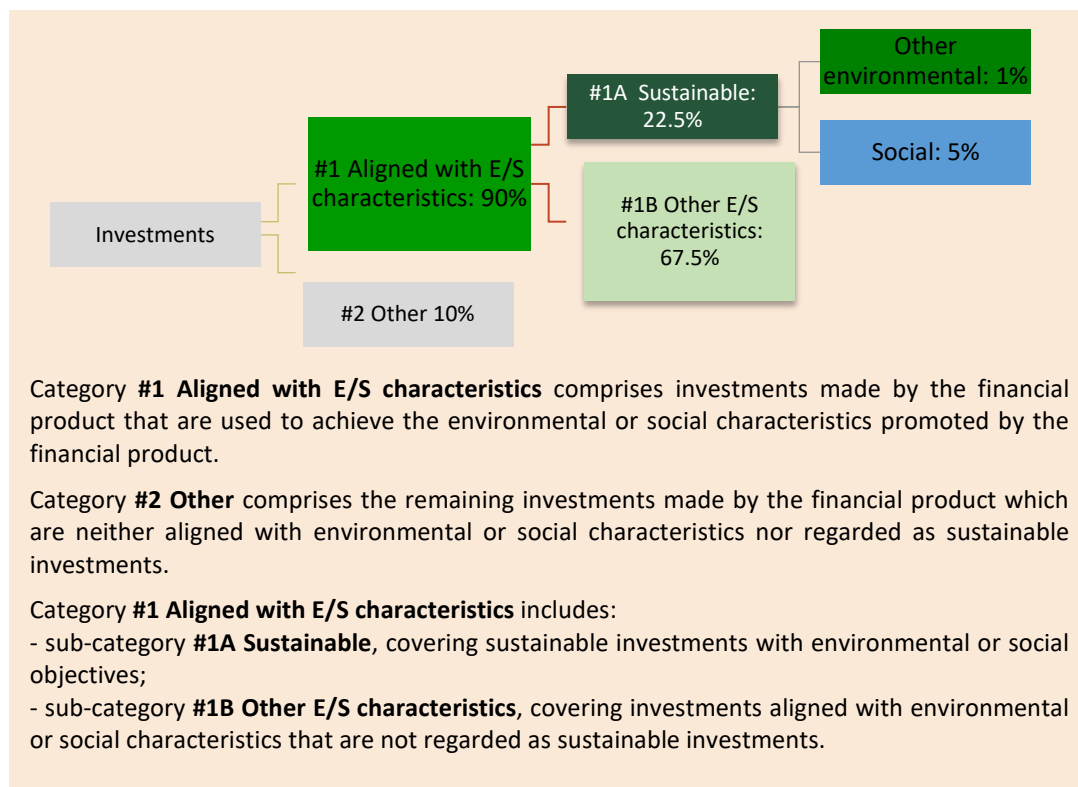
The sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivative financial instruments (including bond futures, interest rate swaps and CDS contracts) or in CIU units subject to the limits specified in the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible Instruments' of the prospectus.

Within the eligible asset categories described in section 1.17.1 of the prospectus, the sub-fund aims to invest at least 90% of its assets in assets that promote environmental or social characteristics. Investments in instruments issued by governments, supra-national borrowers and/or government-linked bodies that pass the negative screening test and contribute to at least one specific positive selection in the responsible investment methodology are deemed "assets that promote environmental and social characteristics". (Term) Deposits are deemed "assets that promote environmental and social characteristics" if the counterparties pass the negative screening test and contribute to at least one of the first 15 United Nations (UN) Sustainable Development Goals. Such counterparties contribute to one of the first 15 UN Sustainable Development Goals if they have a net alignment score of +2 on one of the first 15 MSCI sustainable development objectives. More information about the MSCI net alignment score is available in the investment policy for responsible investment funds at <https://www.kbc.be/retail/en/legal-information/investment-legal-documents.html?zone=topnav> > Investment policy for Responsible Investing funds.

The remaining 10% of assets may include (i) potential exceptions explained in the section "What is the investment strategy followed by this financial product?", (ii) ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and (iii) term deposits that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the purposes specified in the investment policy described in section 1.17.1 of the prospectus.

The sub-fund further undertakes to invest at least 22.5% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 5% in sustainable investments with a social objective. The sub-fund aims to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy. The sustainable investment objective for this sub-fund is equal to the sum of the investments considered to be "sustainable" based on the published methodology on the alignment of the UN Sustainable Development Goals, plus investments in bonds that can be deemed bonds financing green and/or social projects, plus investments in instruments which the Responsible Investment Advisory Board has awarded the "sustainable development" label. In addition, companies with at least 20% of their turnover aligned to the EU taxonomy framework (based on Trucost data) are deemed to contribute to sustainable development. Corporate instruments that meet these requirements are also designated as "sustainable investments" under Article 2(17) of the SFDR. Further information on the percentage of the portfolio considered to be "sustainable investments with an environmental objective aligned with the EU's fiscal framework" on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled 'What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?'



Taxonomy-aligned activities are expressed as a % 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.

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

Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.17.1 of the prospectus.



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

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>12</sup>?**

Yes:

In fossil gas  In nuclear energy

No

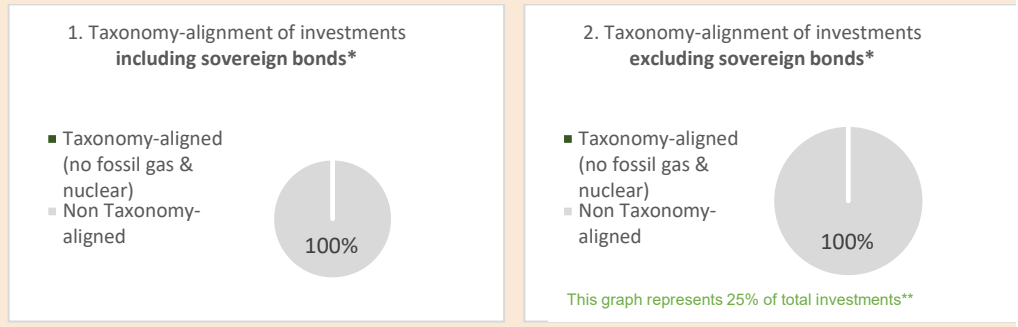
<sup>12</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

*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' consist of all sovereign exposures.

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

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

Not applicable.

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



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

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with an environmental objective that are not aligned within the meaning of the European Union Taxonomy.



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

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with a social objective.



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

These are technical items such as ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and term deposits and derivatives that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology. The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.17.1. of the prospectus.

No minimum environmental or social guarantees exist for investments included in category #2 Other.



### **Has a specific benchmark index been designated 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 benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the reference portfolio based on IHS Markit iBoxx Euro Corporates is used as a basis of comparison for certain ESG characteristics promoted by the 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 detailed information about the product can be accessed on the website**  
[www.kbc.be/SRD](http://www.kbc.be/SRD) > KBC Bonds Strategic Broad 75/25 Responsible Investing

## Appendix 4.4 for KBC Bonds Strategic Broad 50/50 Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that it does no significant harm to any such objective and that the investee companies follow good governance practices.

The **EU Taxonomy** 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.

**Product name:** KBC Bonds Strategic Broad 50/50 Responsible Investing

**Legal entity identifier:** 8755000UXOVYG74XFS71

## Environmental and/or social characteristics

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

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%

in economic activities that qualify as environmentally sustainable under the EU taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 22.5 % of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



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

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). the sub-fund aims to invest at least 90% of its assets in assets that promote environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%. This sub-fund:

- promotes the integration of sustainability into the policy decisions of issuers (companies, governments, supranational debtors and/or government-related agencies), favouring issuers with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and
- promotes climate change mitigation, giving preference to issuers with lower greenhouse gas intensity, with the aim of achieving a pre-set greenhouse gas intensity target; and
- supports sustainable development by including issuers that contribute to the United Nations Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Instruments of corporate issuers</b>	
<b>Target ESG risk score</b>	Higher than the reference portfolio based on IHS Markit iBoxx Euro Corporates.
<b>Greenhouse gas intensity target</b>	Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the reference portfolio determined by IHS Markit iBoxx Euro Corporates mentioned in the prospectus under the heading "KBC Bonds Strategic Broad 50/50 Responsible Investing" and a reduction of 50% by 2030 relative to the reference portfolio based on IHS Markit iBoxx Euro Corporates at the end of 2019. For 2019, an immediate reduction of 30% is introduced, followed by a reduction of 3% per year
<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of corporate issuers should be considered bonds financing green and/or social projects
<b>Instruments issued by governments, supranational institutions and/or governmental agencies</b>	
<b>Target ESG score</b>	10% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Greenhouse gas intensity target</b>	25% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)

<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of governments, supranational institutions and/or governmental agencies should be considered bonds financing green and/or social projects
<b>Minimum percentage of sustainable investments for the sub-fund</b>	22.5%
<b>Minimum percentage of sustainable investments with a social objective</b>	5%
<b>Minimum percentage of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	1%
<b>Minimum percentage of assets promoting E/S characteristics</b>	90%
<b>Other specific objectives</b>	Not applicable

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the benchmark index of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the reference portfolio based on IHS Markit iBoxx Euro Corporates is used as a basis of comparison for certain ESG characteristics promoted by the 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.

**(1) ESG (risk) score indicators**

The contribution to the inclusion of sustainability in the policy decisions of issuers (companies, governments, supranational debtors and/or government-linked issuing agencies) is measured on the basis of an ESG (risk) score. Companies are attributed an ESG risk score and countries are attributed an ESG score. This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. The main factors underlying the ESG criteria are the following:

- For instruments of corporate issuers:
  - respect for the environment (e.g., reducing greenhouse gas emissions);
  - respect for society (e.g., working conditions of employees); and
  - corporate governance (e.g., independence and diversity of the board of directors).

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

The ESG risk score is a measure of the environmental, social and governance risk (ESG) of a company. This score is

determined by taking into account the main ESG matters relevant to the company, as well as the quality of the company's management team and any ESG controversies that the company has faced in the recent past. The ESG score of companies measures the difference between a company's exposure to the relevant ESG risks for its sector and the extent to which the company hedges those risks. ESG scores are on a scale from 0 to 100. The lower the ESG score, the lower the company's exposure to sustainability risk. The ESG scores for companies are based on data from the data provider Sustainalytics.

As well as excluding companies with a high ESG risk (i.e., an ESG risk score above 40), the sub-fund will encourage best practices by adopting a global ESG risk score better than the reference portfolio based on IHS Markit iBoxx Euro Corporates.

The main factors underlying the ESG criteria are the following:

- For instruments issued by national governments, supranational institutions and/or governmental agencies, the following five pillars are used:
  - overall economic performance and stability (for example, the quality of the institutions and government);
  - the socioeconomic development and health of the population (e.g., education and employment);
  - equality, freedom and rights of all citizens;
  - environmental policy (e.g., climate change); and
  - security, peace and international relations.

These lists of the factors underlying the ESG criteria are not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board.

KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

To achieve this objective, the portfolio's ESG score for companies is compared to a reference portfolio based on the IHS Markit iBoxx Euro Corporates. The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country's engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 10% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund's holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund's holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for issuers with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The contribution of issuers to mitigating climate change is measured on the basis of their greenhouse gas intensity.

For companies, greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes of CO<sub>2</sub>

equivalent) divided by revenue (in USD millions). For countries, it is defined as the greenhouse gas emissions (in tonnes of CO2 equivalent) divided by gross domestic product in USD millions).

The targets for instruments issued by companies are different from the targets for instruments issued by governments, supra-national borrowers and/or government-linked bodies.

The volume in tonnes of greenhouse gases emitted by a company is the sum of:

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

Indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in this sum because the data in scope 3 depend largely on assumptions and are not disclosed by the companies. Calculations of greenhouse gas intensity are based on data from Trucost. Within the sub-fund, the greenhouse gas intensity score based on the emissions in scopes 1 and 2 is attributed to at least 90% of the sub-fund companies.

Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the reference portfolio determined by IHS Markit iBoxx Euro Corporates mentioned in the prospectus under the heading "KBC Bonds Strategic Broad 50/50 Responsible Investing" and a 50% reduction by 2030 in relation to the target breakdown at end-2019. For 2019, an immediate 30% reduction was introduced, followed by a reduction of 3% per year.

The portfolio's weighted average will be evaluated against this trajectory. The weighted average of the greenhouse gas intensity of the sub-fund's positions will be used to calculate the portfolio's greenhouse gas intensity. This calculation does not take into account technical items such as cash and derivatives, and excludes undated companies. The weightings used in the calculation depend on the size of the positions in the sub-fund, rescaled for items without data. However, companies for which no data is available are included in the negative screening and given an overall ESG risk score.

External circumstances such as market movements and updates to greenhouse gas intensity data may cause investment solutions to diverge from this target trajectory. In this event, the investment solution will be adjusted to realign it with the trajectory within a time frame that takes the client's interests into account. A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO2 emissions figure in tonnes is the sum of:

- greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For sovereign bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. In this sub-fund, investment solutions in EMU government bonds aim to beat the benchmark by 25%. Outside circumstances such as market movements and updates to greenhouse gas intensity data may cause an investment solution to overshoot this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award a greenhouse gas intensity ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or

downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV may be able to track this accelerated progress in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in issuers that contribute to the UN Sustainable Development Goals. The United Nations Sustainable Development Goals include social and environmental objectives.

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments.

### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?***

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

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Instruments of governments, supranational institutions and/or governmental agencies that contribute to the UN Sustainable Development Goals, in the manner set out in the section of this annex entitled ‘What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the financial product?’, are also deemed to be ‘sustainable investments’. »

Furthermore, the Responsible Investment Advisory Board may also assign the ‘sustainable development’ label to corporate and government instruments. In that case, these investments are also considered ‘sustainable investments’.

More detailed information on the 17 UN Sustainable Development Goals is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

## **(2) Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled ‘What environmental and/or social characteristics are promoted by this financial product?’

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Instruments that meet these requirements are considered ‘sustainable investments’.

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

The sustainable investments that the sub-fund intends to make do no significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund’s investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to



water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact). These negative screening principles are not exhaustive and may be adapted from time to time under the supervision of the Responsible Investment Advisory Board.

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

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or which are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 3:** ‘GHG intensity of investee companies’ is taken into account via the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** ‘Exposure to companies active in the fossil fuel sector’ is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector.
- **Indicator 7:** Activities that have a negative impact on sensitive areas from a biodiversity perspective are taken into account, because the sub-fund does not invest in companies involved in major or serious controversies relating to land use and biodiversity, or in companies whose activities are detrimental to biodiversity and which do not take adequate measures to reduce this impact.
- **Indicator 10:** ‘Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises’ is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines.
- **Indicator 14:** ‘Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)’ is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 15:** ‘GHG intensity of investee countries’ is taken into account via the greenhouse gas intensity reduction target for sovereign investments.
- **Indicator 16:** ‘Investee countries subject to social violations’ is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

sustainability criteria, and (ii) countries exposed to controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

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

A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:*

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management NV also assesses companies' involvement in violations of the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labour Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

*The EU taxonomy lays down a principle of 'do no significant harm'. Taxonomy-aligned investments should therefore cause no significant harm to the objectives of the EU taxonomy. The principle is accompanied by specific criteria set by the EU.*

The 'do no significant harm' principle applies only to underlying investments of the financial product that take the EU criteria on environmentally sustainable economic activities into account. The investments underlying the remaining portion of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

*All other sustainable investments must also do no significant harm to environmental or social objectives.*



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



Yes, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More detailed information on this topic is also available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?'

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund's annual report, which will be published after 1 January 2023.

No



## What investment strategy does this financial product follow?

The general investment strategy of the sub-fund is described in section 1.14.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to the environmental or social sustainable investment objective?' and 'What limiting factors are used in the investment strategy for selecting investments so as to achieve each of the environmental or social characteristics promoted by this financial product?' The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. 'sustainable investments'). Issuers in which it invests must follow good governance practices.

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

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as 'assets promoting environmental or social characteristics'. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

● ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

Negative screening methodology

As described in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?', the result of the negative screening methodology is that the sub-fund excludes all issuers falling under the exclusion policies from its responsible investment universe.

Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the policy decisions of issuers (companies, governments, supranational issuers and/or government agencies) by giving preference to issuers with a higher ESG score, and will encourage the mitigation of climate change, giving preference to issuers with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including issuers that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects.

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity, sustainable investment Goals and bonds financing green and/or social projects is available in the summary table shown in the section entitled 'What environmental and/or social characteristics are promoted par 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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

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



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

The sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivative financial instruments (including bond futures, interest rate swaps and CDS contracts) or in CIU units subject to the limits specified in the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible Instruments' of the prospectus.

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

Within the eligible asset categories as set out in section 1.14.1 of the prospectus, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. Investments in instruments issued by governments, supranational institutions and/or governmental agencies that pass the negative screening and contribute to at least one specific positive selection of the responsible investment policy qualify as 'assets promoting environmental or social characteristics'. (Term) deposits qualify as 'assets promoting environmental or social characteristics' if the counterparties pass the negative screening and contribute to at least one of the first 15 of the United Nations Sustainable Development Goals. These counterparties contribute to one of the first 15 of the United Nations Sustainable Development Goals if they have a net alignment score of at least +2 for one of the first 15 of the Sustainable Development Goals from MSCI. More detailed information on the MSCI net alignment score is available in the investment policy for responsible investing funds, which can be found at [www.kbc.be/documentation-investissements](http://www.kbc.be/documentation-investissements) > Investment policy for responsible investing funds.

The remaining 10% of assets may include (i) potential exceptions as set out in the section 'What investment strategy does this financial product follow?' (ii) ancillary liquidity (bank deposits withdrawable on demand, as described in section 6.1.6 of the prospectus) and (iii) term deposits that do not qualify as assets promoting environmental and social characteristics, and derivatives that do not form part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.14.1 of the prospectus.

The sub-fund further undertakes to invest at least 50% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 5% in sustainable investments with a social objective. The sub-fund aims to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.

Taxonomy-aligned activities are expressed as a % 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.

The sustainable investment target for this sub-fund is equal to the total of the investments regarded as 'sustainable' on the basis of the published methodology on alignment with the UN Sustainable Development Goals plus investments in bonds that may be regarded as bonds financing green and/or social projects, plus instruments deemed 'sustainable' by the Responsible Investment Advisory Board. Furthermore, corporate issuers are considered to contribute to sustainable development if at least 20% of their revenue is aligned with the EU taxonomy (based on Trucost data). Corporate instruments that meet these requirements are also considered 'sustainable investments' as defined in Article 2(17) of the SFDR. More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled 'What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?'

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

Investments in derivatives are not and will not be used to promote environmental and social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.14.1 of the prospectus.



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

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>13</sup>?



Yes:



In fossil gas



In nuclear energy



No

*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.*

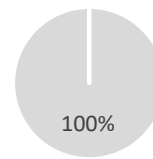
1. Taxonomy-alignment of investments including sovereign bonds\*

■ Taxonomy-aligned (no fossil gas & nuclear)  
■ Non Taxonomy-aligned



2. Taxonomy-alignment of investments excluding sovereign bonds\*

■ Taxonomy-aligned (no fossil gas & nuclear)  
■ Non Taxonomy-aligned



*This graph represents 50% of total investments\*\**

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

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

### ● 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?

<sup>13</sup> 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 sub-fund undertakes to invest at least 1% of its assets in sustainable investments with an environmental objective that our not aligned within the meaning of the European Union Taxonomy.



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

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with a social objective.



**What investments are included in category #2 Other, what is their purpose and are there any minimum environmental or social guarantees?**

These are technical items such as ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and term deposits and derivatives that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology. The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.14.1 of the prospectus.

No minimum environmental or social guarantees exist for investments included in category #2 Other.



**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?**

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the reference portfolio based on IHS Markit iBoxx Euro Corporates is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

The **benchmark indices** are indices that enable it to be measured whether the financial product achieves the environmental or social characteristics that it promotes.

- **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 detailed information about the product can be accessed on the website**  
[www.kbc.be/SRD](http://www.kbc.be/SRD) > KBC Bonds Strategic Broad 50/50 Responsible Investing



## Appendix 4.5 for KBC Bonds Strategic Broad 25/75 Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

**Product name:** KBC Bonds Strategic Broad 25/75 Responsible Investing  
**Legal entity identifier:** 875500UWRITZ4917OP36

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%

in economic activities that qualify as environmentally sustainable under the EU taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 22.5 % of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**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 Taxonomy** 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.



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

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 its assets (22.5%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). The sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%. This sub-fund:

- promotes the integration of sustainability into the policy decisions of issuers (companies, governments, supranational debtors and/or government-related agencies), favouring issuers with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and
- promotes climate change mitigation, giving preference to issuers with lower greenhouse gas intensity, with the aim of achieving a pre-set greenhouse gas intensity target; and
- supports sustainable development by including issuers that contribute to the United Nations Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Instruments of corporate issuers</b>	
<b>Target ESG risk score</b>	Higher than the reference portfolio based on IHS Markit iBoxx Euro Corporates.
<b>Greenhouse gas intensity target</b>	Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the reference portfolio determined by IHS Markit iBoxx Euro Corporates mentioned in the prospectus under the heading "KBC Bonds Strategic Broad 25/75 Responsible Investing" and a reduction of 50% by 2030 relative to the reference portfolio based on IHS Markit iBoxx Euro Corporates at the end of 2019. For 2019, an immediate reduction of 30% is introduced, followed by a reduction of 3% per year
<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of corporate issuers must be considered bonds financing green and/or social projects
<b>Instruments issued by governments, supranational institutions and/or governmental agencies</b>	
<b>Target ESG score</b>	10% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Greenhouse gas intensity target</b>	25% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)

<b>Target for bonds financing green or social projects</b>	Minimum 10% invested in instruments of governments, supranational institutions and/or governmental agencies must be considered bonds financing green and/or social projects
<b>Minimum percentage of sustainable investments for the sub-fund</b>	22.5%
<b>Minimum percentage of sustainable investments with a social objective</b>	5%
<b>Minimum percentage of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	1%
<b>Minimum percentage of assets promoting E/S characteristics</b>	90%
<b>Other specific objectives</b>	Not applicable

No benchmark index has been set for the achievement of the environmental and/or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the benchmark index of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the reference portfolio based on IHS Markit iBoxx Euro Corporates is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

**(1) ESG (risk) score indicators**

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

The contribution to the inclusion of sustainability in the policy decisions of issuers (companies, governments, supranational debtors and/or government-linked issuing agencies) is measured on the basis of an ESG (risk) score. Companies are attributed an ESG risk score and countries are attributed an ESG score. This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. The main factors underlying the ESG criteria are the following:

- For instruments of corporate issuers:
  - respect for the environment (e.g., reducing greenhouse gas emissions);
  - respect for society (e.g., working conditions of employees); and
  - corporate governance (e.g., independence and diversity of the board of directors).

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

The ESG risk score is a measure of the environmental, social and governance risk (ESG) of a company. This score is determined by taking into account the main ESG matters relevant to the company, as well as the quality of the company's management team and any ESG controversies that the company has faced in the recent past. The ESG score of companies measures the difference between a company's exposure to the relevant ESG risks for its sector

and the extent to which the company hedges those risks. ESG scores are on a scale from 0 to 100. The lower the ESG score, the lower the company's exposure to sustainability risk. The ESG scores for companies are based on data from the data provider Sustainalytics.

As well as excluding companies with a high ESG risk (i.e., an ESG risk score above 40), the sub-fund will encourage best practices by adopting a global ESG risk score better than the reference portfolio based on IHS Markit iBoxx Euro Corporates.

The main factors underlying the ESG criteria are the following:

- For instruments issued by national governments, supranational institutions and/or governmental agencies, the following five pillars are used:

- overall economic performance and stability (for example, the quality of the institutions and government);
- the socioeconomic development and health of the population (e.g., education and employment);
- equality, freedom and rights of all citizens;
- environmental policy (e.g., climate change); and
- security, peace and international relations.

These lists of the factors underlying the ESG criteria are not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board.

KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

To achieve this objective, the portfolio's ESG score for companies is compared to a reference portfolio based on the IHS Markit iBoxx Euro Corporates. The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country's engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 10% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund's holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund's holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for issuers with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The contribution of issuers to mitigating climate change is measured on the basis of their greenhouse gas intensity.

For companies, greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes of CO2 equivalent) divided by revenue (in USD millions). For countries, it is defined as the greenhouse gas emissions (in tonnes of CO2 equivalent) divided by gross domestic product (in USD millions).

The targets for instruments issued by companies are different from the targets for instruments issued by

governments, supra-national borrowers and/or government-linked bodies.

The volume in tonnes of greenhouse gases emitted by a company is the sum of:

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

Indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in this sum because the data in scope 3 depend largely on assumptions and are not disclosed by the companies. Calculations of greenhouse gas intensity are based on data from Trucost. Within the sub-fund, the greenhouse gas intensity score based on the emissions in scopes 1 and 2 is attributed to at least 90% of the sub-fund companies.

Companies will be assessed against two targets, the minimum of which will determine the target applied: 15% better than the reference portfolio determined by IHS Markit iBoxx Euro Corporates mentioned in the prospectus under the heading "KBC Bonds Strategic Broad 25/75 Responsible Investing" and a 50% reduction by 2030 in relation to the target breakdown at end-2019. For 2019, an immediate 30% reduction was introduced, followed by a reduction of 3% per year.

The portfolio's weighted average will be evaluated against this trajectory. The weighted average of the greenhouse gas intensity of the sub-fund's positions will be used to calculate the portfolio's greenhouse gas intensity. This calculation does not take into account technical items such as cash and derivatives, and excludes undated companies. The weightings used in the calculation depend on the size of the positions in the sub-fund, rescaled for items without data. However, companies for which no data is available are included in the negative screening and given an overall ESG risk score.

External circumstances such as market movements and updates to greenhouse gas intensity data may cause investment solutions to diverge from this target trajectory. In this event, the investment solution will be adjusted to realign it with the trajectory within a time frame that takes the client's interests into account.

A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO<sub>2</sub> emissions figure in tonnes is the sum of:

- greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For sovereign bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. In this sub-fund, investment solutions in EMU government bonds aim to beat the benchmark by 25%. Outside circumstances such as market movements and updates to greenhouse gas intensity data may cause an investment solution to overshoot this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the Responsible Investing research team will award a greenhouse gas intensity ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid-up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV may be able to track this accelerated progress in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in issuers that contribute to the UN Sustainable Development Goals. The United Nations Sustainable Development Goals include social and environmental objectives.

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population (by order of availability)).
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments.

### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?***

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

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Instruments of governments, supranational institutions and/or governmental agencies that contribute to the UN Sustainable Development Goals, in the manner set out in the section of this annex entitled 'What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by

the financial product?', are also deemed to be 'sustainable investments'. »

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments. In that case, these investments are also considered 'sustainable investments'.

More detailed information on the 17 UN Sustainable Development Goals is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

## **(2) Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Instruments that meet these requirements are considered 'sustainable investments'.

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

The sustainable investments that the sub-fund intends to make do no significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund's investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact). These negative screening principles are not exhaustive and may be adapted from time to time under the supervision of the Responsible Investing Advisory Board.

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

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 3:** ‘GHG intensity of investee companies’ is taken into account via the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** ‘Exposure to companies active in the fossil fuel sector’ is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector.
- **Indicator 7:** Activities that have a negative impact on sensitive areas from a biodiversity perspective are taken into account, because the sub-fund does not invest in companies involved in major or serious controversies relating to land use and biodiversity, or in companies whose activities are detrimental to biodiversity and which do not take adequate measures to reduce this impact.
- **Indicator 10:** ‘Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises’ is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines
- **Indicator 14:** ‘Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)’ is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 15:** ‘GHG intensity of investee countries’ is taken into account via the greenhouse gas intensity reduction target for sovereign investments.
- **Indicator 16:** ‘Investee countries subject to social violations’ is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet sustainability criteria, and (ii) countries with controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

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

A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management NV also assesses companies' involvement in violations of the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labour Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make do no significant harm to an environmental or social sustainable investment objective?'

*The EU taxonomy lays down a principle of 'do no significant harm'. Taxonomy-aligned investments should therefore cause no significant harm to the objectives of the EU taxonomy. The principle is accompanied by specific criteria set by the EU.*

The 'do no significant harm' principle applies only to underlying investments that take into account EU criteria on environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

*All other sustainable investments must also do no significant harm to environmental or social objectives.*



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



Yes, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More

detailed information on this topic is also available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?'

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund's annual report, which will be published after 1 January 2023.

No



## What investment strategy does this financial product follow?

The **investment strategy** guides investment decisions via factors such as investment objectives and risk tolerance.

The general investment strategy of the sub-fund is described in section 1.19.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled 'To what extent do the sustainable investments that the financial product intends to make do no significant harm to the environmental or social sustainable investment objective?' and 'What limiting factors are used in the investment strategy for selecting investments so as to achieve each of the environmental or social characteristics promoted by this financial product?' The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. 'sustainable investments'). Issuers in which it invests must follow good governance practices.

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as 'assets promoting environmental or social characteristics'. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

- ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

### Negative screening methodology

As described in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?' the result of the negative screening methodology is that the sub-fund excludes all issuers falling under the available exclusion policies from its responsible investment universe.

### Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the policy decisions of issuers (companies, governments, supranational issuers and/or government agencies) by giving preference to issuers with a higher ESG score, and will encourage the mitigation of climate change, giving preference to issuers with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including issuers that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects.

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity, sustainable investment goals and bonds financing green and/or social projects is available in the summary table shown in the section entitled 'What environmental and/or social characteristics are promoted par 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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make, not cause significant harm to an environmental or social sustainable investment objective?'

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



### **What is the expected asset allocation for this financial product?**

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

The sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivative financial instruments (including bond futures, interest rate swaps and CDS contracts) or CIU units subject to the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. 'Eligible Instruments' of the prospectus.

Within the eligible asset categories as set out in section 1.1 of the prospectus, the sub-fund aims to invest at

least 90% of its assets in assets promoting environmental or social characteristics. Investments in instruments issued by governments, supranational institutions and/or governmental agencies that pass the negative screening and contribute to at least one specific positive selection of the responsible investment policy qualify as 'assets promoting environmental or social characteristics'. (Term) deposits qualify as 'assets promoting environmental or social characteristics' if the counterparties pass the negative screening and contribute to at least one of the first 15 of the United Nations Sustainable Development Goals. These counterparties contribute to one of the first 15 of the United Nations Sustainable Development Goals if they have a net alignment score of at least +2 for one of the first 15 of the Sustainable Development Goals from MSCI. More detailed information on the MSCI net alignment score is available in the investment policy for responsible investing funds, which can be found at [www.kbc.be/documentation-investissements](http://www.kbc.be/documentation-investissements) > Investment policy for responsible investing funds. The remaining 10% of assets may include (i) potential exceptions as set out in the section 'What investment strategy does this financial product follow?' (ii) ancillary liquidity (bank deposits withdrawable on demand, as described in section 6.1.6 of the prospectus) and (iii) term deposits that do not qualify as assets promoting environmental and social characteristics, and derivatives that do not form part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.19.1 of the prospectus.

The sub-fund further undertakes to invest at least 22.5% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 5% in sustainable investments with a social objective. The sub-fund aims to invest at least 1% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.

The sustainable investment target for this sub-fund is equal to the total of the investments regarded as 'sustainable' on the basis of the published methodology on alignment with the UN Sustainable Development Goals plus investments in bonds that may be regarded as bonds financing green and/or social projects, plus instruments deemed 'sustainable' by the Responsible Investment Advisory Board. In addition, companies with at least 20% of their turnover aligned to the EU taxonomy framework (based on Trucost data) are deemed to contribute to sustainable development.

Corporate instruments that meet these requirements are also designated as "sustainable investments" under Article 2(17) of the SFDR. More detailed information on the percentage of the portfolio that qualifies as 'sustainable investments with an environmental objective aligned with the EU taxonomy framework' on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled 'What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?'

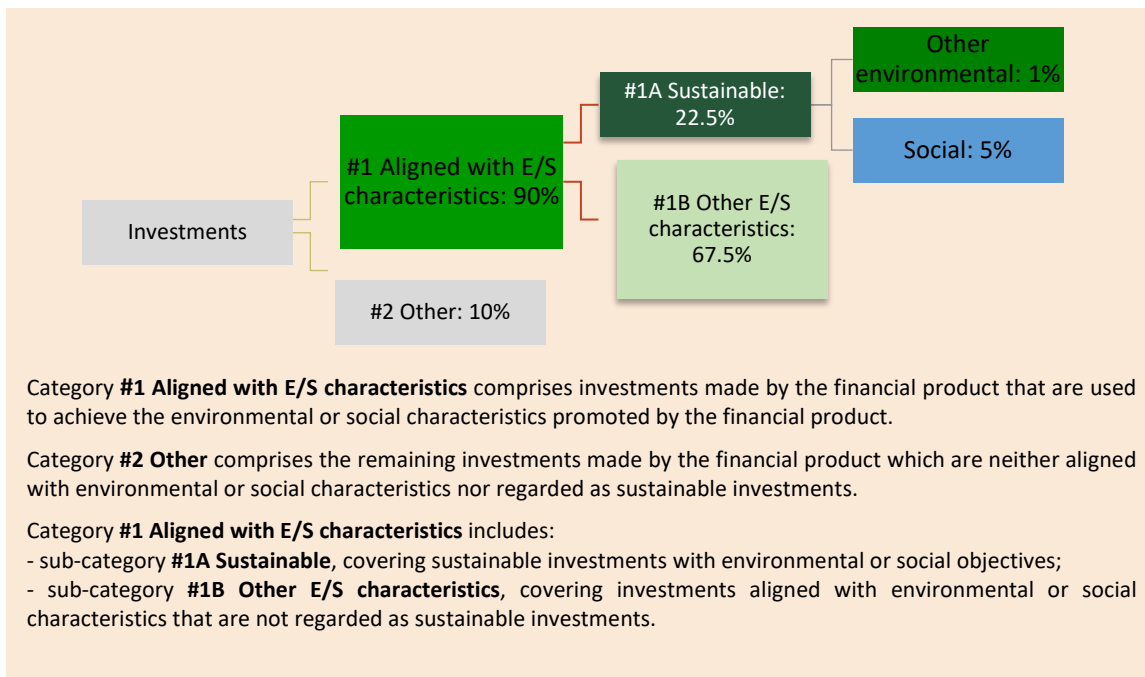
Taxonomy-aligned activities are expressed as a % of:

- **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.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.



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

Investments in derivatives are not and will not be used to promote environmental and social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.19.1 of the prospectus.



**What is the minimum extent to which sustainable investments with an environmental objective are aligned with the EU taxonomy?**

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>14</sup>?**

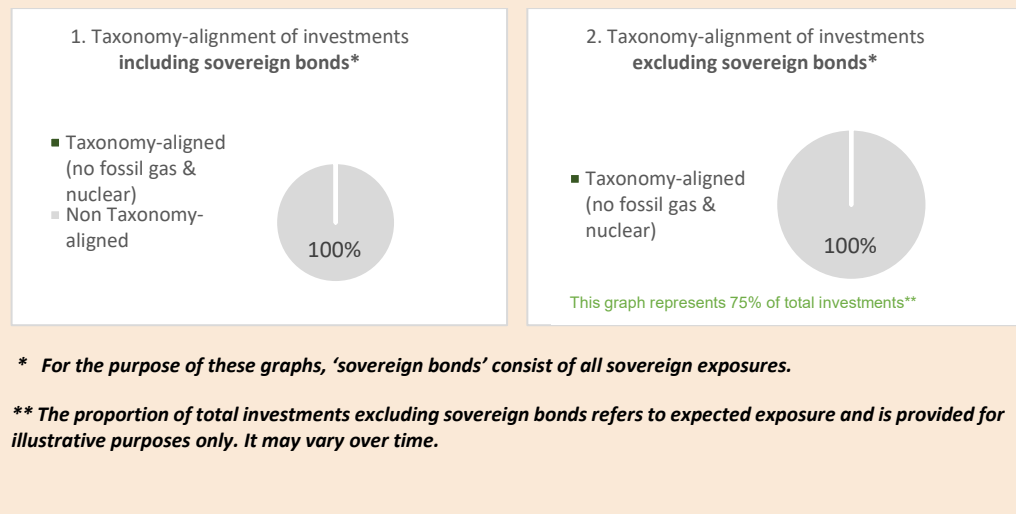
Yes:

In fossil gas     In nuclear energy

No

<sup>14</sup> 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.



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

Not applicable.



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

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with an environmental objective that are not aligned within the meaning of the European Union Taxonomy.



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

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with a social objective.



**What investments are included in category #2 Other, what is their purpose and are there any minimum environmental or social guarantees?**

These are technical items such as ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and term deposits and derivatives that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology. The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.19.1 of the prospectus.

No minimum environmental or social guarantees exist for investments included in category #2 Other.

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



## 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?

No benchmark index has been set for the achievement of the environmental or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational debtors and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the reference portfolio based on IHS Markit iBoxx Euro Corporates is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

- ***How is the benchmark permanently 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 detailed information about the product can be accessed on the website [www.kbc.be/SRD](http://www.kbc.be/SRD) > KBC Bonds Strategic Broad 25/75 Responsible Investing

## Appendix 4.6 for KBC Bonds High Yield Responsible Investing

Standard pre-contractual information for financial products referred to in Articles 8(1), 8(2) and 8(2bis) of Regulation (EU) 2019/2088 and Article 6(1) of Regulation (EU) 2020/852

**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.

**Product name:** KBC Bonds High Yield Responsible Investing  
**Legal entity identifier:** 875500H3KTOGMU0GG321

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</li> </ul>	<input checked="" type="checkbox"/> <b>It promotes environmental/social (E/S) characteristics</b> and, while it does not have as its objective sustainable investment, it will have a minimum proportion of 10% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

The EU taxonomy 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 may or may not be aligned with the Taxonomy.



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

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 its assets (10%) in economic activities that contribute to the achievement of environmental or social objectives (i.e. 'sustainable investments'). The sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%. This sub-fund:

- promotes the integration of sustainability into the policy decisions of issuers (companies, governments, supranational institutions and/or governmental agencies), favouring issuers with a better ESG score, where ESG stands for 'Environmental, Social and Governance'; and



- promotes climate change mitigation, giving preference to issuers with lower greenhouse gas intensity, with the aim of achieving a pre-set greenhouse gas intensity target; and
- supports sustainable development by including issuers that contribute to the United Nations Sustainable Development Goals; and
- supports sustainable development by encouraging the transition to a more sustainable world through bonds financing green and/or social projects.

The objectives of the sub-fund are as follows:

	<b>Objective</b>
<b>Instruments of corporate issuers</b>	
<b>Target ESG risk score</b>	Higher than the benchmark index, Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR.
<b>Greenhouse gasintensity target</b>	A reduction of 50% by 2030 relative to the benchmark index figure, namely 70% of the Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR at the end of 2019. For 2019, an immediate reduction of 30% is introduced, followed by a reduction of 3% per year
<b>Target for bonds financing green and/or social projects</b>	Minimum 5% invested in instruments of corporate issuers should be considered bonds financing green and/or social projects
<b>Instruments issued by governments, supranational institutions and/or governmental agencies</b>	
<b>Target ESG score</b>	10% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Greenhouse gas intensity target</b>	25% higher than the reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR)
<b>Target for bonds financing green and/or social projects</b>	Minimum 10% invested in instruments of governments, supranational institutions and/or governmental agencies should be considered bonds financing green and/or social projects
<b>Minimum percentage of sustainable investments for the sub-fund</b>	10%

<b>Minimum proportion of sustainable investments with a social objective</b>	1%
<b>Minimum proportion of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	5%
Minimum percentage of assets promoting E/S characteristics	90%
<b>Other specific objectives</b>	Not applicable.

No benchmark index has been set for the achievement of the environmental and/or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational institutions and/or governmental agencies, the reference portfolio of global government bonds referred to above is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the benchmark index Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

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

**(1) ESG risk score indicators**

The contribution to the inclusion of sustainability in the policy decisions of issuers (companies, governments, supranational institutions and/or issuing governmental agencies) is measured on the basis of an ESG (risk) score. Companies are attributed an ESG risk score and countries are attributed an ESG score. This score represents the official assessment of an entity's performance in relation to general environmental, social and governance matters. The main factors underlying the ESG criteria are the following:

- For instruments of corporate issuers:
  - respect for the environment (e.g., reducing greenhouse gas emissions);
  - respect for society (e.g., working conditions of employees); and
  - corporate governance (e.g., independence and diversity of the board of directors).

At least 90% of the corporate investments in the portfolio as measured by assets under management must have an ESG risk score. The ESG risk score is a measure of the environmental, social and governance risk (ESG) of a company. This score is determined by taking into account the main ESG matters relevant to the company, as well as the quality of the company's management team and any ESG controversies that the company has faced in the recent past. The ESG score of companies measures the difference between a company's exposure to the relevant ESG risks for its sector and the extent to which the company hedges those risks. ESG scores are on a scale from 0 to 100. The lower the ESG score, the lower the company's exposure to sustainability risk. The ESG scores for companies are based on data from the data provider Sustainalytics.

As well as excluding companies with a high ESG risk (i.e., an ESG risk score above 40), the sub-fund will encourage best practices by adopting a global ESG risk score better than that of the benchmark index, Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR.

The main factors underlying the ESG criteria are the following:

- For instruments issued by national governments, supranational institutions and/or governmental agencies, the following five pillars are used:
  - overall economic performance and stability (for example, the quality of the institutions and of the government);

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

- the socioeconomic development and health of the population (e.g., education and employment);
- equality, freedom and rights of all citizens;
- environmental policy (e.g., climate change); and
- security, peace and international relations.

These lists of the factors underlying the ESG criteria are not exhaustive and may be amended under the supervision of the Responsible Investment Advisory Board.

KBC Asset Management NV attributes an ESG score to at least 90% of the investments in the countries in the portfolio, measured by assets under management.

To achieve this objective, the portfolio's ESG score for companies is compared to a reference portfolio determined by Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR. The ESG score awarded to a country evaluates the performance of government policy in that country in terms of the environment, social aspects and good governance. ESG scores are on a scale from 0 to 100. The higher the ESG score, the greater the country's engagement in sustainable development. As well as excluding the lowest 10% of scores, the sub-fund will encourage best practice by ensuring its overall ESG score is more than 10% higher than the benchmark index for global government bonds. The ESG score of the countries in the portfolio is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR).

To calculate the ESG (risk) score at portfolio level, KBC Asset Management NV takes the weighted average ESG (risk) scores of the sub-fund's holdings. Technical investments such as cash and derivatives are excluded, as are countries for which no data is available. The weightings used in the calculation reflect the size of the sub-fund's holdings, as adjusted to reflect the exclusion of these items.

The ESG targets are evaluated annually and may be adjusted. Outside circumstances such as market movements and updates to data relating to the ESG score may cause an investment solution to fall short of this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the responsible investment research team will award an ESG score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid up or the percentage of the total population.

More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

## **(2) Greenhouse gas intensity indicators**

The objective of promoting climate change mitigation, with a preference for issuers with lower greenhouse gas intensity, with the aim of achieving a predetermined greenhouse gas intensity target, covers at least 90% of the portfolio. The objective does not apply to entities for which the data is not available. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

The contribution of issuers to mitigating climate change is measured on the basis of their greenhouse gas intensity.

For companies, greenhouse gas intensity is defined as absolute greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent) divided by revenue (in USD millions). For countries, it is defined as the greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent) divided by gross domestic product (in USD millions).

The targets of instruments of corporate issuers are different from those for instruments issued by national governments, supranational institutions and/or governmental agencies.

A company's greenhouse gas emissions figure in tonnes is the sum of:

- Direct greenhouse gas emissions resulting from the company's own activities (scope 1); and
- Indirect greenhouse gas emissions resulting from the production of purchased electricity (scope 2).

Indirect greenhouse gas emissions resulting from the activities of suppliers and customers, for example (scope 3), are not included in this sum because the data in scope 3 depend largely on assumptions and are not disclosed by the companies. Greenhouse gas intensity calculations are based on data obtained from Trucost. Within the sub-fund, the

greenhouse gas intensity score based on scope 1 and 2 emissions is attributed to at least 90% of the companies held. The sub-fund aims to achieve a reduction of 50% by 2030 relative to the benchmark index figure, namely 70% of the Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR at the end of 2019.

An immediate reduction of 30% will be introduced for 2019, followed by a reduction of 3% per year. The weighted average of the portfolio will be evaluated relative to this trajectory. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. This calculation does not include technical items such as cash and derivatives, and also excludes companies for which there is no data. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Companies for which data is unavailable are, however, included in the negative screening and are assigned an overall ESG score.

Outside circumstances such as market movements and updates to greenhouse gas intensity data may result in investment solutions exceeding this target, in which case the investment solution will be adjusted to meet the target again within a timeframe that takes account of the customer's best interests.

A greenhouse gas intensity score is calculated for each country, with greenhouse gas emissions (national emissions plus direct and indirect imported emissions) being measured per million of gross domestic product. A country's CO2 emissions figure in tonnes is the sum of:

- Greenhouse gas emissions resulting from the domestic production of goods and services for domestic consumption and export; and
- Greenhouse gas emissions in the country of origin that result from the import of goods and services.

KBC Asset Management NV makes the general assumption that the government controls all economic activities within its territory. KBC Asset Management NV measures domestic emissions and import-related emissions as reported by PRIMAP. The PRIMAP data set combines various published data series into a full set of greenhouse gas emissions trajectories. The gross domestic product figures (in US dollars) are based on figures from the International Monetary Fund (IMF). Within the sub-fund, the greenhouse gas intensity score is allocated to at least 90% of fund assets, excluding cash (including bank deposits) derivatives and countries for which no data exists. To calculate greenhouse gas intensity at portfolio level, KBC Asset Management NV takes the weighted average greenhouse gas intensity of the fund's holdings. The weighting used in the calculation reflect the size of the fund's holdings, scaled up for items without data. Countries for which data is unavailable are included in the negative screening and are assigned a general ESG score. For government bonds, the sub-fund aims to exceed the current score of the benchmark index of global bonds. Greenhouse gas intensity is compared with a reference portfolio of global government bonds (composed of the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR). Beating the benchmark is dependent on the geographical allocation, as determined by the benchmark index or the target allocation. In this sub-fund, investment solutions in EMU government bonds aim to beat the benchmark by 25%. Outside circumstances such as market movements and updates to greenhouse gas intensity data may cause an investment solution to overshoot this target, in which case the investment solution will be adjusted to return to compliance with the target within a timeframe that takes account of the customer's best interests. For supranational bonds, the responsible investment research team will award a greenhouse gas intensity score that reflects the weighted average of the member states, whereby the weightings will reflect voting rights, the amount of capital paid up or the percentage of the total population.

The greenhouse gas intensity targets are checked and evaluated annually. The targets may be revised upwards or downwards. For example, if countries show insufficient progress in the reduction of their greenhouse gas intensity and this cannot be offset by optimising the portfolio, KBC Asset Management NV may revise the target upwards. It is also possible that greenhouse gas intensity will fall to a lower level much faster than expected. If countries make excellent progress in terms of greenhouse gas intensity, KBC Asset Management NV may be able to track this accelerated progress in the portfolio. In that case, the target may be adjusted downwards.

### **(3) Indicators related to the UN Sustainable Development Goals**

To support sustainable development, the sub-fund invests a proportion of the portfolio in issuers that contribute to the UN Sustainable Development Goals. The UN Sustainable Development Goals include social and environmental objectives.

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Governments are assessed on the five pillars described in the ESG score, which contain indicators that can be linked to the 17 UN Sustainable Development Goals. If a government scores sufficiently well for one of these pillars and not significantly badly for the others, the bonds of that government and its sub-governments and agencies are considered instruments that contribute to the UN Sustainable Development Goals. To be considered as contributing to sustainable development, and thus to score sufficiently well, a country must meet the following two conditions:

- the country must be aligned with the ESG criteria, i.e. it must have a score of at least 80 for one of the five pillars and not score 50 or less for any other pillar;
- the country must not be excluded, i.e. it must not be among the bottom 50% of controversial regimes, it must meet the sustainability compliance criteria and it must not be among the 10% worst-scoring countries.

Supranational government bonds are considered to contribute to the UN Sustainable Development Goals if one of the two criteria is met:

- at least half of its members contribute to the UN Sustainable Development Goals (weighted by voting power/fully paid-up capital/the percentage of total population, by order of availability);
- the supranational institution's mission has a sustainable purpose and less than half of its members fall in the bottom half of our selection of controversial regimes.

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments.

#### **(4) Indicators related to bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?' ».

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds financing green and/or social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by countries in terms of sustainability.

- ***What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?***

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

Companies are deemed to contribute to sustainable development if at least 20% of their turnover is linked to the UN Sustainable Development Goals. Companies' activities are assessed against a number of sustainable themes that can be linked to the UN Sustainable Development Goals.

Instruments of governments, supranational institutions and/or governmental agencies that contribute to the UN Sustainable Development Goals, in the manner set out in the section of this annex entitled 'What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the financial product?', are also deemed to be 'sustainable investments'. »

Furthermore, the Responsible Investment Advisory Board may also assign the 'sustainable development' label to corporate and government instruments. In that case, these investments are also considered 'sustainable investments'.

More detailed information on the 17 UN Sustainable Development Goals is available at: [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Investment policy for Responsible Investing funds.

##### **(2) Bonds financing green and/or social projects**

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What environmental and/or social characteristics are promoted by this financial product?'

Bonds that qualify as bonds intended to finance green and/or social products are bonds whose proceeds will be used exclusively to finance (a combination of) green and social projects which are aligned with the Green Bond and Social Bond Principles of the International Capital Market Association (ICMA) on the use of proceeds. Compliance with these principles is verified by an external party. Instruments that meet these requirements are considered 'sustainable investments'.

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

The sustainable investments that the sub-fund intends to make do not cause significant harm to the sustainable investment objective by virtue of negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

The end result of the negative screening procedure is that the sub-fund excludes from its responsible investment universe any issuers covered by the exclusion policies that are available for inspection on the website of the investment management company KBC Asset Management NV.

The application of these policies means that issuers involved in activities such as fossil fuels, the tobacco industry, weapons, gambling and adult entertainment are excluded from the investment universe of the sub-fund. Investments in financial instruments linked to livestock and food prices are also excluded. All companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also allows issuers to be excluded from the sub-fund's investment universe if they are located in countries that encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact). These negative screening principles are not exhaustive and may be adapted from time to time under the supervision of the Responsible Investing Advisory Board.

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

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and all companies affected by serious controversies are excluded. Also excluded are companies obtaining an ESG risk score above 40 from Sustainalytics. For investments in instruments issued by countries, the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employment matters, respect for human rights, anti-corruption and anti-bribery matters.

the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and the ESG risk assessment, via the positive selection method for greenhouse gas intensity and the exclusions in the exclusion policy for Responsible Investing funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all investments by this sub-fund as follows:

- **Indicator 3:** 'GHG intensity of investee companies' is taken into account via the greenhouse gas intensity reduction target for companies.
- **Indicator 4:** 'Exposure to companies active in the fossil fuel sector' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector.
- **Indicator 7:** Activities that have a negative impact on sensitive areas from a biodiversity perspective are taken into account, because the sub-fund does not invest in companies involved in major or serious controversies relating to land use and biodiversity, or in companies whose activities are detrimental to biodiversity and which do not take adequate measures to reduce this impact.
- **Indicator 10:** 'Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises' is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines.
- **Indicator 14:** 'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 15:** 'GHG intensity of investee countries' is taken into account via the greenhouse gas intensity reduction target for sovereign investments.
- **Indicator 16:** 'Investee countries subject to social violations' is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet sustainability criteria, and (ii) countries with controversial regimes. More detailed information is available in the exclusion policy for Responsible Investing funds.

The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to 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:*

The sub-fund excludes corporate issuers that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The UN Global Compact has formulated ten guiding sustainability principles regarding human rights, labour, environment and anti-corruption which form part of our internal screening. KBC Asset Management NV also assesses companies' involvement in violations of the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labour Organisation 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 businesses must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the website of KBC Asset Management NV.

More detailed information on negative screening is available in the section entitled 'How do the sustainable investments that the financial product intends to make not cause significant harm to any environmental or social sustainable investment objective?'

*The EU taxonomy lays down a principle of 'do no significant harm'. Taxonomy-aligned investments should therefore cause no significant harm to the objectives of the EU taxonomy. The principle is accompanied by specific criteria set by the EU.*

The 'do no significant harm' principle applies only to underlying investments that take into account EU criteria on environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

*All other sustainable investments must also do no significant harm to environmental or social objectives.*





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



Yes, the principal adverse impacts on sustainability factors are explicitly taken into account for all investments through the application of the exclusion policies. More detailed information is available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?' The principal adverse impacts on sustainability factors are implicitly taken into account through the KBC Asset Management NV Proxy Voting and Engagement Policy. More detailed information on this topic is also available in the section entitled 'How are indicators in relation to adverse impacts taken into consideration?'

Information on the principal adverse impacts on sustainability factors can also be found in the sub-fund's annual report, which will be published after 1 January 2023.



No



## What investment strategy does this financial product follow?

The general investment strategy of the sub-fund is described in section 1.21.1 of the prospectus.

Within the limits defined above, as described in the overall investment strategy, the sub-fund (directly or indirectly) pursues responsible investment objectives based on a dual approach: negative screening and positive selection. More detailed information on negative screening and positive selection is available at the foot of the sections of this Annex entitled 'How do the sustainable investments that the financial product intends to make not cause significant harm to any environmental or social sustainable investment objective?' and '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?' » de la présente annexe. The sub-fund promotes a combination of environmental and social characteristics and, whilst sustainable investment is not among its objectives, it invests a minimum proportion of its assets in economic activities that contribute to the realisation of environmental or social goals (i.e. 'sustainable investments'). Issuers in which it invests must follow good governance practices.

### Potential exceptions

However, it cannot be ruled out that investments could be made to a limited extent on a temporary basis in assets that do not qualify as 'assets promoting environmental or social characteristics'. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the sub-fund;
- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, for efficient portfolio management, the manager may use derivatives on assets issued

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

by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

Conformity of the universe of eligible responsible investments is ensured at all times through the use of compliance rules in the front-office system.

- ***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?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to achieve each of the environmental or social characteristics promoted by the sub-fund.

#### Negative screening methodology

As described in the section entitled 'How do the sustainable investments that the financial product intends to make not cause significant harm to any environmental or social sustainable investment objective?' the result of the negative screening methodology is that the sub-fund excludes all issuers falling under the available exclusion policies from its responsible investment universe.

#### Positive selection methodology

The sub-fund will encourage the incorporation of sustainability into the policy decisions of issuers (companies, governments, supranational institutions and/or governmental agencies) by giving preference to issuers with a higher ESG score, and will encourage the mitigation of climate change, giving preference to issuers with a lower greenhouse gas intensity, with the goal of achieving a pre-set greenhouse gas intensity target. The sub-fund will also support sustainable development by including issuers that contribute to the UN Sustainable Development Goals. The sub-fund also undertakes to invest a minimum proportion of the portfolio in bonds financing green and/or social projects.

More detailed information on the specific objectives of this sub-fund in relation to ESG score, greenhouse gas intensity, the sustainable investment Goals and bonds financing green and/or social projects is available in the summary table shown in the section entitled '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 minimum rate of engagement to reduce the scope of the potential investments prior to the application of this investment strategy.

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

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) remuneration of staff and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. As well as the exclusion of issuers involved in certain activities, the screening also allows issuers to be excluded which severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and the assessment of companies located in countries that encourage unfair tax practices. An ESG risk rating is attributed to issuers. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with a Sustainalytics ESG risk score above 40 are excluded. On the advice of Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'How do the sustainable investments that the financial product intends to make not cause significant harm

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

to any environmental or social sustainable investment objective?’



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

The sub-fund invests at least 90% of its assets in corporate bonds, government bonds, convertible bonds, deposits, money market instruments, other debt instruments or derivative financial instruments (including bond futures, interest rate swaps and CDS contracts) or units in undertakings for collective investment subject to the limits specified in point 6.1.2.3. of the prospectus. The remaining 10% can be invested in other assets as defined in Section 6.1. ‘Eligible Instruments’ of the prospectus.

Within the eligible asset categories as set out in section 1.1 of the prospectus, the sub-fund aims to invest at least 90% of its assets in assets promoting environmental or social characteristics. Investments in instruments issued by governments, supranational institutions and/or governmental agencies that pass the negative screening and contribute to at least one specific positive selection of the responsible investment policy qualify as ‘assets promoting environmental or social characteristics’. (Tem) deposits qualify as ‘assets promoting environmental or social characteristics’ if the counterparties pass the negative screening and contribute to at least one of the first 15 of the United Nations Sustainable Development Goals. These counterparties contribute to one of the first 15 of the United Nations Sustainable Development Goals if they have a net alignment score of at least +2 for one of the first 15 of the Sustainable Development Goals from MSCI. More detailed information on the MSCI net alignment score is available in the investment policy for responsible investing funds, which can be found at [www.kbc.be/documentation-investissements](http://www.kbc.be/documentation-investissements) > Investment policy for responsible investing funds.

The remaining 10% of assets may include (i) potential exceptions as set out in the section ‘What investment strategy does this financial product follow?’ (ii) ancillary liquidity (bank deposits withdrawable on demand, as described in section 6.1.6 of the prospectus) and (iii) term deposits that do not qualify as assets promoting environmental and social characteristics, and derivatives that do not form part of the screening methodology. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.21.1 of the prospectus.

The sub-fund further undertakes to invest at least 10% of its assets in sustainable investments as defined in Article 2(17) of the SFDR. The sub-fund aims to invest at least 1% in sustainable investments with a social objective. The sub-fund aims to invest at least 5% in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.

The sustainable investment target for this sub-fund is equal to the total of the investments regarded as ‘sustainable’ on the basis of the published methodology on alignment with the UN Sustainable Development Goals plus investments in bonds that may be regarded as bonds financing green and/or social projects, plus instruments deemed ‘sustainable’ by the Responsible Investment Advisory Board. In addition, companies with at least 20% of their turnover aligned to the EU taxonomy framework (based on Trucost data) are deemed to contribute to sustainable development.

Corporate instruments that meet these requirements are also designated as “sustainable investments” under Article 2(17) of the SFDR. More detailed information on the percentage of the portfolio that qualifies as ‘sustainable investments with an environmental objective aligned with the EU taxonomy framework’ on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

More detailed information on this topic is available in the section entitled ‘What are the objectives of the sustainable investments that the financial product intends to make and how does the sustainable investment contribute to such objectives?’

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

Taxonomy-aligned activities are expressed as a percentage 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 activities of investee companies.

- **How does the use of derivatives serve to achieve the environmental or social characteristics promoted by the financial product?**

Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.21.1 of the prospectus.



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

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

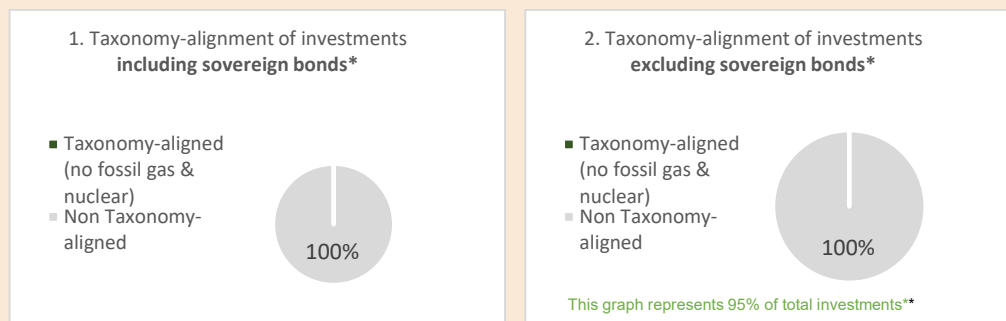
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy<sup>15</sup>?**

Yes:

In fossil gas     In nuclear energy

No

*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 purposes of these diagrams, 'sovereign bonds' includes all sovereign exposures.  
 \*\* The proportion of total investments excluding sovereign bonds refers to expected exposure and is provided for illustrative purposes only. It may vary over time.

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

Not applicable.

To comply with the EU taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

<sup>15</sup> 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 symbol represents sustainable investments with an environmental objective that **do not conform to the criteria** applicable to environmentally sustainable economic activities under the EU taxonomy.



### What is the minimum proportion of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.



### What is the minimum share of sustainable investments with a social objective?

The sub-fund undertakes to invest at least 1% of its assets in sustainable investments with a social objective.



### What investments are included in category #2 Other, what is their purpose and are there any minimum environmental or social safeguards?

These are technical items such as ancillary liquid assets (sight deposits, as described in section 6.1.6. of the prospectus) and term deposits and derivatives that are not considered to be assets promoting environmental and social characteristics, and derivatives that are not part of the screening methodology.

The sub-fund may hold or invest in these types of asset in order to achieve its investment objectives, to diversify its portfolio, to manage cash or to hedge risks. Investments in derivatives are not and will not be used to promote environmental or social characteristics. Derivatives are used for the specific purposes within the investment policy set out in section 1.21.1 of the prospectus.

No minimum environmental or social guarantees exist for investments included in category #2 Other.



### 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?

The **benchmark indices** are indices that enable us to measure whether the financial product achieves the environmental or social characteristics that it promotes.

No benchmark index has been set for the achievement of the environmental and/or social characteristics promoted by this sub-fund. For investments in instruments issued by governments, supranational institutions and/or governmental agencies, the reference portfolio of global government bonds (comprising the following benchmark indices: 67% developed markets: J.P. Morgan GBI Global Unhedged EUR and 33% emerging markets: J.P. Morgan GBI-EM Global Diversified Composite Unhedged EUR) is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund. For investments in instruments of corporate issuers, the benchmark index Bloomberg Euro High Yield 3% Issuer Constraint x Fin Total Return Index Value Unhedged EUR is used as a basis of comparison for certain ESG characteristics promoted by the sub-fund.

- **How is the benchmark permanently 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 benchmark differ from a relevant broad market index?**

Not applicable.

- **Where can the method used for the calculation of the designated index be found?**

Not applicable.



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

More detailed information about the product can be accessed on the website: [www.kbc.be/SRD](http://www.kbc.be/SRD)  
> KBC Bonds High Yield Responsible Investing

## Appendix 4.7 for KBC Bonds Green Social Sustainability Bonds Responsible Investing

Standard pre-contractual information for the financial products referred to in Article 9(1 to 4bis) of Regulation (EU) 2019/2088 and Article 5(1) of Regulation (EU) 2020/852

**Product name:** KBC Bonds Green Social Sustainability Bonds Responsible Investing  
**Legal entity identifier:**

### Sustainable investment objective

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

**Yes**

**No**

At least \_\_\_% of its investments will be sustainable investments with an environmental objective: 5%

in economic activities that qualify as environmentally sustainable under the EU taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

At least \_\_\_% of its investments will be sustainable investments with a social objective: 1%

It promotes environmental and social (E/S) characteristics and, whilst it does not have a sustainable investment objective, it will hold at least \_\_\_ of its assets in sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy

with a social objective

It promotes E/S characteristics, but will not make sustainable investments

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that it does no significant harm to any such objectives and that the investee companies in which the financial product invests follow good governance practices.

The **EU taxonomy** is a classification system established by Regulation (EU) 2020/852, which lays down a list of **environmentally sustainable economic activities**. This regulation does not include a list of socially sustainable economic activities. Sustainable investments that have an environmental objective are not necessarily aligned with the taxonomy.



## What is the sustainable investment objective of this financial product?

The sub-fund has a sustainable investment objective: to contribute to sustainable development by encouraging the transition to a more sustainable world through bonds that finance green and/or social projects.

The sub-fund's targets are as follows:

	Target
<b>Target for bonds that finance green and/or social projects</b>	At least 80% of the investments should be considered bonds that finance green and/or social projects
<b>Minimum percentage of sustainable investments for the sub-fund</b>	80%
<b>Minimum percentage of sustainable investments with a social objective</b>	1%
<b>Minimum percentage of sustainable investments with an environmental objective made in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</b>	5%

No benchmark index has been designated for achieving the sustainable investment objective.

- **What sustainability indicators are used to measure the achievement of the sustainable investment objective for this financial product?**

### Indicators related to bonds that finance green and/or social projects

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum proportion of the portfolio in bonds that finance green and/or social projects. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What is the sustainable investment objective of this financial product?'

Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects aligned with the green bond and social bond principles of the International Capital Market Association (ICMA) on the use of proceeds are considered to be bonds that finance green and/or social projects. Instruments that meet these requirements are classified as "sustainable investments" in accordance with Article 2(17) of the SFDR.

To be recognised by KBC Asset Management NV as bonds that finance green and/or social projects, the bonds must comply with the International Capital Market Association (ICMA) principles for the use of proceeds, and be subject to external verification of this compliance, in order to ensure that the bonds comply with the SFDR definition of a sustainable investment. KBC Asset Management NV will check daily whether the bonds that finance green and/or social projects comply with these principles. Compliance with the ICMA principles relating to the use of proceeds and the external verification of these principles will be assessed using data supplied by an external data provider. If bonds that finance green and/or social projects no longer comply with these principles, they will be divested. The total percentage of bonds that finance green and/or social projects within the sub-fund will be calculated on the basis of "assets under management".

**Sustainability indicators** measure the extent to which the sustainability objectives of this financial product are being met.

The ICMA bond principles are voluntary guidelines that promote transparency, disclosure and integrity in the development of the market for bonds that finance green and/or social projects by describing best practice when issuing a bond that finances green and/or social projects.

The ICMA defines bonds that finance green and/or social projects as any type of bond instrument whose proceeds, or an equivalent amount, will be used exclusively to finance or refinance, in part or in full, new and/or existing eligible green, social or sustainable projects.

The determining factor for a bond that finances green and/or social projects is the use of the proceeds for eligible green, social or sustainable development projects, as described in the bond's legal documentation. The ICMA considers that eligible projects must bring clear environmental and/or social benefits, assessed and if possible, quantified, by the issuer. Where all or part of the proceeds will or may be used for refinancing, the ICMA recommends that issuers provide an estimate of the ratio of financing to refinancing and, where appropriate, specify which investments or portfolios of projects may be refinanced and, where relevant, the look-back period for eligible refinanced projects. The ICMA recognises several broad categories of eligibility for green projects such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation and pollution prevention and control. The categories of social projects include, but are not limited to, affordable basic infrastructure, access to essential services, affordable housing, employment programmes, food security and sustainable food systems. Green, social and sustainable development projects include assets, investments and other related and other associated expenses such as research and development, which may relate to more than one environmental category and/or objective.

The ICMA also recommends that issuers appoint (an) external service provider(s) to assess, through an external review, whether their green bond programme and/or framework is in line with the essential components. There are several ways for issuers to obtain an outside contribution for their 'bonds that finance green and/or social projects' process, and there are several levels and types of review that can be provided to the market (Second Party Opinion, Verification, Certification, Green, Social and Sustainability Bond Scoring/Rating). KBC Asset Management NV will only consider bonds that finance green and/or social projects that have been externally verified.

Further information on the ICMA principles is available at <https://www.icmagroup.org>.

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds that finance green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Such revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by issuers in terms of sustainability.

***To what extent do sustainable investments not do significant harm to an environmental or social sustainable investment objective?***

To qualify as sustainable investments, issuers must pass negative screening. The sub-fund takes account of the indicators concerning the principal adverse impacts on sustainability factors as shown in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex by negative screening:

This negative screening methodology results in the sub-fund excluding from its responsible investment universe any issuers covered by the exclusion policies available for inspection at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policy for responsible investment funds.

The application of these policies means that issuers involved in sectors such as the tobacco industry, weapons, gambling and adult entertainment are excluded from the sub-fund's investment universe. Investments in financial instruments linked to livestock and food prices are also excluded. Companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded. This screening process also excludes issuers from the sub-fund's investment universe if they are located in countries that



encourage unfair tax practices, severely violate fundamental principles of environmental protection, social responsibility or good governance (via normative analysis, a poor ESG risk score or serious human rights violations, involvement in countries that do not meet sustainability criteria or are exposed to controversial regimes because of serious issues relating to water emissions, pollution or waste, to gender diversity, or because of major and serious issues and links to activities that have a negative impact on biodiversity with inadequate measures taken to reduce their impact).

Although KBC Asset Management NV applies a fossil fuel policy (including thermal coal) to support companies in their transition to a more sustainable future, an exception is made for green bonds issued by companies that have been excluded solely on the basis of the fossil fuel policy.

These negative screening criteria are not exhaustive and may be revised under the supervision of the Responsible Investing Advisory Board.

#### *How are adverse impact indicators taken into consideration?*

Due to the exclusion policy and, in particular, the norms-based screening and the ESG risk assessment, all indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex I to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account when investing in corporate instruments. The sub-fund does not invest in companies that severely violate the principles of the UN Global Compact and the OECD guidelines for multinational enterprises, and any companies affected by serious controversies are excluded. Also excluded are companies assigned an ESG risk score above 40 by Sustainalytics. For investments in instruments issued by countries, all the indicators concerning the principal adverse impacts on sustainability factors in table 1 of Annex 1 to Delegated Regulation (EU) 2022/1288 and the relevant indicators concerning the principal adverse impacts on sustainability factors as shown in tables 2 and 3 of that Annex are taken into account by excluding the countries featuring among the 10% of states with the worst ESG scores and by excluding countries that do not meet sustainability criteria or are exposed to controversial regimes.

In addition to norms-based screening and ESG risk assessment, via the exclusions in the exclusion policy for responsible investment funds, the indicators concerning the principal adverse impacts on sustainability factors are also taken into account for all the sub-fund's investments as follows:

- **Indicator 4:** 'Exposure to companies active in the fossil fuel sector' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the fossil fuel sector. To support companies in their transition to a more sustainable future, an exception is made for green bonds issued by companies that have been excluded solely on the basis of the fossil fuel policy.
- **Indicator 10:** 'Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises' is taken into account by virtue of the fact that the sub-fund does not invest in companies that seriously violate the UN Global Compact principles or the OECD Guidelines.
- **Indicator 14:** 'Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)' is taken into account by virtue of the fact that the sub-fund does not invest in companies active in the field of controversial weapons.
- **Indicator 16:** 'Investee countries subject to social violations' is taken into account by virtue of the fact that the sub-fund does not invest in (i) countries that do not meet sustainability criteria, and (ii) countries with controversial regimes. More detailed information is available at [www.kbc.be/investment-documents](http://www.kbc.be/investment-documents) > Exclusion policy for responsible investment funds.

The principal adverse impacts on sustainability factors are implicitly taken into account through

**Principal adverse impacts** correspond to the most material negative impacts of investment decisions on sustainability factors related to environmental, social and employment matters, respect for human rights and the prevention of corruption and acts of bribery.

the KBC Asset Management NV Proxy Voting and Engagement Policy.

A complete summary of the indicators concerning the principal adverse impacts on sustainability factors that the sub-fund may take into account appears in Annex I to Delegated Regulation (EU) 2022/1288.

*To what extent do the sustainable investments comply with the OECD Guidelines for Multinational Enterprises and the UN Guidelines for Business and Human Rights?*

The sub-fund excludes companies that severely violate fundamental principles of environmental or social responsibility and/or good governance, as assessed by the principles of the UN Global Compact. The principles of the UN Global Compact lay down ten guiding sustainability principles regarding human rights, labour, the environment and the fight against corruption, which form part of our internal screening. We also assesses companies' involvement in violations of the International Labour Organisation (ILO) Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The sub-fund undertakes to respect the letter and the spirit of the UN Universal Declaration of Human Rights; the principles concerning fundamental rights in the eight core conventions of the International Labour Organisation 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 companies must abide.

KBC Asset Management NV evaluates all corporate issuers appearing on the KBC Group 'Human rights list' as well as all corporate issuers that meet the criteria below:

- a high or severe controversy score related to human rights, for sub-sectors for which human rights are considered a high or severe risk
- a severe controversy score related to human rights, for all other sub-sectors.

Based on this assessment, appropriate measures are taken, ranging from engagement with the companies concerned to the sale of the holdings. More information on the policy on human rights is available on the KBC Asset Management NV website.

More detailed information on negative screening is available in the section entitled 'To what extent do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?'

*The EU taxonomy lays the 'do no significant harm' principle. Taxonomy-aligned investments should therefore cause no significant harm to the objectives of the EU taxonomy. The principle is accompanied by criteria specific to the EU.*

The 'do no significant harm' principle applies only to underlying investments of the financial product that take the EU criteria on environmentally sustainable economic activities into account. The investments underlying the remaining portion of this financial product do not take the EU criteria for environmentally sustainable economic activities into account.

*Nor should any other sustainable investment do significant harm to environmental or social objectives.*



## Does this financial product take the principal adverse impacts on sustainability factors into consideration?



Yes, the sub-fund will invest at least 80% of its assets in sustainable investments in accordance with Article 2(17) of the SFDR. The principal adverse impacts on sustainability factors are explicitly taken into account for all of the sub-fund's investments through the exclusion policies in place. In addition, the principal adverse impacts on sustainability factors are implicitly taken into account by the KBC Asset Management NV Proxy Voting and Engagement Policy.

Further information on how the principal adverse impacts on sustainability factors have been taken into account for these sustainable investments is available in the section "How have the indicators relating to adverse impacts been taken into account" in this Annex.

Information on the principal adverse impacts on sustainability factors can also be found in this sub-fund's annual report.



No



## What investment strategy does this financial product follow?

The sub-fund's general investment strategy is described in section 1.22.1 of the prospectus.

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

More detailed information on negative screening and positive screening methodology can be found in the section "To what extent do sustainable investments not cause significant harm to an environmentally or socially sustainable investment objective?" and in the section "What sustainability indicators are used to measure the achievement of the sustainable investment objective of this financial product?" in this Annex.

The sub-fund has a sustainable investment objective: to contribute to sustainable development by encouraging the transition to a more sustainable world via bonds that finance green and/or social projects. The sub-fund invests at least 80% of its assets in bonds that finance green and/or social projects in any region, sector or theme. Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects aligned with the green bond and social bond principles of the International Capital Market Association (ICMA) on the use of proceeds are considered to be bonds that finance green and/or social projects. Instruments that meet these requirements are classified as "sustainable investments" in accordance with Article 2(17) of the SFDR. More detailed information on bonds that finance green and/or social projects is available in the section "What sustainability indicators are used to measure the achievement of the sustainable investment objective of this financial product?" in this Annex.

The remaining 20% of assets may include (i) ancillary liquid assets as described in section 6.1.6 of the prospectus, (ii) bank deposits meeting the criteria of Article 41(1) of the 2010 Law for cash management purposes or in the event of adverse market conditions, and/or (iii) derivatives, which can only be used for hedging.

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

### Potential exceptions

However, it cannot be ruled out that investments in assets that do not meet the criteria set out above could occur to a limited extent on a temporary basis. The reasons for this include the following:

- developments as a result of which an issuer may no longer be considered as eligible after the purchase;
- events at the company, such as a merger with another company after which the merged company may no longer qualify as an eligible issuer;
- erroneous data, as a result of which assets are purchased when they should not have been eligible for the

The **investment strategy** guides investment decisions via factors such as investment objectives and risk tolerance.

sub-fund;

- a planned update of the screening criteria due to which assets should be excluded from the sub-fund, but which the management company chooses not to sell immediately in the best interests of the client (e.g. transaction costs, price volatility);
- external circumstances such as market changes and external data updates may lead to the investment solutions not achieving the abovementioned objectives.

In such cases, the manager will replace these assets with more appropriate assets as soon as possible, while always operating solely in the interest of the investors.

Moreover, to hedge the sub-fund's risks, the manager may use derivatives on assets issued by issuers that are not eligible for inclusion in the sub-fund provided that there is no usable and comparable alternative available on the market. In addition, counterparties with which derivatives transactions are entered into are not necessarily responsible issuers.

The compliance of the eligible responsible investment universes is ensured at all times through the use of compliance rules in the front-office system.

● ***What are the constraints defined in the investment strategy for selecting investments with a view to achieving the sustainable investment objective?***

The negative screening and positive selection methodology is the limiting factor for selecting investments so as to choose investments with a view to achieving the sustainable investment objective.

Negative screening

In practical terms, the end result of the negative screening methodology is that the sub-fund excludes from its responsible investment universe any issuers that violate the exclusion policies applicable to this sub-fund.

More detailed information on negative screening is available in the section entitled 'To what extent do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?'

Positive selection methodology

The sub-fund has a sustainable investment objective: to contribute to sustainable development by encouraging the transition to a more sustainable world through bonds that finance green and/or social projects.

To promote the transition to a more sustainable world, the sub-fund undertakes to invest a minimum of 80% of the portfolio in bonds that finance green and/or social projects. Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects aligned with the green bond and social bond principles of the International Capital Market Association (ICMA) on the use of proceeds are considered to be bonds that finance green and/or social projects. Instruments that meet these requirements are classified as "sustainable investments" in accordance with Article 2(17) of the SFDR. More detailed information on the specific objectives of the sub-fund is available in the summary table in the section entitled 'What is the sustainable investment objective of this financial product?'

The targets are checked and evaluated annually. The targets may be revised upwards or downwards. The minimum percentage of bonds that finance green and/or green social projects may be revised to reflect any stricter requirements that KBC Asset Management NV wishes to set for the sub-fund. Such revision will thus depend on the future evolution of the responsible investment strategy, as well as on the progress made by issuers in terms of sustainability.

● ***What is the policy for assessing the good governance practices of the companies in which the financial product is invested?***

The four criteria of good governance practices, namely (i) sound management structures, (ii) employee relations, (iii) staff remuneration and (iv) tax compliance, are covered by the negative screening, whereby the sub-fund excludes all issuers falling under the exclusion policies from the responsible investment universe. In addition to excluding issuers involved in certain activities, the screening also excludes issuers that severely violate fundamental principles of environmental protection, social responsibility or good governance, by means of the controversy assessment and

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

the assessment of companies located in countries that encourage unfair tax practices. Issuers are assigned an ESG risk rating. The indicators used in this assessment vary according to the sub-sector of the company, but governance is always taken into account. Companies with an ESG risk score of more than 40 according to Sustainalytics are excluded. On the advice of the Responsible Investment Advisory Board, companies may be excluded or discussed on an ad hoc basis. More detailed information on negative screening is available in the section entitled 'To what extent do the sustainable investments that the financial product intends to make not cause significant harm to any environmental or social sustainable investment objective?'



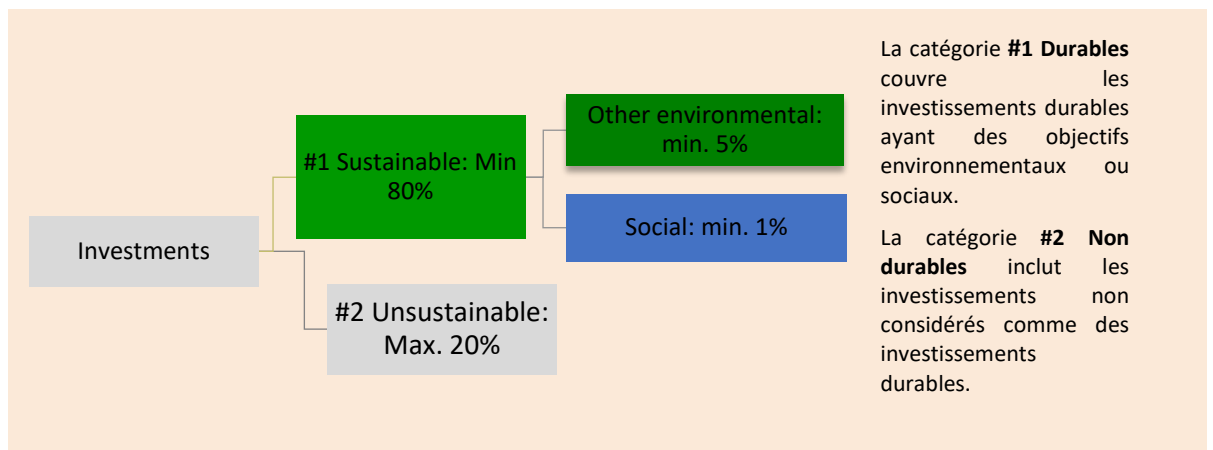
## How are the assets allocated, and what is the minimum proportion of sustainable investments?

The **asset allocation** describes the proportion of investments made in specific assets.

The sub-fund has a sustainable investment objective: to contribute to sustainable development by encouraging the transition to a more sustainable world through bonds that finance green and/or social projects.

Within these eligible asset categories as described in section 6.1 of the prospectus, to encourage the transition to a more sustainable world, the sub-fund undertakes to invest at least 80% of the portfolio in bonds that finance green and/or social projects. Bonds whose proceeds are used exclusively to finance (a combination of) green and social projects aligned with the green bond and social bond principles of the International Capital Market Association (ICMA) on the use of proceeds are considered to be bonds that finance green and/or social projects. Instruments that meet these requirements are classified as “sustainable investments” in accordance with Article 2(17) of the SFDR. An exception is made for technical items such as ancillary liquid assets, bank deposits and derivatives, and assets in which the sub-fund invests temporarily following a scheduled update of the eligible universe. Investments in ancillary liquid assets, bank deposits and derivatives are not used to achieve the sustainable investment objective and will not affect it.

The



La catégorie **#1 Durables** couvre les investissements durables ayant des objectifs environnementaux ou sociaux.

La catégorie **#2 Non durables** inclut les investissements non considérés comme des investissements durables.

sustainable investment target for this sub-fund is equal to the total of the investments in bonds that may be regarded as bonds financing green and/or social projects. Companies with at least 20% of their turnover aligned to the EU taxonomy framework (based on Trucost data) are designed as “sustainable investments”. More detailed information on the percentage of the portfolio that qualifies as ‘sustainable investments with an environmental objective aligned with the EU taxonomy framework’ on the basis of this criterion during the reference period can be found in the annual reports of this sub-fund published after 1 January 2024.

### ● How are derivatives used to achieve the sustainable investment objective?

Derivatives are not used to achieve the sub-fund's sustainable investment objective.

Taxonomy-aligned activities are expressed as a percentage of:

- **turnover**, to reflect the share of revenue from the green activities of the companies in which the financial product is invested;
- **capital expenditure** (CapEx), to show the green investments made by the companies in which the financial product is invested, for a transition to a green economy, for example;
- **operating expenses** (OpEx), to reflect the green operational activities of the companies in which the financial product is invested.



## What is the minimum extent to which sustainable investments with an environmental objective are aligned with the EU taxonomy?

The minimum percentage invested in environmentally sustainable economic activities within the meaning of the European Union Taxonomy is 0%.

To comply with the EU taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

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

**Transitional activities** are activities for which there are currently no low-carbon replacement solutions and, among other things, have greenhouse gas emissions that correspond to the best achievable performance.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy?<sup>16</sup>

Yes:



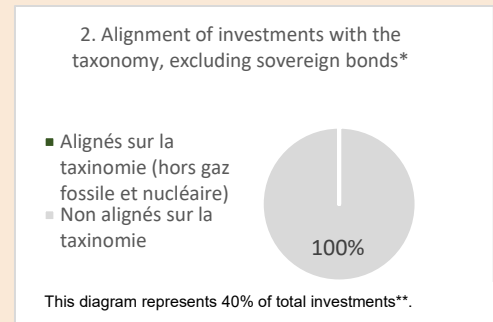
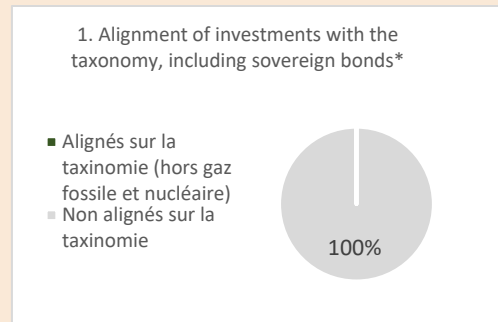
In fossil gas



In nuclear energy

No

*The minimum percentage of EU taxonomy-aligned investments is shown in green in the two diagrams below. Since there is no suitable methodology for determining the alignment of sovereign bonds with the taxonomy, the first diagram shows the alignment with the taxonomy in relation to all the investments of the financial product including sovereign bonds, whereas the second diagram shows the taxonomy alignment of all the investments of the financial product except sovereign bonds.*



*\*For the purposes of these diagrams, 'sovereign bonds' includes all sovereign exposures.*

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

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

Not applicable.

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 related economic activities that comply with the EU taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



The symbol represents sustainable investments with an environmental objective that **do not conform to the criteria** applicable to environmentally sustainable economic activities under the EU taxonomy.



### What is the minimum proportion of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?

The sub-fund undertakes to invest at least 5% of its assets in sustainable investments with an environmental objective that are not aligned with the EU taxonomy.



### What is the minimum proportion of sustainable investments with a social objective?

The sub-fund undertakes to invest at least 1% in sustainable investments with a social objective.



### Which investments are included in the “#2 Unsustainable” category, what is their purpose and are there any minimum environmental or social safeguards?

This may include ancillary liquid assets, bank deposits and/or derivatives that are not part of the screening methodology. These investments are not used to achieve the sustainable investment objective and will not affect it. Counterparties with whom derivative contracts are concluded must meet the conditions set out in the blacklist applicable to the KBC Group, which is available on the KBC Asset Management NV website.



### Is a specific index designated as the benchmark for achieving the sustainable investment objective?

No benchmark has been designated to achieve the sustainable investment objective.

- **How does the benchmark take sustainability factors into account so that it is always aligned with the sustainable investment objective?**

Not applicable.

- **How is it ensured that the investment strategy is permanently aligned with the methodology of the benchmark?**

Not applicable.

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

Not applicable.

- **Where can the method used to calculate the designated benchmark be found?**

Not applicable.

The benchmark indices are indices used to measure whether the financial product achieves the sustainable investment objective.



### Where can I find more product-specific information online?

More detailed information about the product can be accessed on the website: [www.kbc.be/SRD](http://www.kbc.be/SRD) > KBC Bonds Green Social Sustainability Bonds Responsible Investing