

General Sustainability Policy and Adverse sustainability impacts statement

The transition to sustainable, low-carbon, resource-efficient circular economy is a key for the long-term competitiveness of our economy. Sustainability or ESG in investments is becoming more than ever an important factor for that transition. Environmental, social, and governance (ESG) criteria deal with issues like climate changes, air and water pollution, biodiversity, human rights, social standards, corporate governance and many more. These criteria help to better determine the future financial performance of companies (return and risk).

Sustainability is intertwined in our corporate strategy and in our daily activities. As part of KBC group our strategy is continuously adapted to sustainable goals in order to be able to meet the expectations of all stakeholders.

Sustainability also plays important role in our investment strategy, investment and insurance advice. UBB is a financial institution which provides investment and insurance advice in relation to the mutual funds managed by KBC Asset Management (KBC AM). In our role as a financial advisor within the meaning of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (ESG Regulation), we are supposed to disclose the following information in relation to the integration of the sustainability risk into investment advice.

What is Sustainability Risk?

Sustainability risk as defined in ESG Regulation is the risk that the value of the investments may be negatively affected by environmental, social or governance events or conditions.

The nature of these risks varies along a time scale:

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

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

Responsible Investment Policy in light of Sustainability Risks

UBB distributes funds managed by KBC AM, which are committed to achieving long-term sustainable investment returns for its clients. This means KBC AM makes investment decisions on behalf of its clients based on an investment policy which includes sustainability risks, social, ethical and environmental standards.

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

- abidance by a General [exclusion policy](#) for conventional and SRI fund which applies to all funds distributed by UBB
- strict differentiation between sustainable and responsible investing (SRI) funds and other conventional funds, with stricter ESG standards and hence lower sustainability risk for the SRI funds.

The following examples may help to illustrate the practical effect of this policy:

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

The Investment policy of KBC AM continuously assesses the underlying investments at issuer level, but also (where relevant) at the level of asset allocation and regional or sectoral allocation level. These regular reviews consider sustainability risk as one of several elements that may affect return.

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

Principal adverse impact on the sustainability factors

Currently UBB does not consider the principal adverse impact on sustainability factors due to lack of information on the funds, distributed through our investment advice. UBB will start considering this information and will integrate it into our investment advice as soon as sustainable funds are available for offering by it, with consideration of the major adverse impact being provided from the asset management company.

Nevertheless, the following policies with impact on sustainability factors are being strictly applied by KBC AM:

Shareholder Engagement

As part of its commitment to long-term sustainable investment, KBC AM exercises the voting rights of the shares it manages in accordance with its Proxy Voting and Engagement Policy. This means that KBC AM makes its voice heard at shareholder meetings and engages with many companies in order to promote the interests of its clients. The key principles of the Proxy

Voting Policy can be found [here](#) and KBC AM also publishes an annual overview of proxy voting and shareholder engagement activities of KBC AM on its website.

Ethical Standards

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

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