Policy Statement and Exclusions Policy for the KBI Water Fund

For the KBI Water Fund, the following exclusions apply *in addition to* the standard house exclusion list. For the avoidance of doubt, these exclusions are not mandatory for other funds/portfolios of the Water strategy.

Excluded companies:

- Companies which derive more than 10% of their revenues from the production of **weapons** or tailor-made components thereof. Weapons are defined as products or basic components of products which have been designed to injure/kill, and which are used exclusively for military purposes. Tailor-made components are components which are developed primarily in order to be integrated into a weapons system.
- Companies that manufacture or sell **nuclear weapons** or tailor-made components of nuclear weapons to countries that have not signed the Nuclear Non-Proliferation Treaty. *See previous bullet for definition of tailor-made components.*
- Companies that derive more than 5% of their revenues from the production of **tobacco**, products that contain tobacco or the wholesale trading of these products. From 2025 onwards, the threshold will be zero.
- Companies that derive more than 5% of their revenue from direct involvement in thermal **coal and/or unconventional oil and gas** activities (defined as exploration, mining, extraction, transportation, distribution or refining of thermal coal or unconventional oil and gas, or providing dedicated equipment or services therefor), or that are increasing their absolute production of or capacity for thermal coal-related products/services. Unconventional oil and gas is defined as the extraction of tar/oil sands, shale oil, shale gas and Arctic drilling.
- On a best efforts basis, companies with more than 50% of their revenues derived from products/services dedicated to the execution of **coal**-related activities
- Companies involved in the **generation of power/heat from non-renewable** sources, or providing dedicated equipment or services therefor, are excluded unless the company is increasing its absolute production of or capacity for contributing products/services, and the company is not structurally increasing its absolute production of or capacity for coal-based or nuclear-based energy-related products and services and one of the following conditions is met:
  - the company has an SBTi target set at well-below 2C or 1.5C, or have a SBTi 'Business Ambition for 1.5C' commitment
  - OR the company derives more than 50% of its revenues from "contributing activities" OR the company has more than half its capex dedicated to "contributing activities". Contributing activities" are defined as activities included in the EU taxonomy, OR which contribute clearly and concretely to any of the EU environmental objectives as set out in the Taxonomy, or the Sustainable Development Goals (SDGs)
- On a best efforts basis, companies with more than 50% of their revenues derived from products/services dedicated to the execution of **power/heat from non-renewable sources** as defined above, subject to the same exceptions as in the previous paragraph.
- Electric utilities constructing additional coal-based or nuclear-based power production installations.
- Companies which derive more than 5% of revenues from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services therefor, unless that company meets at least one of the conditions below:
  - Has a SBTi target set at well-below 2C or 1.5C, or has a SBTI "Business Ambition for 1.5C' commitment.
  - Has less than 15% of Capex dedicated to oil and gas-related activities and not with the objective of increasing revenue
  - Has more than 15% of Capex dedicated to activities which are contributing activities. "Contributing activities" are defined as activities included in the EU taxonomy, OR which contribute clearly and concretely to any of the EU environmental objectives as set out in the Taxonomy, or the Sustainable Development Goals (SDGs)

- On a best efforts basis, companies with more than 50% of their revenues derived from products/services dedicated to the execution of oil and gas related activities defined above, subject to the same exceptions as in the previous paragraph.

Policy statement on certain Responsible Investing issues:

Nuclear Energy: Taking into account both concerns about the true financial viability of nuclear power (when disposal costs are taken into account) and the scope for catastrophic negative impact in the event of a safety failure, nuclear power generation is not seen as having a positive part to play in the transition to a carbon-free or low carbon society and economy. In our analysis of the ESG credentials of investee companies, which directly influences our investment decisions on such companies, material involvement with nuclear power will be treated as a negative factor.

Biological diversity is defined by the United Nations as the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems ad the ecological complexes of which they are part; this includes genetic diversity within species, between species and of ecosystems. Biodiversity is clearly declining worldwide, caused in large part by human actions, leading to the wide acceptance of the need for global coordination of action. Investments in companies working to reduce water pollution and increase the quality of clean water will often help to reduce the decline of biodiversity in marine ecological complexes, and involvement in this type of activity will be treated as a positive factor in our analysis of the ESG credentials of investee companies, which directly influences our investment decisions on such companies.

Taxation: we regard the proper payment of taxation as being a material governance issue, and breach of taxation obligations will be treated as a negative factor in our analysis of the ESG credentials of investee companies, which directly influences our investment decisions on such companies.

Water use: only companies which are providing solutions to the global shortage of clean water, and waste water services are eligible for investment by the fund. Additionally, we consider a number of environmental issues, including water usage, in our analysis of the ESG credentials of investee companies (and this analysis directly influences our investment decisions on such companies).

Oppressive regimes: we do not invest in government-issued fixed income securities so the question of investing, or not, in bonds issued by governments which are oppressive regimes does not arise. In the case of *companies* which are domiciled in countries which have oppressive regimes, we will not, in general, regard this as a factor which would exclude investment in such companies, unless the United Nations or European Union has implemented formal sanctions against such investments.

Death penalty: the death penalty remains legal in a number of countries and for as long as it continues to be lawful in those countries, and is not prohibited by international law, we will not exclude investments in companies which operate in countries which continue to have, and use, the death penalty.

Forward contracts on agricultural commodities: this fund invests only in equities, and the firm as a whole does not invest directly in forward contracts on commodities, whether agricultural or otherwise. We do however recognise that trading in agricultural commodities, or futures or forwards, is sometimes carried out for risk management purposes (for example allowing farmers to have certainty in advance on the price they can achieve for their crops), and sometimes for unproductive speculative reasons, and even in some circumstances in an attempt to deliberately drive prices up or down by market manipulation. We do not at this time believe that an outright ban on trading in agricultural commodity forwards is necessary, but we do support measures to reduce or eliminate potential market manipulation.

Sources of information:

It should be noted that as this product may only invest in *water* companies, the likelihood of any investee companies being involved in many of the excluded activities is very low.

However, to ensure a rigorous process is in place to exclude companies in breach of the criteria/screens set out in this document, we use a variety of external sources as well, of course, as our own detailed knowledge of the relatively small number of companies in which we invest.

At a firm level, we exclude investments in companies involved with controversial weapons (including landmines, cluster bombs, chemical and biological weapons), companies that are in serious and ongoing breach of the ten Principles of the Global Compact, and companies that are involved in large-scale coal extraction or generation. These companies are identified by our parent company, Amundi, which uses the services of external specialised research companies for this purpose. The final decision in each case is made by Amundi's ESG Ratings Committee, of which KBIGI's Head of Responsible Investing is a member.

For this specific product, there are a number of additional screens as outlined above. We use the services of MSCI ESG Research to identify companies in breach of these screens, generally using the criteria and screens set out in the "*Febelfin Quality Standard – A Practical Guide to the Avoiding Harm Requirements*" publication of MSCI ESG Research Inc. For some purposes where MSCI ESG Research data is not available, we use data from the Transition Pathway Initiative and/or the Paris Agreement Transition Capital Transition Assessment tool (developed by the PRI and the Two Degree Investing Initiative). We will continue to monitor data sources and availability because it is likely that coverage and data availability will significantly improve over time.

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