

KRANESHARES ICAV

KraneShares MSCI China Clean Technology Index UCITS ETF

20 February 2024

(A sub-fund of KraneShares ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C181441 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).

This Supplement (the “Supplement”) forms part of the Prospectus dated 20 February 2024 (the “Prospectus”) in relation to KraneShares ICAV (the “ICAV”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the KraneShares MSCI China Clean Technology Index UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the ICAV.

The Sub-Fund is an Index Tracking Sub-Fund.

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser. An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

KEY INFORMATION

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

Base Currency	US Dollars
Business Day	a day on which commercial banks are open and settle payments in China, Hong Kong, UK and US, including days on which such commercial banks are open only half a day.
Dealing Deadline	For cash subscriptions and redemptions, 5pm (Irish time) on the Business Day immediately prior to each Dealing Day.
Index	MSCI China IMI Environment 10/40 Index
Index Provider	MSCI Inc.
Listing Stock Exchange	Euronext Dublin, London Stock Exchange
Minimum Subscription Amount	50,000 Shares (for in-kind subscriptions) or cash equivalent (for cash subscriptions)
Offer Period	9am on 21 February 2024 to 5pm on 20 August 2024 or such earlier or later date as the Directors may determine.
Settlement Deadline	Appropriate cleared subscription monies must be received by the Second Business Day following the Dealing Day, or such later date as may be determined by the ICAV and notified to prospective investors from time to time.
Valuation	The Net Asset Value per Share is calculated in accordance with the “ <i>Determination of Net Asset Value</i> ” section of the Prospectus, using the official closing price published by the relevant exchange.
Valuation Point	Close of business on the New York Stock Exchange on each Valuation Day or such other time as the Directors may determine in respect of the Sub-Fund from time to time and notify to Shareholders in advance.

The following Share Classes are available in the Sub-Fund:

Class	Initial Offer Price	TER
Class USD	N/A	0.78
Class EUR	25	0.78
Class GBP	25	0.78

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective. The objective of the Sub-Fund is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the investable universe of publicly traded Chinese companies in the industrial, utility, real estate and technology sectors whose

primary business or businesses involve contributing to a more environmentally sustainable economy by making more efficient use of scarce natural resources or by mitigating environmental degradation through working to lessen environmental damage. (“**China Clean Technology Companies**”).

Investment Policy. The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus), as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund’s performance and that of the Index. Any determination by the Directors that the Sub-Fund should track another index at any time shall be subject to the provision of reasonable notice to Shareholders to enable any Shareholders who wish to do so to redeem their Shares prior to implementation of this change and the Supplement will be updated accordingly.

The Index is a free-float adjusted market capitalisation weighted index, which is constructed from the MSCI ACWI IMI Investable Market Index (IMI) (the “**Parent Index**”) and which is designed to measure the equity market performance of Chinese Clean Technology Companies. Companies from the Parent Index which have faced very severe controversies pertaining to ESG issues in the last three years, defined as having an ESG Controversy Score of 0, and companies which are involved in controversial weapons, as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes, are excluded from the Index. In order to be included in the Index, companies from the Parent Index must be publicly traded Chinese companies and derive at least 50% of their revenues, as determined by the Index Provider from (1) alternative energy; (2) sustainable water; (3) green building; (4) pollution prevention; and (5) energy efficiency. The issuers included in the Index may include small-cap, mid-cap and large-cap companies. The Index is modified so that, as of the rebalance date, the weight of each group entity is capped at 10% and all group entities with weight of more than 5% should not exceed 40% of the Index by weight.

Under normal circumstances, the Sub-Fund invests at least 80% of its net assets in securities issued by China Clean Technology Companies or in depositary receipts representing securities of the Index. Depositary receipts are securities issued by a financial institution which evidence ownership interests in a security or a pool of securities deposited with the financial institution.

As of September 30 2023, issuers in the Consumer Discretionary sector (38.79%), Industrials sector (27.95%), and Information Technology sector (18.68%) represented significant portions of the Index and the Index included 56 securities of companies with a market capitalisation range of approximately \$257.36 million to \$10.69 billion and an average market capitalisation of approximately \$3.487 billion. The Index is rebalanced quarterly.

The Index Provider is independent of the ICAV and the Investment Manager. Further details on the Index, including its components and performance, are available at: <https://www.msci.com/CHINA> and at <https://www.msci.com/constituents>.

In order to seek to achieve the Sub-Fund’s investment objective, the Investment Manager will aim to replicate the Index by holding all of the constituents of the Index in a similar proportion to their weighting in the Index. Further information on the use of the replication methodology can be found under “*Index Tracking Sub-Funds*” in the “*Investment Objectives and Policies*” section of the Prospectus.

The Sub-Fund may in certain, limited circumstances, where replication of the Index is not reasonably practical (for example as a result of the illiquidity or unavailability of certain securities within the Index), invest in instruments that are not included in the Index but which the Investment Manager believes will

help the Sub-Fund replicate the Index, e.g. securities which provide similar price and yield performance and risk profiles to constituents of the Index. These investments may include equity securities and depositary receipts of issuers whose securities are not components of the Index.

Although the Index is generally well diversified, because of the market it reflects it may, depending on market conditions, contain constituents issued by the same body that may represent more than 10% of the Index. In order for the Sub-Fund to track the Index accurately, the Sub-Fund will make use of the increased diversification limits available under Regulation 71 of the UCITS Regulations. These limits permit the Sub-Fund to hold positions in individual constituents of the Index issued by the same body of up to 20% of the Sub-Fund's Net Asset Value.

Instruments / Asset Classes. The following types of China-related equity securities may be included in the Index and/or represent investments of the Sub-Fund:

- *China A-Shares* of companies incorporated in mainland China and traded on Chinese exchanges. China A-Shares are primarily purchased and sold in the domestic Chinese market. To the extent the Sub-Fund invests in China A-Shares, it will do so through a QFII or RQFII license obtained by the Investment Manager and/or the sub-investment manager of the Sub-Fund and/or the Shanghai-Hong Kong Stock Connect Program or Shenzhen-Hong Kong Stock Connect Program.
- *China B-Shares* of companies listed on the Shanghai or Shenzhen Stock Exchange but quoted and traded in foreign currencies (such as Hong Kong Dollars or U.S. Dollars), which were primarily created for trading by foreign investors.
- *China H-Shares* of companies incorporated in mainland China and listed on the Hong Kong Stock Exchange, where they are traded in Hong Kong Dollars and may be traded by foreign investors.
- *China N-Shares* of companies with business operations in mainland China and listed on an American stock exchange, such as NYSE or NASDAQ.
- *P-Chips* of private sector companies with a majority of their business operations in mainland China and controlling private Chinese shareholders, which are incorporated outside of mainland China and traded on the Hong Kong Stock Exchange in Hong Kong Dollars.
- *Red Chips*, which are shares of companies with a majority of their business operations in mainland China and controlled by the central, provincial or municipal governments of the PRC, whose shares are traded on the Hong Kong Stock Exchange in Hong Kong Dollars.
- *S-Chips*, which are shares of companies with business operations in mainland China and listed on the Singapore Exchange. S-Chip shares are issued by companies incorporated anywhere, but many are registered in Singapore, the British Virgin Islands, the Cayman Islands or Bermuda.
- Global Depositary Receipts as alternatives to directly purchasing the above equity securities in their national markets and currencies.

The Sub-Fund may invest in Index components that rely on VIE structures to gain indirect exposure to the types of securities described above. The Sub-Fund's exposure to such structures is expected to be approximately equal to the proportion of the Index which such structures represent and may therefore vary over time, in line with the performance of the Index. As at 15 May 2023, VIE structures represented 27.54% of the Index. Please see the "*Investment Risks*" section below for further details in this respect.

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets globally, although the Sub-Fund may also invest in unlisted securities in accordance with the limits set out in the UCITS Regulations. In normal circumstances, the Sub-Fund may hold up to 10% of its Net Asset Value in ancillary liquid assets (deposits, certificates of deposit, commercial paper and fixed rate bonds issued by governments which are rated investment grade) in accordance with the UCITS Regulations, provided however that this restriction will not apply following large subscriptions and/or large redemptions to/from the Sub-Fund. The Sub-Fund may also, subject to a maximum of 10% of its Net Asset Value, invest in other regulated, open-ended collective investment schemes, including ETFs, as described under “*Investment in other Collective Investment Schemes*” in the “*Investment Objectives and Policies*” section of the Prospectus, where the objectives of such funds are consistent with the objective of the Sub-Fund. Such funds may be advised, sponsored or otherwise serviced by the Investment Manager or an affiliate.

The Sub-Fund does not currently use financial derivative instruments.

Sustainable Finance. As described above, the Sub-Fund seeks to promote a combination of environmental and social characteristics, within the meaning of Article 8. Investors should also refer to the “*Sustainable Finance*” section of the Prospectus and the Annex to this Supplement for further details on how the Investment Manager addresses Sustainability Risks and ESG Integration for the Sub-Fund.

Risk Management. The expected proportion of the assets under management of the Sub-Fund that could be subject to securities lending will be 10%, subject to a maximum of 50%. The Sub-Fund will not have any exposure to repurchase agreements or total return swaps.

For information in relation to the difficulties associated with tracking indices, please refer to “*Index Tracking Risk*” in the “*Risk Information*” section of the Prospectus. It is currently anticipated that the tracking error of the Sub-Fund will be up to 1% under normal market conditions. The causes of tracking error can include but are not limited to the following: holdings/size of the Sub-Fund, cash flows, such as any delays in investing subscription proceeds into the Sub-Fund or realising investments to meet redemptions, fees and the frequency of rebalancing against the Index.

Portfolio Holding Disclosure Policy. The Sub-Fund will publicly disclose its complete holdings on a daily basis. Details of the Sub-Fund’s holdings and full disclosure policy may be found at: www.kraneshares.eu.

INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. In addition, investors should be aware of the risks headed “*Sustainability Risk*”, “*A-Shares Risk*”, “*Country Concentration*”, “*Equity Related Risks*”, “*Holdings and Sector Concentration*”, “*Emerging Markets Including China*” and “*Index Related Risks*” in the “*Risk Information*” section of the Prospectus.

The Sub-Fund will invest in China A-Shares through the Stock Connect Programs which may entail additional clearing, settlement, regulatory, operational and counterparty risk, quote limitations and other operational constraints (as set out in the Prospectus).

The Sub-Fund may invest in Variable Interest Entity (VIE) structures. An investment in a VIE structure is an investment in a company which indirectly maintains contractual arrangements with an underlying China-based operating company and does not constitute a direct investment in the underlying China-

based operating company. VIE structures do not provide ownership or voting rights in the underlying company but give exposure to the financial performance of such companies. VIE structures are used commonly by many China-based operating companies due to Chinese government restrictions on direct foreign ownership of companies in certain industries.

If any of the following occur, the market value of the Sub-Fund's holdings in VIEs would likely fall, causing investment losses for the Sub-Fund:

- The Chinese company engages in activity that negatively impacts its investment value. The VIE's ability to control the activities of the Chinese company is limited.
- Intervention by the Chinese government adversely affects the enforceability of the VIE's contractual arrangements with the Chinese company and thereby the value of the VIE's shares.
- The Chinese government determines that the agreements establishing the VIE structure do not comply with Chinese law and regulations, including those related to prohibitions on foreign ownership.
- If legal formalities are not observed in connection with the agreements, if the agreements are breached or if the agreements are otherwise determined not to be enforceable this may jeopardise the VIE's control over the Chinese company.

The Sub-Fund may invest in a single country or a small number of countries and as a result may have greater exposure to market, political, legal, economic and social risks of those countries than a Sub-Fund which diversifies country risk across a greater number of countries. There is a risk that a particular country may impose foreign exchange and/or conversion controls or regulate in such a way as to disrupt the way the markets in that country operate. The consequences of these actions, and others such as confiscation of assets, could be to hinder the normal operation of the Sub-Fund with regard to the purchase and sale of investments and possibly the ability to meet redemptions. In such cases, the Sub-Fund may be suspended and investors may not be able to acquire or redeem Shares. These and other actions could also adversely affect the ability to price investments in the Sub-Fund which could affect the Net Asset Value of the Sub-Fund in a material way.

Investors should also be aware that the companies which are components of the Index may be of an emerging nature and may consequently have smaller market capitalisation and operating scale than other more established companies. Such companies are typically subject to wider price fluctuations and may have lower liquidity when compared to large capitalisation companies. In light of the foregoing, Index components may be subject to significant changes in valuation.

INVESTOR PROFILE

Typical investors in the Sub-Fund are expected to be investors who want to take short, medium or long term exposure to the performance of China based companies whose primary business or businesses involve contributing to a more environmentally sustainable economy by making more efficient use of scarce natural resources or by mitigating environmental degradation.

SUBSCRIPTIONS – PRIMARY MARKET

Shares in Share Classes which have not already launched at the date of this Supplement will be available during the Offer Period at the Initial Offer Price per Share set out above under “*Key Information*” or such other amount as determined by the Investment Manager and communicated to investors prior to investment.

After the Closing Date, Shares will be issued on each Dealing Day at the appropriate Net Asset Value

per Share with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Investors may subscribe for Shares for cash on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the “*Purchase and Sale Information*” section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable Settlement Deadline.

REDEMPTIONS – PRIMARY MARKET

Shareholders may effect a redemption of Shares on any Dealing Day at the appropriate Net Asset Value per Share, subject to an appropriate provision for Duties and Charges, provided that a valid redemption request from the Shareholder is received by the ICAV by the Dealing Deadline on the relevant Dealing Day, in accordance with the provisions set out in this section and at the “*Purchase and Sale Information*” section of the Prospectus. Settlement will normally take place within two Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

FEES AND EXPENSES

The TER for each Class is set out in the table in the “*Key Information*” section above.

Further information in this respect is set out in the “*Fees and Expenses*” section of the Prospectus.

DISTRIBUTIONS

The Sub-Fund has determined to accumulate all net investment income and net realised capital gains attributable to the Class USD, Class GBP and Class EUR Shares and therefore does not intend to declare dividends in respect of Shares in such Share Classes.

LISTING

Application has been made for the Shares to be admitted to the Official List and to trading on the Regulated Market of Euronext Dublin and to trading on each of the Listing Stock Exchanges. Shares may also be admitted to trading on other stock exchanges.

INDEX DISCLAIMER

MSCI Inc. is a leading provider of global indexes. MSCI is not affiliated with the ICAV, the Investment Manager, the Administrator, the Depositary or any of their respective affiliates. The Investment Manager has entered into a license agreement with MSCI to use the Index and MSCI marks, and sublicenses such rights to the Sub-Fund at no charge. The Investment Manager uses the marks for the purpose of promoting and marketing the Sub-Fund.

The Sub-Fund is not sponsored, endorsed, sold or promoted by MSCI Inc. (“**MSCI**”), any of its affiliates, any of its information providers or any other third party involved in, or related to, compiling, computing or creating the Index (collectively, the “**MSCI Parties**”). The Index is the exclusive property of MSCI. MSCI and the Index name is a service mark of MSCI or its affiliates and has been licensed for use for certain purposes by the Investment Manager. None of the MSCI parties makes any representation or warranty, express or implied, to the issuer or owners of the Sub-Fund or any other person or entity regarding the advisability of investing in funds generally or in this fund particularly or the ability of any MSCI index to track corresponding stock market performance. MSCI or its affiliates are the licensors of certain trademarks, service marks and trade names and of the Index which is determined, composed and calculated by MSCI without regard to the Sub-Fund or the issuer or owners of the Sub-Fund or any

other person or entity. None of the MSCI Parties has any obligation to take the needs of the issuer or owners of the Sub-Fund or any other person or entity into consideration in determining, composing or calculating the Index. None of the MSCI Parties is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Sub-Fund to be issued or in the determination or calculation of the equation by or the consideration into which the Sub-Fund is redeemable. Further, none of the MSCI Parties has any obligation or liability to the issuer or owners of the Sub-Fund or any other person or entity in connection with the administration, marketing or offering of the Sub-Fund.

Although MSCI shall obtain information for inclusion in or for use in the calculation of the Index from sources that MSCI considers reliable, none of the MSCI Parties warrants or guarantees the originality, accuracy and/or the completeness of the Index or any data included therein. None of the MSCI Parties makes any warranty, express or implied, as to results to be obtained by the issuer of the Sub-Fund, owners of the Sub-Fund, or any other person or entity, from the use of the Index or any data included therein. None of the MSCI Parties shall have any liability for any errors, omissions or interruptions of or in connection with the Index or any data included therein. Further, none of the MSCI Parties makes any express or implied warranties of any kind, and the MSCI Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to the Index and any data included therein. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No purchaser, seller or holder of this security, product or fund, or any other person or entity, should use or refer to any MSCI trade name, trademark or service mark to sponsor, endorse, market or promote this security without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

ANNEX

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

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: KraneShares MSCI China Clean Technology Index UCITS ETF

Legal entity identifier: 6354009BTDDUK9VOR12

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____%	<input type="checkbox"/> 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 ____% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

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

Through tracking the Index, the Sub-Fund promotes the following environmental characteristics:

- Investment in securities that derive at least 50% of their revenues from environmentally beneficial products and services; and
- Investment in companies that contribute to a more environmentally sustainable economy by making efficient use of scarce natural resources or by mitigating the impact of environmental degradation, through working to lessen environmental damage.

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.

The following sustainability indicators are used to measure the attainment of the Sub-Fund's environmental characteristics:

- The Index only includes companies that derive at least 50% of their revenues from one or more of the following categories of the MSCI Sustainable Impact Metrics: Alternative Energy, Sustainable Water, Green Building, Pollution Prevention and Energy Efficiency;
- Companies having faced very severe controversies pertaining to ESG issues in the last three years, defined as companies with an ESG Controversy Score of 0, are excluded from the Index; and
- Companies involved in Controversial Weapons, as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes, are excluded from the Index.

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

N/A – The Sub-Fund does not commit to investing in sustainable investments

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

N/A – The Sub-Fund does not commit to investing in sustainable investments

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

N/A – The Sub-Fund does not commit to investing in sustainable investments

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

N/A – The Sub-Fund does not commit to investing in sustainable investments

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

The “do 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.

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.



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

☐ Yes, _____

☒ No



What investment strategy does this financial product follow?

The objective of the Sub-Fund is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the investable universe of publicly traded Chinese companies in the industrial, utility, real estate and technology sectors whose primary business or businesses involve contributing to a more environmentally sustainable economy by making more efficient use of scarce natural resources or by mitigating environmental degradation (“China Clean Technology Companies”).

The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus), as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund's performance and that of the Index.

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

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 Sub-Fund replicates the Index, which is constructed using inclusion and exclusion criteria, which are binding.

Firstly, the Index is constructed using the following steps: (i) Defining the Parent Index, (ii) Defining the Eligible Universe, and (iii) Security Selection.

Secondly, the eligible universe is constructed by starting from the MSCI ACWI IMI Investable Market Index (IMI) (the “**Parent Index**”) then excluding securities based on the following criteria: (i) Companies having faced very severe controversies pertaining to ESG issues in the last three years, defined as companies with an ESG Controversy Score of 0, are excluded from the Index and (ii) Companies involved in Controversial Weapons, as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes, are excluded from the Index.

Thirdly, publicly traded Chinese companies from the Parent Index are then evaluated for the level of involvement in and strategic commitment to five Environmental Impact themes which are as follows: Alternative Energy, Sustainable Water, Green Building, Pollution Prevention and Energy Efficiency. Companies remaining in the eligible universe which derive 50% or more of their revenue cumulatively from the five Environmental Impact themes are eligible to be included in the Index

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

Not applicable.

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

The Index Provider assess companies that have faced very severe controversies pertaining to ESG issues in the last three years, defined as companies with an ESG Controversy Score of 0, These are excluded from the Index.

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



Asset allocation describes the share of investments in specific assets.

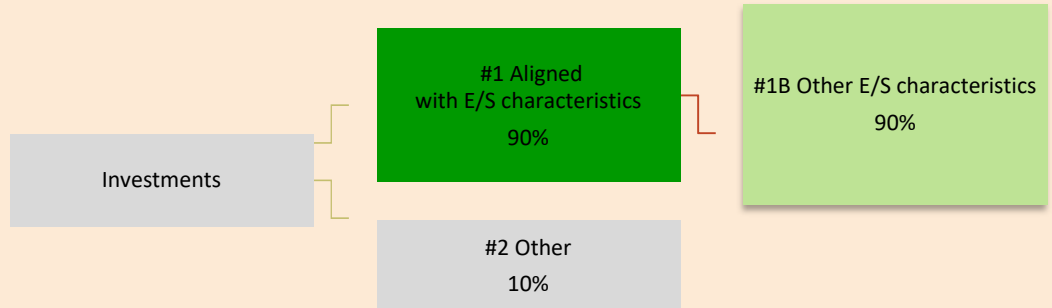
What is the asset allocation planned for this financial product?

The Sub-Fund aims replicate the Index by holding all of the constituents of the Index in a similar proportion to their weighting in the Index. As the Sub-Fund promotes the environmental and social characteristics described above through its replication of the Index, substantially all of the assets of the Sub-Fund will be used to promote these characteristics. However, due to misaligned settlement cycles between dealing in Shares in the Sub-Fund and in constituents of the Index, the Sub-Fund may occasionally and for short periods of time hold up to 10% of its Net Asset Value in cash, which

will not count as assets which are aligned with the environmental and social characteristics promoted by the Sub-Fund. The Sub-Fund does not commit to making any sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



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

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

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

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

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

The Sub-Fund does not use derivatives to seek to attain its investment objective



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

0% of the Sub-Fund's Net Asset Value is invested in sustainable investments that have an environmental objective aligned with the EU Taxonomy.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹

☐ **Yes:**

☐ In fossil gas ☐ In nuclear energy

☒ **No**

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

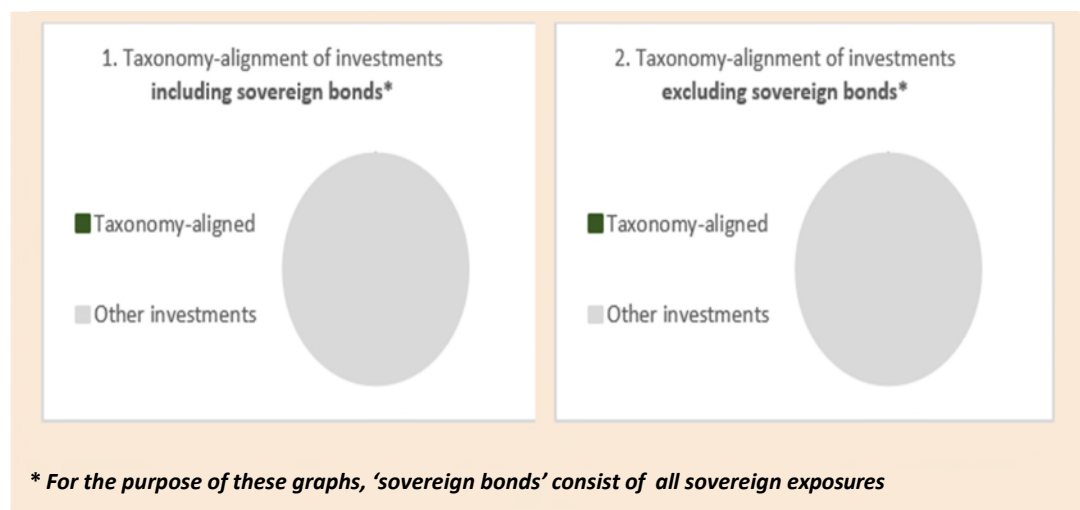
directly enable other activities to make a substantial contribution to an environmental objective.

Transitional

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 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 Regulations (EU) 2022/1214.

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



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

N/A – The Sub-Fund does not commit to investing in sustainable investments.



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

N/A – The Sub-Fund does not commit to investing in sustainable investments.



What is the minimum share of socially sustainable investments?

N/A – The Sub-Fund does not commit to investing in sustainable investments.



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

Investments made by the Sub-Fund that may be classified as “#2 Other” may be in securities issued by companies which are not included in the Index which are held to help the Sub-Fund replicate the Index, e.g. securities which provide similar price and yield performance and risk profiles to constituents of the Index. Such securities will be subject to good governance requirements.

Additionally, the Sub-Fund may hold “#2 Other” assets, such as units in other funds for the purposes of efficient portfolio management, liquidity management or hedging purposes and cash, for ancillary liquidity purposes and where settlement cycles between dealing in Shares in the Sub-Fund and in constituents of the Index are misaligned. No minimum environmental or social safeguards are applied to Other assets.

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?

Yes, the MSCI China IMI Environment 10/40 Index (USD)

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

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



The Index is comprised of securities issued by companies which derive at least 50% of their revenues from products and services from alternative energy; sustainable water; green building; pollution prevention; and energy efficiency. The Investment Manager considers

Investment in companies which meet this criterion to be a means of promoting the environmental characteristics which the Fund promotes, so, as the Index is composed of these securities, it is inherently aligned with these environmental characteristics. The Index is rebalanced quarterly in February, May, August and November. The Index Administrator periodically reviews the Indices (both the rules of construction and data inputs) on a periodic basis, not less frequently than annually, to determine whether they continue to reasonably measure the intended market interest, the economic reality, or otherwise align with their stated objective.

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

The Sub-Fund is passive and seeks to track the Index with minimal tracking error. As above, the Index is re-balanced quarterly in February, May, August and November in accordance with its methodology. The Investment Manager reviews the Index periodically to ensure that it remains aligned with the index strategy of the Sub-Fund.

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

The Index is an MSCI 10/40 index, which take into account regulatory investment limits by ensuring that as of each rebalancing date, the weight of each entity in the Index is capped at 10% and all entities with a weight of more than 5% should not exceed 40% of the Index in aggregate.

In addition, the Index differs from the Parent Index, which represents the broad market, by being limited to publicly traded Chinese companies which meet the environmental requirements described above.

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

https://www.msci.com/eqb/methodology/meth_docs/MSCI_Global_Environment_Index_May2023.pdf

https://www.msci.com/eqb/methodology/meth_docs/MSCI_10_40_Indexes_Methodology_Aug2021.pdf

Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://kraneshares.eu/kgrrnl/>