



Article 10 (SFDR)

Website disclosure for an Article 8 fund

Version 2 (09.30.2024)

KRANESHARES ICAV

KraneShares Electric Vehicles & Future Mobility ESG Screened UCITS ETF

KraneShares MSCI China Clean Technology UCITS ETF

A) Summary

The KraneShares Electric Vehicles & Future Mobility ESG Screened UCITS ETF ("KARS LN"), & KraneShares MSCI China Clean Technology UCITS ETF ("KGRN LN") (together, the "Sub-Funds") do not have a Sustainable Investment objective. They are classified as an Article 8 financial product under the Sustainable Finance Disclosure Regulation ("SFDR").

B) No Sustainable Investment Objective

The KraneShares Electric Vehicles & Future Mobility ESG Screened UCITS ETF & KraneShares MSCI China Clean Technology UCITS ETF are aware of the 'No sustainable investment objective' disclosure, which is required under the SFDR Level 2.

KARS LN and KGRN LN promote environmental or social characteristics, but do not have as their respective objective sustainable investment.

Through their exposure to their respective index, KARS LN & KGRN LN do not commit to making investments with an environmental objective aligned with the EU Taxonomy. However, subject to the screening process and eligibility for inclusion, they may hold investments considered to be sustainable on an incidental basis.

C) Environmental or Social Characteristics of the Financial Product

Through tracking the KARS LN Index (defined below), KARS LN promotes the following environmental/social characteristics:

- Investment in companies that are engaged in or expected to derive significant revenues from the production of electric vehicles or their components or in other initiatives that may change the future of mobility; and
- Avoidance of investment in companies which are involved in ESG controversies and controversial business activities, based on data from ESG data provider, Sustainalytics.

Through tracking the KGRN LN Index (defined below), KGRN LN promotes the following environmental/social 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.

D) Investment Strategy

What is the investment strategy used to meet the environmental or social characteristics promoted?

KARS LN

The objective of KARS LN is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of companies that are engaged in or expected to derive significant revenues from the production of electric vehicles or their components or in other initiatives that may change the future of mobility. The investment policy of KARS LN is to track the performance of the Bloomberg Electric Vehicles ESG Screened Index (Total Return version (BBVET)) (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) (the "KARS LN Index"), as closely as possible, regardless of whether the KARS LN 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 KARS LN Index.

There are two core criteria of the KARS LN Index used to select the investments, both of which are binding.

First, to be included in the KARS LN Index, a security must be classified as belonging to vehicles, electric vehicle components, batteries, hydrogen fuel cells, or raw materials sector classifications as determined by the KARS LN Index Provider.

Second, companies involved in ESG controversies and controversial business activities based on data from ESG data provider, Sustainalytics, are excluded from the KARS LN Index, as summarised in the table below.

Controversial Categories	Criteria
Extreme Event Controversies	<p>Companies included within Category 5. Companies considered to be the "worst of the worst" in the peer group or sector</p> <ul style="list-style-type: none"> • impact and risk are severe and irreversible; • the case is highly exceptional in the peer group; • impact of the misconduct is on a broad range of stakeholders over a long duration and imposes a clear cost on society; • there are serious ongoing risks posed to the company; • the company is directly responsible for the misconduct; • the level of involvement is exceptional among peers in numerous respects; • cases are recurring and have not been addressed adequately or at all; • the company fails to demonstrate the ability to remediate the issue; and • the company refuses to address the issues and / or has tried to conceal the wrongdoing and / or their involvement.
Controversial Weapons	All companies classified as involved in the tailor-made and essential for the lethal use of a controversial weapon system.
UNGC Violation	Companies that have breached a principle of the UN Global Compact .
Civilian Firearms	<p>All companies classified as generating 5% of revenue in:</p> <ul style="list-style-type: none"> • the manufacture and sale of weapons to civilian customers. • the distribution and retail sale of weapons. • the manufacture and sale of key components of weapons.
Thermal Coal Extraction	All companies classified as generating 5% or more of their revenue from the extraction of thermal coal.
Tobacco	All companies classified as generating 5% of their revenue from the production of tobacco or tobacco-related products and services.

	All companies classified as deriving 10% or more of their revenue from the distribution and retail sale of tobacco products.
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KGRN LN

The objective of KGRN LN 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. The investment policy of KGRN LN is to track the performance of the MSCI China IMI Environment 10/40 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) (the “KGRN LN Index”) as closely as possible, regardless of whether the KGRN LN 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 KGRN LN Index.

There are two core criteria of the KGRN LN Index used to select the investments, both of which are binding.

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

Second, 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 KGRN LN 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 KGRN LN Index.

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

KARS LN

The KARS LN Index excludes all companies which have been assessed by ESG data provider, Sustainalytics as being subject to Extreme Event Controversies or which have that have breached a principle of the UN Global Compact.

KGRN LN

The Index Provider (MSCI) 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.

E) Proportion of Investments

0% of KARS LN'S and KGRN LN'S net asset value is invested in sustainable investments that have an environmental objective aligned with the EU Taxonomy.

90% of KARS LN'S & KGRN LN'S net asset value is invested directly in assets which are aligned with the environmental or social characteristics promoted by the Sub-Funds.

The remaining 10% of KARS LN'S & KGRN LN'S net asset value includes the remaining investments of the Sub-Funds which are not aligned with the environmental or social characteristics, such as securities issued by companies which are not included in each Fund's respective index which are held to help the Sub-Funds replicate the relevant Index, e.g. securities which provide similar price and yield performance and risk profiles to constituents of that index. Such securities will be subject to good governance requirements.

Additionally, the Sub-Funds may hold 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. No minimum environmental or social safeguards are applied to such assets.

F) Monitoring of Environmental or Social Characteristics

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product?

To ensure that environmental and social characteristics are met throughout the lifecycle of the Sub-Funds, the ESG process above is applied and monitored on an ongoing basis, at least once a quarter by the Index Provider. In case a security no longer meets this requirement, the security will be sold within the next regular rebalancing of each Fund's respective index, which is quarterly in respect of the KARS LN Index and KGRN LN Index. This ensures that securities which no longer meet the requirements will be held for a defined maximum period after they have been identified as no longer meeting the requirements.

For KARS, the following indicators are used to measure the attainment of KARS' social or environmental characteristics.

- Sector classifications – securities must be classified as belonging to the vehicles, electric vehicle components, batteries, hydrogen fuel cells, or raw materials sector classifications, as determined by the KARS LN Index Provider, to be included in the Index; and
- ESG controversies and controversial business activities data from KARS' ESG data provider, Sustainalytics.

For KGRN, the following indicators are used to measure the attainment of KGRN's social or 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.

G) Methodologies for Environmental or Social Characteristics

The Sub-Funds are passive and seek to achieve the social or environmental characteristics which they promote by tracking their respective index with minimal tracking error. Each Fund's respective index is re-balanced periodically in accordance with their respective methodologies. The Investment Manager reviews each Fund's respective Index periodically to ensure that they remain aligned with the strategy of the Sub-Funds. The methodologies used for the calculation of each Index can be found here:

KARS LN

<https://assets.bbhub.io/professional/sites/27/Bloomberg-Electric-Vehicles-ESG-Screened-Index-Methodology.pdf>

KGRN LN

<https://www.msci.com/documents/10199/cd887ee5-0f45-0f33-74d3-436cb0457d13>

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

H) Data Sources and Processing

Data sources used to attain each of the environmental or social characteristics promoted by the Sub-Funds

The Investment Manager will mainly rely on the designated indexes Bloomberg Electric Vehicles ESG Screened Index & MSCI China IMI Environment 10/40 Index.

Measures taken to ensure data quality

Krane obtains KGRN LN Index data directly from MSCI (index provider) and KARS LN Index data directly from Bloomberg (index provider). Compliance rules are set up in Bloomberg AIM to ensure that each Fund tracks its respective Index; otherwise, an alert will trigger.

How data are processed

The index provider will provide a proforma data set ahead of any rebalance. Krane ensures each Fund continues to track its Index pursuant to a rebalance by uploading the proforma into the Bloomberg AIM system and comparing the new index to the fund's current holdings, and then trade accordingly to align with the effective date of the rebalance.

Proportion of data that are estimated

Krane does not estimate any holdings in the Funds. KARS LN & KGRN LN each fully replicate the respective index as best as possible, with the exception of any sell-only restrictions on A-shares, trading halts or sanctions.

Limitations to Methodologies and Data

The Bloomberg Electric Vehicles ESG Screened Index provides for two core exclusionary criteria which are not features of the Parent Index (Bloomberg World Equity Aggregate Index).

The MSCI China IMI Environment 10/40 Index, which takes 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 MSCI China IMI Environment 10/40 Index, differs from the MSCI ACWI IMI Investable Market Index (IMI) (the “Parent Index”), which represents the broad market, by being limited to publicly traded Chinese companies which meet the environmental/social requirements described above.

I) Due Diligence

In the course of its investment process, the Investment Manager conducts an initial due diligence on the designated index provider for each Sub-Fund and periodically thereafter. This due diligence process assesses the quality of each index provider and the services rendered to the Sub-Funds.

J) Engagement Policies

The Investment Manager does not systematically engage with investee companies as part of its investment process. Each Sub-Fund has a passive investment objective and seeks to track an underlying Index in the manner described above. The Investment Manager may occasionally engage management teams of investee companies via in-person meetings and conference calls for research purposes. The Investment Manager views this direct engagement with investee companies as an essential part of its research process to cover event-driven and company-specific issues.

K) Designated Reference Benchmark

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Sub-Funds?

Each Index has been designated as reference benchmarks to meet the environmental or social characteristics promoted by each Sub-Fund.

How is this index aligned with the environmental and / or social characteristics promoted by the Sub-Funds?

KARS LN

The KARS LN Index is rebalanced quarterly in March, June, September, and December. The administrator of the KARS LN Index periodically reviews the KARS LN Index (both the rules of construction and data inputs) on a periodic basis, not less frequently than annually, to determine whether it continues to reasonably measure the intended market interest, the economic reality, or otherwise align with its stated objective.

The Investment Manager reviews the KARS LN Index periodically to ensure that it remains aligned with KARS' strategy.

KGRN LN

The KGRN LN 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 index (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.

Where can information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations be found?

The methodologies used for the calculation of each Index can be found via the link included above in Section G.

SECTION 2: Entity Level Disclosure headings (All Funds)

The following Funds have been classified as Article 8 products for the purposes of SFDR:

KARS LN

KGRN LN

The remaining Funds issued under the KraneShares ICAV are classified as Article 6 for the purpose of SFDR i.e. they do not promote Environmental or Social Characteristics or have sustainable investment objectives.

1. Sustainability Risk Policy Statement:

We do not deem sustainability risks to be relevant and the reasons for this determination as outlined in the prospectus are accurate. However, we perform this sustainability risk assessment and prospectus review on an annual basis and will inform Waystone promptly if the results of this assessment changes.

2. No Consideration of Principal Adverse Impact Statement:

Unless otherwise stated in the Relevant Supplement, the principal adverse impacts ("PAIs") of investment decisions on sustainability factors are not currently considered for the Sub-Funds as the Manager, in consultation with the Investment Manager, is of the view that, given the nature and activities of the Sub-Funds as Index Tracking Sub-Funds, PAIs are not relevant to the management of the Sub-Funds.

3. Remuneration Policy Summary:

We do not currently consider sustainability factors in our remuneration process and the reasons for this determination as outlined in the prospectus are accurate. However, we perform this sustainability risk assessment and prospectus review on an annual basis and will inform the Waystone promptly if the results of this assessment changes.