

KRANESHARES ICAV

KraneShares MSCI China ESG Leaders UCITS ETF

1 December 2022

(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 1 December 2022 (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 ESG Leaders UCITS ETF Fund (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 London, Hong Kong and New York, 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	The MSCI China ESG Leaders 10/40 Index (USD)
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	In respect of Class EUR and Class GBP, 9 am on 2 December 2022 to 5 pm on 1 June 2023 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	USD 25	0.40%
Class EUR	EUR 25	0.40%
Class GBP	GBP 25	0.40%

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 Chinese companies listed on the Shanghai, Shenzhen or Hong Kong Stock Exchanges (“**China 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 that is designed to measure the performance of large and mid-cap China Companies with high environmental, social and governance (“**ESG**”) performance relative to their sector peers. The Index methodology aims to include securities of companies with the highest ESG ratings representing 50% of the market capitalisation in each Global Industry Classification Standard (“**GICS**”) sector. The Global Industry Classification Standard is a widely accepted industry analysis framework, jointly developed and maintained by MSCI and Standard & Poor’s. The Index targets sector and region weights which are consistent with those of the MSCI China Index to limit the risk introduced by the ESG selection process.

In determining the ESG requirements for inclusion in the Index, the Index Provider utilises a three step process. Firstly, an overall rating is provided based on how well companies manage ESG risks and opportunities such as climate change, product liability and corporate behaviour, with scores and percentiles also indicating how well a company manages each individual ESG element relative to their industry peers. Secondly, an assessment of any negative ESG controversies for the relevant company is undertaken. The ESG controversies framework of the Index Provider is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights of Work, and the UN Global Compact. Thirdly, an exclusion list is applied where companies meet the relevant criteria to be deemed to be involved in controversial activities including the production of alcohol and tobacco or gambling.

Under normal circumstances, the Sub-Fund will invest at least 80% of its net assets in securities of China 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 30 June 2020, the Index included 149 securities of companies with a market capitalisation range of US\$1.352 billion to US\$614.607 billion and an average market capitalisation of approximately US\$22.895 billion. The Index is rebalanced in August, November and February and May. 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: www.msci.com.

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.

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.

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:

- A-Shares issued by companies incorporated in mainland China and accessed through the Stock Connect Programs.
- *China B-Shares* of companies incorporated in mainland China and listed on the Shanghai Exchange in US Dollars and Shenzhen Exchange in Hong Kong Dollars.
- *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.
- *Global Depositary Receipts (including American Depositary Receipts)* as alternatives to directly purchasing the above equity securities in their national markets and currencies.

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 to 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 0%, 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*”, “*Country Concentration*”, “*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 Programmes which are subject to regulatory change, quota limitations and also operational constraints (as set out in the Prospectus) which may result in increased counterparty risk.

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 that have high environmental, social and governance (ESG) ratings relative to their sector peers and are prepared to accept the risks associated with an investment of this type.

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*”.

Thereafter and, in the case of Share Classes which have already launched, from the date of this Supplement, 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 EUR Shares and Class GBP Shares and therefore does not intend to declare dividends in respect of Shares in such Share Classes.

PROXY VOTING AND ENGAGEMENT

The Investment Manager has appointed Broadridge Mutual Fund Proxy Solutions (the “**Proxy Services Provider**”), a leading shareholder communications firm, to provide it with issuer engagement and proxy voting services that will support the ESG investment policies of the Sub-Fund. Engagement is the process by which the Proxy Services Provider, on behalf of the Sub-Fund, seeks through a constructive dialogue to encourage the companies in which the Sub-Fund invests or may invest to improve their environmental, social and governance practices, in ways that are consistent with shareholder value. The Sub-Fund’s proxy voting policy seeks to use the exercise of voting rights associated with the shares which the Sub-Fund acquires to encourage and support the adoption or enhancement of ESG practices by the companies in which the Sub-Fund invests. For the avoidance of doubt, given the nature of the Sub-Fund’s investment policy, the engagement and proxy voting services do not influence the selection of securities for investment by the Investment Manager in respect of the Sub-Fund.

LISTING

Shares have been 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

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Product name:
KraneShares MSCI China ESG Leaders UCITS ETF

Legal entity identifier:
6354004USA5UAUKNGF48

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 0% 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?

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

- Investment in environmentally and socially responsible companies; and
- Avoidance of investment in companies which show a qualifying involvement from controversial activities including the production of alcohol and tobacco or gambling

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

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

- ESG Ratings provided by the Index Provider – securities must be rated average (BB) or above to be included in the Index;

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.



- ESG Controversy Rating provided by the Index Provider – securities must not be rated in the two lowest categories to be included in the Index; and
- Companies showing qualifying involvement in thermal coal, tobacco, alcohol, gambling, nuclear power and weapons, conventional weapons, controversial weapons, civilian firearms, fossil fuel extraction and thermal coal power, as set out in response to the question "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?" below are excluded from the Index.

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

- **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.

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 Chinese companies listed on the Shanghai, Shenzhen or Hong Kong Stock Exchanges with high environmental, social and governance ("ESG") performance relative to their sector peers ("**China 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.

- **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.

In determining the ESG requirements for inclusion in the Index, the Index Provider utilises a three step process.

Firstly, an overall rating is provided based on how well companies manage ESG risks and opportunities such as climate change, product liability and corporate behaviour, with scores and percentiles also indicating how well a company manages each individual ESG element relative to their industry peers. Companies must have an ESG Rating of 'BB' or above to be eligible for inclusion in the Index.

Secondly, an assessment of any negative ESG controversies for the relevant company is undertaken. The ESG controversies framework of the Index Provider is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights of Work, and the UN Global Compact. Companies that are not existing constituents of the Index must have an ESG Controversies Score of 3 or above to be eligible to be added to the Index. Current constituents of the Index must have an ESG Controversies Score of 1 or above to be eligible to be retained in the Index.

Thirdly, an exclusion list is applied where companies showing the following qualifying involvement in thermal coal, tobacco, alcohol, gambling, nuclear power and weapons, conventional weapons, controversial weapons, civilian firearms, fossil fuel extraction and thermal coal power are excluded from the Index

- **Controversial Weapons**

All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>

- **Nuclear Weapons**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles
- All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles)
- All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
- All companies that provide auxiliary services related to nuclear weapons
- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
- All companies that manufacture components for nuclear-exclusive delivery platforms

- **Civilian Firearms**

- All companies deriving 5% or more revenue from the production of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets
- All companies deriving 15% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use

- **Tobacco**

- All companies deriving 5% or more revenue from the production of tobacco-related products
- All companies deriving 15% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products

- **Alcohol**

- All companies deriving 10% or more revenue from the production of alcohol-related products

- **Conventional Weapons**

- All companies deriving 10% or more revenue from the production of conventional weapons and components

- **Gambling**

- All companies deriving 10% or more revenue from ownership or operation of gambling-related business activities

- **Nuclear Power**

- All companies deriving 10% or more aggregate revenue from nuclear power activities

- **Fossil Fuel Extraction**

- All companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining and unconventional oil and gas extraction.
- Thermal Coal Mining: Revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading
- Unconventional Oil & Gas Extraction: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.

- **Thermal Coal Power**

- All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation

- ***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 assesses controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services.

The framework used is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UNGC and scores controversies on a 0-10 scale, with "0" being the most severe controversy.

Specific areas of Governance covered by these assessments include controversies related to bribery & fraud, governance structures, controversial investments, labour management relations, collective bargaining & unions, discrimination & workforce diversity.

Asset allocation describes the share of investments in specific assets.

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

The Index (i) excludes all companies with a controversy score of 0 and (ii) will not add any company to the Index with a controversy score of 2 or lower, as they are considered to have insufficient governance.



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. The Sub-Fund does not commit to making any sustainable investments.

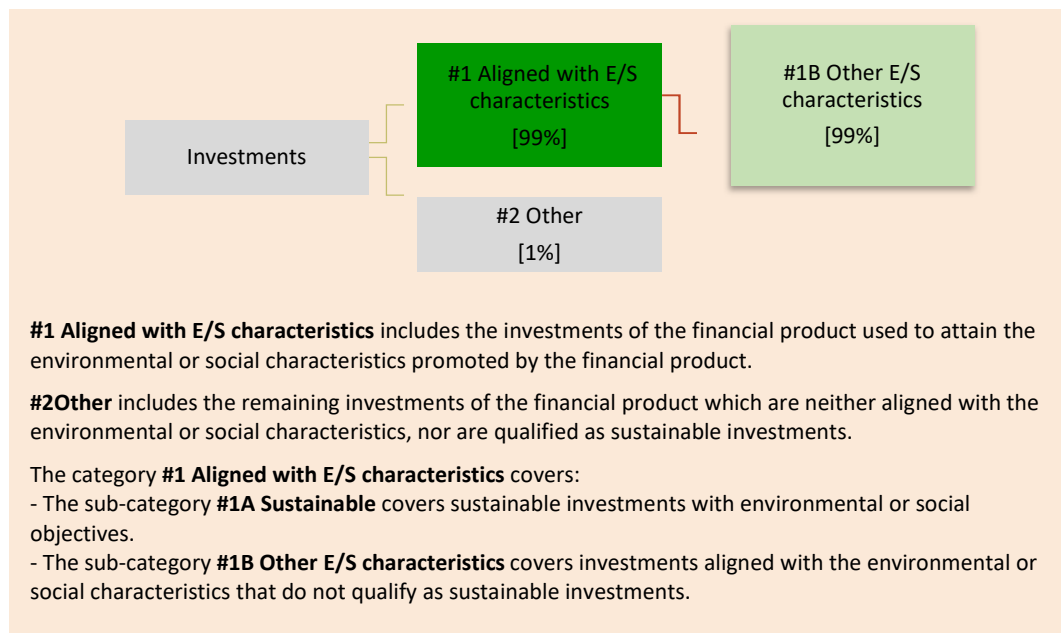
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

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

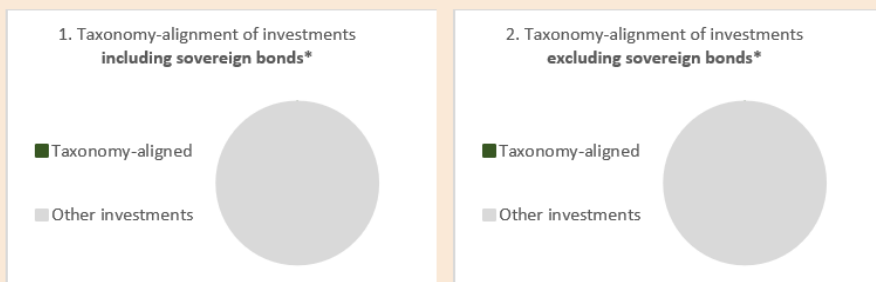


objective aligned with the EU Taxonomy.

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

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

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. 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 ESG Leaders 10/40 Index (USD)

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

The Index is re-balanced annually, the eligible universe is updated, and the composition of the index is reassessed in order to target 50% free float-adjusted cumulative market capitalisation of each sector of the Parent Index.

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.



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

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Existing constituents of the Index are maintained in the eligible universe if they meet all of the following conditions:

- MSCI ESG Rating of 'BB' or above;
- MSCI ESG Controversies Score of 1 or above; and
- Not screened by the business involvement criteria.

● ***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 annually 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 uses specific MSCI ESG Research products – MSCI ESG Ratings, MSCI ESG Controversies, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics - to determine eligibility for index exclusions, which are not a feature of the Parent Index.

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

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

https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Leaders_Methodology_Nov2020.pdf



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