

Engagement policy

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1. BELFIUS INSURANCE POSITION ON ESG & ENGAGEMENT POLICY

Belfius Insurance is determined to play an important role in contributing to economic growth for the Belgian society. Together with our customers, employees and long-term partnerships we aim to making the difference on Environmental, Social and Governance (ESG) challenges and investing in long-term solutions that contribute to a more sustainable society.

The 17 United Nations Sustainable Development Goals (SDG's) are a universal set of goals that define global sustainable development priorities and ambitions for 2030. Together, they

form a set of targets that calls for urgent action by all actors of society - governments, businesses and community- in order to end poverty, reduce inequalities, protect the planet and ensure prosperity for all.

Belfius Group, through its CSR strategy, has defined 10 commitments towards 2025-2030 (e.g: CO2

neutrality and support transition towards sustainable economy and society) aiming at achieving a maximum impact on the realization of the SDG's principles¹. These commitments can be found on the Belfius website².

Sustainable Development Goals



To support our strategy and to show our commitment to sustainability, we have also applied to the UNEP FI Principles³ for Sustainable Insurance. As of June 2020, our application has been accepted and we are in the final process of becoming a signatory.

The Principles provide the global insurance industry with a global roadmap to develop and expand the innovative risk management and insurance solutions needed to address ESG risks and opportunities.

The Principles will guide Belfius Insurance in the future to embed ESG criteria in our decision- making, raise awareness on ESG issues, promote actions and develop new solutions, and to demonstrate accountability and transparency.

The **European Union Shareholder Rights Directive (2017/828/EC)**, dated as of May 17th, 2017 was

put in place in order to encourage long-term shareholder engagement and to enhance transparency between

companies and investors.

Belfius Insurance Investment team is committed to systematically integrate ESG criteria at the heart of its investment decisions alongside the financial health of companies in which they decide to invest.

We commit to report on our actions and progress in a consistent and transparent way.

Being meaningful & inspiring is the guiding principle in everything we do. In this way, we can create a sustainable and transparent environment for the Belgian economy and society as a whole.

Our sustainability ambitions for 2025-2030, translated into 10 individual commitments, and our overall engagement policy are interconnected and enable us to act in the best interest of our clients.

¹SDG branding may be used without permission for informational purposes only subject to Sustainable Development Goals Guidelines.

²<https://www.belfius.be/about-us/en/belfius-community/sustainable-strategy>.

³United Nations Environment Programme Finance Initiative (UNEP FI)

2. ENGAGEMENT POLICY IN OUR ALM PORTFOLIO

2.1 Integrating ESG criteria in our portfolio

Creating long-term value for our beneficiaries and the community in a responsible manner requires important decisions about what we choose to do or not. For that reason, after an in depth analysis of sensitive sectors and areas of business, Belfius Group is implementing an internal ESG policy called **Belfius Sector exclusion & Limitations Policy (SLP)**⁴ through which we carefully apply restrictions on specific sectors and activities that we consider not to be in line with our ESG principles. Regarding the latter, we refer to the content of the “Belfius in the Community” section available on our corporate website.

Belfius Insurance maintains a financial reserve in order to be able to meet its contractual obligations with regard to capital payments, annuities and indemnities to its customers. This reserve consists mainly of insurance premiums paid by the customer (through non-life and pensions & life insurance policies). Our Investment team invests these reserves in accordance with the principles of

Portfolio21, the sustainable investment strategy that Belfius Insurance has developed with 5

Candriam and the independent agency Vigeo Eiris . The principles of **Portfolio21** also reflect the prudent person principle for investments under Solvency II regulations.

Portfolio21 criteria are mainly based on compliance with international norms and standards, and more specifically:

1. The **ILO** (International Labour Organisation): a constructive dialogue is achieved with issuers of securities (companies or countries) that have been discredited for violations of human rights in the workplace to defend the basic rights of employees. The outcome of this dialogue will determine whether an issuer’s particular share, bond or investment fund can still be included in the portfolio;
2. The Government Pension Fund of Norway: **Portfolio21** applies the same strict standards in terms of protecting the environment as the Government Pension Fund of Norway, which in turn bases itself on a number of international environmental agreements and the UN Global Compact. Belfius Insurance does not include any companies in its portfolio that breach these environmental standards.

Taking into account both internal **Belfius Sector Exclusion & Limitations Policy (SLP)** and **Portfolio21**, the screening of the investment portfolio becomes stricter and allows us to work in the best interest of our beneficiaries and customers.

Belfius Insurance Investment team commits itself to carry out periodic controls/screening on new investments and existing ones, mainly through Vigeo, an independent screening agency that provides insights on company’s ESG positioning. The company evaluates organizations integration of ESG factors into their strategies, operations and management in order to enhance responsible investment and sustainable value creation.

In exceptional cases where we invest in funds and not directly in individual lines, we ask fund managers to fill in an ESG form. This process is also supervised by Vigeo.

Our Investment team will stop investing in certain non-sustainable activities excluded on the basis of our **SLP**. Based on this framework, we apply an exclusion policy on a number of controversial sectors. We also set limitations on sensitive activities and encourage transition towards sustainable activities.

We follow a series of general guidelines in our **SLP** in order to take decisions on whether or not we should pursue an investment (among other UN Guiding Principles and the OECD Guidelines on Multinational Enterprises (MNE’s), principles of Roundtable on Sustainable Palm Oil (RSPO), principles of RoundTable Responsible Soy (RTRS), etc.).

Monitoring of our investments is also performed by second line of control teams (teams (Compliance with regards to sector exclusion & Risk divisions).

2.2 Active engagement and interaction towards investee companies

We believe that the role we want to play in society can be fulfilled in a meaningful way through constructive and continuous dialogue with our stakeholders. By regularly contacting them, we can understand their concerns and their main expectations towards us.

Beside the fact that we already conduct a dialogue with a number of stakeholders (customers, employees, governments & regulators, rating agencies...), we also maintain a regular dialogue with companies in which we are investing in preparation of the meetings of general or extraordinary shareholders’ meetings to which we are invited.

Thanks to our partnership with Vigeo, we obtain information on our current or potential investee companies on ESG issues with the goal of improving or influencing ESG practices and/or disclosure.

⁴The Belfius SLP is in its implementation phase and will be published on the website when implementation is finalized.

⁵Vigeo Eiris, a Moody’s Affiliate, is a global provider of environmental, social and governance solutions serving the investor and issuer communities.

From a practical point of view, Belfius Insurance is focused on operating change where poor ESG practices place our investment at risk. Therefore, we have installed an independent Technical Committee with experts in Labour Rights and ESG matters. The members are independent of the research firm (Vigeo) and of Belfius Insurance.

The function of the Technical Committee is first and foremost to decide, autonomously, based upon sufficient information and without any interference, upon individual cases of alleged breaches of ILO-core conventions and possible future additional criteria. Its decisions will result in defining next steps in the mid or long-term engagement process and finally in attributing status to issuers of shares and/or bonds. These decisions shall be made with regard to the accepted criteria and within the framework of legitimate investor ethics.

Concretely, dialogue with investee companies is operated when voting at AGM's mainly via our representative in the Board of directors of the investee company and on subjects that are important to us. Also, when we clearly see that there is an issue between the company and our own SLP policy, we report this to the Technical Committee that will analyze the situation and report our opinion to the company.

We continuously monitor our ALM portfolio on ESG issues for long-term financial performance and impact on the society while expecting strong governance standards from our investee companies. Investment decisions and risk-taking are in line with our ALM, risk appetite and long-term vision.

We are convinced that our active engagement policy towards investee companies has a positive impact on our beneficiaries, our company and on the society in the broader sense.

When we decide to invest in a company, different criteria are taken into account (not only related to environmental and social issues) and cover the company's financial performance over the years, risk management, strategy and corporate governance matters.

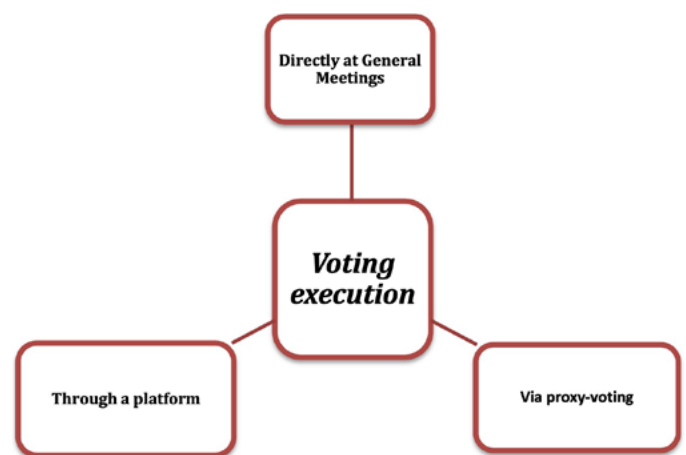
To this end, we use different practices:

- > Gathering information on the company's website or Bloomberg (annual reports, financial information, CSR reports...);
- > Attending regular meetings/company presentations with the company's management; Discussing company's profile and positioning with colleagues, analysts and peers;
- > Making connections and build on trustworthy relationships;
- > Visiting site operations when possible;
- > Building up a solid investment case and making this information accessible for our internal investment teams.

2.3 Voting and proxy-voting policy

When voting at AGM's, we can have 3 situations:

- > **Case 1:** One of our Executive committee members or executive staff members has been appointed as a director in the investee company's Board of Directors, in that case we exercise the right of vote;
- > **Case 2:** Belfius Insurance does not have a representative appointed as a Board member of the investee company, BUT has either a significant stake or influence on the company and/or the company represents a strategic choice in supporting the Belgian economy, then we could vote;
- > **Case 3:** we make use of proxy voting when we do not have a member at the Board but we still want to express our opinion on topics discussed on the general meeting's agenda.



When voting, we make independent and informed voting decisions by applying judgment and diligence in our investment portfolio and this in the best interests of our clients. When we do have a director in the company's Board of Directors or a significant stake in the company, we make sure that our ESG principles are well respected.

Belfius Insurance is committed to disclose for the first two situations (Case 1-2) the number of active engagements undertaken by type/topic and the related progress status, mostly on ESG matters. As Belfius Insurance' investment portfolio is considered as sensitive and confidential, we will not disclose examples of engagement cases with specific companies.

Concerning our communication and cooperation towards other shareholders and/ or company directors in investee companies, the only contacts we maintain are when the AGM's are held and limited to the framework of the meeting's agenda.

At Belfius Insurance, we believe that keeping both financial and non financial factors in mind in our investment decisions provides us better insight on potential risk and/or opportunity that can have an impact on the long-term value and reputation of the investments we make on behalf of our clients.

3. ENGAGEMENT POLICY THROUGH OUR UNIT-LINKED POLICY (BRANCH 23)

3.1 Toward more sustainability

We have seen a growing concern on several topics like climate change, environmental pollution, human rights violations, water shortages, corruption, controversial sectors among our clients.

To address these evolving challenges, Belfius Group offers investors a range of sustainable investments to its clients (through Branch 23).

For branch 23, we also distribute the products of external asset managers. Each of them follows their own commitment policy which can be consulted on their respective website.

3.2 Voting & proxy-voting policy

For our external partners' funds in which we invest on behalf of our clients, we expect fund managers to apply their own voting policies and to disclose their reporting on their corporate website.

4. DEALING WITH CONFLICT OF INTERESTS

4.1 In our ALM Portfolio

Our engagement policy and voting rights are exercised in line with the best interest of our customers in a perspective of increasing the long-term value of their investments.

In case conflict of interests arise in situations where we have important commercial relations with an investee company, we apply the same Belfius Group conflict of interest policy as for the rest of our investments.

4.2 Through our unit-linked product range (Branch 23)

Belfius Group external partners like Candriam have their own conflict of interest policy and regularly report any risk related to that topic.

5. ANNUAL REVIEW OF OUR ESG AND ENGAGEMENT POLICIES

Our policies and the related progress will be reviewed annually to integrate elements from our active engagement policy process and to follow up on new ESG developments, especially for ESG issues that are of concern. The manner in which our engagement policy has been implemented during the year will be published on our corporate website on a yearly basis.

For assets that are managed internally by Belfius Insurance Investment Team (ALM portfolio), the ALM Committee is responsible for monitoring the progress in implementing the engagement and proxy voting policy. On a yearly basis, Belfius

Insurance asks an independent auditor to screen and to certify if the ALM portfolio has been managed accordingly to the Group's ESG policy.

