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# 2020 report on the Engagement Policy

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## Table of contents

Foreword: ESG Engagement in our resolutely forward-looking investments.....	1
1. The implementation in 2020 of our Engagement, as well as our voting behaviour.....	2
2. The monitoring in 2020 of companies with regard to questions of strategy, financial and non-financial performance, social and environmental impact and corporate governance .....	4
3. The description of ESG behaviour and the most important votes .....	5
4. Overview (by graphics) of our responsibility, expressed within the companies in which we hold shares.....	7

## Foreword: ESG Engagement Engagement policy our resolutely forward-looking investments

1. Belfius occupies a unique position in the Belgian financial landscape: it is a 100% Belgian bank and insurance company that focuses its activities exclusively on the Belgian socioeconomic fabric of private individuals, the self-employed, professionals, SMEs, large corporations, social institutions, public authorities and local administrations.

Within this context, Belfius Insurance is determined to play a major role by contributing in an ethical, accountable and sustainable manner to the economic growth of Belgian society. Working with our customers, employees and long-term partners, our aim is to have a significant influence on Environmental, Social and Governance (ESG) challenges and invest in long-term solutions that contribute to a more sustainable society. The ESG challenges and sustainable development objectives are detailed in our Social Responsibility Policy (available from our: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/fr/Engagement\\_Policy\\_Belins-FR.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/fr/Engagement_Policy_Belins-FR.pdf).)

2. With our Engagement Policy, we are committed to reporting transparently on our actions and progress. Being *meaningful and inspiring* is the guiding principle of all of our actions that contribute to the implementation of a sustainable and transparent environment for the economy and Belgian society as a whole.

In 2019, Belfius embarked on the procedure to become a signatory of the guiding principles on sustainability matters decreed by various international bodies:

- the United Nations Global Pact
- the United Nations Principles for Responsible Banking
- the United Nations Principles for Responsible insurance.

Belfius, as well as Belfius Insurance, will formalise and deepen its human rights policy, reporting from 2021 onwards and to the extent possible on its activities, in accordance with the United National Guiding Principles on Business and Human Rights, and the Equator Principles.

3. To make its strategy on sustainable development (ESG) as concrete as possible, Belfius (including Belfius Insurance) has formulated ten commitments for 2025-2030, which are detailed in our 2019 annual report (available from our website: [https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/fr/bel\\_RA1019\\_fr.pdf](https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/fr/bel_RA1019_fr.pdf) ). Some of these commitments have already been translated into highly practical actions, while others will be developed and incorporated as part of the strategy for 2025.

4. The time has now come to report on our actions and progress regarding the implementation of our Social Responsibility Policy over the year 2020 just past and our voting behaviour. In this regard, Belfius Insurance can now emphasise that for 2020, no voting advisory services were used.

5. This report is part of and refers to the sustainable development strategy of Belfius, as documented in its annual report, as well as the policies accompanying this strategy (such as the Commitment Policy and the policy on sector-specific restrictions, available from our website under 'Policies & Charters'). The aim of this report is to provide details, for the year 2020, of the implementation by Belfius Insurance of its ESG Commitment through the following four sections:

- 1) The implementation in 2020 of our Engagement policy , as well as our voting behaviour,
- 2) The monitoring in 2020 of the companies held with regard to questions of strategy, financial and non-financial performance, social and environmental impact and corporate governance,
- 3) The description of the most important votes,
- 4) The overview (by graphics) of our Engagement expressed within the companies in which we hold shares.

## **1. The implementation in 2020 of our Engagement Policy , as well as our voting behaviour**

6. To implement our Engagement Policy and incorporate ESG factors into our investments, we believe that it is important to check the ESG criteria of the companies in which we invest. In 2020, we worked with an independent and acknowledged partner in this regard, which provided us with ESG data and conducted systematic screening.

7. If a company is the subject of a controversy, this information comes to light and we are informed accordingly so that either we don't invest in it, or we debate the controversy with the company, or we adopt measures designed to ensure that ESG standards are complied with. In addition to this collaboration with an independent partner, the staff in our 'investments' department also gather the information required to take informed decisions. The company's financial data, as well as its ESG score, are incorporated into our analysis, which we compare with our own benchmark. As an insurer, we have to look at the future and take a view over the long term. This explains why, in an investment portfolio, there may well be companies that have recorded a less good ESG score in the past, but which over the years have made significant efforts to improve their commitment to ESG.

8. To support and determine our voting behaviour in a company, we believe that as a responsible investor, Belfius Insurance needs to encourage the best ESG practices and promote greater transparency about those practices in terms of the companies in which we invest.

Our voting behaviour is intended to be collaborative in the first instance, thanks to constructive ongoing dialogue with the shareholders or, depending on the case, the members of the boards of directors on which we have a representative in the companies where we have investments. In 2020, Belfius Insurance took part in all of the general meetings held by the companies in which it had a

significant holding<sup>1</sup> (equal to or greater than 5%). In 2020, Belfius Insurance held a significant shareholding equal to or greater than 5%) in seven companies. For holdings under this threshold, Belfius Insurance also conducts constructive and collaborative dialogue. However, for these smaller holdings, we do sometimes use a proxy vote for shareholder meetings.

9. The fact of being in regular contact with these companies enables us to understand their ESG concerns and what they expect mainly from us. We also speak regularly with the companies in which we invest so that we can prepare for the ordinary or extraordinary general meetings of shareholders to which we are invited.

Once again in 2020, our voting behaviour at general meetings was based on the following general principles, structured by types of resolutions proposed to the shareholders:

- Approval of the financial statements and management: we look at the integrity of management and the financial and non-financial information provided and ask questions if necessary,
- Allocation of profits, management of equity capital and capital transactions: we ask questions and check to see that the distribution policy is also focused on the interest of the long-term ESG investment,
- Board of Directors: when appointing or renewing the mandates of directors, we look at the skills of directors, their independence and the diversity of their voting for or against the various motions,
- The remuneration of directors and collaborating staff: we look at the transparency, consistency and fairness of remuneration, as well, for companies to which this applies, the incorporation of sustainability risks in the remuneration policy. Again, we ask questions or propose resolutions when necessary,
- External resolutions: we look to see whether there has been an improvement in environmental, social and governance practices. We also ask questions or submit resolutions.

## **2. The monitoring in 2020 of the companies held with regard to questions of strategy, financial and non-financial performance, social and environmental impact and corporate governance.**

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<sup>1</sup> In terms of significant holding or important vote, the criterion we use is the threshold (5% or more) covered by the legislation relating to the disclosure of significant holdings. However, we have also included private equity funds in which we can make our views on responsibility count, because we have a representative on the board of directors of this fund and when we have a minimum holding of 5%. In fact, the threshold used is 5% or more of the existing voting rights, in the sense of article 6 § 1 of the Act of 2 May 2007 relative to the disclosure of major shareholdings in issuers whose shares are admitted for trading on a regulated market and with various provisions (legislation recently updated on 6 May 2020 by the Act of 28 April 2020 transposing European directive SRD2 into Belgian law).

10. The Investment team at Belfius Insurance tracks the companies in which we have a significant holding individually, or in which we have a representative on the board of directors. There were seven major holdings in 2020 and for these holdings, we met in their board of directors. Across all of these companies, this varied in 2020 between two and twelve meetings per year at which we actively asked questions. For our major holdings, we attended the ordinary and extraordinary general meeting of shareholders to assert our voting behaviour detailed above and express our views on ESG responsibility. For smaller holdings and shareholdings in companies in which we do not have a representative on the board of directors, we used proxy votes to express our position and also to express our views on ESG engagement.

11. However, in the context of monitoring these companies, we can say that we take account of a series of KPIs regarding ESG in addition to an in-depth analysis of the company – in particular its competitive position, the health of its balance sheet, the strategic vision of directors, etc.

It is important to note that not all companies publish a report on sustainable development. Also, there is no consensus or guideline that enables us to compare companies. As a result, we first look to determine whether the company is working on an ESG plan, how ESG is incorporated into the company's business and, if it is, how the measures and progress are calculated.

12. In addition to having ESG criteria within companies screened in a general manner by an acknowledged partner and before we make any new investment, we take account of the following KPIs, among other factors:

Environmental:

- Are there targets in place to reduce the consumption of water/electricity/other raw materials?
- What % of activities is taken into account?
- Has a policy of employee awareness been implemented for the adoption of “sustainable” behaviour (sorting waste, reducing the use of plastic or the volume of printing, etc.)?
- Have measures been taken to reduce the vehicle fleet or make it less polluting?

Social:

- Relationship between management and staff
- Turnover of employees
- Health and safety at work (particularly for manufacturing companies)
- Creation of foundations, where applicable

Governance:

- Composition of the board of directors
- Division of the roles of the Chairman of the board of directors and the CEO
- Number of independent directors
- Majority shareholders

At each interaction with the directors and effective senior managers of the companies in our portfolio, we discuss these topics and how they are evolving.

### **3. Description of ESG behaviour and the most important votes in 2020**

13. In 2020, there were eight major shareholdings. These are holdings in which Belfius Insurance owns the equivalent of 5% of the voting rights or more.

Given that information about Engagement matters relates in particular to the strategy of these companies and that much of the information may be sensitive and confidential or may come under legally protected business secrecy, we do not disclose information by name in order to respect the confidentiality linked to the business of these companies.

14. By contrast, in the interests of balanced transparency, we set out below the areas of voting and trends noted for these companies and private equity funds in which we hold a stake equal to or greater than 5% of the voting rights. These companies and private equity funds operate mainly in the real estate and technology sectors, while some are companies that manage their holdings ('holding companies') taking the issue of sustainability (ESG) into account. In 2021, our engagement will also be reflected in a stake taken at the end of 2020 in a private equity fund involved in the agriculture sector.

15. Out of the eight companies (including private equity funds), five did not deal with any ESG-related points on the agendas of their general meetings of shareholders in 2020. These five companies have no labour relations conflicts, adhere mostly to an internal sustainability policy, which they call their ESG and they operate in accordance with internal rules of sound governance, which did not give rise, in 2020, to any special points, either within the meetings of their boards of directors or their general meetings of shareholders. Of these five companies, one has organised an investment strategy that takes account of ESG criteria by creating an investment committee that is separate from the management board. In this company, the investment committee is intended to be an executive committee that operates alongside the management board and which will decide on investments and divestments in line with an investment policy that is careful to comply with ESG criteria. In the same way, it voted for this structure of a governing body (investment committee) at its general meeting and made improvements to its internal governance by adapting it in accordance with the new Code of Companies and Associations.

16. In addition to these five companies, we should underline the following regarding three companies in which we hold a major stake:

The first company, which operates in the real estate sector, has a very specific sustainability strategy in place, with practical targets such as: achieving 100% of electricity consumed from sustainable sources, equipping 80% of its real estate stock with photovoltaic systems, fitting 80% of its property

portfolio with smart meters, obtaining specific 'very good' certification for measures and the analysis of air quality for 30% of its property portfolio.

The issue of sustainability was brought up at each meeting of the board of directors in 2020. The targets mentioned above are reflected in the company's governance, as well as in the management remuneration approved at the general meeting of shareholders.

17. The second company, which also operates in the property sector, presented a series of KPIs on sustainability and their practical use during 2019 at its general meeting held in 2020. For example, it was stated that no traces of asbestos had been detected at the company's properties during that period. In addition, more than ninety per cent of properties had parking spaces for bicycles, while 100% offered level 2 or 3 PRM accessibility (3 is the maximum score). Almost 80% of sites were equipped with selective sorting facilities and more than 70% had secure roof terraces.

18. Company number three, which manages diversified property assets, dealt with sustainable development proposals (in particular the use of solar panels at commercial sites) at its board meetings in 2020. The company imposes strict, clear standards for optimising and improving existing buildings, the technical management of buildings and any investments made in existing buildings. These criteria are aimed at limiting vacancy levels and increasing the value of the property portfolio sustainably and as much as possible.

This company has a sustainability strategy that is demonstrated by the various measures that it has introduced and which were discussed at board meetings and presented at its annual general meeting:

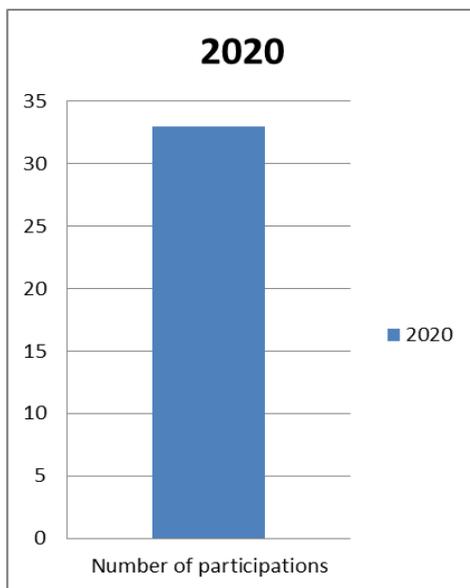
- A recharging programme in Belgium: the lighting in old buildings was replaced by low-energy LED lighting.
- The use of heat pumps, the recovery and reuse of water and the installation of recharging stations for electric vehicles are all standard equipment in a new project to be developed.
- Support for a university chair that organises scientific research into multimodality and in particular into the way navigable inland waterways used for transport may be a possible solution for improving mobility.

At some of its locations, the company exceeds current environmental standards by implementing sites where there is no gas, as well as being self-sufficient in drinking water (no connection to mains water, instead it recycles rainwater).

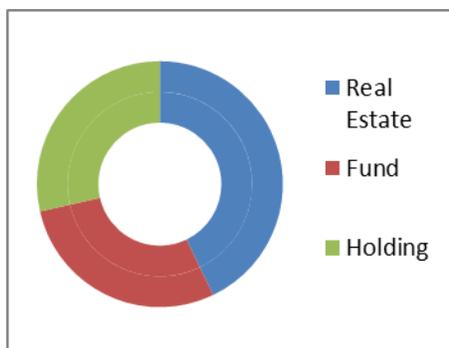
#### 4. Overview (by graphics) of our engagement expressed within the companies in which we hold shares.

19. The graphic below shows the number of participations by Belfius Insurance at meetings of the Board of Directors and general or extraordinary meetings of shareholders in 2020 in companies in which Belfius Insurance has a shareholding.

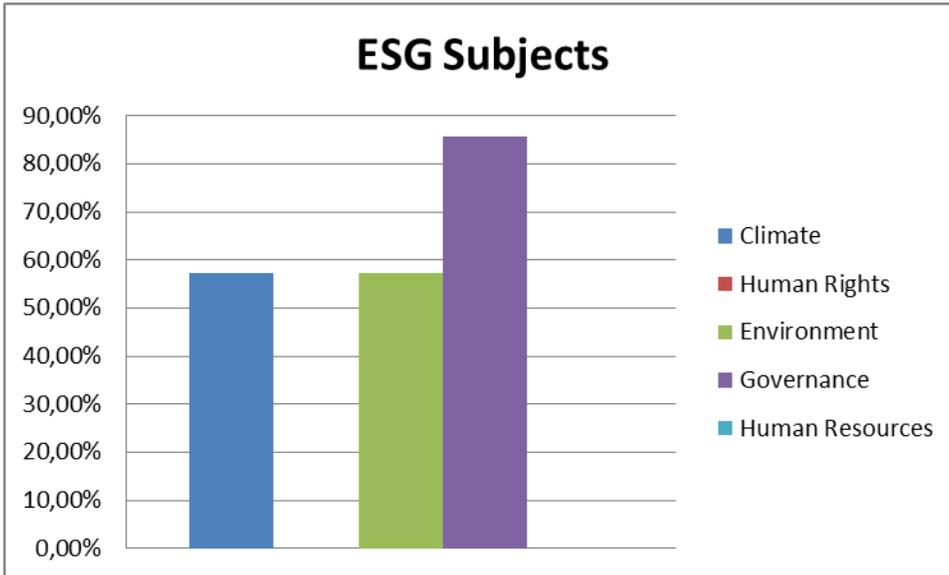
This graphic will be adjusted each year to reflect attendance at regular board meetings and at general or extraordinary meetings of shareholders.



20. The breakdown of the sectors in which Belfius Insurance owned significant shares in 2020 is shown below:



21. The main ESG topics deal with and their percentage of representation during our participation at board meetings or general or extraordinary meetings of shareholders are shown below:



22. The table below shows the ESG issues complied with by the companies in which Belfius Insurance holds a significant stake.

Following an internal survey of companies in which Belfius Insurance holds a major stake, it has been estimated that ESG issues are respected between 80% and 100% in the companies concerned.

