

Statement on the “Principal Adverse Impacts” on Sustainability

1. INTRODUCTION



The term “principal adverse impacts” comes from the European regulation. “Principal adverse impacts” on sustainability are criteria included in the regulation to determine how they may impact sustainability factors and, therefore, our investments (criteria labelled “adverse”, inter alia under the EU Regulation 2019/2088, the so-called “SFDR” on sustainability reporting in the financial services sector and accompanying regulatory technical standards). These “**principal adverse impacts**” are the impacts of investment decisions which result in negative effects on sustainability factors. These sustainability factors are any environmental, social or governance issues, respect for human rights and combating corruption.

This document constitutes the statement in relation to the Principal Adverse Impacts (hereinafter referred to as “PAI”) on sustainability factors of Belfius Insurance as a financial market participant within the meaning of the aforementioned SFDR regulation. Belfius Insurance analyses the PAI on sustainability factors at entity level by including the following assets: equities and bonds, with the exception of certain assets for which the necessary data is not published, namely: mortgages, buildings and investment funds. Branch 23 funds are not included in this statement as these funds are managed by

external fund managers, who are subject to the same obligations in the PAI statement which those managers will publish.

This statement will be implemented in a step-by-step approach. It will take effect from 30 June 2021 and will be reviewed at least once a year. Belfius Insurance will therefore periodically update this statement and include indicators and data as they become available. Until this statement is completed, the following section of this document will contain a summary of the main negative impact statement.

The environmental, social and governance impact of the activities of the companies in which Belfius Insurance has a stake is regularly assessed through our due diligence process, which includes the PAI. This process consists of screening those companies with a renowned international partner to ensure that they comply with environmental, social and governance aspects. For more information, please consult our Engagement Policy published on our website: [Belfius Insurance Engagement Policy](#).

Quantitative reporting on individual PAI for all our investments will take place for the first time in 2023 (by 30 June) for the year 2022, which will be included in the table in Section 2 of this statement.

2. DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY (THE “PAI”)

Almost any type of economic activity can have an impact, both positive and negative, on various sustainability indicators. Belfius Insurance seeks to manage the risk of potential negative sustainability impacts of its investments in a number of ways, including general screening criteria, compliance monitoring and the ESG rating system used by Belfius Insurance. In addition, Belfius Insurance monitors and evaluates a set of PAI indicators.

As outlined in the introduction, Belfius Insurance aims to add more indicators as they become available.

From a general point of view, Belfius Insurance builds up a financial reserve in order to be able to meet its contractual obligations to pay out capital, annuities and benefits to its clients. This reserve mainly consists of the insurance premiums which the client has paid (through non-life, pension and life insurance policies).

The basic principle of our investment policy is the respect of specific (international) norms and standards which are included in our policy **Transition Acceleration Policy (TAP)** which was approved on 25

March 2021 at a Belfius Group level and which will be implemented during the year 2021 and the year 2022.

For more information on these ESG principles, we refer to the section **"Belfius in the community"** on our website.

The table below shows the PAI monitored and evaluated within Belfius Insurance when data on these PAI is available. The table shows the mandatory PAI, including two optional PAI, in the order in which they are presented, as they currently appear in the SFDR regulation.

The table shows the mandatory model in the SFDR regulation, supplemented by the PAI used within Belfius Insurance and those which are not used due to the lack of published data on them.

The two optional PAI monitored and evaluated within Belfius Insurance are shown in the table below, which follows the model of the so-called "SFDR" regulation. These two optional PAI are monitored because their respective themes are well monitored and important criteria in our investment process.

Adverse sustainability indicator (beschikbare PAI's)	Metric
3. Number of days lost to injuries, accidents, fatalities, or illness	Number/rate of accidents, injuries, fatalities in investee companies
12. Investments in companies without sustainable oceans/seas practices	1. Share if investments in investee companies without oceans/seas practices policies 2. Share of investee companies without sustainable ocean/seas practices

Indicators applicable to investments in invested companies

Adverse sustainability indicator		Metric	Impact (year 2023)	Impact (year 2022)	Explanation	Actions Taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				used as indicator
		Scope 2 GHG emissions				used as indicator
		From 1 January 2023, Scope 3 GHG emissions				used as indicator
		Total GHG emissions				used as indicator
		2. Carbon footprint	Carbon footprint			used as indicator
		3. GHG intensity of investee companies	GHG intensity of investee companies			
		4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector			
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage			Not used yet, as not enough data available	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector			Not used yet, as not enough data available	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas			Not used yet, as not enough data available	

Indicators applicable to investments in invested companies

Adverse sustainability indicator		Metric	Impact (year 2023)	Impact (year 2022)	Explanation	Actions Taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average			Not used yet, as not enough data available	
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average			Not used yet, as not enough data available	
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas				used as indicator
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNCC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			Not used yet, as not enough data available	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies			Not used yet, as not enough data available	

Indicators applicable to investments in invested companies

Adverse sustainability indicator		Metric	Impact (year 2023)	Impact (year 2022)	Explanation	Actions Taken
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	13. Board gender diversity	Average ratio of female to male board members in investee companies				used as indicator
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				used as indicator
Environmental	15. GHG intensity	GHG intensity of investee countries				
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law			Not used yet, as not enough data available	
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				used as indicator
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets				used as indicator

Indicators applicable to investments in invested companies

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACT

[Information on the principal adverse sustainability impact/s referred to in Article 6(1)(b) in the format in Table 2]

Information on the principal adverse sustainability impact/s referred to in Article 6(1)(c) in the format in Table 3]

Information on any other adverse sustainability impacts used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1)(d)]

Description of policies to identify and prioritize principal adverse sustainability impacts

[Information referred to in Article 7]

Engagement policies

[Information referred to in Article 8]

References to international standards

[Information referred to in Article 9]

Historical comparison

[Information referred to in Article 6(4)]

3. DESCRIPTION OF THE POLICIES INTENDED TO IDENTIFY AND PRIORITISE PAI

The Belfius Group's ambition is to create long-term and sustainable value and to be useful and inspiring to Belgian society in a credible way. An important part of this ambition is to reduce the negative impact of our investments by using our influence as an investor to change the behaviour of the companies and countries in which we invest, or by ceasing or limiting our investments in unsustainable activities. We have identified a range of principal adverse impacts which are addressed in different ways in our financial products. These principal adverse impacts have been identified by taking into account relevant legislation (such as the Mahoux Act, relating to various types of controversial weapons), international standards for sustainable development (such as the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises), international best practices, input from experts and dialogues with our stakeholders. In addition, Belfius' Social Responsibility strategy is an important factor in defining the adverse impacts we are trying to mitigate, for which the Sustainable Development Goals (SDG) have been a key contribution.

While all the main negative impacts identified need to be considered in a consistent and rigorous manner, we prioritise the negative impacts related to climate change and biodiversity, as well as gender equality.

Within Belfius Insurance, subject to data availability, the Investment department screens and monitors selected PAI indicators for all assets under management, excluding some of the assets mentioned above. Belfius relies on data published by the companies on the one hand and from external ESG data providers on the other.

Companies with a medium or high negative impact on several indicators are identified on the basis of data acquired from third party providers and from an internal analysis conducted by the Investment department, which then submits the case to a technical committee and the Alco Committee of Belfius Insurance.

The technical committee will then engage in a dialogue to mitigate the risk. If, after several interactions, the technical committee believes that the company is in breach of our own TAP policy, we may decide to exclude the company from our portfolio and investment universe.

In 2020, we [published our annual report](#) on the engagement policy in relation to the monitoring of investee companies on issues of strategy, financial and non-financial performance, social and environmental impact and corporate governance. For more information, you can consult our policy as well as the commitment report in the section "Belfius in society".

4. DESCRIPTION OF THE MEASURES TAKEN WITH REGARD TO PAI ON SUSTAINABILITY

The Investment department of Belfius Insurance is responsible for the PAI monitoring system. It identifies the cases to be analysed and the potential measures to be taken at the level of the Belfius Insurance entity.

In concrete terms, companies with a potential adverse impact on our portfolio are forwarded to the technical committee and the ALCO committee, which are responsible for deciding on problematic cases. If measures need to be taken with regard to our ESG policy, the technical committee, at the request of the investment team, initiates a dialogue process with the company in order to reduce the sustainability risk as much as possible. The company

in question is given a "watch list" status for the duration of the dialogue process and the checks undertaken on it. Then, after an internal investigation, the technical committee decides whether or not the investment is authorised, whether to divest and to what extent to sell our stake. The companies in the portfolio are continuously monitored and, at least once a year, a new selection is made for each company with the help of external ESG data providers. Each year, Belfius Insurance asks an independent auditor to check that the investment portfolio has been managed in accordance with the Belfius Group's ESG policy and to certify the monitoring.

5. SUMMARY OF THE ENGAGEMENT POLICY

Belfius Insurance carries out various engagement activities within the companies in which it has a stake in order to support and improve the ESG practices of those companies.

The tools used actively to advocate our Engagement policy within these companies include

1. Voting and participating in annual general meetings (AGM) in companies in which we have significant shareholdings as defined in our Engagement policy,
2. The direct engagement with companies and the lodging of written shareholder resolutions,
3. Proxy voting (the exercise of our voting rights by a proxy according to our instructions) for the small participations held in the portfolio companies.

In this respect, Belfius Insurance has recently entered into an agreement which under certain conditions delegates to Candriam the power to represent us and exercise our voting rights according to our instructions in the meetings held by the companies in which we keep those holdings in our investment portfolio.

Belfius Insurance's engagements generally address issues related to one of the main focus areas identified in the Belfius Insurance ESG strategy:

- > Environment
- > Working standards
- > Quality corporate governance

6. REFERENCE TO INTERNATIONAL STANDARDS

The application of Belfius Insurance's PAI is based on the United Nations Sustainable Development Goals (SDG) and the relevant international conventions and standards.

The Belfius Group is a signatory to the following texts:

At an international level:

- > The United Nations Global Compact (UNGC)
- > United Nations Environment Programme Sustainable Insurance Principles (UNEP FI PSI)
- > United Nations Environment Programme Principles for Responsible Banking (UNEP FI PRB)
- > United Nations Principles for Responsible Investment (UN PRI)

At a Belgian level:

- > The Belgian Alliance for Climate Action (BACA)
- > The Women in Finance Charter
- > The Institute for Sustainable IT Charter (ISIT-BE)

On this subject, cf. the link to the Belfius web site:

<https://www.belfius.be/about-us/en/belfius-community/our-norms-and-standards>

More details also appear in our annual report:

Our commitment to apply the principles of a sustainable company:

Our ten commitments for 2025-2030 set out concrete ambitions in the transition to a more

sustainable society. In addition to these, we are also committed to a series of guiding principles issued by various international bodies. Since 2020, Belfius has been a signatory to three core conventions:

- > The **United Nations Global Compact**: encourages companies voluntarily to implement universal principles of sustainable development, including ten principles on human rights, labour, environment and anti-corruption.
- > The **Principles for Responsible Banking**, formulated in 2019, provide the banking sector with a framework for building a sustainable and responsible banking system where strategy, portfolio, transactions and business management take sustainability deeply into account.
- > The **Principles for Sustainable Insurance** provide the industry with a global step-by-step plan for innovative risk management and the development of insurance solutions which address risks and opportunities related to environmental, social (ageing population, healthcare, wealth distribution, etc.) and governance issues.

Our commitment to these conventions requires us not only to adhere to a set of principles, but also to report our progress transparently on the websites of the organisations concerned. The first such report will take place in spring 2021. Similar reporting has already taken place as part of the requirements of the **United Nations Principles for Responsible Investment (UNPRI)**, signed in 2019 by Belfius Investment Partner, our investment fund management and administration subsidiary.

As of 2019, Belfius is also a signatory of the **Diversity Charter for Women in Finance**, an initiative to improve gender equality in the financial sector.

At a Belgian level, Belfius participated in the launch of the **Belgian Alliance for Climate Action (BACA)** in 2020, a joint initiative of the Belgian Sustainable Development Network (The Shift) and WWF Belgium. The Alliance brings together companies and organisations which are committed to leading the way to a more low-carbon economy by increasing their climate ambitions in line with the objectives of the Paris Agreement. In particular, Belfius is committed to setting “science-based targets” to further reduce its CO2 emissions on a larger scale across its operations.

Another recent development is that Belfius has become a member of the Belgian Institute for

Sustainable IT (ISIT-BE) since its creation in October 2020. This Belgian “think and do tank” is inspired by the French Institut du Numérique Responsable (INR). At a time of digital transformation, its ambition is to bring together companies, organisations and individuals to help them reduce the environmental and social footprint of their IT systems. In 2021, Belfius signed the ISIT-BE charter which commits us to move towards a sustainable IT system. This is not only about reducing environmental impact, but also about developing accessible and inclusive digital services and fostering new behaviours and values through digital, while maintaining ethical and responsible digital practices with transparent and measurable technologies and services.

The above information is published as at 30 June 2021 and may be updated or adapted to take account of future regulatory requirements directly or indirectly related to the implementation of the SFDR and the regulatory technical standards resulting from the accompanying European or national regulations.