



Transition Acceleration Policy (TAP)

ESG sector criteria applied to Belfius' activities

A GROUPWIDE COMMITMENT TO SOCIETY

Belfius wants to contribute to a better Belgium by enabling the transition towards a sustainable society and economy. Our purpose “Meaningful and inspiring for the Belgian society. Together.” drives us to adapt our environmental, social and corporate governance policies to be exemplary, both for today and tomorrow. By signing up to the principles of the United Nations Global Compact, the UNEP FI Principles for Responsible Banking (PRB), the UNEP FI Principles for Sustainable Insurance (PSI), and the UNEP FI Principles for Responsible Investment (PRI), we are committing to co-creating a better society while rendering it sustainable for future generations.

As described in this Transition Acceleration Policy (“TAP”), creating long-term and sustainable value for Belgian society in a credible manner requires making clear-cut decisions about what we choose to do and what we choose not to.

This TAP is based on the **10 Principles of the UN Global Compact** and includes restrictions on sensitive sectors and business areas. Based on a thorough analysis, Belfius¹ assesses activities in those sectors and business areas so as to be able to ascertain whether they are in line with internal environmental, social and corporate governance policies.

TAP PRINCIPLES

Supporting transition

Belfius wants to encourage and support businesses in their shift towards more sustainable activities. In this way, the Belfius TAP requirements will serve as a lever to increase our positive impact on people and society, as well as on the economy.

Limiting adverse impacts

While supporting transition, Belfius also intends, by means of this TAP, to reduce the negative impact of its activities by discontinuing or limiting its support of non-sustainable activities.

An iterative process

- This TAP will initially include eight ‘controversial’ or ‘sensitive’ sectors, considered to be the most urgent to be dealt with.
- The TAP will be developed further over time, according to regulatory developments, technological breakthroughs, sectoral reorientation, evolving stakeholder expectations, etc. Based on a yearly review, new sectors may be added or rules may tighten.
- For some sectors (gambling, weapons and energy) thresholds have been set for ‘Investments & related services’¹. These thresholds will be revised over time (see ‘TAP timing’ below).

¹ The TAP will be implemented by Belfius Bank NV/SA, limited liability company incorporated under Belgian law, with registered seat at B-1210 Brussel, Karel Rogierplein 11, registered in the Crossroads Bank of Enterprises under number 0403.201.185, FSMA nr. 19649 A, RLE Brussels (hereinafter “**Belfius Bank**”) and all companies (vennootschappen / des sociétés) under the control of Belfius Bank NV/SA (hereinafter the “**Belfius Group**”). In relation to the companies in which any company of the Belfius Group has a minority participation or with the companies who entered into a partnership or shareholders' agreement with any company of the Belfius Group, any company belonging to the Belfius Group will undertake best efforts to implement standards in such relationships similar to this TAP.

TAP SCOPE

Products and services

Companies that are in breach of one of the ten UN Global Compact principles and/or are active in any of the controversial or sensitive sectors listed below, are excluded² from obtaining the following products and services from any Belfius Group³ companies:

- > all forms of lending;
- > all forms of leasing;
- > all financial market activities;
- > insurance products;
- > investments by Belfius for its own account;
- > all other financial services and products except services and products under the minimum 'Basic banking service'⁴;
- > investment products and related services offered to customers.

Out of the TAP's scope are:

- > Investment products over which Belfius does not have full control: structured investment funds,

structured bonds, hedge funds and institutional mandates.

- > 'Execution only' transactions: transactions (buy, sell, keep) in financial instruments of excluded counterparties for which the customer takes the initiative (not under Belfius advice).

Counterparties

The TAP applies to all 'direct actors', which are to be understood as companies with whom an entity of the Belfius Group has a direct professional relationship, either as a client or a supplier, within the perimeter of its core business.⁵

In particular relation to investments, the TAP applies to all asset managers with whom Belfius works with regard to its investment offer.

TAP CRITERIA

1. UN Global Compact

Belfius will not support companies that systematically or seriously violate one or more of the UN Global Compact principles. Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, the environment and anticorruption. Companies that do not respect these basic principles, will not be supported by Belfius.

The severity of the violation and the structural character of the involvement will be taken into account in any necessary engagement process towards the company.

The 10 UN Global Compact principles can be consulted here: <https://www.unglobalcompact.org/what-is-gc/mission/principles>.

2. Controversial or sensitive sectors

Tobacco

Tobacco kills more than 8 million people worldwide

each year, in other words 12% of annual human deaths. This represents 15 deaths every minute. In addition to the detrimental impact of tobacco on health, the total economic cost of smoking (from health expenditures and productivity losses combined) are estimated to be around US\$ 1.4 trillion per year.

For investment products:

- > All companies deriving revenues from **tobacco production** will be excluded;
- > All companies deriving 10% or more of their revenue from the **wholesale⁶ trading of tobacco** will be excluded.

For loans and other (non-investment related) activities:

- > Companies active in the **production of tobacco or tobacco products** are excluded;
- > New relationships with companies active the **wholesale of tobacco** will not be accepted;
- > Existing relationships with companies active in the **wholesale of tobacco** are not excluded by this policy.

² Companies active in the controversial or sensitive sectors listed below could however still be eligible for obtaining these products and services if they fulfil the conditions set forth in the specific provisions below in the paragraph 'Controversial or sensitive sectors'.

³ This list is non-exhaustive.

⁴ 'Basisbankdienst ondernemingen': <http://www.ejustice.just.fgov.be/eli/wet/2020/11/08/2020043673/justel>;

⁵ With regard to the evaluation of whether a company has to be excluded from the products or services listed in article 1.1 of this policy, only the company itself can be taken into account for such evaluation. The evaluation cannot relate to companies associated with such companies or companies that belong to the same group as the company in question. For the interpretation of terms such as 'associated companies', reference is made to articles 1:14 to 1:18 of the Belgian Code on Companies and Associations.

Gambling

Between 0.5 and 3% of Europe's total population is suffering from a gambling addiction. Gambling is considered to be highly addictive and causes severe social, financial and psychological harm. There is a strong correlation between addictive gambling behaviour and suicide.

For investment products:

- > All companies deriving 10% or more of their total revenues from ownership or operation of gambling-related business activities are excluded.

For loans and other (non-investment related) activities:

- > Privately-owned (50% or more) companies with gambling-related business are excluded.

Gambling and betting activities are:

- > The organisation of lotteries, online gambling, gambling websites, the running of betting shops, bookmakers;
- > The running of casinos, bingo halls;
- > The running of gambling machines (coin operated or not) with profits being paid out in the form of cash.

Weapons

Although weapons may be necessary from a peace-keeping standpoint, or for the protection of the population by official forces, their ultimate goal of destroying or threatening human life is in contradiction with the most fundamental of human rights.

For investments:

- > Companies active in **controversial or unconventional weapons**⁷ are excluded;
- > Companies deriving more than **10%** of their total revenues from activities related to **conventional weapons** are excluded.

For loans and other (non-investment related) activities:

- > Companies involved in the development, production, testing, maintenance, sale or distribution of **controversial or non-conventional weapons** are excluded, in accordance with the provisions of the Belgian 'Mahoux Act' dated initially as of 16 February 2006. The practical implementation of this exclusion rule is based on the ISS-Ethix list.
- > Financing of **military goods** (as referred to by the EU Council) is limited to transactions in favor of authorities situated in the following geographical

areas: the EU, Switzerland, Sweden, Norway, the UK, the USA and Canada. This geographical restriction applies both to the location of the company's headquarters and to the country of delivery of the goods.

- > Financing of companies producing or distributing **dual-use goods** (goods that can be used for both civilian purposes and military applications), is only allowed when Belfius' intervention is clearly related to something other than military goods. Financing such transactions will only be allowed as long as companies are in possession of an end-user certificate (EUC). This requires the end user to provide sufficient assurance and documentation that the assets will not serve a military purpose. An EUC is issued by the Foreign Affairs Department, in advance by the Belgian Embassy, or by the local Chamber of Commerce in the end-user's home country.

Energy

Thermal coal extraction and unconventional oil and gas extraction

Coal and unconventional oil and gas extraction pose unacceptable environmental, climate and societal risks. Investments in these industries delay investments in transitional and renewable energy sources, a much-needed shift to render Europe's climate neutral ambition a reality.

For investments:

- > Companies deriving **10%** or more of their revenues from **thermal coal extraction or unconventional oil and gas extraction** (shale gas, tar sands, arctic drilling) are excluded, as well as companies with expansion plans relating to these industries.

For loans and other (non-investment related) activities:

- > Companies active in **thermal coal extraction or unconventional oil and gas extraction** (shale gas, tar sands, arctic drilling) are excluded.

Conventional oil and gas extraction

Conventional oil and gas products are key in the transition to a low-carbon economy. They must however reduce energy-related emissions in line with international climate targets in order to have a place in a socially responsible portfolio and – at least partially – make a shift towards renewable energy production.

For investments:

- > All companies active in the **conventional oil & gas extraction sector** will be excluded if the revenue they generate from natural gas or renewable energy sources is less than 40%.

⁶ A tobacco wholesaler is a company that imports tobacco products or sells tobacco to tobacco retailers

⁷ cluster munitions, anti-personnel mines, biological weapons, chemical weapons, depleted uranium, nuclear weapons

For loans and other (non-investment related) activities:

- > **International companies** active in the **conventional oil and gas extraction sector** are excluded.
- > For **Belgian** companies and Belgian entities of international companies: if the revenue they generate from natural gas or renewable energy sources is **40% or less**, the company is excluded unless the use of the proceeds of the loan can be linked to a transition project investing in renewable energy.

Electricity production

Belfius sets clear criteria for companies active in electricity generation, guaranteeing a path to transition towards more renewable energy sources. The exclusion of companies active in electricity generation will be based on specific metrics and will focus on the company's energy mix and transition path. In line with the Paris Agreement, Belfius will also consider the carbon intensity (expressed in gCO₂/kWh) of these companies which will be required to be below a certain threshold.

For ALL activities:

- > It is necessary that the 'carbon intensity' (expressed in gCO₂/kWh) of these companies be below a certain threshold (Paris Agreement). This threshold is progressively decreasing and is currently set at 393 gCO₂ / kWh.
- > If 'carbon intensity' is not available, companies are excluded if:
 - 10% or more of their production is coal-based or
 - 30% or more of their production is based on oil or gas or
 - 30% or more of their production is based on nuclear source.

However, new Belgian energy projects will be examined within the context of the Belgian energy mix, especially towards securing the energy supply for the Belgian population.

Nuclear power plants

Belfius will not directly finance or insure the construction or maintenance of nuclear power plants outside of the EU.

Mining

Mining may cause irreversible impacts on the environment and local populations with severe violations of human rights and irreversible damage to nature as a consequence.

For ALL activities:

- > Mining companies are excluded unless they have an adequate policy to control and limit their

adverse impact on the environment, people living and/or working in the mining areas, ecosystems, climate and governance risks. Their policy should be based on the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines on Multinational Enterprises. '3TG'⁸ companies must respect the EU Conflict Minerals Regulation, which entered into force on 01/01/2021.

Palm oil

Without proper safeguards, palm oil is a major driver of deforestation and hence a considerable threat to biodiversity. The production process also releases huge amounts of carbon emissions into the air, releasing 61% of the carbon stored in the forests replaced with palm plantation. In relation to this, there also exist some serious associations with child labour and corruption.

For ALL activities:

- > Belfius is only prepared to finance/insure activities in this sector on condition that the principles and criteria of the Roundtable on Sustainable Palm Oil (RSPO) are respected.

Soy

Without proper safeguards, the soybean industry is causing widespread deforestation and displacement of small farmers and indigenous peoples around the globe.

For ALL activities:

Belfius is only prepared to finance/insure activities in this sector on the condition that principles and criteria of the Roundtable on Responsible Soy (RTRS) are respected.

Agricultural Commodities

The impact of speculation on basic food commodity price volatility creates instability and pushes up global food prices, leaving millions hungry and facing deeper poverty. Belfius refrains from stock market trading in agricultural commodities, involving speculation on food prices.

- > Belfius will not actively commercialise Exchange Traded Funds (ETF), Exchange Traded Commodities (ETC) and Exchange Traded Notes (ETN) type products with agricultural commodity derivatives in their portfolio, nor investment products with agricultural commodity derivatives in their portfolio that involve speculation at the expense of agricultural and food commodities.

In December 2013, Belfius permanently removed investment funds that invest in food commodities from its investment offer.

⁸ Tin, tungsten, tantalum and gold

TAP TIMING

In order to implement the TAP in a reasonable and feasible way, and to be clear and fair to existing clients and partners, Belfius has opted for a two-tiered approach depending on whether the counterparty is part of the existing portfolio of clients and contracts, or whether a counterparty comes under new entities and transactions.

For loans and other (non-investment related) activities:

- > The TAP immediately applies to new relationships, activities and applications.
- > The TAP allows for gradual phasing out in relation to the existing/current portfolio (existing relationships, activities and applications). The timing of implementation will be determined per sector and activity, however the date of 31/12/2022 has been set as the ultimate deadline for the complete termination of the relationship, provided this is legally and contractually allowed.

For investment products and related services offered to customers:

- > A progressive implementation of the TAP will be put in place. Full compliance with the TAP criteria is due by 31/12/2022.
- > Where thresholds apply, we envisage gradually lowering them over the coming years, from 01/01/2022 onwards.

Deadlines are subject to legal and contractual restrictions.

TAP GOVERNANCE

The Board and the ESG Committee

Belfius Bank's NV/SA Board of Directors (the "**Board**") is accountable for the TAP. Furthermore, the Board will receive advice from a dedicated environmental, social and corporate governance committee (the "**ESG Committee**"), composed of members of both Belfius Bank's and Belfius Insurance's Boards.

TAP implementation

The TAP will be incorporated as a policy into the existing processes and procedures of the various business lines and relevant departments. A strict follow-up procedure will be assured under the principle of the 'Three Lines of Defense' model.

Engagement process

In the event of conflict pertaining to the criteria of the TAP, Belfius will enter into dialogue with the counterparty in a bid to find a solution. If no satisfactory solution is found however, Belfius will proceed to exclusion. Belfius is notably dependent on the quality, accuracy and currency of information supplied by the relevant counterparty.

Contact: TAP@belfius.be