SUSTAINABILITY REPORT
2022

Belfius

Message from the chairmen

With a strong net result of EUR 975 million, continued financial solidity and growth in all segments, Belfius posted excellent annual results in 2022. Moreover, with total shareholders' equity of EUR 11.1 billion and a CET 1 ratio of 16.5%, Belfius remains one of the strongest bank-insurers in Europe.

These results enabled Belfius to fully assume its role, even in a challenging geopolitical context with worsening economic outlook: to be a reliable partner for the Belgian economy and society and to put its customers in the driver's seat of their ESG ambition.

On top of the massive humanitarian crisis, the invasion of Ukraine confronted our society at all levels with an unseen energy crisis.

Against a background of high energy prices and inflation, Belfius kept feeding the Belgian economy even more in 2022, with a record EUR 25 billion (or an increase of 12% compared to last year) of new long-term loans.

In the face of the energy crisis, Belfius tried more than ever to help its customers keep their life affordable. We adhered to the sector initiative of helping the most vulnerable of mortgage holders to avoid financial trouble by granting them temporary relief on their mortgage repayments. We also doubled our production of Energy Renovation loans. Belfius' home insurances covers energy efficiency improvements at no extra cost, including the installation of solar panels, heat pumps, batteries, charging stations, etc.

We expanded our tried and tested Smart Building and Renovation Solution towards energy renovations and provided EUR 106 million to finance the installation of solar panels on the roofs of 52,500 social housing units in Flanders through the Aster project.

In addition to classic credit financing, Belfius also remained the key partner for alternative financing solutions to Belgian companies and (semi-)public customers. For example, we placed EUR 1.9 billion of green or social bonds in 2022 and won the award for ESG Bond Finance House of the Year.

Crucially, as a next step in our climate action journey, we computed Belfius' Financed Emissions for 2022, as a first step in delivering on Belfius' Science Based Targets initiative commitment to limit global warming to well-below 2°C.

As part of its ambition to contribute to a better society, Belfius also invites customers to invest in a meaningful way both through its actively advised investment offer and through the execution-only brokerage platform Rebel. Furthermore, the insurance reserves of Belfius Insurance are invested in accordance with our Transition Acceleration Policy.

Belfius is committed to all segments of Belgian society : public and social sector actors, enterprises and entrepreneurs as well as individuals from the strongest to the most vulnerable. Belfius remains the only bank to offer a wide range of social products to the most vulnerable groups in our society. Continuing to focus on digital innovation does not mean that less digitally-minded customers will be left behind. For example, Belfius Phone Banking, a free service, enables non-digital or less mobile customers to manage their daily banking business independently.

At Belfius, we also strive to "Walk the talk", aiming for greater sustainability across all aspects of our activities. For instance, at the end of 2022, there were more than 40% women in managerial roles and we guarantee equal pay for men and women. Belfius has long-term partnerships with a selection of valuable social organisations (Viva for Life, Special Olympics, JEZ!...). We are also working hard on making our vehicle fleet green, and electric or plug-in hybrid models now account for 64% of newly ordered cars within the Belfius Group. We have achieved a 30% reduction in CO_2 emissions from our own operations, compared with 2019.

Supporting Belgian society and strengthening the economy in a sustainable way has been Belfius' commitment for 11 years already. Once again in 2022, it continued to underline and strengthen that role. Together with our customers, partners, employees and independent agents, we remain fully committed to accelerating the transition to a low carbon, equitable Belgian economy and society.

Brussels, 27 April 2023

Marc Raisière
Chairman of the Management Board
Belfius Bank

Chris Sunt
Chairman of the Board of Directors
Belfius Bank

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1. About this report

The 2022 Belfius Sustainability Report is designed to present the Belfius Group's ('Belfius') strategy, business model, governance, risks and opportunities, performance and future outlook regarding sustainable development. This report is Belfius' opportunity to guide its stakeholders, and any external reader, in their understanding of the Group's values, initiatives and overall progress made on sustainability in 2022.

This report's content is determined by economic, environmental and social topics considered from both "impact materiality" and "financial materiality" perspectives in line with the principles of "double-materiality".

To ensure a thorough and comprehensive understanding of the Group's overall performance, this report should be read in conjunction with the 2022 Belfius Annual Report, both having been approved by the Board of Directors in March 2023.

This report deals with the sustainability performance of Belfius' activities which are predominantly located in Belgium and covers Belfius Bank and its consolidated subsidiaries[1] amongst which Belfius Insurance, Belfius Investment Partners, Belfius Auto Lease and Belfius Lease. Belfius publishes its sustainability reports on an annual basis - reports from previous years can be found here.

Belfius has prepared the 2022 Belfius Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards for the period from 1 January 2022 to 31 December 2022. Unless otherwise stated, the use of the terms such as green or sustainable is not aligned with the EU taxonomy.

In 2022, we reviewed our materiality assessment considering current market practices, sustainability trends and regulatory evolutions. More information on our materiality assessment and material topics can be found in section 4.3.

In line with last year's sustainability report, the Sustainable Development Goals (SDGs) are also used as a reference to highlight important strategic topics and realizations as they provide us with an important framework for our value creation and material topics.

Additionally, the chapter focusing on climate- and environmental action takes into account the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, upon which the environmental prudential qualitative "Pillar III" requirements prepared by the European Banking Authority (EBA) were built.

Finally, the GRI content index, the United Nations Global Compact (UNGC) progress index, the Principles for Responsible Banking (PRB) report and Principles for Sustainable Insurance (PSI) report can be found within the Appendices section of the Sustainability Report.

In order to further increase its transparency, Belfius aims to obtain external assurance on its sustainability data in the future, which has not been the case till now.

For any feedback and questions regarding the Belfius Sustainability Report, please send an e-mail to esg@belfius.be

(1) For full list of consolidated subsidiaries see Annual Report 2022.

2. Highlights

20/01

Belfius joins the Science Based Targets initiative (SBTi), committing to set company-wide GHG emission reduction targets in line with the Paris Agreement's ambitions and climate science

28/04

Belfius receives the **DECAVI award** for the quality and scope of its **bike insurance** product

02/05

Start of the installation of LED lighting and sensors to increase the energy efficiency of the Belfius Tower

03/05

Belfius partners with CAPITAL to introduce young adults in Brussels to the banking and insurance sector and its opportunities

01/06

Belfius receives the **"Best of the Test" label** from Test Achats for its **energy renovation loan** for individuals

08/07

Belfius becomes the **main shareholder of CenEnergy**, marking Belfius' continuous efforts to accelerate the transition to a low-carbon society

14/07

Familiehulp partners with Jane, a Belfius Insurance subsidiary providing care technology to ensure a safer home environment for senior citizens

29/07

ASTER, Energyvision and Belfius join forces to fight energy poverty by installing 395,000 solar panels on 52,500 social housing units in Flanders over the next three years

25/08

Launch of Corona Direct's insurance alphabet, a tool to improve transparency, clarity and accessibility for all on typical insurance terms

14/09

Belfius becomes an Open@Work partner, taking a further step towards diversity and inclusiveness for the LGBTQIA+ community

26/09

Launch of Belfius' Ambition loans and lease investment credit and financial leasing formulas dedicated to financing projects with environmental and climate targets as defined by Belfius

05/10

Launch of JEZ!, an initiative focused on youth and positive change for society, with the support of VTM, HLN, Qmusic and Belfius

23/11

Belfius is awarded an **OKRA Award for its Belfius Phone Banking service**, improving accessibility to daily banking operations for non-digital customers

17/12

Launch of the 10th edition of Viva for Life fighting child poverty, of which Belfius has been a partner for nine years

30/12

Belfius celebrates its ten-year-long **cooperation with Passwerk**, that employs people with autism spectrum profile

3. About Belfius

3.1. Strategy Inspire 2025

Belfius' underlying strategy has been stable for the past 10 years: to be a digital leading, integrated bank-insurer, present in all segments of the Belgian economy and society, committed to customer satisfaction and the creation of societal value, with robust "risk management" and strong "financial management".

This is further reinforced in Belfius' Inspire 2025 strategy. Our purpose, "Belfius, meaningful and inspiring for Belgian society. Together." is our guide in all important choices and decisions we make.

Belfius continues to put the customer at the heart of everything. As a universal, integrated bank-insurer, we bring differentiated value propositions to each customer segment, whilst leveraging synergies across those customer segments as well as products, and expanding into Asset Management and Financial Markets.

In the "individuals" segment, for both Savers and Investors, we focus on an innovative mix of digital and human, through own channels and via strategic partnerships with continued support for the most vulnerable in society (e.g. via social accounts, accessible services for the elderly/ the less digitally aware, etc.). For our Private and Wealth Management segments, we have chosen a membership approach where customers consciously choose to opt in. The Private Membership is a paying membership while the Wealth Membership is upon invitation only. Belfius will continue to grow its franchise in the Private & Wealth segment, inter alia by its strong position in meaningful investing with a tangible impact on society.

Within the "Entrepreneurs, Enterprises and Public segment (E&E&P)", we have indicated three sub-segments.

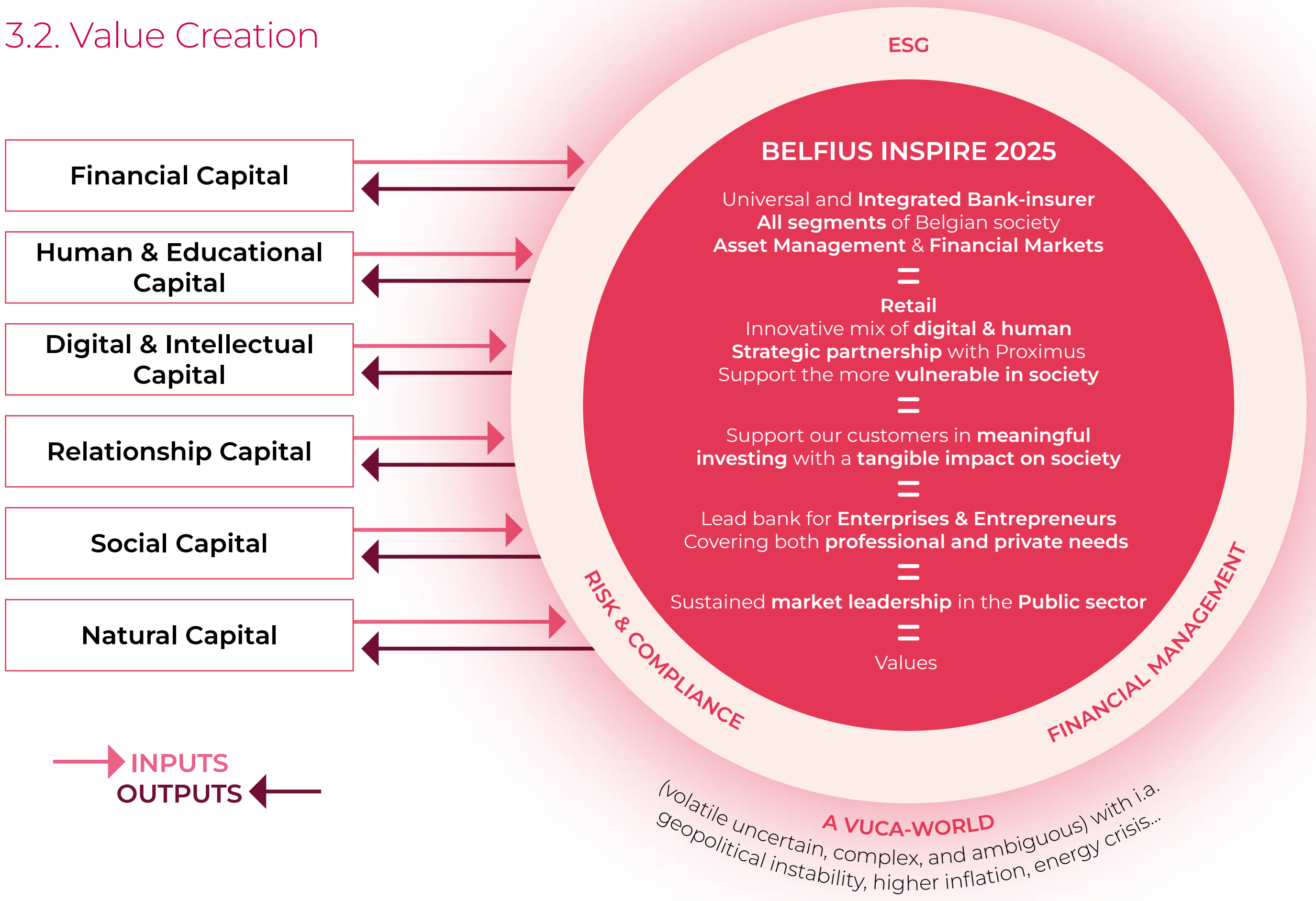
- The "Business" segment brings together the self-employed, the liberal professions (amongst others, lawyers, doctors, accountants, etc.) and SMEs with a turnover up to EUR 10 million. This segment is mainly served by our local branches.
- The "Corporate Banking" segment brings together medium and large Belgian companies with a turnover of more than EUR 10 million. This segment is served by our corporate bankers. Within the Corporate Banking segment, a new subsegment named "Local Corporates" has been created that serves all customers that balance on the border between business and corporate banking, with a turnover between EUR 10 and 25 million. This segment is served by both our local branches and corporate bankers. A special feature of this segment is that is characterised by the merge of the Wealth Management and Corporate Banking sales force into one single team, with Wealth leads provided by Corporate Bankers, and vice versa.
- Last but not least, the "Public and Social Banking" segment brings together Regions, Communities, Municipalities, Provinces, the "CPAS" and police areas, as well as health sector, education and social sector customers. This segment is served by our network of dedicated relationship managers. However, some customers are also (or only) served in branches to offer more flexibility and a more appropriate service.

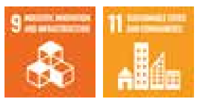
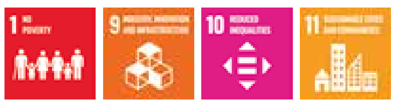
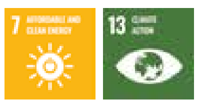
Within the E&E&P segment, Belfius will continue to support the Belgian economy, providing an integrated approach for all Entrepreneurs & Enterprises and remaining a leader in the public sector, where its roots lie.

Going forwards, Belfius remains fully committed to its customers and their love, embedding sustainability in all aspects of its strategy.

Learn more about our Inspire 2025 strategy in our 2021 annual report.

3.2. Value Creation



Value created	Sustainable impact
SHAREHOLDERS EUR 384.4 million dividends in 2022 Equity base increased to EUR 11.1 billion. As a locally anchored, Belgian bank-insurer with local decision centers and Belgian citizens as customers, Belfius is a key player in the Belgian economic fabric.	
BELFIUS AMBASSADORS Excellent employee engagement score of 86.9%. Belfius continued monitoring the wellbeing of its talents; developing the leaders of the future in the financial sector; and making sustainable careers possible. We give our independent networks the tools to build a thriving local business and living, leveraging Belfius' or DVV's franchise and reputation.	
CUSTOMERS Belfius is truly committed to its customers and their love, putting the customer at the heart of all decisions and processes. As a truly integrated banking & insurance group, we provide single point-of-contact financial solutions to 3.8 million customers, via an innovative mix of accessibility, providing distinctive in-branch advice and service across Belgium, combined with a best-in class, safe and digital service experience.	
SOCIETY Belfius takes great care in being a responsible and law-abiding member of Belgian society (e.g. AML). We stand by our clients affected by the energy crisis. We also continued to engage with the Belgian society through our philanthropic projects with a focus on children and young or vulnerable people (Viva for Life, JEZ!, Special Olympics).	
PLANET Guided by the Paris Climate Agreement, we committed to the Science Based Target initiative and announced the exclusion of coal extraction in all our activities. While continuously expanding our sustainable product and service offering, our Transition Acceleration Policy guides Belfius' transition to a low-carbon economy.	

INPUTS	OUTPUTS
Financial Capital Belfius customers can be assured that their savings will be reinvested almost entirely in Belgian society and economy. EUR 102.1 billion outstanding on savings & current accounts.	**Financial Capital** • Net result of EUR 975 million • CET 1 ratio of 16.5% • Solvency II ratio of 193% • Outstanding Commercial Loans of EUR 109.8 billion
Human & Educational Capital As people are Belfius' most valuable asset, we continuously invest in the training and development of talents in Belgium to prepare them for the skills of the future. We prioritize satisfaction and wellbeing of our employees, and embrace a working culture built on diversity and inclusion. We value our dynamic local independent networks for both Belfius and DVV franchise. Whenever possible, we favour working with local partners and suppliers, thereby also enabling the development of their talents in Belgium.	**Human & Educational Capital** • 6,715 Belfius Group employees • EUR 700 million Salaries and benefits of employees • 7 Average days of training received per FTE (BB & BI) • 40.3% Women in management or senior/key positions • EUR 217 million Network commissions • 88% of suppliers that are Belgium-based
Digital & Intellectual Capital Belfius offers innovative digital solutions beyond traditional banking and insurance products , leveraging an ecosystem of local, strategic partners (Proximus, Immovlan, Skipr, Cyclis). Belfius' world class mobile app offers intuitive, easy-to-use sales and service flows and is a cornerstone of our digital offering and customer experience. To guarantee a safe and secure service we increasingly invest in our information security capabilities.	**Digital & Intellectual Capital** • 1.88 million active mobile users • Best Brand Financial Services Award (Serviceplan and GfK) • Leading Mobile banking & insurance app in the world (by Sia Partners)
Relationship Capital Human-focused services lie at the heart of our business. From individuals over enterprises & entrepreneurs to public & social entities, we provide services and products tailored to the needs of all segments in Belgian society - always attentive to its more vulnerable members.	**Relationship Capital** • Customer satisfaction score > 94% • #1 in financing of municipalities, cities, hospitals & care sector • 19% market share in (mid) Corporate • EUR 25 billion gross production in long term loans • EUR 179.4 billion outstanding Savings & Investments • 169,000 social accounts
Social Capital Social commitment has been part of Belfius' DNA since origin, and is fully embedded in our values driven strategy and purpose to be "Meaningful & Inspiring for Belgian society. Together". Guided by the Sustainable Development Goals, we contribute to society both directly through our philanthropic activities and indirectly by giving our customers the opportunity to support the causes of their choice through our product offer.	**Social Capital** • Total cash taxes & contributions of EUR 794 million • Claims paid due to natural catastrophies EUR 62.5 million • 0.6 million customers building up pensions to face the pension gap
Natural Capital As a leading bank-insurer we manage our impact on natural resources resulting from our operations and financing activities. On top of offering green solutions, we also collaborate with external stakeholders to advise our clients on decreasing their impact on the environment.	**Natural Capital** • 44.6 thousand tons of carbon emissions from our own operations compensated • EUR 1.3 billion green or sustainable bonds issued by EEP clients, with the support of Belfius, ESG Bond Finance House of the year • 18% share of electric or plug-in hybrid vehicles in Belfius Auto Lease fleet • 87% gross production of funds and investment-insurance in art. 8 or 9 SFDR

4. ESG fully embedded in the Belfius strategy

4.1. ESG at the heart of everything we do

To Belfius, all three components of sustainability (E,S,G) are equally important and at the core of Belfius' purpose: "Being Meaningful and Inspiring for Belgian Society. Together." Using this purpose as a compass, we have woven sustainability into our 2025 Inspire strategy and articulated it around two guiding principles: "Walk the talk" and "Customers in the driver's seat" (of their sustainability ambition with an adapted range of meaningful solutions, products and services).

As such, our goal is to inspire our customers to accomplish their sustainability ambitions and, in doing so, to create, together with our customers, the greatest possible impact. Belfius' overarching goal is thus threefold:

- Managing ESG risks in order to ensure resilience and profitability
- Limiting potential negative impacts on the world
- Maximising positive impacts and contributions to society

In particular, we facilitate the transition to a low-carbon, resilient and prosperous Belgian society through doing what we say in the area of sustainable business and ensuring maximum positive contribution in everything we do. In line with this value and amongst other objectives, it is Belfius' ambition to walk the talk by decarbonising its own operations as much as possible, while fully supporting and encouraging customers in their transition to a low-carbon approach. In doing so, we strive to inspire Belgian society as a whole to become more sustainable, both addressing the climate crisis and environmental degradation in a socially inclusive way. Consequently, as part of this ambition, Belfius joined the Science Based Targets initiative (SBTi) to do its bit in the fight against climate change. In this report we publish our financed emissions for the first time (see section 7.1. for more information). These will be the basis of defining our science-based emission reduction targets and action plan later in 2023.

In 2021, we decided to focus on six core commitments in line with our purpose and strategy and report on them transparently. In 2022, our six core commitments were formulated as follows:

1. Continuously reducing and compensating the shrinking footprint of our own operations[1]
2. Opting for 100% renewable electricity, a choice we have made since 2008
3. Supporting our society year after year through Belgian charities
4. Giving women every opportunity and guaranteeing equal pay
5. Going for a 100% meaningful investment offer
6. Giving absolute priority to future-proof infrastructure for Belgian society

We understand that measurement and transparent reporting are a key to success. We heavily invest in improving our data environment, as data availability and quality remain important challenges in ESG. Strong ESG governance with clear responsi-

(1) We refrain from further using the 'climate neutral' notion, in line with latest scientific insights. However, one of our core commitments remains to strongly decrease our GHG emissions and compensate what cannot yet be reduced in our own operations. Hence the rewording of the first commitment.

bilities at the highest levels and an explicit integration of sustainability in the variable remuneration of senior management, ensures that sustainable enterprise is at the heart of every decision we make. Monitoring of our progress in sustainability through key performance indicators reinforces this.

We publish our core KPI dashboard tracking our core commitments in the table below.

Belfius ESG dashboard

		2020	2021	2022	Target 2025
CARBON FOOTPRINT (OWN OPERATIONS)	% decrease of carbon footprint (tons of CO_2e) of Belfius' internal operations (initial 2019 baseline)[1]	-	-30%	-30%	-25% vs 2019[2]
GREEN ELECTRICITY (OWN OPERATIONS)	% of electricity consumption from renewable sources for own operations[4]	100%	100%	94%[3]	100%
GOOD CAUSES	Cumulative Mio EUR support to Belgian good causes since 2015 (pure & commercial charity)	22	25	30	50
(GENDER) DIVERSITY	% of women in management position	34%	36.7%	40.3%	44%
MEANINGFUL INVESTMENTS	% of production in investments in scope[5] that is meaningful (SFDR art 8 & 9)	-	83%	87%	100%
MEANINGFUL FINANCING INFRASTRUCTURE	Bn EUR cumulative loan production in meaningful infrastructure projects since 2020	1.7	2.7	3.8	5.8

(1) See section 7.1. Decarbonisation trajectory for initial 2019 baseline scope description.
(2) Decision to increase target from the initial - 20% to -25% taken in 2022.
(3) Inclusion of co-owned/co-used buildings.
(4) Excluding SComm operated branches, for which a 100% target in 2025 has been set in 2022. Data collection ongoing.
(5) Scope limited to mutual funds, My portfolio, pension funds and Investment - Insurance.

4.2. Engaging with our stakeholders

The table below gives a concise overview of our most important stakeholders, the way in which we entered into dialogue with them in 2022 and the most important topics of conversation.

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders
CUSTOMERS	• Bank and insurance offices (physical channel) • Digital channels (websites, mobile app) • Belfius Connect - remote financial services (telephone, mail, chat) • Customer satisfaction surveys • Complaints management process	• Suggestions and complaints from customers • Product transparency • Customer needs, financial & digital skills • Access to financial services, fairness
EMPLOYEES	• A permanent feedback culture between employees and managers • Live information webinars given by top and senior management with Q&A • An annual engagement barometer - a survey that invites employees to make their voices heard on the internal operation of the company • Representation in social bodies and a network of union representatives • A network for psycho-social help	• Fair and competitive remuneration • Coaching and career guidance • Training and education • Pleasant and healthy working conditions (BeTeams) • Physical and mental health of employees • Transparency around strategy, policy and results
SOCIAL AND CIVIL SOCIETY ORGANISATIONS, NGOs	• Dialogue with various organisations and NGOs (Fairfin, 11.11.11, Financité, Ethibel, …) and cooperation with their surveys and assessments • Collaborative sessions and peer learning within sustainable development network The Shift	• Interactions on sectors and activities financed by Belfius, Belfius' sustainable products offer and Belfius investment policies • In particular the topics that need to be addressed most urgently by companies and other societal actors
SHAREHOLDERS	• Periodic consultation and operational contacts with the Federal Holding and Investment Company (SFPI-FPIM)	• Transparency around company performance and results • Ad hoc information for answering external questions • Risk management
STRATEGIC PARTNERS	• Regular contact with commercial and non-commercial partners in the field of philanthropy • Regular contact with partners around our commercial offer in mobility and energy solutions	• The selection of social themes and challenges where Belfius can have the greatest positive impact
SECTOR FEDERATIONS, EMPLOYER ORGANISATIONS AND UNIONS	• Membership and representation in financial and economic federations (Febelfin, Assuralia, BVK, BLV, BVB, BEAMA, ICMA), employer organisations, cooperation platforms for innovation and technology • Social bodies and linked subcommittees • Consultation as a stakeholder in the 2021 materiality analysis	• Sharing knowledge with sector federations • Putting social responsibility into practice • New ways of organising work to create a more open and sustainable organisation
GOVERNMENTS AND REGULATORS	• Collaboration in ministerial consultation initiatives at a federal and regional level • A systematic follow-up of regulatory initiatives that have an impact on the financial sector • Periodic consultation with regulators (NBB, FSMA, ECB, EIOPA)	• Compliance with regulations and statutory obligations • Proper financial and non-financial reporting • Transition Acceleration Policy
RATING AGENCIES, SUSTAINABILITY EXPERTS, ACADEMICS, ANALYSTS AND INVESTORS, (FINANCIAL) PRESS	• Press conferences regarding the Bank's results with associated investor calls • Active engagement with rating agencies • Day-to-day questions and answers via the Bank's press spokesperson	• Transparency around how the business is conducted, proper financial and non-financial communication

Stakeholder	How do we enter into dialogue?	Main topics of conversation with stakeholders
(SUPRA)NATIONAL SUSTAINABILITY-LINKED ORGANISATIONS	• Periodic reports to the UN Global Compact (UNGC) on progress as an early adopter through the enhanced Communication on Progress (CoP)	• 10 UNGC principles relating to human rights, labour, the environment and anti-corruption
	• Impact analysis and annual reports on progress to the UNEP FI Principles for Responsible banking (PRB), as required	• 6 UNEP FI PRB principles relating to governance, alignment of business with SDGs and the Paris Agreement, impactful target setting, transparency and accountability and building & sharing ESG expertise
	• Annual reports on progress to the UNEP FI Principles for Sustainable Insurance (PSI), as required	• 4 UNEP FI PSI principles relating to embedding ESG in decision-making, raising awareness, collaboration with stakeholders to promote accountability and transparency
	• Annual reports on progress to the UN Principles for Responsible Investment (PRI), as required	• 6 UN PRI principles relating to incorporating ESG issues into decision-making processes and ownership policies & practices, promoting the principles within the investment industry and reporting on progress towards implementation
	• Dialogue with the Partnership for Carbon Accounting Financials (PCAF) on upcoming disclosures of financed GHG emissions	• Measuring and disclosing investment portfolio GHG emissions in a harmonised manner
	• Commitment to the Science-based Targets initiative (SBTi) • Regular discussions with the Belgian Alliance for Climate Action (BACA)	• Setting targets to reduce financed GHG emissions based on the latest climate science and thus aligning our portfolios with the ambitions of the Paris Agreement
	• Regular meetings of the peer-learning network of the Belgian Institute for Sustainable IT (ISIT-BE)	• Reducing the environmental and social footprint of our IT services and usages; promoting digital technologies and services that are more sustainable, inclusive and ethical
	• Participation in the Women in Finance initiative -annual reports on progress for the Financial Sector Diversity Charter	• Measuring and rebalancing gender differences at every level of the company
COUNTERPARTIES WITHIN ASSET MANAGEMENT	• Engagement by Belfius Investment Partners and Belfius Insurance with third party asset managers and companies • Annual reporting on engagement and proxy voting by Belfius Investment Partners and Belfius Insurance	• Exchange of views on ESG issues, avoidance of controversies, promotion of sustainable investment choices

4.3. Materiality assessment

Belfius is aware that each of its stakeholders attaches a specific degree of importance to each individual sustainability theme. Belfius uses this feedback to inform its sustainability strategy and approach, in accordance with its purpose.

In Q4 2021, running through to the beginning of 2022, Belfius, with the support of an independent third-party, conducted a materiality assessment with a two-fold objective: to confirm that its strategy and sustainability commitments are tackling issues that its stakeholders consider to be relevant and to identify any additional topics that are a priority for those stakeholders. In anticipation of the mandatory application of the Corporate Sustainability Reporting Directive (CSRD), our assessment was carried out from a "double materiality" lens considering the impact of sustainability-related topics on Belfius as well as Belfius' impact on sustainability-related issues.

While we conduct a complete materiality assessment every two to three years, we review our material topics as and when necessary, which was the case in 2022.

4.3.1. Materiality assessment process performed in 2021

4.3.1.1. Identification of topics based on actual and potential impacts

To assess an initial set of material topics, Belfius analysed and consolidated information from the Sustainability Accounting Standards Board (SASB) materiality matrix for the banking and insurance sector, the Principles for Responsible Banking (PRB), the Principles for Sustainable Insurance (PSI), peer review, the Sustainable Development Goals (SDGs) and the Sector Study report on Sustainability Materiality of SDG Targets and GRI Indicators prepared by the Governance & Accountability Institute. This broad research resulted in an initial list of 30 topics, which was the basis for further convergence to a final list of 15 topics used in the online survey designed to engage with Belfius' stakeholders.

4.3.1.2. Assessment of relevance and impact of topics

Following the double materiality view, two questions per topic were included in the survey:

- What is the impact of the topic on Belfius (going from (very) low, over neutral, to (very) high), and
- what is the impact Belfius has on the topic today (going from (very) negative, over neutral, to (very) positive).

Using this online double materiality survey, Belfius engaged with different stakeholders from several groups, who were identified based on mutual impacts.

Belfius' corporate view was represented through a selection of senior executives from all business units. A group of 200 employees pioneering sustainability were also consulted as internal stakeholders. Social and civil organisations, employer federations, consumer organisations, customers, strategic partners, suppliers, trade unions, sustainability experts, academic institutions, sector federations, credit and sustainability rating agencies were part of the consulted external parties.

4.3.1.3. Determination of material topics

The results from the online survey were weighted according to a pre-defined methodology. The views of internal and external stakeholders on the impact of the topics on Belfius were analysed and aggregated on the Y axis (Importance to Society). The views of Belfius' management were put on the X axis (Importance to Belfius' performance). To capture the double materiality approach, a colour scheme was included to showcase the impact Belfius has on each topic in addition to its relevance.

The results were plotted in the materiality matrix and submitted for information and discussion to the Management Boards of Belfius Bank and Belfius Insurance. The materiality matrix was presented to the Board of Directors of Belfius Bank and Belfius Insurance.

4.3.2. Materiality assessment review performed in 2022

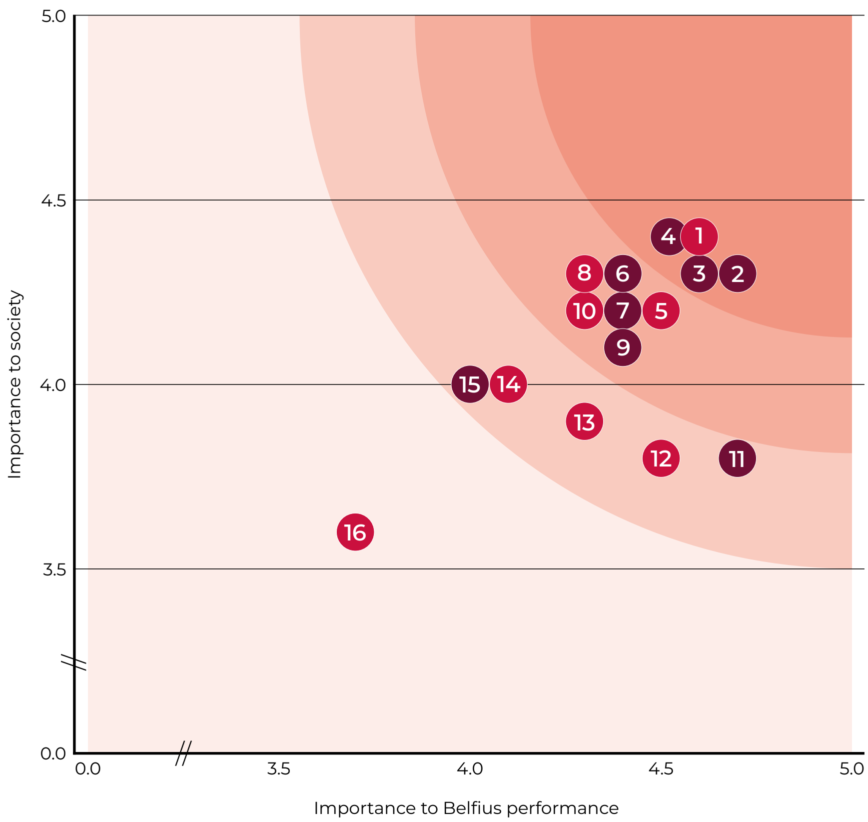
In 2022, considering evolutions in the regulatory landscape and sustainability trends, we internally reviewed our material topics using market and peer analysis. This resulted in the reformulation of some of the material topics to better reflect their scope and meaning (e.g. diversity and equal opportunities was updated to diversity, equitable opportunities and inclusion). It also led to the explicit inclusion of two additional material topics this year: climate and environmental risk as well as respect for human rights, which was always a necessary condition to interact with Belfius and is now gaining regulatory weight with the upcoming Corporate Sustainability Due Diligence Directive. Furthermore, certain material topics have been merged (e.g. financial inclusion and access to financial services now includes the topic financial literacy) or split (e.g. information security and data privacy), considering the scope of information included for each issue. Finally, open dialogue with stakeholders and active engagement was removed as a separate item as interactions with internal and external stakeholders are embedded in many operations and therefore integrated in all the other material topics. Consequently, the total number of material topics included has increased compared to the previous assessment to a total of 16 items.

4.3.3. Materiality Matrix

In the materiality matrix, the views of internal and external stakeholders on the impact of the topics on Belfius can be found on the Y axis (Importance to Society) and the views of Belfius' management on the X axis (Importance to Belfius' performance). The colour scheme showcases the impact Belfius has on each topic in addition to its relevance: dark red (merlot) is positive, red (rubis) is neutral. No other colours are used as there are no (very) negative or very positive impacts of Belfius on a topic.

The topics in the bottom left quadrant of the materiality matrix are regarded as less material to both internal and external stakeholders, as well as to Belfius' own corporate view, while the topics in the top right quadrant are considered most relevant. When aggregated, none of the topics included in Belfius' online survey scored very low, low or neutral (equivalent to a score of 1 to 3). The material topics added in 2022 were positioned on the materiality matrix through expert judgement.

Materiality matrix



Topic	
1	Information security
2	Talent management
3	Customer experience & satisfaction
4	Privacy & data protection
5	Climate & environmental risks
6	Compliance & business ethics
7	Resilience & long term oriented financial performance
8	Human rights
9	Community involvement
10	Supporting & accelerating the sustainability transition
11	Diversity, equitable opportunities & inclusion
12	Financial inclusion & access to financial services
13	Future-proof, inclusive & relevant infrastructure
14	Transparent communication on products & services
15	Local innovation & digitalization
16	Managing direct & indirect environmental impact of Belfius group

5. Meaningful growth

5.1. Meaningful investing

In the area of sustainable investing, 2022 was marked by continued legislative efforts at EU level (SFDR, ESG amendments to MiFID II) to increase transparency on the sustainable nature of investments, combat greenwashing and integrate investor ESG preferences into investment advice and discretionary portfolio management.

In 2022 at Belfius, 87% of new production in investment funds (including pension funds and My Portfolio) and insurance-based investment products went into products promoting environmental or social characteristics (art. 8), or products having sustainable investment as their objective (art. 9) (see section 5.1.1. for more details).

Thematic investments in particular continued to grow significantly thanks to the expansion of our offering and strong commercial activity.

In 2022, Belfius launched three new investment funds, all of which are classified as article 8 or article 9 funds.

5.1.1. Our vision on meaningful investing

Meaningful investing is the cornerstone of Belfius' investment strategy, under a holistic approach across all dimensions of our investment activity, from advice to execution-only. Our responsible investment approach is founded on our beliefs that we should deliver both financial and societal returns, which is an essential part of our fiduciary duty to our clients. In addition, we are convinced that the integration of sustainability of Environmental, Social and Governance (ESG) factors in the investment process allows investors to better understand both the risks and opportunities in financial markets.

Our approach takes into account relevant laws and regulations such as, but not limited to, the Loi Mahoux (in relation to certain types of controversial weapons), the Shareholder Rights Directive II (SRD II) and the Sustainable Finance Disclosure Regulation (SFDR).

In 2022, Belfius continued to incorporate its responsible investment practices both deeper and broader across the whole of its product offering. In particular, efforts were pursued to further align our actively advised offering of investment products with our Transition Acceleration Policy (TAP). For products over which Belfius has full control, this is a pre-condition to active advice and commercialisation of a product as of 2023.

For products over which Belfius has only limited control, our ambition remains to support the transition towards a more sustainable society and economy, in a way that also allows for a broad enough investment offering, respecting our fiduciary duty towards our customers. In that regard, specific selection criteria will be put in place at the latest by 30 June 2023 that should lead to an investment offering that strikes such a balance.

Belfius advocates investments that are meaningful to society. In terms of products subject to the SFDR, this translates into an actively advised offer that predominantly consists of products that either promote environmental or social characteristics or have a sustainable investment objective.

The SFDR (Sustainable Finance Disclosure Regulation), which came into force in March 2021, aims to create harmonised rules for the disclosure of the sustainability characteristics of such investment products, as well as for the entities that manage or advise on these products. This makes investment products more comparable for investors. In practice, every product subject to SFDR belongs to one of the three following categories depending on its sustainability ambitions:

- Article 9 funds have sustainable investment as their objective. Such products will, in principle, only invest in assets that qualify as a "sustainable investment" as defined by the SFDR. The product documentation will clearly state the sustainability related goals of the products, as well as the extent to which these goals were achieved.
- Article 8 funds are funds that, among other characteristics, promote environmental and/or social features. Such products can commit to invest a certain amount of their assets in "sustainable investments" as defined in the SFDR, but can also aim to integrate other sustainability criteria in their investment policy. The product documentation will clearly state the sustainability related characteritics of the products, as well as the extent to which these commitments were actually met.
- Article 6 funds are the funds that have no sustainability ambition, they do not meet the requirements of the two categories above in this respect.

Belfius' production ambition for funds (including My portfolio and pension funds) and insurance-investments is to be 100% SFDR article 8 or 9 classified in 2025. In 2022, this was 87%.

In terms of "outstandings", this results in SFDR article 8 or 9 classified products representing 84% of the active investments offer submitted to SFDR, excluding mandates, vs 79% in 2021.

5.1.2. Organisation of investment management within Belfius

In 2022, the governance of meaningful investments was reinforced by establishing a dedicated Sustainable Investment Desk as part of a renewed groupwide ESG Governance (see section 6.1.7.).

Fund management within Belfius' offer is undertaken by:

- The subsidiary company **Belfius Investment Partners (BIP)**, that monitors Belfius' entire fund range to ensure that it is in line with strategic options and sustainability commitments. BIP manages a range of investment funds itself and is the point of contact for our preferred partners Candriam, BlackRock and JP Morgan AM.
  Belfius Investment Partners uses four models of investing:
  - Via Belfius Investment Partners funds of funds: these are financial products for which our internal fund selection and portfolio management teams analyse and select Exchange Traded Funds (ETFs) and mutual funds of third-party asset managers. These mutual funds are collective investment vehicles that we select based on various aspects, such as investment strategy, financial performance, costs and responsible investment approach and capabilities.
  - Via Belfius Investment Partners funds investing in direct lines.
  - Via delegated funds: these are financial products for which we have appointed an external manager to manage the assets. These are currently Candriam, BlackRock Investment Management and JP Morgan Asset Management.
  - Via private discretionary and advisory portfolios.

  Within the Belfius Group, BIP is also the centre of competence for responsible investments. In 2019, BIP signed the United Nations Principles for Responsible Investment (UN PRI), thereby making a formal and external commitment to embed sustainability principles in its policy and to strengthen them over time.
- **Candriam**, which is responsible for the day-to-day management of most Belfius funds. Candriam integrates ESG considerations into every investment strategy across all asset classes within the investment process and related goals as an integral element of its procedures. Candriam was one of the first European asset managers to sign the UN PRI in 2005.
- **BlackRock Investment Management and JP Morgan Asset Management**, which were selected to complement our asset management offering towards our Private and Wealth customers. Blackrock supports the use of ESG-related insights to improve investment decisions and outcomes. JP Morgan considers ESG factors in its investment decision-making process in order to mitigate risks, while taking advantage of opportunities.

For its KITE branch 23/branch 44 offer, Belfius Insurance also relies on BIP as a competence centre to manage relations with the external asset managers whose funds are included in KITE. However, Belfius Insurances also directly manages an own Investment Portfolio, see section 5.5.

5.1.3. Integration of environmental and social considerations in our investment strategy

To build an offering for investors that is ecologically and socially meaningful for society, we use a combination of three methods:

- **We build specific environmental (E) and social (S) considerations into our funds**. In concrete terms, we do so by creating so-called thematic funds which incorporate binding "E" or "S" criteria in their investment policy and are linked to one or more Sustainable Development Goals, as defined by the United Nations. This steadiliy expanding range of thematic funds is called "the Funds of the Future", each of which invests in companies that are active in a particular environmentally or socially relevant (long-term) theme.

- **We exclude certain economic sectors and activities on sustainability grounds** through our Transition Acceleration Policy (TAP).
  This policy includes:
  - A norm-referenced (normative) screening process that excludes companies that violate the principles of the United Nations Global Compact (UNGC) or are involved in serious controversies.
  - A list of activities that Belfius either feels should be excluded entirely from its investment universe or that only merit to have limited exposure in its investment portfolios because the nature of these activities is intrinsically harmful to the environment or society.

  This means that our advised offering of investment funds and insurance base investment products (article 8 and 9, as well as article 6 products) is compliant with the criteria of the TAP, with the exception of those investment products over which Belfius does not have full control (this is specified in the TAP).
  For the products that Belfius only offers on an "execution only" basis via our Re=Bel platform, a systematic check is carried out against TAP criteria in order to make investors aware of the ESG risks involved.
  Read more about the Transition Acceleration Policy in section 6.1.3.
- **We engage as an active owner**. The key step in this engagement focuses on the dialogue we carry out with different external stakeholders. An active and constructive dialogue with the companies in which we invest enables us to make our points of view, concerns and ideas known to the management of those companies and to influence the decisions of company managers. Conversely, this provides an opportunity for companies to make their views known.
  This dialogue also occurs through the responsible use of our voting rights at General Meetings to help steer decisions in a sustainable direction. For investment portfolios that are directly managed by Belfius entities (for instance the Investment Portfolio of Belfius Insurance) we cast votes ourselves. When the management of an investment portfolio is delegated to an external partner, Belfius requires the external partner to exercise the voting rights attached to the portfolio's investments. Belfius also encourages its partners to be as transparent as possible on their voting behaviour. Candriam for instance publishes an annual report on its voting behaviour as a shareholder (proxy voting).

On top of this comes the overarching integration of sustainability risks into our investment decisions, as detailed in the information on our website.

- For more specific information on how Belfius deals with climate and environmental risk in investments, please refer to sections 7.3.3., 7.3.5. and 7.3.7. of the 2022 Sustainability Report.
- Find more details on our active ownership in the BIP Engagement Policy, as well as in the BIP Proxy Voting Policy.
- Find more details about our external partners' active engagement and proxy voting strategies in sections 7.3.4. and 7.3.5.

5.1.4. Investor sustainability preferences, a new criterion in investment advice

Europe harbours the ambition to become the leading continent in terms of sustainability and continued its efforts to that end on the legislative front in 2022. For the financial sector, this includes a modification of the second Markets in Financial Instruments Directive (MiFID II).

This directive requires banks to gauge the needs and preferences of their customers and obliges them to consider this information when providing investment advice or managing a customers' portfolio. As of 2 August 2022, information concerning customers' preferences should include any sustainability preferences, which will need to be taken into account in any investment advice or discretionary managed portfolios.

In addition, banks are required to know and understand the sustainability characteristics of their product offering in order to correctly match these products with customers' sustainability preferences.

Belfius determines the sustainability preferences of its client-investors by asking targeted questions with regards to:

- The minimal amount of sustainable investments to be integrated in the investments, i.e. investments that make a positive contribution to an environmental or social objective, do not significantly harm any other sustainability objective and respect good governance practices.
- The minimal amount of environmentally sustainable investments, aligned with European taxonomy (a list of environmentally sustainable activities defined at European level).
- The unfavourable sustainability impacts investments should consider - the so-called PAI (Principle Adverse Impacts e.g. greenhouse gas emissions, respect for human rights, etc.).

Based on the answers received, Belfius records the customer's sustainability preferences and formulates a matching offer of financial instruments.

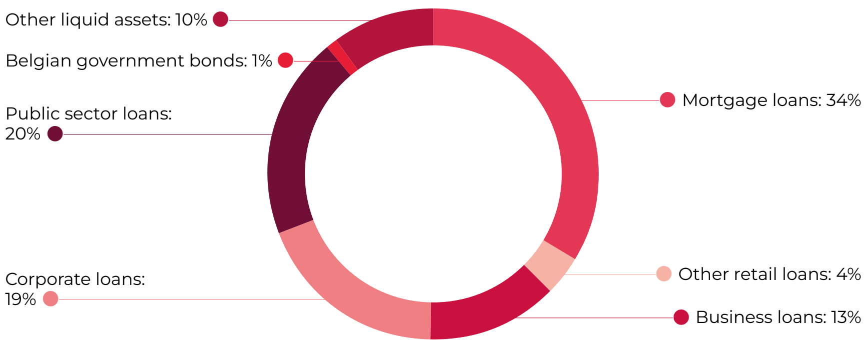
Since August 2022, sustainability has therefore been an integral part of our investor profile, together with the financial situation of investors, their knowledge and experience of investing, their investment horizon and their attitude towards risk.

5.2. Sustainable financing solutions

5.2.1. Recirculating into the Belgian economy and community

Belfius wants to use its balance sheet to facilitate projects and initiatives with a positive impact. Belfius customers can count on their savings being reinvested almost entirely back into the Belgian society and economy in the form of loans to households, the self-employed, SMEs and large companies, public or social institutions. The chart below illustrates this:

Allocation savings at bank level



Belfius has a strong tradition and track record in providing concrete solutions for infrastructure challenges in Belgium, be that for hospitals or care homes, schools, utilities (such as renewable energy), or municipal infrastructure. In addition to projects with a positive impact on society, Belfius is now leveraging its financing capacity towards providing maximum support to all its customers in the transition towards a more sustainable economy, namely a low-carbon one that is more respectful of the use of the world's natural resources (water, biodiversity etc.).

The current energy crisis, following the Russia-Ukraine war, has reinforced Europe's desire to be carbon neutral by 2050 and has created a sense of urgency amongst all affected parties. With almost all houses and buildings in Belgium in need of an energy-saving makeover, the challenge is huge. Belfius' existing offerings in buildings and mobility can be leveraged to meet the current energy emergency, whilst additional solutions are being analysed.

5.2.2. Helping individuals manage housing energy costs and efficiency in the short and long term

The spike in energy prices that threw many a household budget in turmoil in 2022, prompted the financial sector as a whole to come up with measures to help the most vulnerable of mortgage holders avoid financial trouble by granting deferred payment of the principal of a mortgage loan when a number of conditions were fulfilled.

In view of the challenges and opportunities currently existing in the construction and housing markets, in parallel to the solutions already available at Belfius, we are looking into how to help individuals, especially those in or at risk of energy poverty, address their energy efficiency issues in the long term.

5.2.2.1. Sustainable housing in lending

According to a study conducted by Belfius in October 2022 on 2,000 Belgian consumers, more than three quarters of Belgians declare being impacted by the increase in energy prices. Even more concerning, 52% confirm they are facing financial difficulties.

These findings highlight the importance of helping customers control their energy costs and consumption. In this regard, we support current owners who want to perform necessary energy renovations through our lending activity, facilitating access to energy-efficient home acquisition.

In March 2022, Belfius launched its interest rate discount for the financing of low energy houses (EPC below or equal to 150 $kWh/m_2/y$) to support energy transition through its Belfius brand mortgages offer. Belfius also has a mortgage loan offer through its DVV and Elantis brands. DVV has also adapted pricings and conditions to encourage energy-efficient housing (< 150 $kWh/m^2/y$).

With the Energy Renovation Loan, Belfius helps Belgian households with their energy-saving renovation projects. It does this by offering a credit formula for financing aimed at improving home insulation, installing double or triple glazing, replacing old boilers with high-efficiency versions, installing a heat pump or solar panels, or having an energy audit carried out, amongst others.

- The Energy Renovation Loan was recognized by Test-Achats as Best of the Test, in June 2022.
- In 2022, Energy Renovation Loans represented six out of ten consumer renovation loans granted by Belfius.

Energy Renovation Loan

	2020	2021	2022
Number of loans	5,068	4,004	7,922
TOTAL AMOUNT (in millions of EUR)	57.9	57.9	115.7

Belfius has been offering the Flemish Renovation Loan since 2021. This allows people who buy a house with poor energy performance and who take out a renovation loan to carry out thorough energy renovations within five years of the notarial deed of purchase, to benefit from an interest subsidy granted by the Flemish government. Thanks to this interest subsidy, the borrower can recover the interests paid on the renovation loan. As of 2023 however, following a review of this system by the Flemish authorities, the interest subsidy may be lower, equal to, or even higher than the interest paid on the loan (depending on the energy label after renovation and the interest on the renovation loan).

DVV and Elantis also gave homebuyers who bought a house with poor energy performance in Flanders in 2022 the possibility to combine their mortgage with the Flemish government's interest-free renovation loan to increase EPC score, with the obligation of improving the EPC score within five years from E or F to C for a house, and from D, E or F to B for an apartment.

5.2.2.2. Sustainable housing beyond our financing activity

Beyond lending, Belfius has been working with companies active in energy renovation and renewable energy (Izen, Energreen) for a number of years now. Belfius customers can turn to these companies for sustainable solutions and information on energy renovation loans. Belfius customers can quickly find companies active in renewable energy (solar panels), insulation and EPC certifications (energy performance of buildings) through the Belfius Mobile app with Jaimy.

Finally, Belfius is also a pilot bank for the EEMI (Energy Efficient Mortgages Initiative) and is a member of the UPC - BVK (Union Professionnelle du Crédit - Beroepsvereniging van het krediet) Commission on Sustainable Loans which aims to design and launch energy-efficient mortgages in Belgium, thereby stimulating and channelling private capital towards investments in energy efficiency.

5.2.3. Gearing up in energy-efficient infrastructure

5.2.3.1. Developing energy-efficient real estate with a high social impact

In 2022, through TDP (a 50/50 joint venture between Belfius Bank and GIMV), we launched the residential real estate company YALLY or "Your Ally" (www.yally.be), with a strategy to buy housing units, render them more energy efficient and rent them out. Through the YALLY offer, we aim to contribute to the upgrading, rejuvenation and greening of the urban housing supply for families. In addition to being a sponsor, Belfius acted as a senior debt provider to finance the first acquisitions in Summer 2022, with new units to be added soon.

In addition, Belfius Immo, a subsidiary of Belfius Bank, remains active in the areas of affordable living and housing for people with disabilities.

- Through the Société Mixte de Développement Immobilier (SMDI), Belfius Immo, in conjunction with its partners Société Wallonne du Logement (SWL) and Société Régionale d'Investissement de Wallonie (SRIW), builds affordable housing in Wallonia.
- With Canius I and Hamsterhuren II, (Specialised Property Investment Fund – "GVBF/FIIS"), Belfius Immo participates as a shareholder in the purchase of new houses and flats according to the "hamster rent" principle. In this case, tenants have the option of purchasing a rented energy-efficient home within a certain period of time (e.g. 4 years), at a pre-set price with a rent refund already paid.

5.2.3.2. Smart Building and Renovation Solution (SBRS)

For over 30 years, Belfius Bank has been supporting public and social sector institutions in their real estate projects. A specialised Public Real Estate department advises these institutions beyond simply financing construction projects. A team of architects, engineers and lawyers allows instructing institutions to remain concentrated on their core tasks, rather than on a building project. For each project, the project manager, construction partners and the customer work together to analyse the latest developments in energy, sustainable development, circular economy, Internet Of Things (IOT), etc. to find the perfect balance between price and performance.

- Through its SBRS offer, Belfius engaged with up to 44 institutions in 2022 on new projects for a total value of EUR 454 million. Public Real Estate supported schools, police stations, fire stations, residential care centres, housing projects for the elderly, shelters for young people, accommodation for the disabled, cultural centres, sports infrastructure projects and administrative centres.
- In 2022, we further expanded the service with a solution for energy renovations: Smart Building and Renovation Solution Energy. A first project is in tender phase. Further commercialisation is scheduled in 2023.

5.2.3.3. Belfius Energy Efficiency Package (BEEP)

With BEEP, Belfius offers a unique financing package to companies, public authorities, educational institutions and social profit organisations, stimulating them to invest in reducing their energy needs, switching to alternative energy sources or producing their own energy. In cooperation with the European Investment Bank (EIB) within the framework of the European Private Finance for Energy Efficiency (PF4EE) programme, Belfius supports its customers with this tailor-made solution for their financing needs for smaller projects, helping them on their way towards sustainable energy transition.

- In 2022, 11 new projects saw the light of day. These included photovoltaic projects, energy co-generation projects in apartment buildings, re-lighting and energy efficiency projects in buildings and biomass co-generation projects.

In all, Belfius has now been able to finance 82 projects within this programme with a total project value of approximately EUR 98 million.

5.2.3.4. European Local Energy Assistance (ELENA)

Since 2020, Belfius has been the first and only Belgian commercial bank to be awarded an ELENA grant to actively assist its public and social profit customers in the development of energy efficiency projects in existing buildings and renewable energy programmes. ELENA is a joint initiative of the EIB and the European Commission within the framework of the European research and innovation programme Horizon 2020.

- Since 2020, Belfius and the ELENA initiative enabled more than 33 retrofit projects for a total project cost of EUR 177 million, of which EUR 38 million in 2022.
- Most notably, with ELENA, Belfius is helping the SeGEC, representing Catholic education in Brussels and Wallonia, to install solar panels in about 700 different school sites, a significant cost reduction measure that is contributing to the energy transition of Belgium.

5.2.3.5. Renewable energy

> Aster, a cooperative representing 90% of the Flemish Social Housing market, is fighting the rising cost of energy by installing 395,000 solar panels on 52,500 social homes in Flanders over a five-year period. Belfius, by financing the first phase of this ambitious Aster project with EUR 106 million in loans, is making a significant contribution to the energy transition of Belgium in a socially relevant way, as tenants will see their energy bill reduced.

Belfius' total investment in renewable energy amounted to around EUR 1.7 billion by the end of 2022. This includes project finance and loans, as well as more than 500 leasing contracts currently underway in the areas of biomass, solar energy, onshore and offshore wind energy, energy cogeneration or greening of production lines.

Together, these projects provide enough renewable energy each year to meet the energy needs of more than three million Belgian households and the avoidance of roughly 4.5 million tonnes of CO_2 emissions each year.

Belfius is the only Belgian bank to co-finance all eight Belgian offshore wind farms, with a total capacity of 2,262 Mw.

5.2.3.6. Smart cities, climate action and circular economy

Belfius' partnership with the European Investment Bank (EIB) on projects in the areas of local energy efficiency, urban development and mobility, which started in 2014, came to an end in 2022.

Over the total lifespan of the partnership, a total of 192 projects that impact the daily lives of millions of people in Belgium were financed, representing a total investment of nearly EUR 1.5 billion.

Programme Smart Cities & Sustainable Development and Smart Cities & Climate Action & Circular Economy (with the EIB) – Summary per line of credit (2014-2022)

	Smart 1.0	Smart 2.0	Smart 3.0
Total amount of projects (in millions of EUR)	485(1)	495(2)	506(3)
Number of projects	59	68	65

(1) of which an EIB line of EUR 200 million.
(2) of which an EIB line of EUR 200 million.
(3) of which an EIB line of EUR 196 million.
The remaining part of the project amounts is financed by long-term loans granted by Belfius, by advance payments on subsidies, amounts from credit still available, short-term loans and cash loans granted by Belfius (for the use of own resources).

5.2.4. Helping enterprises along their sustainability journey

In line with its ambition to be a leading actor in the transition to a low-carbon and resilient Belgian economy and society, Belfius has developed a sustainable finance value proposition for companies that are incorporating sustainability into their business strategy and aligning their funding sources to their ESG commitments (be that through bank loans, leasing or financial markets).

With **CO_2rporate ESG Ambition**, we aim to accompany all our Corporate and Local Corporate customers through their entire ESG journey in a fast changing market by:

- Helping them define their ESG strategy with a user-friendly tool taking into consideration their sector, level of ESG ambition and their own legal and regulatory ESG requirements.
- Supporting them in implementing their ESG strategy and achieving their ESG targets with the right solutions and attractive financing conditions.
- Finally, rewarding them for their ESG achievements.

In the long-term, this will lead to systematic improvement of sustainability performance among Belfius customers, resulting in a greener balance sheet with a positive societal impact for Belfius.

Until now, Belfius had been active in **Sustainability Linked or green Loans and Bonds, as well as Social Bonds**. More specifically, on the bond side, Belfius offers structuring and advisory services to guide customers through the entire process - from their initial thoughts through to the drafting of the sustainable framework, the interaction with sustainable rating agencies and the placement of bonds with retail or institutional investors.

These services are available for all client types that want to embark on the path of sustainable bond issuance: local and regional authorities, inter-municipal entities, utility companies and corporate entities.

When setting up sustainable frameworks, Belfius follows International Capital Market Association (ICMA) principles and engages with dedicated second party opinion providers to be fully aligned with international best market practices.

In 2022, Belfius supported the following customers for an aggregated amount of EUR 1.9 billion:

Issuer	Sector	Format	Size (in millions of EUR)
VGP	Real Estate	Green Bond	1,000
HOME INVEST BELGIUM	Real Estate	Green Bond	40
ATENOR	Real Estate	Green Bond	55
COMMUNAUTÉ FRANÇAISE DE BELGIQUE	Regional Authority	Social Bond	600
MG REAL ESTATE	Real Estate	Green Bond	15
INTERVEST OFFICES & WAREHOUSES	Real Estate	Green Bond	45
IMMOBEL	Real Estate	Green Bond	125
ATENOR	Real Estate	Green Bond	13
EAGLESTONE	Real Estate	Green Bond	26
TOTAL AMOUNT			1,919

In 2022, we complemented our existing offer of products with newly designed investment credit and financial leasing formulas dedicated to financing projects with environmental and climate targets as defined by Belfius. These are **Ambition Loans** (with 36 possible targets defined) and **Ambition Leasing** (with 35 possible targets defined).

These targets relate to the four priority domains defined by Belfius: real estate (e.g. energy-efficient buildings or renovations), mobility (e.g. electric cars, forklifts and pallet trucks, utility vehicles), energy (e.g. production and battery storage of electricity generated by natural forces or energy-efficient production equipment) and water and waste management (e.g. water treatment equipment, recycling and material reuse).

To keep pace with technological innovation and resulting new applications, we foresee to both expand the number of targets in the future and seek alignment with EU Taxonomy criteria.

Through **vendor leasing**, Belfius Lease (Services) encourages the circular economy by keeping production equipment, furniture, batteries, lighting systems, bikes etc. in circulation for as long as possible. With this model, use prevails over possession: the end user pays for the use of the asset according to a pay-as-a-service or pay-per-use principle, while Belfius assumes the financial risk by purchasing the goods that will be offered for lease by its professional customers. Production figures for vendor lease were EUR 173 million vs EUR 138 million in 2021 and EUR 163 million in 2020.

Belfius Lease (Services) is a member of the Sustainable leasing workgroup of BLV/ABL (Belgische leasingvereniging Association Belge de Leasing). Belfius Lease has signed the circular economy charter of Febelfin & BLV/ABL.

5.2.5. Enabling low carbon mobility

5.2.5.1. Fostering sustainable mobility in lending

Belfius offers various credit formulas based on sustainable mobility:

- The Energy Car Loan allows customers to finance the purchase of a car with low CO_2 emissions: a car with CO_2 emissions of ≤ 135g/km according to the WLTP standard; a car with CO_2 emissions of ≤ 108g/km according to the NEDC 1.0 standard; or a hybrid or LPG-equipped car.
- The Energy + Car Loan is a specific credit formula for those who want to switch to an electric car or a plug-in hybrid with CO_2-emissions of < 50 g/km. With this loan, customers can borrow up to 120% of the purchase price to cover any additional costs, such as the installation of an electric charging station or solar panels.

For several years now, Belfius has also been offering a bicycle loan as part of its product range.

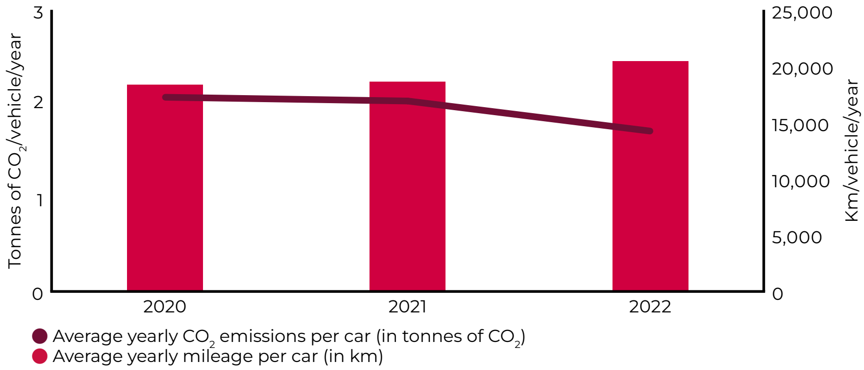
Energy (+) car loans & Bike loans

	2020	2021	2022
Number of loans	4,689	4,326	4,325
TOTAL AMOUNT (in millions of EUR)	53.3	54.6	57.3

5.2.5.2. Sustainable mobility in our leasing offer

With its full-service leasing offer, Belfius strives for low-carbon mobility. Belfius Auto Lease is committed to reducing the average CO_2 emissions of vehicles in its fleet (in tonnes/car/year), with the goal of reaching a 50% reduction by 2025 vs 2019. In 2022, we achieved more than half of the journey towards this target: Belfius Auto Lease fleet's average CO_2 emissions reduced by almost 29% vs 2019.

Evolution of the average yearly CO_2 emissions & mileage per car



Compared to 2021, Belfius Auto Lease fleet's average CO_2 emissions were down in 2022 by 16%, an evolution that is explained by an increase in mileage per car, as well as a further increase in the share of electric or plug-in hybrid vehicles in new production to 61%. Their proportion in the total fleet of Belfius Auto Lease (25,374 vehicles) reached 18.3% in 2022, compared to 8.8% in 2021. This is due to the fact that Belfius Auto Lease, in accordance with government measures, applies targeted advantageous pricing that favours the monthly leasing charge for electric cars over cars with traditional combustion engines.

In addition, Belfius Auto Lease works with CenEnergy, in which Belfius acquired a majority stake in 2022, to provide an intelligent electric charging infrastructure to customers wishing to make the shift to electric or plug-in hybrid cars.

Belfius Auto Lease is diversifying towards the alternative mobility market. Belfius Auto Lease customers can now benefit from Belfius Move by Skipr, an all-in Mobility as a Service solution of Skipr. The programme combines an app designed to facilitate different travel solutions, a payment card valid for all European mobility providers and a budget management platform for employers with the possibility of launching CO_2 reports. Belfius Bike Lease is an all-in offer for all types of bicycles with services such as maintenance, insurance and assistance, in collaboration with Cyclis, the Belgian pioneer in this field.

The Belfius Lease subsidiary for its part is currently managing almost 34,000 leasing contracts for electric bicycles, an increase of 38% vs 2021.

Belfius Lease continues to favour electrical equipment for the civil engineering sector (forklift trucks, pallet trucks, road equipment, etc.) and 40 % of vehicles running on Belgian roads under the Belfius Lease banner are electric or hybrid (out of a total of 17,833).

Hence, Belfius Lease, through its financial leasing and renting offer, is also playing its part in the modal shift towards low carbon mobility.

5.3. Sustainability in Insurance

Belfius Insurance offers several products, including life insurance (savings and risk products) and non-life insurance (mobility and asset protection), mainly for retail customers, independents and small businesses. In 2022, several developments in our products and services confirmed the role we want to play in meeting the current challenges related to longer life expectancy and an ageing population, health, housing, mobility and climate change, amongst others.

5.3.1. Life Insurance

5.3.1.1. Pension

The legal pension has become insufficient for a large part of the Belgian population[1]. At retirement age, many people therefore risk falling below the poverty line[2], even more so given the recent energy crisis. The occupational pension improves the prospects of some, but with great disparities. As a life insurer, Belfius Insurance plays an active role in bridging this gap and in helping customers maintain a reasonable standard of living and purchasing power after retirement.

Some figures:

- We manage the occupational pensions of approximately 273,000 members (second pillar).
- 316,000 Belgians rely on us to invest their supplementary pension capital (third pillar) to the best of our ability.
- To do this, we invest almost EUR 6.5 billion in the Belgian economy, in compliance with at least Art. 8 of SFDR and Belfius' Transition Acceleration Policy.
- 10,870 customers received their supplementary pension capital in 2022, thus increasing their ability to maintain a similar standard of living before and after retirement (replacement rate).

Over the course of 2022 and 2023, we are adopting a proactive approach to customer research in order to understand the needs of our customers within the context of their pension capital and what information they seek.

Alongside Assuralia and the Belgian Government, Belfius Insurance actively participated in reflexions on Belgium's ageing population and the affordability of the pension system, as well as sustainable investments.

5.3.1.2. Income protection

Income protection goes beyond pensions as it is at the heart of many other insurance products, such as outstanding balance insurance. In 2022 for example, we were able to help 420 families repay a mortgage at a difficult time for a total amount of EUR 22.2 million. We insure 407,076 people for their home loans, which is a cross-sell rate of 84% on our mortgages. Customers continue to underestimate the financial risks associated with a loss of income following the death of a household member, or an inability to work (burn-out, accident) - we therefore make sure that they are aware of the risks.

Having said this, couples borrowing for a home rarely insure both borrowers for 100%. In 2022, we provided agents with a tool to help them visualise the risk and opportunity in doing so. In 2023, we will help agents in their query to detect the needs to subscribe riders (i.e. additional covers) on Belfius Home and Credit Protect.

We are also continuing to develop and refine our range of risk cover so that all customers can be well protected against loss of income at any time and at an affordable price. Belfius covers both physical and mental health conditions, though under certain conditions for the latter.

As the latest statistics show, Belfius plays a substantial role for people affected by chronic illness. For several years now, thanks to the Partyka law, these specific customers have been able to take out outstanding balance insurance. The insurer who demands an additional premium of more than 75%, or refuses insurance, must provide objective and reasonable justification. If the customer does not agree with the reasoning received, they can appeal to the Monitoring Office.

Belfius accounts for only 9% of the cases (12% in 2021) examined by the Monitoring Office, whereas our market share in loans is higher. Moreover, in 79% of these cases the Monitoring Office validated Belfius' initial decision. Our medical underwriting policy therefore appears to be fair and properly motivated.

5.3.1.3. Hospital and Outpatient Insurance

In 2021, our research showed that a large part of the public is still unaware of the benefits of hospital insurance in complementing the social security system. Fortunately, many employers do include it in their remuneration packages.

More than 150,000 Belgian citizens (+6% compared to 2021) benefit from our hospitalisation cover.

Our outpatient coverage encourages preventive behaviour and we know how important it is to consult in time to avoid deterioration in health. In this way, we contribute to a healthier and better protected society.

(1) Average gross pension per month (assuralia.be)
(2) In 2014, 15.2% of the over-65s belonged to the at-risk-of-poverty group, based on income according to EU-SILC 2015 data.

5.3.2. Non-life Insurance

5.3.2.1. Home insurance

Home insurance is an essential part of everyday life and helps individuals and households recover from different damages, helping society to become more resilient and overcome life's hazards.

We have already simplified our communication with our customers to help them understand their coverage. Our terms and conditions use plain language and mention concrete objects (garden furniture, solar panels, etc.), which are more meaningful to the general public. Our offer is also modular, allowing each customer to choose the coverage relevant to their needs - from basic coverage as required by law, to more elaborate protection levels. We also organise check-ups with our customers to verify any protection gap and propose adjustments when necessary.

We believe that Home Insurance plays an essential role in climate action, both in a curative and preventive capacity.

Within our coverage embedded into our Property Insurance product offering, we have, amongst others, developed the following initiatives in 2022:

- Integration into our product offers of damages caused by soil shrinkage due to droughts. Subsidence risk can be observed after prolonged droughts, such as the one Belgium experienced in the summer of 2022. Drier summers mean that vulnerable grounds may be more prone to shrink and "crack".
- Upgrade of coverage of natural catastrophes for business customers, following the past two years' natural disasters.
- Launch of a communication prevention kit to limit the damages related to natural catastrophes. Based on Royal Meteorological Institute previsions, we sent out prevention advice to our customers (Bank and Insurance) five times over the course of 2022 (twice for storms, twice for thunderstorms and once during the heatwave).

To increase the efficiency of the claims filing process for customers, Belfius has developed a dedicated tool called MyBo. MyBo is the privileged communication channel, especially when a natural catastrophe has occurred. During the February storms for instance, 67% of claims were introduced through this tool. In comparison, 48% of claims in 2022 were introduced through MyBo. The average elapsed time for the settlement of claims related to natural catastrophes is limited. Along with Jaimy, our privileged partner in repair in kind, we offer an end-to-end solution to ensure the refurbishment of their property.

We seize every opportunity to limit our footprint on the entire value chain, encourage our customers to improve the energy efficiency of their buildings and facilitate their transition to a low carbon economy. For example:

- Our App-normal home insurance that can be underwritten remotely provides specific discounts for owners of new buildings (less than 10 years old), with an additional eco-discount if the building is also energy-efficient. 8% of such building owners had benefitted from this discount by the end of 2022. In the event of a claim, the additional costs of complying with current building standards are taken into account in any compensation. This is applied by all of Belfius Insurance brands (Belfius, DVV and Corona Direct Insurance), in collaboration with Jaimy (see section 5.4.). In this way, we help to reduce the carbon footprint of buildings.
- Customer initiatives to improve the energy efficiency of buildings are covered at no extra cost, including the installation of solar panels, heat pumps, batteries, charging stations, etc.
- The Corona Direct Home Insurance/m^3 product rewards customers who choose to live in a more energy-efficient way, for instance in a tiny house.

We want to be an actor for the upcoming economic models, such as the shared economy, which are essential to limit CO_2 emissions. In our Family Insurance (Belfius & DVV), as an option, we cover the insuree's liability for damage caused to an object entrusted or lent to him (by a neighbour, for instance), as the return of the object in good condition is a contractual obligation.

5.3.2.2. Insuring new forms of mobility

Mobility in Belgium, as well as related infrastructure in urban areas, is increasingly changing, making way for more sustainable solutions. New mobility offers are already infiltrating our daily lives, such as electric vehicles and bicycles. Belfius is also evolving, with a double ambition:

- To facilitate the transition to greener mobility (electric vehicles, electric bikes, etc.).
- To support customers in their transition to varied and environmentally friendly forms of mobility, e.g. insurance regardless of the mode of transport for total peace of mind, or standard insurance for drivers of shared vehicles for bodily injuries through our private accident product (Family Insurance Belfius & DVV brands).

Our current offer heavily invests in supporting customers who use their bikes, with:

- A partnership with Cyclis, one of the largest bicycle B2B rental companies in Belgium.
- All Risks Bicycle Insurance, covering all vehicles not subject to motor vehicle liability (i.e. travelling at less than 25km/h independently) in case of theft, material damage and breakdown. Our offer is one of the strongest on the Belgian market, covering elements such as flat batteries for example and was rewarded for this with a Decavi Award in 2022.
- Free bicycle assistance as part of the bicycle offer for our best customers (DVV brand), or within our personal assistance product (Belfius brand).
- Belfius Car grants premium discounts of up to 20% to customers who limit their ecological footprint. In addition, the breakdown assistance coverage helps our customers in case of flat car batteries, enabling them to continue their trip via a boost charge.

Corona Direct's flagship product, Per-Kilometre Insurance, has been rewarding low mileage since 2006. This personalised premium depends on the number of kilometres customers expect to drive in a year - if they drive less, they are reimbursed the difference. This 'pay as you drive' approach results in a fair premium for responsible mobility behaviour. More than 100,000 customers have subscribed to this product.

Finally, when a vehicle is damaged or faulty, insurers can play a key role in ensuring that the repairs are carried out in the most sustainable way possible. In this respect, together with other industry players, Belfius is contributing to the development of standards for the future certification of actors in the repair chain that operate in an environmentally sensitive way. More information on sustainable repair.

5.4. Innovative banking and insurance solutions

In our current societies, technology is everywhere. In the financial sector especially, technology is crucial to our current operations and future innovations. Against this background of fast-paced and pervasive technological change, Belfius holds true to its core mission of being meaningful and inspiring for Belgian society by maintaining a place on the leading edge of digital and local innovation for the benefit of all customers and society. We take pride in our distinctive digital and human approach that leverages new technologies and Belgian talents to enhance the satisfaction of our Belgian customers.

Though it currently has an undeniable carbon footprint, we believe that technological innovation is essential for securing and accelerating the transition to a sustainable and inclusive society.

Consequently, the Belfius Technology department is at the heart of the implementation of the Belfius Inspire 2025 strategy to create long term value for the Belgian economy and society, which is also reflected at all decision levels of the company. The technology department is always represented at all thematic Strategic Domain Committees where new value propositions and offerings are matured and the Chief Technology Officer is invited to all Management Board meetings, on top of the Management Board's dedicated digital, data and artificial intelligence sessions.

Right from the start, Belfius has used its digital expertise to offer innovative digital solutions that go far beyond traditional banking and insurance products by helping citizens in their environmental and social endeavours. Relevant dialogues on the future of digitalisation and technological innovation are also held with stakeholders, such as external experts or partners.

Belfius continues to lend its support to a number of promising innovations:

- **Fairville**: The combination of four existing initiatives (Onze Stad App, Cirklo, MyWaste and Buck-e) in one single online urban platform to support digital acceleration in cities and municipalities. Supported by Belfius, Cipal Schaubroeck and Nuhma, these four solutions continue to prove their worth.

Participating schools for example have already cycled and walked around the world 61 times using the Buck-e bicycle reward system and municipalities have already invested more than EUR 34 million in the local economy since 2020 through the Cirklo digital gift voucher.
In 2022, a partnership was concluded with the digital agency of the Flanders region around a citizen app which bundles all interactions between the government, its citizens and the cities or municipalities in which they reside. Citizens can receive notifications from the government, have the ability to centralise all official documents in a secure space and use the citizen app as a gateway to apply for government grants, permits and attestations.
- **Hoplr**: An award-winning digital neighbourhood connection platform. Hoplr already cooperates with more than 150 local governments and social organisations in Belgium, the Netherlands and Luxemburg, who use the platform for neighbourhood-oriented help, communication and civic participation. About 800,000 citizens have signed up so far.
- **Banx**: A digital bank imagined by Proximus and Powered by Belfius that encourages customers to think about their impact on the environment with a CO_2-dashboard showing the impact of their purchasing behaviour on the planet.
- **Jane**: An offering that helps people with reduced autonomy to live at home for as long as possible using discreetly installed sensors in the home, combined with an artificial intelligence algorithm that "learns" the habits of the person and alerts family and friends when unusual events occur. In 2022, Jane entered into a partnership with Familiehulp, a care organisation active in Flanders and Brussels.
- **Jaimy**: A platform that allows customers to find a building professional in electricity, heating, plumbing or renovation.

Belfius also supports several start-ups and scale-ups discovered through the **W.IN.G fund** (Wallonia Innovation and Growth), Birdhouse (a collaboration which came to an end in 2022) and more recently **Do!Gent**.

5.5. Proprietary portfolios and sustainability

In addition to its role as a provider of investment solutions to private and institutional investors, Belfius manages its own portfolios of investment instruments and assets for specific activities. Belfius Group's sector policy (Transition Acceleration Policy, see section 6.1.3.) is applied to these portfolios and the alignment process was completed by 31 December 2022.

5.5.1. The insurance reserves of Belfius Insurance

Like any insurer, Belfius Insurance keeps sufficient reserves to be able to meet its contractual obligations to pay capital, interest and claims to clients. Prior to the full implementation of the TAP, Belfius Insurance had already been applying the principles of Portfolio21 to these reserves since 2006. Portfolio21 was an investment strategy that aimed to contribute to sustainable development by transparently adding non-financial criteria to the management process of investment portfolios, relying on the standards of the International Labour Organisation and the Government Pension Fund of Norway. This partnership with Portfolio21 and a reputable company for ESG screening came to an end on 30 September 2022. Belfius' Transition Acceleration Policy is now the sole sustainable investment framework for Belfius Insurance reserves.

As of 31 December 2022, Belfius Insurance's investment portfolio reached a total of approximately EUR 14.2 billion. It is composed of mortgage loans (25.6%), real estate (5.8%, see section 5.5.2.) and investments for the remainder. These EUR 9.7 billion are screened following the Transition Acceleration Policy.

The Belfius Insurance portfolio displays a substantial Belgian focus. A total of 67.3% of the portfolio is composed of Belgian government bonds, Belgian corporate bonds and equity. The rest is invested abroad, mainly to ensure sufficient diversification based on risk management criteria.

Belfius Insurance is also an engaged shareholder. Thanks to Portfolio21, until 30 September 2022, companies whose business practices were not in line with international standards and the Belfius sector policy, were encouraged to adjust their business practices. Each year, a dialogue with 15 to 20 companies was conducted on behalf of Belfius Insurance. Upon the basis of this dialogue, action is taken on the positions of the companies concerned whenever needed.

Following the termination of Portfolio21, Belfius Investment Partners is now responsible for the screening and engagement approach. An external independent audit is performed on an annual basis to check the compliance of our investment portfolio with Portfolio21's principles (until 30 September 2022 and the Transition Acceleration Policy by the end of 31 December 2022).

Find out more about Belfius Insurance's Engagement Policy and the 2022 Engagement Report.

5.5.2. The Belfius Insurance real estate portfolio

5.8% of the Belfius Insurance investment portfolio (of a total amount of EUR 14.2 billion) is invested in unlisted real estate, either through direct investments in properties, or through participations in unlisted real estate funds.

At the end of 2022, our direct real estate portfolio had a market value of EUR 819 million, 67% of which was invested in office buildings and 27% in nursing homes. Around 90% of these properties were located in Belgium, supporting our local economy.

Our direct real estate investments are mainly focused on new or recent properties within walking distance of major railway stations or mobility centres. These acquisitions therefore score extremely well in terms of energy consumption, as well as accessibility via public transport. This is the case with a 10,000 m^2 office building developed by Banimmo and Argema for example that is within walking distance of the Louvain-la-Neuve railway station. Acquired in January 2022, the building is BREEAM Excellent certified.

Abiding by our mission to be meaningful and inspiring, Belfius Insurance obtained a building permit to create a new university campus on its historical Pacheco site in Brussels. The former commercial gallery Passage 44 will be turned into a new carbon neutral University campus by KU Leuven, which should revitalize the surroundings of the property into a more dynamic neighbourhood and have a significant social impact for students. Moreover, it has been decided to open the beautiful and protected internal Pechère garden to the public.

Throughout 2022, we continued to collect consumption data, extending our scope to our entire portfolio in order to estimate their carbon footprint and impact on the climate. The analysis, in light of the Paris Agreement's emission reduction targets, enables us to identify properties that require investments. This has led for instance to the decision to equip the roof of AB InBev's office building in Leuven with solar panels in 2023. We are currently studying the possibility of digitalising data collection and developing online data monitoring for the years to come.

On the unlisted real estate fund side, Belfius Insurance is still the largest investor in the Vicinity Affordable Housing Fund. Vicinity aims to provide quality, low or no energy rental housing adapted to today's urban lifestyles with a positive social and environmental impact. Of the ten buildings in operation, two have received the Exemplary Building award from Brussels Environment, rewarding real estate projects that stand out in terms of energy consumption, mobility, ecology and architecture.

In 2022, Belfius Insurance entered into the capital of Cohabs, a Brussels-based company specialising in co-living. Cohabs is a fully integrated co-living platform that both owns and operates its own real estate assets. They mainly acquire assets to renovate and redevelop into energy efficient properties, preferentially using natural or circular building materials. From a social point of view, Cohabs is committed to maintaining 5% of the Belgian portfolio as solidarity bedrooms with 50% reduced rent to ensure co-living is accessible to all.

In October 2022, together with Eiffage Development and Ethias, Belfius Insurance created the Land Investment Vehicle company (LIVe). LIVe focuses on the acquisition of sites in Belgium that can be (re)developed into sustainable, energy-efficient and low-carbon residential projects.

6. Sound corporate governance

6.1. Responsible business conduct

In 2022, Belfius' overall ESG approach was cast in a new ESG framework. This framework is there for the benefit of our customers, partners, employees and other stakeholders to inform them of Belfius' commitment to addressing climate, environmental, social and governance issues. It summarises Belfius' ambitions, strategy, commitments and governance in the area of sustainable development (ESG), both in terms of responsible business, the conduct of its core business, the management of its internal operations, and its dealings with its counterparties.

The framework also provides access to all of Belfius' underlying policies linked to ESG, and thus serves as a reference document to direct the reader to all of the essential public information that forms the formal foundation of Belfius' commitment to promoting sustainable and inclusive economic growth, through its financing, investment and insurance activities and as well as through its own conduct of business.

6.1.1. Compliance & Ethics

It is crucial for Belfius to comply with laws and regulations at all times and to act in accordance with the highest standards of integrity throughout the value chain. As an important financial player in Belgium, Belfius stands in a competitive environment that is exposed to numerous risks, such as corruption, bribery and fraud, that have economic and societal impacts. Managing these risks is inherently part of our business and is a basic prerequisite for our existence and continued growth, while providing value to our customers in a relationship that is based on integrity and trust.

To that end, Belfius scrupulously complies with all applicable laws,regulations and regulatory recommendations (NBB, FSMA) in force and respects the rules and practices prevalent in the financial sector, especially in relation to the protection of customer interests.

As part of our management of ethics and compliance-related issues, we have put several policies and charters in place that coordinate our relationships with our stakeholders, including our employees, customers, suppliers, etc.

6.1.1.1. Compliance policies

First and foremost, the Compliance Policy is a combination of the Compliance Charter and the Integrity Policy and allows all commercial activities of Belfius Group to manage several potential compliance risks in alignment with local and EU-level regulations. We attach particular attention to being a responsible, honest and professional employer. We also expect our employees to share the same values when engaging with our customers and partners if we are to gain, maintain and justify the trust of our customers and stakeholders, which we believe is fundamental to our activity.

- The **Compliance Charter** states the tasks, powers and position of the compliance function within Belfius.
- The **Integrity Policy** promotes honest, open and ethical behaviours and ensures compliance with the laws, regulations and other professional standards in order to enhance and protect the reputation of Belfius, its products, services and activities, in addition to integrity towards clients in all our activities, loyalty and mutual respect. Most of the areas listed in the Belfius Integrity Policy are also covered in the internal Code of Ethics, which is available in Dutch, French and English. The Code of Ethics reflects basic rules of conduct for employees.

Based on those general principles, some themes have been developed into more detailed policies and, where pertinent, into internal operational procedures and/or external bite-sized Policy statements. Consequently, we have established various policies relative to these values in Dutch, French and English that are accessible and transparent to all. Most notably:

- The Anti-Discrimination Policy sets out Belfius' commitment to avoid and terminate any form of discrimination within and outside the company, in its relationship with employees and individuals seeking recruitment, existing and prospective customers, suppliers and partners.
- The Whistleblowing Policy, which outlines the procedure in place within Belfius for all employees to confidentially report violations.

Secondly, Belfius has established a set of distinct policies to manage arising compliance-related risks and maintains sound business practices with counterparties in line with Belfius' zero tolerance on anti-ethical behaviors including market abuse, conflicts of interest, corruption, fraud and money laundering:

- The Anti-Fraud Policy sets Belfius' anti-fraud risk management framework – Belfius enforces strict rules to meet its anti-fraud objectives throughout all Belfius entities.
- The Anti-Bribery Policy highlights the different scenarios and procedures aligned with Belfius' core values on bribery. Belfius expects its customers, suppliers, external service providers, intermediaries, business partners or other persons or entities associated with Belfius, to apply the same strict rules.
- The Anti-Money Laundering (AML) Policy and Customer Acceptation Policy clarifies Belfius' strong commitment to AML and the prevention of the financing of terrorism (CFT) and related internal processes. Having an important link with Belgium is a key requirement of Belfius' Client Acceptation Policy.
- The Conflicts of Interests policy focuses on the prevention and identification of potential conflicts, as well as the management of these conflicts, in the best interest of customers;
- The Internal Market Abuse Policy deals with insider trading, the illicit disclosure of privileged information and market manipulation.

The aforementioned ethics and compliance-related policies are approved and overseen by the Management Board or the Board of Directors and are managed by the Compliance or Non-Financial Risk functions. They are regularly reviewed and updated as and when needed in order to align with regulatory evolutions, new insights, or other factors. The governance structure of each policy is clarified in the policy itself. Please see the list of our most important Policies & Charters on our corporate website.

6.1.1.2. Training and awareness-raising

Each policy is communicated to employees via internal communications channels, e-learnings and different forms of trainings. Belfius ensures that its staff members are kept up-to-date with developments pertaining to their field (e.g. through newsletters), and that they have access to the information they need to carry out their tasks properly. Moreover, our principles, policies and related procedures can be accessed through the Intranet.

Employees who have questions can consult either their Compliance Correspondent in their own department, or ask the Compliance department for advice. The network of compliance correspondents in each department reinforce the Bank's compliance message in line with Belfius' values.

Belfius has its own compulsory training programme for all staff on ethics and compliance-related issues, including trainings on ethics, AML legislation and market abuse, amongst others. Depending on the subject, training courses are updated annually, or at a maximum every two to three years, with ad hoc training cycles organised for certain profiles. Each training is followed by a test leading to a certificate where the minimum passing grade is, depending on the training, 70-80%. Each employee has his/her own dashboard in which all planned and completed training courses are displayed and monitored by HR and Compliance. Every new employee must have successfully completed these training courses within three months of joining the company.

Given the importance of managing compliance risks, the compliance department put in place a time management system that leads to a clear view on the staff needed to fulfil compliance tasks and allows it to keep pace with strategic developments and regulatory evolutions. Talents with the right competencies are hired and these competencies are maintained through a combination of internal and external trainings. Belfius' compliance department staff require a certification of sufficient training aligned with regulatory requirements.

6.1.1.3. Detection and monitoring practices

The main task of the Compliance function is to protect the reputation of Belfius with regards to compliance risks. The Compliance function reports to the Chief Risk Officer and is supervised by the Audit Committee, the Risk Committee and the Board of Directors.

That is why Compliance develops and runs a monitoring programme consisting of in-depth controls on the correct implementation of established procedures and instructions, ensuring the efficient mitigation of the main compliance risks. These controls can be based on audit of results of the operating departments (first line), own sampling and observations, conversations with employees, monitoring of complaints, exception reports and mystery shopping in Belfius branches.

Twice a year, a status report on Compliance risks, (control) activities and attention points is presented to the Management Board and the Audit Committee.

Belfius puts material efforts in place so as not to be involved in money laundering from illegal activities, the organisation of tax fraud, financing terrorism or circumventing international embargos. To underline this commitment, the Anti-Money Laundering Compliance Officer has established a general compliance framework with policies and broad preventive measures and controls. Proper knowledge of the customer and their identification, verification of the origin of financial flows on accounts and detection of dubious transactions, are all vital elements in the prevention of such practices.

To remain compliant with domestic and European AML/CFT legislation and regulations, Belfius has established Know-Your-Customer (KYC) standards. These standards require due diligence on each prospective customer before entering into a business relationship via identification and verification of his/her identity and, as the case may be, the representatives and beneficial owners on the basis of documents, data or information obtained from a reliable and independent source.

In addition to these objective criteria, there are subjective elements which may trigger suspicions regarding a customer to which particular attention should be paid. The KYC questionnaire also includes questions on the type of activity and transparency on way of doing business, the known reputation of the customer and potential links with countries on the Belfius Country Watch List.

Finally, as KYC does not involve static data but dynamic data through the relationship with the customer, it also requires follow-up and ongoing monitoring of the customer – in this case via a KYC review with a risk-based frequency in function of the customer's individual compliance risk profile.

In addition to this, the following monitoring is performed:

- Ongoing ex-post AML Second Line Transaction Monitoring ("Know Your Transaction"), based on scenarios leveraging artificial intelligence (AI), to detect transactions that are unusual or suspicious compared to the customer's profile.
- Online ex-ante transaction filtering on SEPA and non-SEPA transactions to detect to what extent the counterparty of a payment transaction remains flagged on International Sanctions and Embargo lists. When a true hit is detected, the transaction is rejected and in some situations assets can be frozen and reported to the FOD Economics.
- Daily name screening of the Belfius customer database against International Sanctions and Embargo lists.

Belfius also maintains a Belfius Country Watchlist based on official sources featuring all countries that present increased risk of AML, tax fraud or financing of terrorism and/or are submitted to international sanctions or embargos, thus warranting higher vigilance and restrictions on transactions that involve counterparties in these countries.

Internal audit regularly establishes missions and reports regarding AML/CFT activities.

Several fraud detection procedures are in place, in addition to the legal and regulatory obligatory ones (including social fraud detection by companies). Gifts and invitations of a substantial value must receive pre-clearance, either from the management or Board members, or from the Compliance Officer. Belfius does not make political donations and does not engage in direct lobbying activities.

When needed, recommendations to the business are made and followed up and interventions may take place. More specifically, Compliance sits on the New Product Approval Process (NPAP) Committee, together with Legal and Non-Financial Risk. The NPAP Committee steers the so-called New Product Approval Procedure to screen all new concepts, products, processes and procedures on inherent risks and formulates binding conditions to ensure compliance with Belfius' risk appetite at inception.

In 2022, no incidents of corruption on the part of employees or business partners were reported, and there were no legal cases regarding corruption brought against Belfius or its employees.

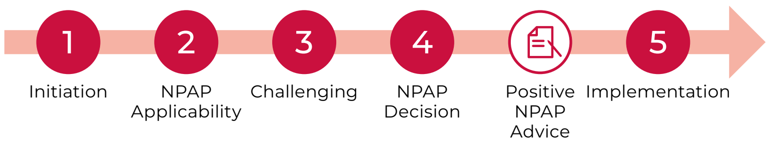
ESG from inception

The NPAP (New Product Approval Process) procedure is initiated for every new or adapted product, service, activity, process or IT system, regardless of the business line, support activity, branch or subsidiary. Through this five steps process, relevant stakeholders in the Belfius organisation are consulted to identify and assess the risks in their respective areas. Their opinions may be either positive, or they may set binding ("Must Have") or non-binding ("Nice to Have") conditions.

The central ESG team is a relevant stakeholder in this process. It identifies potential ESG risks associated with a new product or service and formulates conditions to avoid or reduce them. In this way, sustainability considerations are tackled at inception of new developments. The advice of all relevant stakeholders is consolidated in the NPAP advice of the NPAP Committee, which consists of compliance, legal and non-financial risk representatives.

This NPAP advice is required before the project can be authorised. If binding conditions have been set by NPAP advice, the project cannot be rolled out until these conditions are met.

A 5-step process



6.1.2. Human Rights due diligence

As a bank-insurer, we consider it our duty to respect and protect people's human rights, whether they are our customers, employees, or simply members of society at large. Our commitment towards human rights touches the core of our purpose to be "Meaningful and Inspiring for Belgian Society. Together." For more information on human rights and employees, please see the Human Resources chapter of this report. In our Human Rights policy we do not only commit to respect human rights, but we also clearly state that we expect the same level of commitment from our subsidiaries, suppliers and partners. We make no exception and expect all to adhere to our policy. We have also developed a Code of Conduct for our suppliers, requiring them to respect human rights (see section on Sustainable Procurement 6.1.6.)

As customer-orientation is one of our four core values, consumer protection and responsible marketing and sales is of the utmost importance to us. See chapter 6.2.3. for more information on this topic.

Conversely, through the Transition Acceleration Policy (TAP, see section 6.1.3), we expect our customers to respect human rights in line with our social commitment.

Moreover, new legislation such as the Corporate Sustainability Due Diligence Directive, as well as the forthcoming Belgian law on Due Diligence and the Duty of Care of Enterprises, will soon oblige companies and directors to adopt sustainable and responsible behaviour in their value chains by performing corporate human rights due diligence. Corporate human rights due diligence is a way for enterprises to proactively manage potential and actual adverse human rights impacts (UN Guiding Principles). As the aforementioned due diligence practices are becoming increasingly important, both in the EU and in Belgium, Belfius is taking an inward look at its own business conduct to prepare itself for these new norms and remain compliant in light of new human rights enforcement standards.

In 2022, we conducted a gap analysis on our value chain based on the requirements of the UN Guiding Principles on Business and Human Rights, the EU Corporate Sustainability Due Diligence Directive proposal, the Belgian Bill on Corporate Due Diligence and Duty of Care, as well as Minimum Social Safeguards requirements as per EU Taxonomy. Our analysis was divided into the six corporate due diligence process steps recommended by the widely-recognised OECD Due Diligence Guidance for Responsible Business Conduct. Through this gap analysis, we were able to identify areas for improvement in our due diligence processes.

6.1.3. Accelerating the transition

In line with our purpose "Meaningful and inspiring for Belgian society. Together.", we make clear choices about what we do and what we do not do and reflect these in our policies.

First and foremost, we apply the ten principles of the UN Global Compact. The UN Global Compact, of which Belfius is a signatory, is the leading international agreement on sustainable business. It states that sustainable business practices begin with meeting core responsibilities in the areas of human rights, labour, the environment and anti-corruption. Belfius does not support companies that do not respect these principles and are identified as such. To this end, Belfius invests the necessary resources to have access to comprehensive and reliable data.

Next, specific criteria apply to economic sectors and activities, as well as countries and governments.

6.1.3.1. Economic sectors and activities

The Transition Acceleration Policy, or TAP for short, is the Belfius Group's ESG sector policy. With this policy Belfius takes a stance with regards to the economic activities that it considers, in whole or in part, to be unsustainable. In this way, Belfius seeks to accelerate the sustainable transition of its core activities.

At the same time, Belfius also encourages its corporate customers to evolve towards a more sustainable business model where necessary and aims to inform, guide and offer its customers the right solutions for this transition. In this way, the TAP also becomes a lever to maximise our positive impact on the economy and society. Dialogue with customers and stakeholders is essential in that process.

Belfius specifies in the TAP which activities it will not finance (or only under certain conditions), and explains why:

- Certain activities (tobacco, gambling, coal and lignite mining, unconventional oil and gas extraction, speculative activities related to agricultural commodities) are resolutely excluded.
- For other sectors (conventional oil and gas extraction, electricity production, nuclear energy), specific criteria determine which activities we exclude and which we do want to support towards a sustainable economic transition.
- For yet other sectors (mining of ores and minerals, palm oil and soy cultivation), conditions are imposed that relate to the sustainability policy of companies. This normative filter must guarantee that a company respects the basic rights of workers, local residents, their living environment and livelihood, and the environment.

The TAP applies to all Belfius entities and covers all core business activities involving professional counterparties. TAP criteria have been made as uniform as possible for all activities, and only where the specific nature of those activities really does not allow it, have deviations been made e.g. by applying slightly different minimum criteria, but always using the same philosophy.

TAP criteria have been incorporated into existing processes and procedures of Belfius entities, including the customer acceptance policy, credit risk acceptance guidelines, the credit and leasing granting processes, the investment fund screening process, instructions to third-party asset managers, guidelines for transactions on the financial markets, the validation process for new products, services and partnerships. Trainings on the TAP are provided to concerned employees on an ad-hoc basis and a central TAP team is available for advice.

From a risk perspective, the TAP is a crucial tool for managing exposure to various ESG risks through our activities and counterparties. In this respect, companies, and financial institutions in particular, are subject to increasingly stringent regulatory requirements. The TAP is also the main instrument with regards to the management of our investment funds for avoiding or limiting the potentially negative effects of investment decisions ("PAI") according to European SFDR regulations.

The TAP criteria will evolve over time, driven by the evolution of our own sustainability ambition, the results of dialogue with stakeholders, changing regulations, technological developments and new societal expectations. The most recent TAP update is dated December 2022. The main adaptations related to the scope of products and services, the requirements for Belfius' preferred asset management partners, and additional details on the TAP governance.

The full Transition Acceleration Policy text can be found here.

6.1.3.2. Governments

Belfius uses a watch list of countries for the financing of customers transactions involving a foreign public authority or a foreign public company. This list covers, inter alia, the potential risks of money laundering, terrorist financing and violating EU or US embargoes, both as regards the nature of the transactions and the counterparty itself. If Belfius cannot exclude these risks on the basis of credible information and documentation, the transaction or the customer relationship will be refused. The composition of our investment funds excludes governments that are considered controversial regimes on the basis of an internal Belfius IP blacklist and Candriam's sustainability model for governments.

6.1.4. An honest taxpayer

As a locally established banking and insurance company in Belgium, Belfius plays an important role in society. We take responsibility for contributing to the country's prosperity in order to enable sustainable economic growth and societal development towards enhanced wellbeing. We understand that effective tax policies can be used to address social, economic and environmental challenges.

As a responsible business that promotes the adoption of more sustainable practices, we proactively follow evolving tax rules applicable to Belfius and its activities in order to systematically align our tax strategy with the current tax legislation and to meet our stakeholders' expectations of good tax practice. In addition to scrupulous compliance with tax rules, Belfius is committed not to engage in aggressive tax planning.

From an operational point of view, our in-house Tax department ensures that internal guidelines and policies remain in line with the latest developments in tax matters. We are constantly adapting procedures and developing initiatives to prevent fiscal risks. A good example of this is the 'Tax risk score card', which enables the continuous assessment and monitoring of detected tax risks, also in the context of the approval procedure for new products (NPAP, see section 6.1.1.).

We communicate our approach regarding the Group's tax strategy (including objectives, guidelines and responsibilities in relation to tax management) in full transparency through the Belfius Group Tax Policy. This policy is drafted by the Tax department and approved by the Management Board of Belfius Bank, Belfius Insurance and by the Boards of Directors of all Group entities. The policy is reviewed annually and is updated if necessary following approval by the above-mentioned bodies - then published on the Intranet and Belfius website.

Annex 3 of the Belfius Group Tax Policy dealing with Tax prevention was thoroughly revised as a result of publication of a new legislation and new obligations formulated by the NBB in the context of the fight against tax fraud. These measures are intended to encourage the financial sector to organize itself in such a way as to be irreproachable in the Tax field and, more specifically, to avoid any involvement in (facilitating) tax evasion by customers.

In this respect, our unequivocal policy is not to engage in any relationship or transaction in which tax evasion is present or suspected.

We closely monitor the practical application of the principles of prevention in tax matters by all our employees and agents. This is reflected in a new monitoring procedure in collaboration with the compliance department. For "Wealth & Private" customers, whose files require attention adjusted to the specificities of their operations/transactions, a dedicated "Intake" committee has been set up to maintain a low-risk money laundering profile (resulting from the initial crime of tax fraud). Another important initiative taken by Belfius in the fight against tax fraud concerns the elaboration of specific e-learnings in order to give adequate tools to the employees and agents who have a role to play in the prevention of tax fraud and the detection of the so called "Special mechanisms".

The objective of all these measures is to achieve a permanent control of the tax risks, in particular the risks related to the tax fraud and its facilitation.

Furthermore, in case of doubt regarding the implementation of new legislation or the interpretation of existing legislation, Belfius does not hesitate to proactively contact government authorities or the Office for Advance Tax Rulings in order to obtain legal certainty through a tax ruling regarding the application of tax laws to envisaged operations.

Our Tax department, with the oversight of the Chief Financial Officer, has a first line role when dealing with local tax authorities in Belgium. In the event of an audit of its own tax obligations, or those of third parties, Belfius seeks to collaborate effectively and transparently with tax authorities to facilitate the assessment of compliance with these obligations.

Tax amounts paid by Belfius as a conglomerate are included in Belfius' financial statements.

Consolidated IFRS figures

(In thousands of EUR)	2020	2021	2022
TOTAL CASH TAXES AND CONTRIBUTIONS	(688,067)	(727,492)	(794,816)
Current taxes(1)	(228,428)	(234,998)	(266,896)
Sector levies(2)	(237,076)	(277,617)	(283,072)
Social sec. employer	(113,221)	(109,118)	(126,510)
Non-deduct VAT	(68,888)	(66,177)	(79,302)
Other indirect taxes	(40,454)	(39,582)	(39,036)

(1) Cf. Note 7.16. to the consolidated financial statements in the annual report of Belfius Bank.
(2) Cf. Note 7.9. to the consolidated financial statements in the annual report of Belfius Bank (Sector Levies & Other levies).

Belfius also plays an important role as a tax collector on behalf of Tax authorities by withholding taxes from certain customers' accounts. Should a customer have a justified complaint with regards to the withheld amounts however, Belfius has procedures in place to justify withholding, or rectify the situation if needed.

Within this context and in accordance with the expectations of prudential authorities, Belfius informs its customers of the tax implications of each of the products marketed under its banner, but does not provide any form of advice or personal assistance on tax matters, except for the service offered by its Wealth Analysis and Planning team.

Finally, Belfius complies with all OECD rules on Base Erosion and Profit Shifting (BEPS) that are incorporated into Belgian legislation, as well as the legislation of other jurisdictions where Belfius entities are located. "BEPS" is an OECD action plan against tax evasion through the abuse of taxation gaps and disparities.

Belfius focuses exclusively on the Belgian market with regards to its commercial activities. For some very specific activities however, entities are maintained in Luxembourg and Ireland:

- Belfius Financing Company SA issues certain securities to external investors. For technical and operational reasons, it has been decided that these issuances take place in Luxembourg, in full transparency vis-à-vis the Belgian tax authorities after receiving a positive ruling in Belgium.
  Belfius Insurance Finance also manages a portfolio of shares and bonds in Luxembourg.
- Ireland-based Belfius Ireland controls a historical long-term bond portfolio which is being wound down. Belfius' Irish presence does not constitute a case of tax optimisation as there is no shift of taxable base from Belgium to Ireland.

6.1.5 Data Privacy & information security

6.1.5.1. Data Privacy

Due to the inherent nature of their activities, financial institutions are regularly processing a large amount of data. The confidentiality and information security of this data have always been of the utmost importance to Belfius as it is crucial to retain the trust of our customers and partners, as well as a solid reputation.

Considering the evolving digitalisation of product and service offerings in the financial sector (including those of non-financial partners) and established remote working practices, data protection has become an ever-increasing concern for financial institutions. To this end, as a socially responsible bank-insurer group that is meaningful and inspiring to Belgian society, Belfius pays close attention to the privacy of its customers and employees and carefully handles and protects any sensitive information generated in the course of its daily operations, in strict compliance with prevailing legislations and applicable directives.

At Belfius, respect for privacy, fundamental rights, fundamental freedoms and the protection of personal data is paramount. This commitment translates into regular controls and, in the case of the identification of a potential risk, into prompt mitigating and corrective actions. Additionally, Belfius commits not to sell personal data and continuously works on transparency around the processing of personal data for the purpose of service delivery, especially when this requires data exchange with third parties.

Belfius' fundamental commitments to privacy and the responsible collection, use and sharing of personal data, are set out in our publicly available Privacy Charter. This document is regularly updated to inform customers of any changes and is reflected internally in a corresponding privacy policy and supporting guidelines. The current Privacy Charter is dated 1 January 2022.

General Data Protection Regulation (GDPR) Governance

Numerous actors collaborate to ensure that our existing and new processes are and remain compliant with the GDPR: the Data Protection Officer (DPO), the Chief Information Security Officer (CISO), the Digital Security Officer (DSO), the Chief Data Officer (CDO), the Non-Financial Risk (NFR) department, the Legal department, the Compliance department and the Outsourcing Officer.

A GDPR Steering Committee meeting takes place at least once every quarter. Privacy Key Risk Indicators and other GDPR matters are discussed at this meeting and then reported internally to management as well as Audit and Risk Committees through various reports. These privacy KRIs are also part of our Risk Appetite Framework.

There is a dedicated network of privacy correspondents in each department working closely with the DPO to support and advise employees in matters related to the GDPR. These privacy correspondents are kept up-to-date with new developments through ad-hoc information sessions.

GDPR implementation

New and existing projects are reviewed and advised by multiple stakeholders through the NPAP-procedure (New Product Approval Process, see section 6.1.1.).

Each and every new client approach - whether it involves offering products, services, digital tools or information - is subject to a prior GDPR (General Data Protection Regulation, 2018) analysis. When working with third parties, GDPR-compliance and minimum security requirements are contractually defined, initially tested and then regularly checked on a risk-based frequency, calibrated to the type of data exchanged.

Belfius keeps a register of all data processing activities. Each processing activity is assigned to a responsible party and a corresponding documented GDPR privacy risk assessment is made. All these components are regularly audited by the DPO, risk and internal audit and the results submitted to management and the GDPR Steering Committee.

GDPR watch and information

Changes in legislation (e.g., Payment Services Directive, Digital Services Act, Digital Markets Act, Digital Governance Act) with impact on GDPR, Court of Justice or Data Protection Authority judgement as well as Data Protection Authority guidelines, are analysed by the legal department and the DPO and implemented where applicable. CISO and DPO also regularly inform internal stakeholders and management of upcoming changes, impacts or rulings by regulators or data protection authorities.

Employees are also made aware of the issue of privacy protection through mandatory e-learnings to be taken within a 3 month timeframe of recruitment and repeated at least every three years. In 2022, around 10,000 people, either employees of Belfius Bank and subsidiaries or independent agents of Belfius or DVV brands, were invited to follow a GDPR e-learning. 98% completed it successfully, which, adjusted for long term illnesses and (pension) leavers, approaches a 100% success rate.

Next to a permanent detailed GDPR chapter on the Intranet, awareness on privacy and GDPR is maintained through regular point-of-interest communications on this channel as well e-mails to all or selected target groups within the context of specific projects.

GDPR rights and data breaches

The GDPR guarantees customers a series of rights, including the right to access and amend their personal data. Belfius' Privacy Charter sets out possibilities to execute GDPR rights. Belfius Bank digital channels make it easy for such rights to be exercised, as evidenced by the 9,475 requests for access by customers in 2022. More than 97% of the requests (9,236) concerned right of access requests. Besides these, there are also many changes of address (right of correction) that have been made by scanning eID cards in the apps or through the ATMs, as well as adjustments of privacy settings in customers' banking apps (right of objection or consent).

99% of requests went through our digital channels and were processed the next working day. This confirms that Belfius can quite rapidly offer its customers full transparency on personal data stored.

The governance and handling of GDPR rights and GDPR-related complaints is described in a separate internal privacy guideline and falls under managerial responsibility. A specific Key Risk Indicator refers to the timely response to GDPR rights enquiries. This is also reported regularly to the GDPR Steering Committee and management.

The management of data breaches is described in a separate internal privacy guideline. Our strategy is to analyse, mitigate and remedy each incident as quickly as possible. All breaches are documented internally, submitted to a risk assessment, reported to the GDPR Steering Committee and result in corrective action where appropriate. The decision to communicate to the Data Protection Authority (DPA) and/or data subjects is part of each breach analysis.

No major data breaches were identified in 2022. 14 minor incidents were reported to the Data Protection Authority, compared to seven in 2021 and eight in 2020. In each case, the response was prompt and appropriate actions were taken.

6.1.5.2. Information Security

A changing landscape

The digitalization, innovation and changing business models of the banking industry go hand in hand with ever-evolving cyber-risks. Banks are becoming increasingly interconnected, not only with each other, but also with many third parties. The pandemic of 2021 has also accelerated customers' transition to digital methods of payment, the evolution to digital or hybrid workplaces and employees' work and communication arrangements. Concepts like Bring-Your-Own-Device, online meetings, access to data anytime and anywhere, amongst others, are here to stay. Over the last few years, the rise of cyberattacks has demonstrated how dependent organisations and society are on Information Systems and Technology and what the impact on the economy (costs) and people can be.

For Belfius, protecting information and maintaining a secure environment for our customers' data is essential. We want to guarantee high performance in terms of Information Security to ensure that our customers trust us in this respect.

Assessments and testing

Regulatory requirements have been becoming stricter over the years, which means that Belfius needs to comply with various national and European regulatory frameworks and legislation, including GDPR, PSD2, DORA, NIS, etc. Furthermore, Information Security is frequently part of audits initiated by the regulator. Information Security related topics at Belfius are audited at least annually by internal, external and/or regulatory audits. Additionally, every two years Belfius voluntarily subjects all Information Security processes to a maturity assessment by an external party, to independently measure its Information Security performance.

Belfius performs several and varied internal and external tests on an annual basis. These include Red Team assessments, penetration tests, vulnerability scans and configuration reviews, providing assurance on various aspects of the security organisation, framework and infrastructure. Such tests help to determine the effectiveness of existing controls, identify new risks or vulnerabilities, check compliance with regulatory requirements, etc.

Separate Cyber Hygiene assessments are performed to validate the effectiveness of existing controls, making sure that the new security functionality is applied where needed and that it brings continuous improvement in all people, process and technology related controls.

Frameworks and governance
Belfius uses standardised frameworks, such as ISO 27001 (Information Security), ISO 27005 (IT Risk Management), NIST Cybersecurity Framework and MITRE ATT&CK. The Information Security Management Systems (ISMS) ensure that the top-level Information Security policy is effectively translated into lower-level guidelines, policies and processes. This ensures that all departments are contributing to a secure organisation. By continuously improving the ISMS, updating the framework and policies (e.g. incorporating lessons learned, audit recommendations, business strategy, compliance requirements, etc.) and measuring and monitoring its control implementation, Belfius establishes and improves the confidentiality, integrity and availability of its systems.

A Technology Committee was set up at Board of Directors level within the Belfius Group in 2021. The Committee advises the Board of Directors on information technology and digital and data matters, including security aspects, for all subsidiaries of the Belfius Group.

The Information Security Steering (ISS), managed by the Chief Information Security Officer (CISO) and chaired by the Chief Risk Officer (CRO), ensures a well-managed and coordinated Information Security strategy whereby an adequate system of identification, protection, detection, reaction and recovery is put in place in accordance with regulatory requirements regarding Information Security.

Risk management and three Lines of Defence
The responsibility for the oversight of risks associated with technology, including IT and cybersecurity risks, remains with the Risk Committee and Audit Committee of the Board of Directors - these are briefed on Information Security on a quarterly basis. To underline our commitment, Belfius' Risk Appetite Framework, approved by the Board of Directors, includes an Information Security section. The Risk Appetite Framework defines and measures critical KRIs to ensure the performance of Information Security. Whenever a KRI is below the defined threshold, a remediation plan needs to be detailed at the Information Security Steering level. The Information Security policy further defines the framework to ensure a consistent and streamlined approach towards Information Security.

To ensure the detection, reporting and mitigation of all types of risks within the organisation, Belfius has applied the three Lines of Defence model. The first Line of Defence in Information Security is the Digital Security Officer (DSO), who reports to the Chief Technology Officer (CTO). The Chief Information Security Officer (CISO) is responsible for the oversight of Information Security from the second Line of Defence, reporting to the Chief Risk Officer (CRO). Audit ensures an independent assessment of the entire organisation as part of the third Line of Defence.

Risk policies and processes describe how these Lines of Defence inter-operate and ensure that all types of risks within the organisation are adequately managed, as unmanaged risks could have a financial, as well as reputational, operational or legal impact on Belfius.

The Security Roadmap
Risk assessments help define what improvements are most needed to reach our ambitions. High-level goals and priorities are translated into concrete projects and plotted on a roadmap, which typically spans the course of two years. A separate budget is allocated to this Security Roadmap programme, alongside a cyber-related budget that is used for business-as-usual tasks.

Human firewalls
In order to enhance the Information Security skills and mindset of Belfius employees and contractors, awareness, training and testing initiatives (e.g. quarterly phishing mail simulations) are performed on a regular basis. Every year a Security Awareness plan is created, incorporating lessons learned from the previous years, areas in which the Belfius 'human firewalls' need to improve, together with emerging threats that the workforce needs to be aware of. In 2022, as in 2021, there was an increased focus on the security of personal devices: locking screens, preventing data leakages when working remotely, etc. This plan was carried out as a collaboration between different departments to make sure it was aligned with all existing initiatives within the organisation and that a coherent and consistent message was given to all concerned parties.

Some security trainings are mandatory for all collaborators and are actively followed-up by Senior Management with the support of the HR department. The percentage of completion is reported to the members of the Information Security Steering. The click rates resulting from phishing simulations are also reported to the Information Security Steering for close follow-up. All new employees are required to follow training on Information Security as part of the onboarding process.

Information Security awareness is raised via general or dedicated initiatives on a frequent basis to specific groups, including customers, students and the general public.

Information sharing and workgroups
Belfius participates in several federations, workgroups and initiatives, including Febelfin (the Belgian Financial Sector Federation), the Belgian Cyber Security Coalition and FS-ISAC. This allows Belfius to collaborate and exchange on information security best practices with organisations within the financial and other sectors.

For more details on Information Security and data protection, please refer to the Belfius 2022 Risk Report.

6.1.6. Sustainable procurement

At Belfius, we envision including all our stakeholders in our journey towards a sustainable future, therefore we actively engage with our vendors in this ambitious project. We commit to meet our stakeholders' expectations, while creating value through a sustainable procurement policy that considers economic, social and environmental dimensions.

In 2022, Belfius worked with 3,500 suppliers, of which 88% were local Belgian companies, including a majority of service providers. Of these suppliers, 793 operate under established Belfius contracts and are therefore actively monitored in terms of financial health and regulatory compliance. Of these 793 actively monitored suppliers, 287 are identified as High and Medium risk suppliers based on our supplier risk determination formula. High and Medium risk suppliers are mostly IT, digital systems and solutions providers and constitute 80% of our global procurement spend of 2022. In 2022, contracts with Belgian companies accounted for 88% of our vendor spend, those with European companies represented 10% and non-European companies 2%.

We pay close attention to the respect of our values and commitments throughout the supply chain by including environmental, social and governance (ESG) criteria in our procurement policy and purchasing and supplier selection processes.

The following documents explicitly state that ESG criteria are taken into account in our processes and that an ESG assessment is a required step to enter in a long-term trading relationship with Belfius.

- Our General Terms and Conditions specify that the results of the ESG assessment may lead to the termination of the contracts in place. They also enforce GDPR compliance.
- The Sustainability Code of Conduct for Suppliers is in line with the 10 UN Global Compact Principles, integrating into business relationships the expected levels of behaviour in terms of internationally proclaimed human rights and the absence of human rights abuses, health and safety criteria in the workplace and in products and services, respectful labour standards, anti-corruption and integrity values, respect for freedom of association and collective bargaining, elimination of all forms of forced and compulsory labour, abolition of child labour, elimination and prohibition of discrimination and positive environmental impacts.

Since 2021, new goods and service suppliers that Belfius wishes to engage with must accept Belfius' General Terms and Conditions and sign and comply with Belfius' Sustainability Code of Conduct for Suppliers, including Belfius' zero tolerance approach towards fraud, bribery and discrimination.

In case the relationship with the supplier qualifies as critical outsourcing, the Outsourcing Risk & Material Arrangements Policy also applies. For more information see Belfius 2022 Risk Report.

To deliver on our ambition of embedding ESG criteria within our procurement processes, Belfius works with EcoVadis, a global ESG rating agency serving as one of the leading authorities in this domain. Vendors responding to Belfius' Requests for Proposals are provided with a link to conduct a sustainability performance assessment with EcoVadis if they have not yet done so. Indeed, as a first step in our ESG assessment programme, we aimed to evaluate 70% of our total vendor spend of 2021, prioritising High and Medium Risk profiles. This was successfully concluded with 70.5% of our total 2021 vendor spend rated, which now represents 66 % of the 2022 total vendor spend. No suppliers reported an insufficient score and only twenty received a "Partial" score – below 45/100.

The suppliers that received a partial score are being requested to develop an action plan to increase their score (above 45/100) within two years. In case an insufficient score is received on one of the subthemes (Environment, Ethics, Labour and Human Rights or Sustainable Procurement) an improvement within the year is petitioned. Belfius will closely monitor any related developments.

Over the course of 2022, Belfius actively interacted with vendors that did not immediately respond to the ESG assessment invitation. They represent 9% of 2022 total vendor spend and 68 suppliers. To date, we have had to put our business relationship on hold with one supplier due to the criteria that we are setting for our suppliers.

In 2022, the suppliers risk methodology was redefined, resulting in a larger number of high or medium risk suppliers. The new additions (125 suppliers) are mostly smaller entities and were contacted in December 2022 to start the ESG assessment. A webinar organised by Belfius and EcoVadis in January 2023 provided additional information and motivation to adhere to Belfius ESG ambitions.

Finally, we reflected upon our own EcoVadis results related to the Sustainable Procurement theme and identified different areas that could be improved. Two targets have been set, namely a 100% participation rate of purchasers to sustainability awareness training in 2023 and an 80% coverage of spend with a high and medium risk profile, having signed the 2021 Sustainability code of conduct for Suppliers. For the latter, we ask suppliers with contracts that predate 2021 to adhere to the code.

6.1.7. ESG Governance

ESG, including climate and environmental risks, is a key topic for all governance layers of Belfius Group. As we believe that solid governance and the involvement of all levels of our company are key for the robustness of our climate risk management approach, the terms of reference of the Boards of Directors, the Belfius Bank Risk Committee and the Belfius Insurance Risk and Underwriting Committee, Management Boards and Joint Management Committee have been adapted to explicitly integrate the recent evolutions in ESG responsibilities.

For a general overview of the composition and remit of these governance bodies, please refer to the Corporate Governance chapter in the Belfius Annual Report.

- Belfius Bank and Belfius Insurance **Boards of Directors** define and oversee the implementation of the (ESG) strategy, objectives (mainly through the financial planning process and results and business review reporting), general policy (including Transition Acceleration Policy), risk appetite and risk approach at the proposal or recommendation of the Management Board. The Risk Appetite Framework (RAF) is set on a yearly basis by the Board of Directors at the proposal of the Risk Committee. With the growing importance of ESG and climate risks in particular, the yearly RAF review results in the integration of increasing qualitative and quantitative ESG indicators each year.
  - Twice a year the Boards of Directors provide guidance on ESG and review progress on sustainability-related projects and targets reported in the ESG (Core) dashboard to ascertain that sustainability is fully and consistently embedded in all value propositions that deliver our strategy. Business Reviews of the various business lines are also increasingly integrating ESG-related key performance indicators as are the RAF-report and Quarterly Risk Review.
  - The individual competences of each Board Member on each of the Environmental, Social and Governance aspects are explicitly documented in the Board's "Competences Grid". The competences grid, as well as the increasing importance of ESG, feeds into the considerations of the Nomination Committee around succession policy. New Directors benefit from a Belfius onboarding program which includes ESG awareness.

- The **Risk Committees at Board of Directors level** have advisory powers and responsibilities with regards to the Boards of Directors on setting current and future risk appetite and strategy (including ESG and climate risk), as well as the monitoring of their implementation. As sustainability risks are a top risk at Belfius, the Risk Committees ensure effective oversight of ESG risks on a quarterly basis through the Quarterly Risk Review and the quarterly RAF report. They also monitor Belfius' progress, deviations and potential delays in the execution of the ESG action plan (designed to meet the expectations set by the European Central Bank's (ECB) Guide on climate-related and environmental risks) on a quarterly basis via a dedicated indicator included in our Risk Appetite Framework.

- Belfius' **Joint Management Committee**, composed of all Management Board members of Belfius Bank and Belfius Insurance, manages Group strategic matters, including the sustainability strategy and its implementation for the banking and insurance group. It is responsible for the implementation of mandatory ESG regulations and voluntary ESG commitments and ESG topics are discussed there on a quarterly basis.
  It has established the Strategic Sustainability Committee (SSC) as a central hub for (operational) ESG Governance to support its ESG endeavours and responsibilities.

- The newly installed **Strategic Sustainability Committee (SSC)** drives the execution of our ESG strategy, our ESG framework and the Transition Acceleration Policy and monitors the execution of transversal ESG topics (e.g. science-based targets), compliance with ESG-specific regulations (e.g. SFDR and Principal Adverse Impacts, EU Taxonomy), as well as the implementation of Belfius' own ESG policies (e.g. Transition Acceleration Policy).
  The SSC validates the annual Sustainability Report, oversees all other ESG reporting requirements and ensures communication within the various initiatives to which Belfius is committed. The CEO of Belfius Bank and the CEO of Belfius Insurance are members of the Strategic Sustainability Committee, as are representatives of the business lines, legal and risk, as well as the sustainability managers of our banking and insurance entities. The SSC meets every six weeks.
  The SSC can further rely on expert desks with an advisory role, in which all important stakeholders for the respective domains are represented.
  - One tackling the implementation of ESG policies in banking, financing and insurance processes, with: control offices, risk, CORM credits, legal, compliance and Belfius Bank and Belfius Insurance sustainability managers. Meetings of this **Sustainable Banking, Financing and Insurance desk** are on a monthly basis.
  - One focusing on Investments (policies & mandatory regulations), with: product management investments, BIP, BI investments, risk, legal, compliance and Belfius Bank and Belfius Insurance sustainability managers. Meetings of this **Sustainable Investment Desk** are on a monthly basis. Topics are the execution of regular reviews of investment approach and strategic objectives, the monitoring and development of Belfius' SFDR funds, as well as the implementation of the TAP policy.

- A dedicated committee focuses on Belfius Green Bond issuance, regrouping financial markets, business lines and the sustainability manager of Belfius Bank. It is a quarterly meeting.

Finally, ESG is also increasingly permeating the responsibilities of existing decision-making structures, such as intake or credit committees for instance where climate and environmental credentials, as well as reputational risks (e.g. on governance and human rights), are under increasing scrutiny.

ESG in credit processes

An internal rating system is currently being used by credit analysts to assign credit ratings to our Business, Local Corporate, Corporate clients. This tool also takes into account qualitative elements, such as the type of activity and the probability that the entity could be impacted by stricter environmental standards or technological evolution, the existence of controversies, social risks or reputation issues, the existence of (potential) liability issues or legal risks and the robustness of governance (e.g. shareholders, Group structure and management quality).

These qualitative elements must be updated when a creditworthiness review is executed and/or a new loan origination file is introduced. Moreover, when a new loan file is submitted to the Credit Committee, a compliance checklist and Credit Note, which includes an ESG appreciation, must also be completed. Finally, for existing professional customers, failure of alignment with the Transition Acceleration Policy when requesting a loan is a knock-out rule, which can only be overruled by the Management Board. Potential customers that are non-TAP-compliant are not onboarded.

Belfius has developed an ESG scoring tool for enterprises with a turnover of over EUR 10 million, which computes companies' ESG profile and identifies their relative strengths and weaknesses in either environmental, social or governance topics. When available, this ESG score will also be considered in future credit production files as of 2023. Work is also proceeding on the development of a new internal rating system, which will include even more ESG questions.

At executive level, both the Belfius Bank CEO and Belfius Insurance CEO sponsor the ESG strategy.

At Belfius Bank, the Sustainability Manager is accountable to the CEO. She heads the Central Sustainability Team and is in charge of the overall coordination of the Group-wide ESG strategy. She works in close collaboration with Belfius Insurance's Sustainability Manager. Both parties conduct systematic dialogue on ESG affairs with key internal and external stakeholders. Every two weeks the Sustainability Manager of Belfius Bank, the Head of Corporate Office CEO and the CEO discuss the challenges faced in the many ESG sub-projects. As of 2023, the CRO will join these sessions for an additional focus on climate and environmental risk tracks. Likewise, the Belfius Insurance Sustainability Manager regularly confers with the Belfius Insurance CEO and CRO.

Belfius' chosen organisational approach to ESG is to work with a limited number of dedicated teams and a network of ESG champions across the organisation to strike the right balance between specialist knowledge and execution on the one hand, and company-wide embeddedness on the other.

- Belfius' central Sustainability team, headed by the Sustainability Manager, is Belfius' competence center on ESG, monitoring the ESG landscape and developing ESG concepts (such as SBTi, PRB or CSRD), with the exception of risk-specific items.
- The ESG Risk Competence Centre, located within the Strategic Risk Management Department, is in charge of overseeing the implementation of the ESG Programme's risk components and developing a comprehensive ESG risk management framework in collaboration with other Group-wide risk departments along the "three lines of defense" model. It regularly reports to the Chief Risk Officer (CRO).
- The ESG data team develops and structures non-financial data sources and generates calculation engines, as well as regulatory reportings.

Representatives from all of the aforementioned teams, as well as the Project Office, come together in the ESG Core Data Team to tackle the multiple, transversal data challenges underlying all ESG topics.

We are further investing in the upstaffing of these teams and/or use of external advice to keep pace with the growing regulatory and prudential requirements. In parallel, we are steadily building up our knowledge through trainings and acquiring new tools from external data and service providers.

6.2. Listening to our customers

Customers are at the heart of the Belfius purpose: “Meaningful & Inspiring for Belgian Society. Together.” Customer-orientation is also one of our four core values. Establishing a lasting relationship with customers, engaging with them in a responsible and transparent way, taking their opinions into account and satisfying their demands, is just as important for us as optimising our operational services or financial performance.

As a customer-oriented banking and insurance company, we know that consumer protection is of the utmost importance and we apply a three lines of defence approach to this topic.

Firstly, as a responsible bank-insurer, we strictly comply with all laws and regulations in responsible marketing and sales. Selected target groups receive trainings on key topics such as MiFID II, Consumer Finance or FSMA Circular Note on advertising and commercialisation of financial products towards non-professional clients.

Belfius’ Compliance and ethics policies (see section 6.1.1.) underpin our responsible engagement with customers.

Belfius also adheres to codes of conduct from:

- Febelfin: Belfius Bank adheres to the Belgian financial sector federation code of conduct regarding good customer relations. Through Febelfin, Belfius also adheres to the Belgian Charter for digital inclusion.
- Assuralia: Belfius Insurance adheres to the federation of insurance companies code of conduct for rapid, high-quality claims handling.

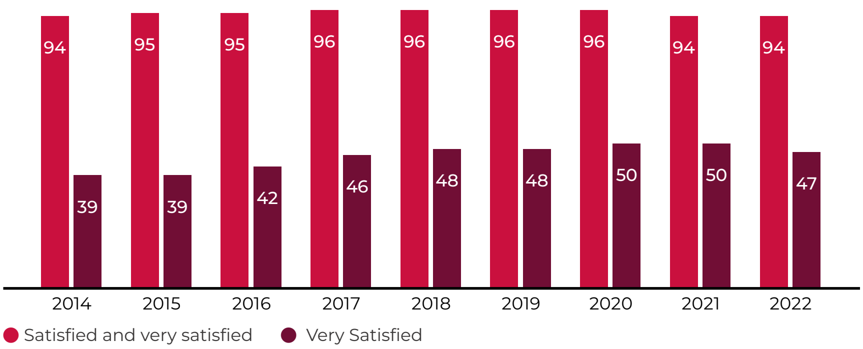
A dedicated policy on consumer protection and responsible marketing and sales will be finalised in the near future.

6.2.1. For your Love, we do more

At Belfius, we attach the utmost importance to maintaining customer satisfaction, constantly working towards 95% of satisfied customers. This key performance indicator, dating back to 2014, is tailored to Belfius' ambitions by the Customer Research department in collaboration with external market research agencies. We are convinced that we should aim for the "love" of our customers. This is what motivates Belfius' talents day after day.

In 2022, we sent an annual satisfaction survey to 554,025 customers of various Belfius Bank business lines (individuals, business and corporate, public and social). Overall, Belfius Bank obtained a satisfaction score of 94% in 2022.

Degree of satisfaction (in %)



6.2.2. Complaint management

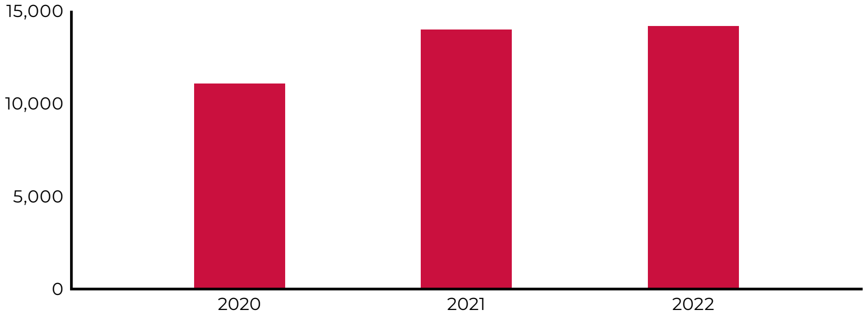
6.2.2.1. Closely monitoring complaints

To sustain fair and transparent customer relations and constantly improve the quality of our service, Belfius closely listens to all complaints and strives to resolve them. Moreover, we consider each complaint as a key moment in the customer journey and one that contains valuable information to improve our services, products and processes. Consequently, we systematically monitor customer complaints and thoroughly analyse each case to provide effective solutions in conjunction with the Bank's various entities. Belfius has dedicated teams who carry out a step-by-step protocol that guarantees impartiality when processing complaints.

In 2022, Belfius recorded 14,173 complaints, which represented an increase of 1.5% compared to 2021. Our complaints management teams have been operating at 100% capacity to respond as quickly as possible to these complaints. Given the increase in volumes over the 2020-2022 period, we have taken steps to strengthen the complaints teams both by increasing the staffing plan and by allocating additional temporary resources. This has significantly reduced the backlog that had built up.

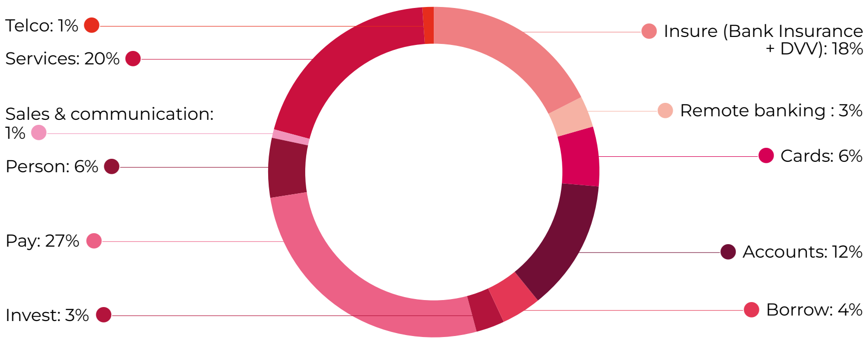
The 2022 reporting period took into account all open complaints (including discrimination and privacy-related complaints), whether they had already been handled, were in the process of being handled, or were awaiting processing.

# of compliants received



In order to facilitate the treatment of these complaints, our complaints management teams categorise complaints per topic.

Complaints per topic



In 2022, The “Pay” area, was instrumental in the increase of total complaints. 2022 was marked by phishing attacks and Belfius customers were not spared. The complaints teams worked hand in hand with the Fraud Competence Center and the Communication and Technology Development teams to implement prevention campaigns and to continuously adapt measures for the preventive detection of fraud attempts. Despite this, we noticed a significant increase of the number of complaints at all levels of processing (up by almost 200%).

Complaints in the “Services” area are still numerous but receding thanks to a series of measures taken to improve availability of Belfius Connect and branches, such as a change in the system and organisation of our telephone service at branches, the introduction of mini appointments and the partial reopening of some branches at the end of 2022. Customers also reported problems with ATM replacements, which are now mostly solved.

The “Insure” area completes the 2022 top three complaint topics. Complaints related to our insurance products and services increased compared to 2021, mainly due to Non-Life Property Insurance and in a lower proportion to Non-Life Mobility Insurance. This increase was, amongst others, related to the economic context that triggering premium adjustments (ABEX index), as well as the post-Covid resumption of global travel activity.

6.2.2.1. Governance of the complaints management system

Belfius distinguishes four handling levels of complaints:

- Salaried and independent network branches, as well as Belfius Connect, represent the first level in the complaints management chain as it is the closest to the customer. This is also the case for the Belfius Insurance Customer Service and Claims Department that works for the DVV brand. Subsidiaries such as Belfius Lease, Belfius Auto Lease, Corona Direct, Elantis and Belfius Commercial Finance register and handle complaints that concern their own activities.
- The Complaints department within the Connect2Net division of Belfius Bank (the second level) handles:
  - complaints the customer makes directly via a complaints form on the Belfius website, or via letter, telephone, e-mail etc. to the Complaints Department;
  - complaints for which agents/Connect agents are not able to offer a solution themselves and ask for help from head office;
  - complaints received by internal services, other departments (for instance Distribution, Marketing, etc.), or certain subsidiaries (Belfius Insurance for products sold through the Belfius Bank networks, Crefius, BIP).

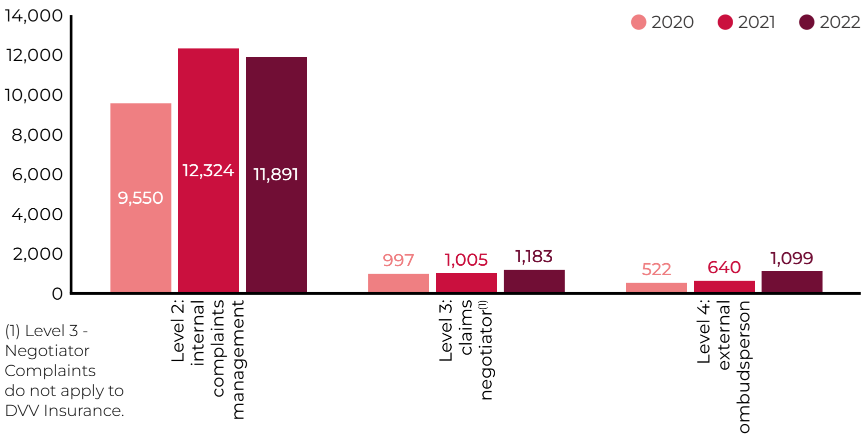
  The Belfius Insurance complaints department handles complaints relating to the DVV brand, as well as complaints that were escalated by Belfius Bank Complaints department due to their technical complexity.

  The Complaints Departments handle complaints within set deadlines, observing established quality standards and, in principle, providing the customer with a response.
- Internal negotiation: if the customer rejects the solution suggested by the Complaints Department, they may address the Belfius Negotiator (the third level). As a neutral contact, the Negotiator makes a new analysis of the case, independently of the Complaints Department, and responds directly to the customer. This level does not exist for DVV complaints.
- External mediation: customers who continue to object to the position taken by Belfius can approach the Federal Bank/Insurance Ombudsman, or the Court. If the Federal Ombudsman (the fourth level for banking/insurance products) considers the complaint admissible, it will be managed with the cooperation of the Belfius Negotiator.

Regular monitoring and reporting of complaints trends (also with partners) is carried out. This helps to identify problems and to quickly act upon them, in addition to anticipating similar trends in the future.

The number of complaints received, that escalated to Negotiator and Ombudsman level, increased in 2022, mostly due to complaints related to fraud cases.

Received complaints according to level of management



(1) Level 3 - Negotiator Complaints do not apply to DVV Insurance.

Discrimination and privacy complaints

In our pursuit of protecting human rights, we want to decrease the number of complaints related to discrimination and privacy. Moreover, it is our legal duty as a financial institution to protect the confidentiality of our former and existing customers' data through securing their transactions and personal information.

In 2022, Belfius recorded 20 complaints related to discrimination, a 23.1% decrease on 2021 (2021: 26; 2020: 34). We constantly strive for a zero-tolerance policy regarding discrimination and will continue our internal communications awareness campaigns, designed following exchanges with the Federal Agency for the Reception of Asylum Seekers (Fedasil), the Red Cross, and UNIA (an inter-federal institution that fights discrimination and promotes equal opportunities).

In 2022, Belfius also recorded 149 complaints concerning privacy, representing a 13.9% decrease compared to 2021 (2021: 173; 2020: 150). The majority of these (105) concerned GDPR legislation. The others were mainly related to identity theft or poorly addressed but unopened emails, thus representing no violation of private information. A quarter of these complaints were generated by an incorrect press article which stated that a Belfius employee was behind a leak in the personal data of 300,000 customers. For the DVV Insurance brand, three GDPR complaints were registered in 2022.

85 complaints related to other areas can also be linked to GDPR issues and often concerned access to personal data by an unauthorised third party following a change of address, suspension of power of attorney, etc.

6.2.3. Special attention to more vulnerable customers

As a Belgian Banking and Insurance company that aims to be meaningful and inspiring for Belgian society, Belfius has the duty to enable citizens' rights to financial products and services, contributing to the well-being of Belgian society. It is within this context that we have identified financial inclusion as a material topic (see section 4.3.) and seek to make our branches and digital channels accessible to all, offer (basic) products to everyone and ensure that clients have the necessary skills to access and use our financial products and services, thus addressing the growing digital divide in Belgium.

6.2.3.1. Social Products

To help the Belgian government's Social Services organisation (CPAS) in their mission, Belfius has developed a series of specific banking products that facilitate access to basic banking services. These products are aimed at those who find themselves in a difficult situation and who are unable to enter the banking system on their own. Belfius has integrated these products into the BelfiusWeb electronic banking application used by the CPAS. In total, around 169,000 social accounts were active at the end of 2022.

In case of urgent assistance or financial support for individuals without a bank account, the CPAS can rely on Belfius' adapted automated solutions: the SSB prepaid card for urgent occasional needs, or the Belfius EasyCard for recurring payments. An overview of all our social products is available on our website.

Belfius also offers the Basic Banking Service account which is a legally regulated service accessible for each consumer legally residing in an EU member state that has difficulty in obtaining a bank account, most often asylum seekers or recognised refugees (31,617 accounts at Belfius).

6.2.3.2. Preventing over-indebtedness

Belfius follows strict guidelines when granting loans to private individuals and considers both positive and negative factors to protect both our customers and Belfius from excessive lending.

In addition, as a member of the Professional Credit Association (UPC/BVK), Belfius endorses and respects the code of conduct of the UPC/BVK. It contains 10 principles to ensure that loans to individuals are provided in a responsible manner. It ensures, amongst others, the monitoring of borrowers' needs and the risk of over-indebtedness, monitoring of debt levels and credit utilisation, monitoring of payment problems and the anticipation of late payments ('risk prevention'), the active provision of solutions to customers and debt counselling.

6.2.3.3. Customers with no or little access to digital services

According to the Barometer for digital inclusion published by the King Baudouin Foundation, almost half of people living in Belgium are digitally vulnerable, meaning that they have poor digital skills, or none at all. It should be noted that digital skills have to be constantly upgraded to stay abreast of new digital evolutions, tools, fraud or phishing risks, which makes it even harder to tackle the digital divide.

For these reasons, the topic of digital inclusion has been gaining importance in Belgium and at European Union (EU) level over the past couple of years. At EU level, a directive was adopted in 2019 to set accessibility requirements for products and services, including banking services. This directive will take effect in 2025. In 2021, the Council of Ministers also included the fight against the digital divide and the transition to digital inclusion in its strategy.

Belfius wants to ensure that no one is left behind during the rapid digitalisation of the banking world, the economy and society as a whole. Although we consider this trend a positive development for society, we are also aware that not all of our customers have access to these services, nor do they all have the necessary comfort level or indeed wish to follow this route. Supporting this group of customers is an important concern for Belfius. As a bank, we strive to remain accessible to the largest number of people.

That's why Belfius, together with Febelfin, committed to work on a 10 point action plan aimed both at facilitating the transition to online banking and continuing to support non-digital customers.

In 2022, we posted "how to" videos to help our customers perform simple transactions and access banking service via our digital channels. We also rolled out awareness campaigns on fraud and phishing risks and supported Febelfin's information sessions on digital banking.

All Belfius branches are equipped with cashless devices, allowing customers to print their account statements, enter a transfer and change a PIN code. These are also accessible outside opening hours. Additionally, for the benefit of our digitally vulnerable customers, Belfius re-activated phone banking in 2022, a service that does not require access to a smartphone or the internet, and neither does it require any digital skills. This was recognised with an award from the senior citizen organisation OKRA.

Moreover, customers over the age of 70 with a Beats New or Beats Star current account can rely on free manual transfers and free monthly dispatch of paper statements. Belfius also offers the Universal account, in line with the principles and terms set out in the Universal Banking Service Charter, to cater to the needs of clients who do not use digital services.

In the future, Belfius aims to improve the accessibility of its digital channels, giving priority to the Belfius Mobile app. Everybody should be able to read and use the information communicated by Belfius on these channels. Belfius considers accessibility to banking services and products through non-digital channels as equally important.

6.2.3.4. Customers with disabilities

Most Belfius branches are accessible to individuals living with a disability. Belfius' ATMs in those branches are equipped with voice controls that allow the visually impaired to withdraw cash without outside help. The keyboard itself is embossed and braille has been used so that the person concerned can easily find the different parts of the device (bank card insertion zone, zone for connecting headphones, etc.). Belfius is in the process of adapting its ATM network in line with the Batopin roll-out, of which the same level of support facilities is expected where feasible.

Anysurfer[1] has assessed Belfius' compliance to the Web Content Accessibility Guidelines (WCAG) international standard. In 2021 and 2022, audits were conducted by Anysurfer on Belfius Mobile and Belfius Direct Net (PC banking) to determine whether they were accessible to customers with limited sight, motor difficulties and attention deficit conditions. The audits revealed that Belfius has a good level of digital accessibility for all, although some improvements could still be implemented, such as adding alternative texts to most images and banners to allow accurate identification and description with text-to-speech software. Belfius strives to increase its compliance with the guidelines and meet the WCAG AA level.

Several upgrades to improve the user experience of customers with disabilities were executed in the Belfius Mobile App in 2022, such as categorising clients' accounts as 'buttons' for better navigation in the transfer flow. Now, when an account number is entered incorrectly, customers with disabilities are properly notified, whereas before the error message was not described. It is, needless to say, these seemingly small changes had a high positive impact on the accessibility of people with disabilities to Belfius' services.

More audits will be performed in 2023 to feed further improvements and ensure a consistent quality.

(1) AnySurfer is a project by the NGO Blindenzorg Licht en Liefde vzw to strive towards an accessible digital world in which everyone can participate, including people with a disability.

7. Focus on climate action

7.1. Decarbonisation trajectory

Companies in the financial sector generate climate-related impact through their own operations, but by far their largest impact lies with the financed emissions resulting from their financing and investment activities. As a provider of financial means, financial institutions can have both a positive and negative impact on the climate. The nature of those impacts depend on their portfolios, client profiles and the types of services and products offered. Hence, the financial sector is a vital player in the global action towards climate change and the transition to a low-carbon economy, while considering economic, environmental and social aspects.

Every day at Belfius, we strive to assume our responsibilities with regards to climate change. As part of its 2025 Strategy, Belfius made the commitment to be a leading actor in the transition to a low carbon and resilient Belgian economy and society by sustaining efforts in favour of climate within its own operations, as well as by encouraging customers to lower their emissions and to invest sustainably.

For several years, Belfius has been measuring and reducing emissions linked to its own activities. In 2019, we set out an ambitious plan to reduce emissions linked to our own operations by 20% by 2025. This target included scope 1, scope 2 and part of scope 3 emissions (i.e. water consumption, paper consumption, upstream transportation, commuting and business travel). In the meantime, we extended the scope of our plan to the branches of Belfius' independent network and some IT operations.

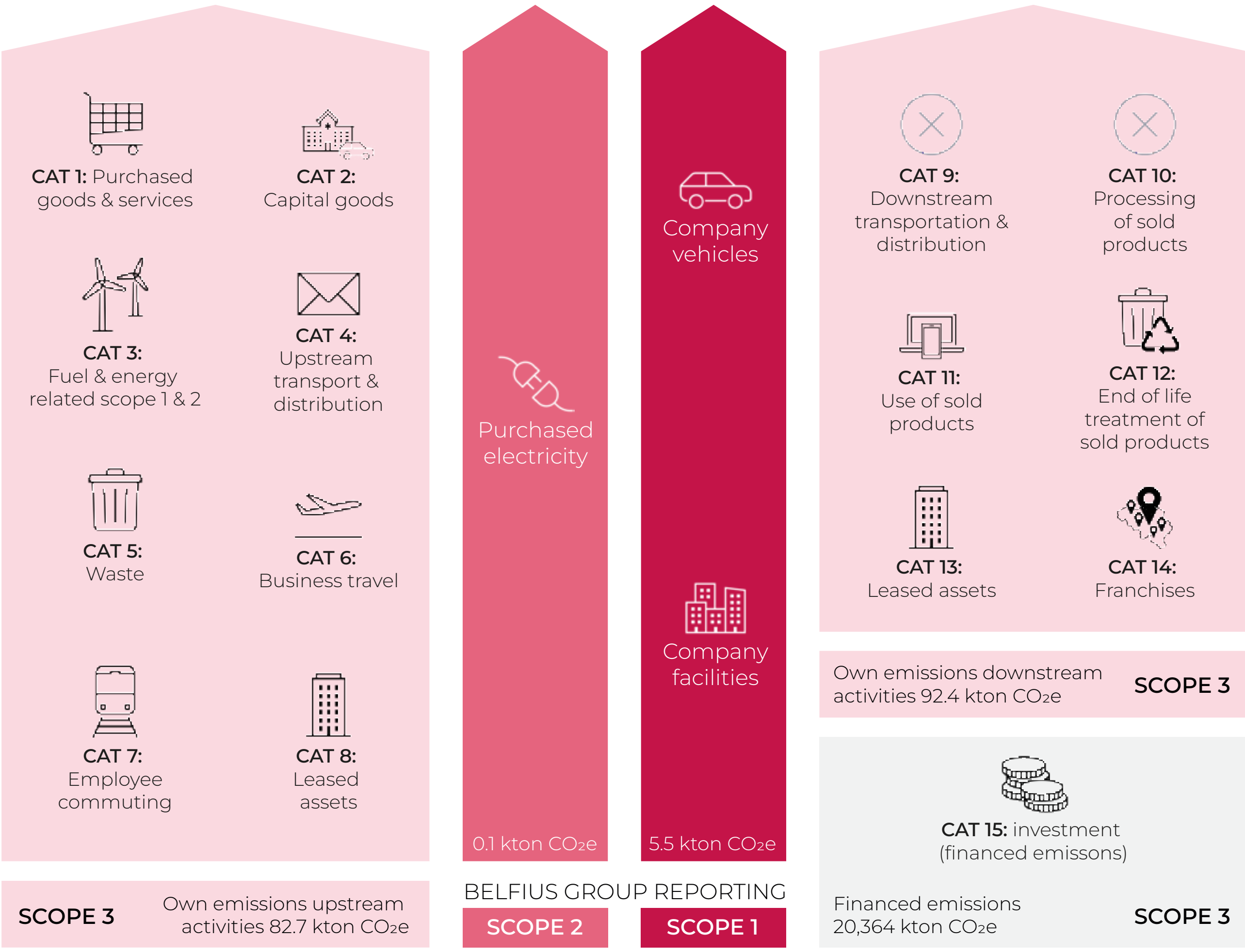
In line with the latest climate science, and in view of the tangible progress already made (see section 8.), we decided to restate an ambition towards a 25% emissions reduction on own operations by 2025 from our 2019 baseline. This target remains an intermediary one and is only a fraction of the activities that will be covered by our science-based targets reduction pathways as these will also consider our clients' activities by including emissions related to our leasing, investment and financed emissions, that represent 99% of our total reported emissions.

In 2020, we joined the Belgian Alliance for Climate Action (BACA). To further strengthen our climate ambition, we joined the Science Based Targets initiative (SBTi) in January 2022, a collaboration between the CDP, the United Nations Global Compact (UN Global Compact), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Within this framework, we strive to set, measure and transparently communicate clear GHG emissions reduction targets within two years of joining, in line with the ambitions of the Paris Agreement and based on the latest climate science. This will result in more complete and in-depth target setting as of 2023, starting from the 2022 baseline that will be detailed in the sections below.

7.1.1. Scope, methodology and data quality of Belfius' carbon footprint

Our carbon footprint calculations span all three scopes of greenhouse gas emissions in accordance with the GHG Protocol and the Partnership for Carbon Accounting for Financials (PCAF)(1). It covers the seven gases included in the United Nations Framework Convention on Climate Change (UNFCCC)(2). We convert these different gases into a single unit, a 'CO_2 equivalent' (CO_2e), as consistently as possible using conversion factors of reputable sources(3).

In 2022, our carbon footprint was for the first time calculated for the entire Belfius Group according to the operational control consolidation approach, i.e. entities over which we have the full authority to introduce and implement our operating policies. In order to ensure alignment with regulatory reporting, the scope of our operational control is adjusted to all fully-consolidated subsidiaries(4).



(1) According to PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition. November 18, 2020.
(2) The UNFCCC greenhouse gases cover: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).
(3) Emissions factors come from sources including: the French Agency for Ecological Transition (ADEME), the Department for Environment Food and Rural Affairs (DEFRA), Ecoinvent, and the International Energy Agency (IEA), which use the most recent GWP-100 values from the IPCC.
(4) Other entities in which Belfius has a stake and operational control, but that are not consolidated, are categorised as investment in our scope 3 category 15.

Overview of scope definition & data quality indication

Source of CO_2e emissions	Scope and boundaries for Belfius CO_2e emissions	Data quality indication
SCOPE 1 - DIRECT - OWN OPERATIONS		reported data on the activity measured
GAS CONSUMED HEATING OIL	These emissions result from combustion of fuels in stationary sources (e.g. boilers). Belfius measures the use of gas & oil for heating all of its entities' buildings and salaried agencies that it owns.	83%
COMPANY CARS	The combustion of fuels in company owned/controlled cars. Belfius includes its company cars that are made available to commercial employees necessary to carry out their function.	100%
REFRIGERANTS	Fugitive emissions resulting from releases of refrigerant gases, e.g. equipment leaks from joints, seals, packing and gaskets; hydrofluorocarbon (HFC) emissions during the use of refrigeration and air conditioning equipment	100%
SCOPE 2 - INDIRECT - OWN OPERATIONS		reported data on the activity measured
ELECTRICITY CONSUMED	Emissions from the generation of purchased electricity consumed by Belfius, in its owned and controlled equipment or operations	92%
SCOPE 3 – INDIRECT - OWN OPERATIONS - UPSTREAM		reported data on the activity measured
CATEGORY 1 Purchased goods & services	Emissions from ICT services, data center devices, IT applications, bank cards, card readers, paper consumed and water consumed for our operations	99%
CATEGORY 2 Capital goods	Emissions from Belfius Auto Lease vehicles manufacturing both for company cars as customers cars, own building embodied emissions from construction	100%
CATEGORY 3 Fuel and energy related to scope 1 & 2	Extraction, production and transportation of fuels and energy purchased or acquired by Belfius, not already accounted for in scope 1 or scope 2	94%
CATEGORY 4 Upstream transportation & distribution	Emissions from transportation of mail or valuables	92%
CATEGORY 5 Waste generated in operations	Emissions from waste disposal and treatment of waste generated in Belfius' operations (residual waste, waste water, paper waste)	71%
CATEGORY 6 Business travel	Emissions from transportation of employees for business-related activities (in vehicles not owned or operated by Belfius, already included in scope 1)	100%
CATEGORY 7 Employee commuting	Emissions of transportation of employees between their homes and their worksites (in vehicles not owned or operated by Belfius, already included in scope 1) and teleworking	86%
CATEGORY 8 Upstream leased assets	Emissions from assets leased by Belfius (buildings)	93%
SCOPE 3 - INDIRECT - OWN OPERATIONS - DOWNSTREAM		reported data on the activity measured
CATEGORY 9 Downstream transportation and distribution	Not applicable, not material for Belfius	
CATEGORY 10 Processing of sold products	Not applicable, not material for Belfius	
CATEGORY 11 Use of sold products	Use of Belfius Web, Belfius Mobile and Belfius.be by our customers	100%
CATEGORY 12 End-of-life treatment of sold products	Waste disposal and treatment of products at the end of their life (in the reporting year) sold by Belfius (banking cards, connecting devices waste, paper waste)	100%
CATEGORY 13 Downstream leased assets	Operation of assets owned by Belfius (lessor) and leased to other entities: Belfius Insurance owned buildings, Belfius Auto Lease leased cars	6%
CATEGORY 14 Franchises	Heating fuels, electricity consumption and refrigerants leakage from franchised (Belfius + DVV)	1%
SCOPE 3 - INDIRECT - FINANCED EMISSIONS		PCAF
CATEGORY 15 Investment (financed emissions)	Emissions from mortgage portfolio (scope 1 & 2)	5
	Emissions from commercial real estate loans (scope 1 & 2)	5
	Emissions from business & corporate loans (scope 1, 2 & 3)	5
	Emissions from equities & bonds (scope 1, 2 & 3)	4
	Emissions from project finance (scope 1 & 2)	4
	Emissions from motor vehicle loans (scope 1 & 2)	5
	Emissions from financial lease (scope 1 & 2)	5

Scope 1 emissions include emissions directly produced on our site, stemming from our heating needs (gas consumption and heating oil), losses of refrigerant gases from cooling systems, as well as the use of our company cars.

Scope 2 emissions relate to our electricity consumption and the emissions occurring on the site of our electricity provider and are considered indirect.

Scope 3 emissions are indirect emissions occurring in our value chain and are responsible for the majority of our carbon footprint. In this report, we have broken down scope 3 emissions into upstream and downstream emissions and provide detailed emissions by category following the GHG Protocol. Upstream emissions come from the production of our products and services, while downstream emissions come from the use of our services by our clients and our franchises. Estimating scope 3 emissions requires many assumptions and are less certain than scope 1 & 2 emissions, but they provide useful information on the activities associated with our largest climate footprint.

The broader scope of entities taken into consideration for our carbon footprint, as well as revised methodologies (as explained below) in parts of our scope 3, lead us to also make a partial restatement of our 2019 and 2021 carbon footprint to facilitate traceability and year-to-year comparability.

High level summary of Belfius total GHG emissions

Belfius carbon footprint by source (in metric tons of CO_2 equivalent)[1]	**2022 Enlarged scope 3**[3]	**2021 Restated**[2]	**2019 Initial baseline**[4]
TOTAL SCOPE 1 - DIRECT OWN OPERATIONS	5,491	5,920	8,581
TOTAL SCOPE 2 (market based) - INDIRECT - OWN OPERATIONS	100	151	0
TOTAL SCOPE 3 - INDIRECT OWN OPERATIONS	175,148	18,492	9,117
Upstream Scope 3 emissions	82,728	8,825	9,117
Downstream Scope 3 emissions excluding financed emissions	92,420	9,667	
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (MARKET BASED METHOD)	180,739	24,563	17,698
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (LOCATION BASED METHOD)	*183,249*	*26,839*	*21,361*
Category 15 - Financed Emissions	20,363,874		
GRAND TOTAL EMISSIONS (MARKET BASED METHOD)	**20,544,613**	**24,563**	**17,698**

(1) The calculations presented in this table do not include any carbon removals, purchase/sell/transfer of carbon-credits or avoided emissions. The inventory takes the obligatory mixing of biofuels and follows the same method as used in appendix V C of the European directive on renewable energies for direct emissions. The indirect emissions are estimated using the LCA of biofuels (BIOIS) made available by the ADEME. The net-balance of biogenic sequestration and combustion is calculated in a separate biogenic inventory.
(2) Improvements were more extensively applied on 2021 leading to a restatement on that year for better comparability with 2022.
(3) Belfius has been gradually increasing the activities accounted for in its scope 3 inventory over the past years. In 2020, we added indirect upstream emissions related to the production process of the resources we consume (gas, fuel oil, vehicles and electricity). In 2021, the emissions of the independent Belfius branch network and the carbon footprint of part of our IT operational activities were added.
(4) Restatement was applied on 2019 baseline when methodology changes were significant.

By measuring not only our direct emissions, but also for the first time all our indirect emissions, including emissions coming from our leasing, investment and financing portfolio, we get a clear view of our climate impact. By adding new categories to the reporting scope, we aim to disclose our entire carbon footprint and understand which categories represent the highest part of this footprint. This total Belfius Group carbon footprint for 2022 represents 20.5 million tonnes of CO_2 equivalent. Our financed emissions (scope 3 category 15) represent by far the most important part of our emissions, being 99% of our total carbon footprint. Financed emissions will be explained in more detail in section 7.1.3.

Data quality

Access to accurate, complete and relevant data is a challenge for Belfius, as it is for many others when calculating a carbon footprint. Variations in the results may be due to improvements in methodologies and data quality rather than reflecting real-world emissions fluctuations.

For our **own emissions (all scopes and categories except category 15)**, data and underlying evidence to calculate our carbon footprint are collected by a large group of suppliers and internal stakeholders directly dealing with the activities in question in their daily role and responsibilities. The 2022, carbon footprint calculations were based on 51.5% of primary activity data, meaning data coming directly from the people responsible for the concerned activities rather than from estimations (see table in section 7.1.1).

In order to calculate its **financed emissions**, Belfius receives reported or estimated GHG data for some of its counterparties from its ESG data provider, while emission factors used to convert activity data into CO_2 equivalent for all other companies come from the PCAF database.

The PCAF Data quality scores given in the "Belfius 2022 financed emissions per asset classes" table in section 7.1.3. give an indication on data availability, which triggers the prioritisation of an estimation method and enables us monitor the quality of our calculations and improve them over time. The underlying drivers of this score are slightly different per asset class, but the principle stays identical: the highest score, score 1, generally represents the highest data quality corresponding to actual company or asset emissions, while the lowest score, score 5, represents the broadest estimations based on the sectoral average of the financed activity.

The Belfius ESG data team and Belfius ESG central team collect, revise and consolidate data, verifying their completeness, consistency and accuracy. In all our calculations, we always prioritise the most recent data available and data of the highest quality. Following GHG Protocol and PCAF recommendations, emissions have been calculated in line with the UN precautionary principles that state that, in doubt, we should err on the side of the planet, not the side of the company. Assumptions and estimations are carefully documented at each step so that updates with new, better data quality sources can be easily implemented.

Belfius aims to be as transparent as possible with regards to these changes and improvements. To do so, Belfius is currently working on a data improvement plan with the intention to improve the accuracy of our calculations and to further automate the data collection process involving several error-prone manual manipulations. This data improvement plan will gradually increase the share of reported data and decrease the reliance on estimates resulting in more accurate emission computations over time. We also expect the implementation of the Corporate Sustainability Reporting Directive (CSRD) of the European Union to increase data availability, thereby contributing to this improvement.

Belfius intends to verify the 2022 GHG inventory with limited assurance by a recognised external auditor in the course of 2023.

7.1.2. Zoom on Belfius' own operational emissions

Belfius' own operational emissions consist of all direct (scope 1) and indirect emissions (scope 2 & 3), with the exception of financed emissions (see section 7.1.3.). In 2022, these emissions represented 180,739 tonnes of CO_2e. The significant increase in amounts of CO_2e reported is due to the broader scope of entities taken into account and the revised methodology on part of our scope 3 emissions.

On total **scope 1 emissions** we accomplished a reduction of -36% since 2019, with a 40% reduction on gas consumed, mainly due to the lower temperature set in Belfius buildings.

94% of our electricity consumption in scope 2[(1)] is covered by European guarantee of origin certifying that the energy is renewable or from high quality cogeneration. Belfius has purposefully chosen such contracts, reflected in lower emissions in **scope 2** in the market-based approach[(2)]. Some buildings however, such as those that are co-owned, are not currently covered by renewable electricity. As our target is to reach 100% of renewable electricity, we are analysing these on a case-by-case basis to find low-carbon energy solutions.

(1) We also account for the indirect impact of our energy consumption, including our green electricity (related to the production of solar panels, wind turbines, etc.) in scope 3 category 3 according to market-based and location-based approaches.

(2) As the practice is also to disclose scope 2 location-based emissions, these are calculated based on the average emissions intensity of the national grid. Location-based emissions enable to compare performance with our peers based on our electricity consumption.

Belfius' own operations carbon footprint

By source (in metric tons of CO_2 equivalent)[1]	2022 Enlarged scope 3[3]	2021 Restated[2]	2019 Initial baseline	Evolution 2019 to 2022 on initial baseline
TOTAL SCOPE 1	5,491	5,920	8,581	-36%
Gas consumed	1,883	2,858	3,158	-40%
Heating oil	87	192	64	36%
Company Cars	3,519	2,685	4,259	-17%
Refrigerants	2	184	1,100	-100%
TOTAL SCOPE 2 (MARKET-BASED)	100	151	0	
Electricity consumed (market-based method)	100	151	0	
Electricity consumed (location-based method)	*1,889*	*2,427*	*3,663*	
TOTAL SCOPE 3	175,148	18,492	9,117	
UPSTREAM SCOPE 3 EMISSIONS	**82,728**	**8,825**	**9,117**	
Category 1 - Purchased goods and services	6,179	673	801	
Category 2 - Capital goods	68,718	679		
Category 3 - Fuel and energy related to scope 1 & 2 (market-based)	1,530	1,398		
Category 3 *- Fuel and energy related to scope 1 & 2 (location-based)*	*1,622*	*1,636*		
Category 4 - Upstream transportation and distribution[4]	1,851	1,840	1,814	0%
Category 5 - Waste generated in operations	143	94	120	12%
Category 6 - Business travel	691	234	609	13%
Category 7 - Employee commuting[4]	3,493	3,786	5,773	-39%
Category 8 - Upstream leased assets	123	121		
DOWNSTREAM SCOPE 3 EMISSIONS EXCLUDING FINANCED EMISSIONS	**92,420**	**9,667**		
Category 9 - downstream transportation and distribution	Non-existant[5]			
Category 10 - Processing of sold products	Non-existant[5]			
Category 11 - Use of sold products	564			
Category 12 - End-of-life treatment of sold products	222			
Category 13 - Downstream leased assets	77,262			
Category 14 - Franchises	14,373	9,667		
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (MARKET BASED METHOD)	180,739	24,563	17,698	-30%
TOTAL EMISSIONS OWN OPERATIONAL FOOTPRINT (LOCATION BASED METHOD)	*183,249*	*26,839*	*21,361*	

(1) The calculations presented in this table do not include any carbon removals, purchase/sell/transfer of carbon-credits or avoided emissions. The inventory takes the obligatory mixing of biofuels and follows the same method as used in appendix V C of the European directive on renewable energies for direct emissions. The indirect emissions are estimated using the LCA of biofuels (BIOIS) made available by the ADEME. The net-balance of biogenic sequestration and combustion is calculated in a separate biogenic inventory.
(2) Improvements were more extensively applied on 2021 leading to a restatement on that year for better comparability with 2022.
(3) Belfius has been gradually increasing the activities accounted for in its scope 3 inventory over the past years. In 2020, we added indirect upstream emissions related to the production process of the resources we consume (gas, fuel oil, vehicles and electricity). In 2021, the emissions of the independent Belfius branch network and the carbon footprint of part of our IT operational activities were added.
(4) Restatement was applied on 2019 baseline when methodology changes were significant.
(5) Upon analysis, we concluded that the categories downstream transportation and distribution of products and services and processing of sold products are non-existent for Belfius as a provider of financial services.

Key insights

- As demonstrated in the table above, compared to 2019 and at constant scope, we reached a reduction of 30% of CO_2 equivalent emissions (scope 1, 2 and scope 3 categories 1, 4, 5, 6 and 7). This means we accomplished our revised -25% target ahead of time. New targets will be set over the course of 2023 within the context of our SBTi pathway.
- The most important emission reductions are on gas consumed in our buildings (scope 1, -40% compared to 2019) and employee commuting (scope 3, -39% compared to 2019).
- The most important impact from our scope expansion is linked to the purchase of vehicles by Belfius Auto Lease and their direct use by our customers (namely in scope 3, category 2 capital goods and category 13 downstream leased assets).

We significantly widened the measurement and reporting of our scope 3 footprint by adding extra categories in 2022, both in upstream and downstream emissions:

- In order to be more exhaustive with regards to the emissions stemming from our purchase of IT services, Belfius added the upstream emissions stemming from the purchase of materials in data centres and the use of applications run on software as a service (SaaS);
- We also decided to include emissions stemming from the use of our website and our mobile application by our clients in the use of sold products;
- We have added a number of capital goods, such as buildings embodied emissions and the manufacturing and distribution of vehicles from Belfius Auto Lease's fleet purchased during the year;
- With regards to downstream leased assets[1], we have calculated the footprint of the vehicle fleet managed by Belfius Auto Lease and leased to third parties. This category also includes real estate investments made by Belfius Insurance that are rented out to third parties;
- Reflecting the evolution of group entities in scope, we have also included DVV franchises, representing 6.2 tonnes of CO_2 emissions.

Though the extension of the activities accounted for in scope 3 enables us to have a more representative overview on our carbon footprint, including estimated financed emissions, we are aware of the journey that still lies ahead as methodologies mature and data availability improves.

7.1.3. Zoom on Belfius' financed emissions

As the financial sector's largest impact stems from its financing activities (lending, leasing, investing and insuring), we took important actions to put our financing activities at the centre of our decarbonisation strategy. In 2021, Belfius joined the **Partnership for Carbon Accounting Financials (PCAF)**, a collaboration between banks and investors from all around the world to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments.

(1) Note that we decided to include financial leases of Belfius Lease within Investments category 15 in order to align to Financial Reporting (FINREP) practices. This also enables us to apply an attribution factor reflecting the gradual ownership of the leased goods by the final client

During the course of 2022, Belfius estimated its financed emissions for the first time, namely emissions related to the five asset classes defined in the first edition of the PCAF: mortgages, commercial real estate, motor vehicle loans, project finance and general asset classes comprising business and corporate loans, equities and bonds. Belfius evaluated 46% of the total Group balance sheet, or 100% of the five asset classes covered by the PCAF 2020 methodology and financial leasing activities, despite remaining data challenges.

First, we will provide a view on financed emissions classified by asset class (PCAF 2020 methodology). Secondly, we will provide a view on financed emissions classified by most carbon-intensive sector (across all asset classes).

Belfius 2022 financed emission per asset classes

Asset classes	Total outstanding loan and investments (in M€)	Emissions intensity (tCO_2e/M€)	Total financed emissions ($ktCO_2e$)	Weighted PCAF data quality score on scope 1 & 2 (High Quality = 1, Low Quality = 5)	Absolute scope 1 & scope 2 emissions ($ktCO_2e$)	Absolute scope 3 emissions ($ktCO_2e$)[4]
Mortgages	40,143	29	1,161	5.00	1,161	-
General assets - business and corporate loans[1]	26,412	571	15,068	4.51	1,985	13,083
General assets - equities & bonds	5,794	534	3,097	4.06	1,463	1,634
Commercial real estate loans	5,763	105	605	5.00	605	-
Financial lease[2]	2,054	76	157	5.00	157	-
Motor vehicle loans	1,420	194	276	5.00	276	-
Project finance[3]	639	0	0	3.52	0	-
TOTAL IN SCOPE OF THE METHODOLOGY	**82,225**	**248**	**20,364**	**4.77**	**5,647**	**14,717**

(1) Business and Corporate loans, excluding loans to the public sector (not covered by PCAF 2020 methodology).
(2) Not part of the PCAF methodology, details on the calculations can be found in appendix of the Sustainability report 2022.
(3) The methodology for project finance asset class covers power generation projects, all of them being renewable energy projects at Belfius. One project is a biomass CHP using wood grade B (industrial feedstok) in Belgium. Such biomass is compliant with the EU renewable energy directive and thereby consider that the emissions linked to the combustion is equal to upstream biogenic capture.
(4) Not part of the PCAF methodology and not included in the data quality score.

Key insights

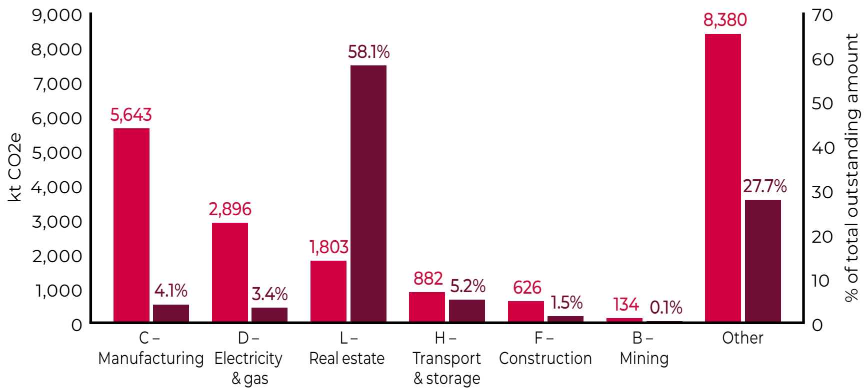
- Total financed emissions for 2022 were estimated at 20,364 $ktCO_2e$. This represents 46% of our balance sheet, the rest not being covered by PCAF 2020 methodology and hence unable to estimate and report;
- Although our mortgage portfolio accounts for less than 6% of emissions, it represents about 50% of the outstanding loans and investments currently covered by the calculations;
- Business and corporate loans (excl. loans to the public sector considered as public administration for which the PCAF 2020 Standard did not provide a methodology) account for 74% of the total financed emissions, while these represent only 32% in outstanding loans and investments on our balance sheet. This is also reflected in the higher carbon intensity, as shown in the table above.

More information on how to interpret each asset class can be found below:

- Belfius has a large mortgage portfolio and some commercial real estate loans. However, construction and renovation loans are excluded from mortgage and commercial real estate emissions calculations, as the PCAF 2020 Standard did not yet provide a methodology for this;
- The general asset classes include all listed and unlisted equities, corporate bonds, as well as business and corporate loans of Belfius Bank and Belfius Insurance;
- The motor vehicle loans portfolio is rather limited and includes both consumer lending and corporate loans for motor vehicles;
- The project finance portfolio has no emissions as the computation currently only includes financing of projects in the power generation sector that are exclusively renewable energy projects in the Belfius Bank portfolio. Other types of projects are currently out of scope and will be considered in the future;
- Belfius also calculated the footprint of its financial leasing assets in order to align to financial accounting practices, in particular those related to real estate, energy-related and transport assets where PCAF methodologies apply.

For further information on the methodology applied and assumptions used for each asset class, please refer to the "Financed emissions methodology" Appendix of the Sustainability report.

Financed emissions breakdown per most carbon-intensive sectors



Following PCAF recommendations, Belfius shares an analysis of the most carbon-intensive sectors and those that have an impact on climate, as required to be reported by the European Technical Expert Group. Further analysis into the other carbon-intensive sectors will be performed in the future.

This graph therefore provides further information on the emissions stemming from the most carbon-intensive sectors, compared to the financial exposure, which is the outstanding amount covered by the calculations. This overview spans over all asset classes presented in the Belfius 2022 financed emissions table above. It includes clients' scope 1, 2 and 3 emissions, the latter not always being available for all asset classes in which case they were estimated with methodologies other than the PCAF.

As construction and renovation activities are not yet part of the PCAF methodologies for mortgages and commercial real estate, this graph only represents our exposure to construction companies in the general asset classes, whereas this activity is expected to be more significant for Belfius (only 3.1% of financed emissions currently). Under the label 'other', the largest shares of remaining emissions are

Key insights

- This sectoral breakdown shows that Belfius' footprint is majoritarily linked to the manufacturing sector (27.7% of financed emissions);
- Despite a more limited financial exposure, the energy sector represents the second largest share of Belfius' portfolio emissions (14.2% of financed emissions);
- The considerably larger financial exposure towards real estate activities justifies that this becomes the third largest of emissions in Belfius financing[1] share (8.9% of financed emissions);
- The transportation sector represents the fourth largest source of emissions in the Belfius balance sheet (4.3% of financed emissions);
- Unsurprisingly, Belfius has a low exposure and footprint in the mining and quarrying sector (0.7% of financed emissions).

(1) PCAF 2020 methodologies do not include scope 3 emissions for Commercial Real Estate and Mortgages however, namely embodied emissions of a building, which may in the future increase the results presented here.

linked to Belfius' large exposure to wholesale and retail trade (19.8% of financed emissions) and to water and human health activities (5.5% of financed emissions).

As of 2023 onwards, Belfius will publish its financed emissions on a yearly basis as part of its annual sustainability reporting. Belfius also intends to start reporting to the CDP, a largely recognised environmental reporting organisation, increasing the transparency of its climate action towards its stakeholders.

As a next step, we also intend to implement updates of the PCAF methodology to expand the scope of the asset classes covered by calculations, particularly the inclusion of sovereign bonds or insurance-associated emissions. Assessment of the carbon footprint of our asset management activities will be performed at a later stage.

7.1.4. Action plan

Belfius' aim is to reduce the carbon footprint of its own operations by 25% between 2019 and 2025. As stated above, with a reduction of 30% this target was accomplished ahead of time in 2022. To achieve this strong emissions reduction, we first focused on the biggest pockets of emissions identified in previous years in our own operations, namely the energy consumption of our buildings and the mobility of our workforce. With regards to our upcoming SBTi trajectory, we will set new targets taking the year 2022 as a baseline.

Belfius' building strategy has resulted in the suppression of sites in favour of more energy-efficient ones (see section 8.1.). Relighting with LED was finalised in 2022 and all branches should be equipped with nanogrids by 2025. With regards to mobility, Belfius encourages alternative modes of transport and the use of electric vehicles (see section 8.2.).

We are also supporting our clients in reducing their own environmental footprint by developing products and services that will support them in their transition towards greater energy-efficiency or transitioning towards a lower-carbon economy. Further information on this matter can be found in section 5.

As our decarbonisation targets are being recalculated in our SBTi journey, we will also be redefining our climate action plan over the course of 2023.

Beyond these avoidance and reduction actions, and in order to further contribute to climate transition, Belfius chose to purchase carbon credits to an equivalent amount of 44,600 tCO_2e, which represents the emissions on which Belfius has the highest direct impact[(1)]. These went to the following projects:

- Dak Pone Hydropower and Ta Trach Hydropower, Vietnam, providing the surrounding community with reliable and sustainable energy replacing fossil fuel generators and wood-fired heating and lighting;
- Safe Community Water Supply Clean Water Rwanda, removing the need to boil water over wood fires to make it drinkable.

These credits have no impact on our total footprint calculations and disclosure and are not considered as a reduction, but a separate voluntary exercise. Belfius only chooses projects that are certified with a recognised quality standard: the Gold Standard. Aware of issues related to reliability of the offset market, we are monitoring developments and recommendations of international guidelines and platforms such as the Integrity Council for the Voluntary Carbon Market (Integrity Council), an independent governance body for the voluntary carbon market, in order to strengthen our practices related to this subject matter.

7.2. Acknowledging emerging environmental challenges

Environmental risks encompass many elements that are interconnected, amongst which biodiversity. Protecting the biodiversity of our planet is essential to guarantee the balance of the natural ecosystem, which provides essential resources to our society and affects our resilience and health. Furthermore, biodiversity preservation is also crucial in terms of preserving financial stability, as around half of global GDP is dependent on nature[(2)].

Identified as one of the top three most severe risks according to World Economic Forum Global Risks Perception Survey 2021-2022, biodiversity is now emerging as a priority for all parties involved. Often overlooked, biodiversity preservation is critical for climate action efforts and these two challenges must be tackled holistically. While healthy ecosystems work as major carbon sinks that help us mitigate the impacts of climate, they also complement climate adaptation efforts by decreasing flooding risks or protecting us against extreme weather events.

Today, nature protection is almost exclusively financed by public finance, despite having financial impacts on the wider (private) economy[(3)]. In order to close the global financing gap, the support of the financial sector is fundamental to shift capital away from nature-negative investments to nature-positive ones. Similarly to climate, the biggest underlying impact of the financial sector on nature

(1) Equivalent to Belfius direct (scope 1) and indirect emissions (scope 2 and 3), excluding financed emissions, Belfius Auto Lease activities stemming directly from clients' footprint and DVV franchises.
(2) WEF, New Nature Economy Report II 2020.
(3) Global Canopy, The Little Book of Investing in Nature 2021.

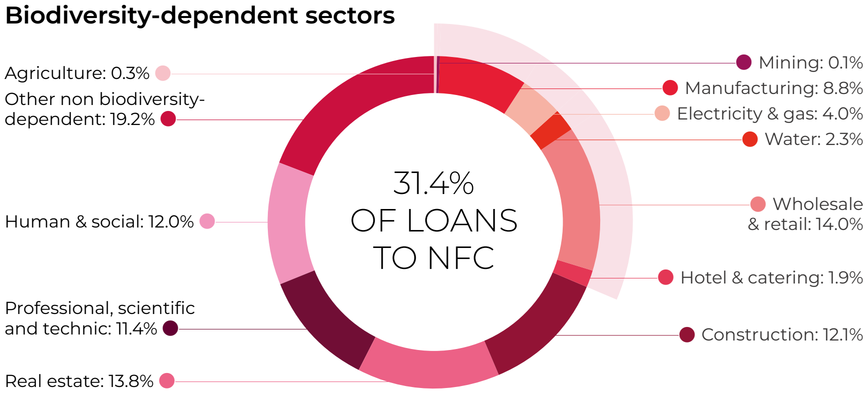
is through its lending, investing and insuring activities. It has become crucial therefore for the financial sector to integrate nature-related risks and opportunities to its business strategies and risk management frameworks.

As Belfius Group, we want to contribute to the preservation of biodiversity in Belgium. With regards to our own operations, we have developed an environmental policy outlining initial but fundamental measures to promote biodiversity either directly, such as procurement of FSC certified papers in our offices, or indirectly through our energy, waste and water reduction measures. We have also integrated environmental criteria in our Transition Acceleration Policy, limiting our activities in palm oil and soy industries that may cause deforestation.

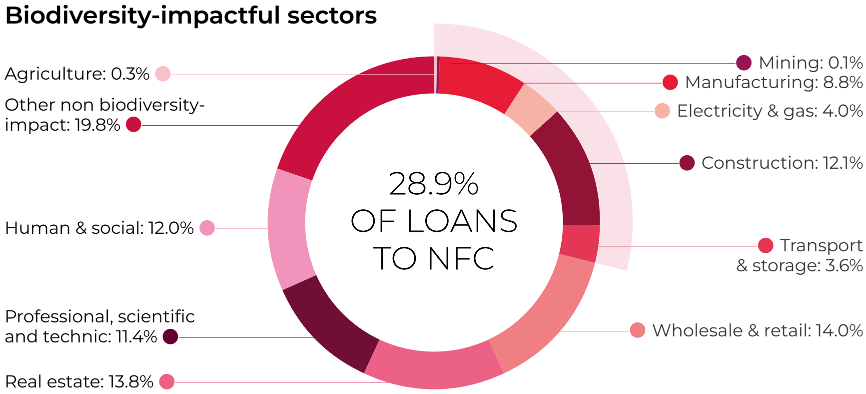
One example of work in this area is that in January 2022 Belfius Insurance acquired a new 10,000 sqm office building within walking distance of the Louvain-la-Neuve railway station. Apart from being BREEAM Excellent certified, the building's surrounding is in the process of application to the Nature Network label from Natagora, testifying to the efforts made to protect local biodiversity, notably through the planting of indigenous species favourable to pollinators.

As a first analysis, we looked into sectors in our portfolio to locate biodiversity risks and impacts in our loans and advances to non-financial corporations, which represent 29% of total loans and advances. This analysis is based on sectoral dependencies and impacts provided for in the UNEP FI Beyond Business as Usual: Biodiversity Targets and Finance[1] and the WWF Biodiversity Risk Filter sectoral dependencies and impacts[2].

Biodiversity-dependent sectors



Biodiversity-impactful sectors



(1) https://www.unepfi.org/wordpress/wp-content/uploads/2020/06/Beyond-Business-As-Usual-Full-Report.pdf
(2) https://riskfilter.org/biodiversity/inform/industry-overview

This analysis shows that our exposure to biodiversity risks and impacts is relatively low, seeing the limited exposure to the agricultural and mining sector and the financing of many services having limited or no risks and impacts on biodiversity.

Biodiversity risks in our portfolio are essentially stemming from our exposure to the wholesale & retail trade and manufacturing sectors, where the textile & apparel, pulp & paper and food & beverages sub-sectors are highly dependent on direct physical inputs (such as raw materials, water etc.) and good ecosystem conditions enabling their production. Water and electric utilities may also be highly dependent on sufficient and quality water inputs.

Belfius' impact on biodiversity is mainly due to its exposure to the construction and manufacturing sectors, electric energy production and transportation. Indeed, such activities may impact biodiversity, being sources of pollution and disturbances (noise and light pollution) and potentially requiring extensive land use or favouring the spread of invasive species. This analysis does not consider risks stemming from one sector that could affect another. This top-down analysis also does not consider specific businesses supply chains and their location, e.g. critical zones where nature is severely degraded, which may lead to significantly different results for many economic sectors.

We know that to align with the EU Biodiversity Strategy for 2030 we need to have a better understanding on our nature-related risks and impacts, and that we are still at the beginning of the journey to identify and manage them. We are expecting further clarity on these points following the COP15 and the Kunming-Montreal Global Biodiversity Framework, the publication of additional environmental objectives of the EU Taxonomy and the release of the final recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) on risk management and disclosures within the course of 2023.

7.3. Environmental and climate-related risks and opportunities

Climate-related and environmental issues are one of the greatest challenges the world is facing and there is no doubt they will have a significant and lasting impact on economic growth and prosperity. According to the World Economic Forum's (WEF) Global Risks Perception Survey 2022-2023, environmental risks make up half or more than half of the most severe top 10 risks the world will face in both short and long-term horizons.

Today, a 1.2°C temperature increase in comparison with pre-industrial levels has already resulted in extreme weather events that are being experienced in the everyday lives of people. In response, regulators are taking swift action towards transitioning to a low-carbon economy. The European Union (EU) has pledged to make the EU the first climate-neutral continent by 2050 and decrease GHG emissions by 55% by 2030, which can only be achieved through strong collaboration between the public and private sector and decisive actions.

So as to enable market transparency and stakeholder communication regarding its climate journey, Belfius has for the first time reported its climate-related information following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its 2021 Sustainability Report. In 2022, the focus has been set on increasing the quality of the report by providing further quantitative data.

Belfius is aware of a variety of risks and opportunities stemming from climate-related questions and acknowledges that other environmental issues such as biodiversity also have the potential to affect economic growth and prosperity in a significant and lasting way. Considering the urgency for action to avoid climate tipping points and regulatory scrutiny however, Belfius decided to first focus on climate-related issues. Belfius feels compelled to tackle the financial impacts stemming from climate factors in a holistic (ESG) way, with sufficient weight on social consequences as well.

Facing critical challenges from environmental and climate pressures, the financial system is exposed to both physical and transition risks:

- physical risks arise from exposure to physical impacts of climate phenomenon such as river or coastal floods, windstorms, hail, heatwaves, subsidence or droughts;
- transition risks are risks originating from policy/legal, technology and market risks of transitioning to a low-carbon, climate-resilient and environmentally sustainable economy.

Financial impacts of environmental and climate-related risks derive from current or prospective impacts of these factors on Belfius, on Belfius' counterparties (e.g. clients, customers, public/sovereign entities), or counterparties' assets (e.g. real estate, bonds, equities, collaterals). Climate risks impact Belfius Group 's main activities to varying degrees, where each impact requires a tailored management approach.

Impact of Climate on Belfius Group's Activities

Risk type		Business activity		
		Financing activities (e.g. loans, leasing etc.)	Non-life insurance activities	Asset management and life insurance activities
PHYSICAL	ACUTE	●	●●●	●
	CHRONIC	●●	●●	●
TRANSITION		●●●	●	●●

Belfius identifies climate-related risks along with other ESG risks as one of the top five risks faced by the Group and works towards mitigating them.

7.3.1. Governance of environmental and climate-related questions

In close connection with other ESG related themes, climate and environmental risks are integrated into the governance layers of Belfius Group . As Belfius believes that solid governance and the involvement of all levels of the company are key to the robustness of Belfius' climate risk management approach, the terms of reference of the Boards of Directors, the Belfius Bank Risk Committee and the Belfius Insurance Risk and Underwriting Committee, Management Boards and Joint Management Committee, have been adapted to explicitly integrate the recent evolutions in ESG responsibilities, including climate and environmental risks. Climate related Key Risk Indicators and Key Performance Indicators are gradually finding their way into existing supports (Risk Appetite Framework, Quarterly Risk Report, Quarterly Business Reports) for Management and/or the Board of Directors.

For a general overview of the composition and remit of the above-mentioned governance bodies, please refer to the chapter on Corporate Governance in the Belfius Annual Report. The responsibilities of these governing bodies with respect to climate and ESG are further detailed in section 6.1.7 and summarised in the tables below.

Board-level	Climate and environmental considerations	Interactions	Frequency of reporting/discussions	Entities covered
BOARD OF DIRECTORS – BELFIUS BANK	1. Strategy 2. Objectives 3. General policy 4. Risk appetite and risk approach 5. Projects 6. Targets	Management Board Belfius Bank	Yearly (points 1-4) Bi-annually (points 5-6)	Belfius Group
BOARD OF DIRECTORS – BELFIUS INSURANCE	1. Strategy 2. Objectives 3. General policy 4. Risk appetite and Risk approach 5. Projects 6. Targets	Management Board Belfius Insurance	Yearly (points 1-4) Bi-annually (points 5-6)	Belfius Insurance
RISK COMMITTEE – BELFIUS BANK	1. Risk Appetite Framework (RAF) 2. Risks oversight	Board of Directors Belfius Bank CRO Belfius Bank	Yearly (point 1) Quarterly (point 2)	Belfius Group
RISK AND UNDERWRITING COMMITTEE – BELFIUS INSURANCE	1. Risk Appetite Framework (RAF) 2. Risks oversight	Board of Directors Belfius Insurance CRO Belfius Insurance	Yearly (point 1) Quarterly (point 2)	Belfius Insurance

At executive management level, the Belfius Bank CEO and Belfius Insurance CEO sponsor the ESG strategy and therefore also commitments related to climate change and the environment, such as the Science Based Target initiative engagement. In 2022, the Joint Management Committee of Belfius Bank and Belfius Insurance established the **Strategic Sustainability Committee (SSC)** as a central hub for (operational) ESG governance to support its climate and environmental responsibilities, in line with its and the Board of Directors' expectations. Based on the proposals of the Belfius Bank Sustainability Manager, the CEO of Belfius Bank sets the agenda of the Strategic Sustainability Committee (SSC).

Executive Management-level	Climate and environmental considerations	Interactions	Frequency of reporting/discussions	Entities covered
JOINT MANAGEMENT COMMITTEE – MANAGEMENT BOARD OF BELFIUS BANK AND BELFIUS INSURANCE	1. Strategy 2. Objectives 3. General policy 4. Mandatory regulations and voluntary commitments implementation 5. Risk appetite and risk approach	Board of Directors Belfius Bank and Belfius Insurance	Quarterly	Belfius Group
STRATEGIC SUSTAINABILITY COMMITTEE (SSC)	1. Strategy and objectives execution and monitoring 2. ESG framework execution (including TAP) 3. Mandatory regulations and voluntary commitments implementation 4. ESG reporting requirements	CEO – Belfius Bank CEO – Belfius Insurance	Every six weeks (points 1-3) Yearly (point 4)	Belfius Group

Below executive management level, Belfius has chosen to work with a limited number of dedicated teams (the central sustainability team, the ESG data team and the ESG Risk Competence Centre detailed in section 6.1.7 and below), as well as a network of ESG champions across the organisation to strike the right balance between expertise on the one hand and company-wide ESG integration on the other. In addition to topic-specific project management teams with a clear focus on delineated deliverables (e.g. ESG MiFID, SFDR, SBTi), more permanent, structured exchange platforms have also been set up.

Below Executive Management-level	Climate and environmental considerations	Line of Defense (LOD)	Frequency of reporting/ discussions	Entities covered
SUSTAINABLE INVESTMENT DESK	1. TAP implementation and monitoring 2. Mandatory regulations implementation	Mixed LOD 1 and 2 (Compliance and legal)	Monthly	Belfius Group
SUSTAINABLE BANKING FINANCING AND INSURANCE DESK	1. TAP implementation and monitoring 2. Mandatory regulations implementation	Mixed LOD 1 and 2 (Compliance and legal)	Monthly	Belfius Bank Belfius Insurance
BELFIUS GREEN BOND ISSUANCE COMMITTEE	1. Green Bond issuances	LOD 1	Quarterly	Belfius Bank
ESG CORE DATA TEAM	1. Data challenges in ESG projects	Mixed LOD 1 and 2 (ESG risk competence centre)	Every 2 weeks	Belfius Group
ESG MODELS STEERING COMMITTEE	1. ESG risk tooling	LOD 2	Monthly	Belfius Bank Belfius Insurance

The management of environmental and climate-related risks and opportunities is progressively being embedded across all layers of the organisation via the clear allocation of roles and responsibilities regarding the identification, assessment, measurement, monitoring, management and reporting of these risks along the three lines of defense model. Each line of defense takes on its traditional role while extending it to new environmental and climate-related risk drivers.

As a rule, the business lines are the **first line of defense** towards risks, including climate-related risks. Sustainability has been an integral part of the Belfius Inspire 2025 strategy and Belfius has conducted awareness-raising exercises for that first line of defense through the Self-Assessment of Risks and Internal Controls (SARIC) annual process, the Risk Identification and Cartography Assessment Process (RICAP), the New Product Approval Process (NPAP) adjustment and a variety of webinars.

The ESG Risk Competence Centre sits at the heart of the **second line of defense** and is in charge of setting up a comprehensive ESG risk management framework in collaboration with other groupwide risk departments. Its role encompasses, amongst others:

- providing general advice on climate-related strategy and recommendations on key risk indicators (KRIs), limits and mitigation actions;
- setting up a comprehensive ESG risk management framework in collaboration with ESG Risk Ambassadors that each specialized risk team (in charge of a specific area of prudential risk) appoints, supported by new committees dedicated to ESG;
- developing Belfius' climate risk assessment methodologies (e.g. materiality assessments, due diligence) and ESG Risk Dashboard;
- keeping oversight of the integration of ESG dimensions in risk policies, processes and internal reporting;
- designing the overall ECB ESG action plan and subsequent coordination and monitoring of the roll out of the component actions. Each specialised risk team is responsible for the timely execution of the actions assigned to it, meeting the ECB's requirements on climate, as well as fully embedding ESG risks into day-to-day activities.

A prominent new committee set up by the ESG Risk Competence Centre is the **ESG Models Steering Committee**. As part of its responsibilities, this committee oversees the development of a standalone scorecard to assess the ESG risk profile of corporate customers, the setup of new tools to measure the impact of certain risk drivers and scenarios on the credit parameters of mortgage loans' collateral and debtors, and the gradual integration of climate and environmental risks in models and stress testing frameworks.

Moreover, as an independent control function of Belfius Insurance, the Actuarial Function embeds climate aspects in its second line activities related to the calculation and assumption of technical provisions, the underwriting policy and the reinsurance program.

As the second line of defense, the **legal and compliance departments** also closely monitor legislative and regulatory requirements and ensure Belfius is compliant with all of them. The legal department implements the ESG regulatory watch within the organisation through regular mailings and quarterly meetings. Belfius' legal team is also in charge of the prevention and mitigation of risks associated with legal, liability, litigation and greenwashing risks related to climate.

Both legal and ESG Risk Competence Centre collaborators actively participate and contribute to external workgroups regarding environmental and climate-related issues such as the workgroups set up within Febelfin.

As for the **third line of defense**, Belfius conducts annual internal audit reviews on ESG risk management covering a variety of topics such as strategy, governance, risk management processes and policies. The goal of these reviews is to assess Belfius' overall level of readiness, compliance and performance, as well as the comprehensiveness and effectiveness of its practices. In addition to these thematic audits, sustainability aspects are also considered in other audits, for example those targeting financing solutions.

7.3.2. Material environmental and climate-related risks and opportunities

For sound implementation of its business strategy, Belfius looks into risks and opportunities including environmental and climate-related risks that are already, or will become, material in the future. When investigating materiality, Belfius wants to identify risks that are material from both a financial materiality perspective and an impact materiality perspective to ensure its long-term profitability and value creation for all stakeholders.

Financial materiality

Financial materiality relates to the impact of climate change on Belfius (in the form of risks and opportunities), both:

- Directly: on its business continuity, reputation, capital and liquidity
- Indirectly: through its loans, investment and insurance portfolios

Impact materiality

Impact materiality includes, but is not limited to, the impact of Belfius on the climate (mainly via greenhouse gas emissions) and the environment, both:

- Directly: through its own assets and operations
- Indirectly: through its financing, investing and insuring activities

For that purpose, through a high-level materiality analysis, Belfius Bank has identified climate-related risks for banks that are considered material in the short, medium and long-term. The identification process is based on a mix of expert judgment and lessons learnt from various studies and reports.

Belfius climate risk materiality matrix

Risk type	Risk driver	Description	Transmission channel	Business affected	Time horizon/impact level ST ≤3 years	MT 4-10 years	LT > 10 years
TRANSITION RISK	POLICY & REGULATION	Increase in cost of GHG emissions due to policy or regulatory changes (through carbon pricing mechanisms such as tax, quota's...)	Increased cost of own emissions	Own operations	●		
			Increased cost of emissions of customers	Financing activities	●●●	●●	●
		Mandatory renovation for energy consuming real estate	Lower household/business wealth, lower collateral value for low EPC buildings	Financing activities	●●●	●●●	●●
		Mandatory Company alignments with transition policies	Adjustment of investment strategy, adaption of the business model and portfolio alignment (e.g. due to regulation of existing products and services)	Financing activities	●●	●●●	●●
		Changes in regulation/ prudential treatment of climate risk-sensitive assets	Increase in regulatory capital requirements and enhanced reporting on climate-related issues	Own operations	●●	●●	●
	TECHNOLOGY	Low-carbon technologies that replace carbon-intensive products/services	Decrease in market value of carbon-intensive assets	Financing activities	●	●●	●
		Prohibition of using high-carbon technologies	Increasing investment in new low-carbon technologies/ new business models/ cost of transition	Financing activities	●	●●	●
	MARKET DISRUPTION	Changes in customer preference, demand and supply shifts to sustainable products/ services	Decrease in market value of non-sustainable assets	Financing activities	●	●●	●
		Increase in cost of raw materials	Increase of own energy supply cost	Own operations	●	●	
			Increase in energy supply cost of customers	Financing activities	●●	●●	
			Increase in supply cost (other raw material) of customers	Financing activities	●	●●	
	LEGAL/ COMPLIANCE/ REPUTATION	Non-compliance with financing/investment strategy with respect to climate change	Negative perception from the external stakeholders/ penalties & sanctions/ litigation risk	Own operations & Financing activities	●●	●●	●
		Additional regulatory burden (new requirements)	Increased costs linked to necessary (human, financial, IT) investments	Own operations & Financing activities	●●	●●	●
PHYSICAL RISK	ACUTE EVENTS	Heatwaves, hurricanes, wildfires, floods	Cash flow impact following damages to (real estate) assets and lower asset/ collateral values	Own operations		●	●
				Financing activities	●	●●	●●
			Lower repayment capacity because of higher insurance premiums	Financing activities	●	●●	●●
	CHRONIC PATTERNS	Increasing droughts, sea-level rises, water stress, bio-diversity loss	Increases in clients' costs, drop in client's production (e.g. agriculture) leading to gradual rise in PDs and reduction of collateral values	Financing activities		●●	●●

The number of ● indicates the expected impact based on the assessed likelihood that the risk driver materializes within that time horizon and the estimated magnitude of the associated economic/financial consequences for Belfius.

At this stage, pending a more granular and/or quantitative assessment, it seems that the most relevant risk drivers in the short term are linked to policy/regulation changes and especially:

- the introduction of new carbon pricing mechanisms (such as a carbon tax) that could increase companies' operating costs, entail a repricing of certain assets and lead to the need to make new investments;
- the implementation of more stringent Energy Performance Certificate (EPC) regulation that would force households and companies to renovate their buildings, impacting their wealth and cash flow, as well as the (collateral) value of real estate assets;
- the introduction of additional legal, reporting and compliance requirements which translate in additional costs for the companies subject to these regulations and which increasingly influence the way companies are perceived.

In the medium-term, other risk drivers such as mandatory alignment with certain transition pathways, technological shifts, changes in market preferences and further increases in energy and raw material prices, are expected to gain importance and could negatively impact the profitability of certain companies, as well as their equity value and the value of their (real estate) assets.

The impact of physical risks should not be downplayed, especially in the longer term and even more so in the absence of policies to mitigate global warming. Possible increases in the intensity and frequency of natural hazards and structural changes in weather patterns could, for instance, trigger damages to real estate assets and production sites, supply chain disruptions, production capacity and workforce productivity decreases, repricing of certain assets prone to physical risks and increase of insurance premia that increases the insurance protection gap.

As for climate-related risks in insurance, Belfius Insurance established its first climate risk map, based on the risk matrix provided by the European Insurance and Occupational Pensions Authority (EIOPA) in its opinion on the supervision of the use of climate risk scenarios in ORSA.

The analysis resulted in the identification of 62 risks, 13 of them with high and medium residual risk levels qualified as significant risks. The 13 significant risks are grouped into three clusters in order to avoid any gap or overlap in stress testing:

- **disorderly transition**: global economic slowdown due to severe transition regulations, including specific depressed assets depending on their sector;
- **increased claims**: increased frequency of major climate change induced losses;
- **ESG positioning**: loss of market share following changes in market sentiment and customer behavior in the transition towards a sustainable economy.

Belfius Insurance selected four short-term significant risks to include in the ORSA stress testing exercise as indicated in the scheme below:

Insurance Climate risk map

Transition risk in short term resulting in high impacts	Physical risk in short term resulting in medium impacts	Mix of ESG positioning and structural climate change with high impacts in the long term	Mix of physical and transition risks resulting in mid to low impact beyond 5 years
1 Global economic slow down due to severe transition regulations affecting the whole system	10 Higher non-life & life claims resulting from climate change	11 Global economy is affected: low rates, poor yield for real & financial assets	12 Higher credit spreads on govies issued by countries affected by chronic physical risks
2 High carbon taxes or energy efficiency regulation depressing specific assets	8 Major event causing a downgrade or default from reinsurers	5 Activities not meeting "climate friendly" expectations from consumers or facing litigation	13 Lack of reinsurance coverage due to higher frequency & severity of climate events
		6 Lost market share resulting from inappropriate ESG positioning ("impact investing")	9 Mortgage Loans performance affected by uninsured property following climate change
		7 Reduction in competitiveness from inappropriate mitigation products ("impact underwriting")	3 Obsolete technology depressing some assets
			4 Failure of developing technologies depressing some assets

To better assess material climate related risks, Belfius Group is in the process of performing more granular climate risk materiality assessments. These assessments include analysing the likelihood and impact of a long list of detailed risk drivers per sector and making a distinction between each prudential risk dimension e.g., credit risk, insurance risk, market risk, liquidity risk and non-financial risks.

For more information on these materiality assessments, please refer to the risk management section 7.3.4.

Along with identified material climate-related risks, other environmental risks such as those linked to the alarming rate of biodiversity loss, ever-growing pollution and the increasing pressure on water, are coming to the foreground. These risks can also translate into business disruptions, reduced revenues, increased operational costs, write-offs linked to stranded assets, capital expenditures, penalties, etc. and can therefore affect a company's profitability. In future, Belfius intends to better understand these risks as a first step in identifying, assessing, monitoring and managing them. In the meantime, Belfius has developed its Environmental Policy to begin tackling these environmental considerations.

While environmental and climate-related questions are mostly perceived from a risk perspective, if correctly managed these questions can be transformed into opportunities. Belfius is pursuing these opportunities through providing sustainability related products and services across different business lines (lending, investing, leasing, insuring etc.) and promoting the extension of sustainable practices into the rest of the Belgian economy. For more details on Belfius' climate-related products and services, please refer to section 5: Meaningful Growth.

7.3.3. Belfius' strategy on environmental and climate-related risks and opportunities

Belfius defined its Inspire 2025 business strategy in 2020, which is built on its purpose: "Belfius, meaningful and inspiring for Belgian society. Together." Under this strategy, Belfius' objective is to generate a positive contribution to all segments of the Belgian economy and society thanks to its robust risk and financial management. This approach already integrates Belfius' sustainability ambitions of creating positive value and reducing negative impacts, as well as sound management of risks arising from ESG, including climate.

Considering the salient impacts of environmental and climate-related risks and opportunities, Belfius chooses to be a leading actor in the transition to a low carbon and resilient Belgian economy and society. For that purpose, Belfius is increasing the finance flow towards the green economy by integrating sustainability aspects in its products and services that respond to both physical and transition related impacts. Secondly, Belfius is putting in place policies and procedures that aim at reducing negative impacts and risks on/from environmental and climate-related factors. Both of these responses materialise through Belfius' commitments and collaborations aligned with its environmental and climate objectives.

Zoom on shift in energy outlook

Taking into account the rapid changes in the energy outlook that is impacted by the risks and opportunities brought on by the climate transition, Belfius will, as a financial actor, support the decarbonisation of the Belgian energy mix. The massive shift towards renewable energy is Belfius' number one priority, as witnessed by its stakes in Belgium's wind farms and major solar energy infrastructure initiatives such as Aster or SeGEC. For more details, please refer to section 5.2.3. As the electrification of buildings and mobility, as well as the development and roll-out of new technologies, are key in accelerating energy transition, Belfius will actively support these activities and sectors. However, Belfius also understands that structural changes related to energy transition might lead to major social risks and energy poverty. As Belfius holds a deep-rooted belief that the transition must be a social one, Belfius commits to providing socially inclusive, problem-solving solutions to Belgium's energy and climate challenge. For that purpose, on top of climate as an impact area for Belfius' UN PRB targets, affordable energy-efficient housing was selected, where Belfius balances the social aspect of transition with the need for an urgent energy shift. For more details refer to the PRB report in the Appendix of the Sustainability report of 2022.

Increasing the finance flow towards the green economy

As environmental and climate-related factors and risks mostly impact financing activities, Belfius aims to use its balance sheet to facilitate projects and initiatives with a positive impact towards all its customer segments (individuals, enterprises, public entities etc.). Specifically, Belfius is committed to financing meaningful Belgian infrastructure programmes undertaken or approved by the federal, regional or local authorities including, but not limited to, so-called green or social infrastructure projects, as well as utility infrastructure built by "inter-communal/para-regional entities".

Belfius also seeks to support enterprises in their entire ESG journey with a tailor-made tool that guides the users towards action, including climate-mitigation actions on the one hand and dedicated product offers to finance those actions on the other. These Ambition Loans and Lease products will gradually be aligned with the EU Taxonomy to improve Belfius' Green Asset Ratio (GAR) and to facilitate Belfius' clients' alignment with the EU Taxonomy.

During these client interactions, Belfius will also collect relevant client datapoints (availability of policies, noteworthy practices, quantitative performance, future plans) to capture their respective ESG risk profiles and translate them into an ESG score that will become a key element in Belfius' risk management approach.

Furthermore, Belfius incentivises its banking and insurance customers to adopt sustainable habits through pricing mechanisms and a broad selection of products and services. These mechanisms are also designed to protect Belfius clients from life hazards due to physical (e.g. natural catastrophes) and transition (e.g. energy efficiency measures) climate impacts .

Belfius Investment Partners uses several approaches to factor responsible investment considerations, including climate-related risks and opportunities, into its investment strategies. As part of its strategy, BIP offers investment products with a focus on climate and environmental concerns. BIP also takes into consideration the business strategies of its external partners with regards to climate when engaging with them. In line with that understanding, external partners integrate climate considerations into their analysis, investment strategy, decision making and products.

For more details on Belfius' product range that contributes to sustainability and increases the finance flow towards the green economy, please refer to section 5: Meaningful Growth.

Aiming at reducing negative impacts and risks

Belfius' Transition Acceleration Policy (TAP) is the cornerstone of Belfius' sustainable finance strategy covering all business activities (lending, insuring, investing etc.) and a risk mitigation tool. It integrates environmental factors and risks, but also other prominent ESG risks such as human rights. The principles set out in the TAP provide guidance on the direction and pace of transformation with the objective of encouraging counterparties' transition and limiting the adverse impacts caused by certain economic activities. The TAP is regularly reviewed to integrate evolving stakeholder expectations, regulatory developments and technological breakthroughs. While the TAP already clearly excludes the financing of coal extraction, in time, when measures and impacts of climate risk are well understood, Belfius' climate ambition will also be translated into Key Risk Indicators (KRIs) within Belfius' Risk Appetite Framework (RAF). As of 2023, limits on exposure to the fossil fuel sector will be included in the RAF. In addition, in 2022 Belfius also developed its Environmental Policy that takes into consideration environmental and climate-related risks caused by its operational activities.

Furthermore, when BIP launches financial products designed to promote certain environmental characteristics for example, or products with explicit sustainable investment objectives, BIP addresses identified principal adverse impacts (PAI's). This is implemented where possible and feasible and in line with the nature of the investment, such as asset class or type of investment instrument, investment style, investment strategy, or investment objectives of the financial product. When BIP selects individual securities, such as stocks and bonds, PAI's are considered at investee company level. Where ETFs/funds are selected or the fund management is delegated to an external asset manager, BIP has requirements in place that external managers need to meet with respect to various aspects of responsible investment, including identifying, measuring, managing and disclosing the PAI's of the investments. BIP then takes into account the PAI's considered by the selected asset managers.

Finally, Belfius is also gradually integrating environmental and climate-related considerations into its financial planning process. The evolution of macro-economic variables, as predicted by Belfius' research department, include for instance greenflation, relevant evolutions in Belgium's sectoral composition and the changing real estate market (more energy-efficient renovation and differentiated real estate values according to EPC). Within the financing and related insurance production figures, the alternatives that support the transition are steadily gaining weight. This is also the case for investments, as Belfius encourages its clients to invest in a meaningful way. For more details, please refer to section 5: Meaningful Growth.

Belfius' environmental and climate-related commitments

Belfius understands that climate commitments need to reflect the urgency of the environmental situation, as well as expectations set out by the policy frameworks of national and EU-level regulators. Furthermore, Belfius acknowledges that, as a financial institution, it is a vital player in and contributor towards global climate action. This was the driving factor behind its decision to become a member of the Belgian Alliance for Climate Action (BACA) from the start in 2020 and the subsequent commitment to the Science Based Target initiative (SBTi) in 2022. Belfius committed to set, measure and transparently communicate clear GHG emission reduction targets based on climate science in line with the ambitions of the Paris Agreement: to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

Aligning Belfius' portfolios with the Paris Agreement through SBTi not only positively contributes to climate, but it is also a way to limit Belfius' transition risks and ensure the Group's resilience. Belfius is currently developing an action plan to meet SBTi reduction pathways that will be submitted to the SBTi for approval by the end of 2023. For those portfolios where SBTi methodologies are not yet available, the Paris Agreement Capital Transition Assessment (PACTA) tool will be used to understand and assess Belfius' climate-related risks.

For more details on Belfius' climate-related commitments and actions, please refer to section 7.1. and section 8.

Resilience of our strategy

Within the context of expected significant macro and micro economic changes stemming from the transition to a low carbon, climate resilient and environmentally sustainable economy, Belfius Group 's climate-aware business strategy and risk management framework, combined with its robust balance sheet structure and reinsurance programme, points to Belfius' resilience and growth opportunities.

The results of the supervisory and internal climate stress tests conducted on the banking side confirm that environmental and climate-related risks do not pose a significant threat to Belfius' profitability, capital position and liquidity buffers in the given scenarios for the time being. On the insurance side, although the stress test scenario can lead to material financial impacts for Belfius Insurance, its risk mitigation systems in place confirm that Belfius Insurance respects its risk appetite indicators even in the stressed scenario.

For more details on Belfius Bank and Belfius Insurance's climate stress tests please refer to section 7.3.6.

7.3.4. Integration of environmental and climate related risks into the risk management framework

For some years now, ESG risks including, but not limited to, climate and environmental risks, have been identified as a top risk that can affect Belfius both directly and indirectly through its financing, insurance and asset management activities.

As a result, ESG considerations are becoming an integral part of Belfius Group's risk management framework as Belfius is embedding ESG, particularly climate risks, into its existing risk management processes including risk mapping, risk taxonomy, materiality assessment, Risk and Control Self-Assessment (RCSA), Risk Identification and Control Assessment Process (RICAP), Self-Assessment of Risks and Internal Controls (SARIC), ORSA, approval processes, stress tests and risk appetite. Dedicated surveys have also been carried out to ensure the proper identification and assessment of ESG related risks across the whole organisation and the three lines of defense.

Belfius' risk mapping was also adjusted in 2021 to reflect the integration of ESG as a new risk driver of credit, market, operational, strategic, business, reputational and legal risks. Consequently, these risks are now explicitly mentioned in the Belfius Risk Culture Policy and Risk Charter.

Belfius Bank's ESG Risk Management journey so far

The foundations of Belfius Bank's ESG Risk Management Framework were laid in 2020 when Belfius Bank began integrating ESG considerations (including environmental and climate considerations) into its Risk Management Framework in a structural way. ESG risks entered the "top 10 risk" selection that year and ESG risk drivers were added to the Risk Taxonomy.

In 2021, Belfius moved forward with the design of an ambitious ESG action plan aimed at aligning its practices and plans with the expectations set by the ECB in its "Guide on climate-related and environmental risks" published in November 2020 (the so-called "ECB ESG action plan"). The ECB ESG action plan includes a roadmap related to ESG strategy, governance and organisation, data and reporting, risk management and disclosures. Coupled with Belfius' existing initiatives, this action plan and roadmap accelerated the process towards a full integration of ESG in day-to-day risk management activities and practices.

Main achievements in 2021:

- setup of the ESG Risk Competence Centre and the ESG data team;
- creation of ESG data programme and ESG regulatory watch;
- first high-level portfolio screenings for climate sensitive and fossil fuel exposures;
- dedicated ESG surveys in yearly SARIC and RICAP exercises;
- inclusion of TAP criteria in credit acceptance policies;
- integration of first environmental and climate related key risk indicators (mainly relating to Belfius' own operations) in the Risk appetite framework (RAF).

Main achievements in 2022:

- setup of the ESG KRI Dashboard and ESG KPI dashboard;
- further integration of ESG in Belfius governance bodies and creation of Strategic Sustainability Committee;
- development of an ESG scoring methodology for corporates (including a data collection process through engagement with clients);
- development of a climate risk assessment tool for mortgage loans;
- update of portfolio screenings (including a broader identification of climate policy relevant exposures);
- participation to supervisory exercises (ECB climate stress test and ECB thematic review)
- first internal climate stress test;
- integration of additional environmental and climate related key risk indicators in the Quarterly Risk Report (QRR) and Risk Appetite Framework (RAF) mainly relating to Belfius' financing activities;
- preparation of disclosure of 2022 carbon accounting baseline, including financed emissions, according to GHG protocol and PCAF.

7.3.5. Risk identification and assessment

Risk identification and assessment are a prerequisite for strategic decisions and detailed risk management actions, which in turn will help ensure the Group's long-term resilience. ESG risks have been included in Belfius' risk inventory for several years, however as climate risk impacts several risk categories of assets and liabilities through different drivers, the assessment of these risks remains a challenging exercise, especially coupled with the lack of data available in the market. Belfius therefore applies a flexible and gradual approach to tackle these challenges and is expecting further clarity on rapidly evolving regulatory expectations.

The outcome of these identification exercises helps Belfius prioritise actions while feeding its business and sustainability strategy. This includes decisions regarding how to ensure sustainable growth, the identification of the most valuable products and service offerings, possible influence on pricing as well as, amongst others, the adaptation and mitigation activities that should be pursued.

For details on Belfius' so far identified material risks and opportunities related to its banking and insurance activities, please refer to section 7.3.2.

Operational risks

For several years, attention has been dedicated to the impact of climate-related risks on Belfius' operational resilience. The bi-yearly threat analysis exercise measures the impact of physical risks, including natural disasters, on assets such as Belfius data centers with a view on business continuity. If necessary, adequate mitigating actions are then taken to ensure ability to continue or quickly resume critical activities in case of extreme events. It should be noted that most critical activities are executed simultaneously in different places and that the use of adequate technologies are also limiting the potential impact of climate-related risks on activities.

Belfius has also significantly strengthened its approach regarding its suppliers with the set-up of a specific ESG due diligence screening process. Since 2020, Belfius further detailed and sharpened its commitments towards sustainable procurement. In particular, the Procurement Policy has been reviewed by integrating ESG considerations into the supplier selection process. This includes a Sustainability Code of Conduct for suppliers that defines principles with which to comply, the conducting of vendor assessment and monitoring initiatives with a third party, as well as ESG scorecard monitoring. For more information, please refer to section 6.1.6.: Sustainable Procurement.

7.3.5.1. Risk identification and assessment of banking activities

Following the first high-level materiality assessment conducted in 2022, Belfius identified that credit risk is the risk category that will be most subject to climate risks, where corporate and business loans on the one hand and mortgage loans on the other appear to be the asset classes that are the most sensitive to climate risks. More granular and mature materiality assessments will be performed in 2023 to assess credit risks in more detail and cover other risk types to identify additional risk pockets or confirm their immateriality.

When it comes to the physical risks of climate, Belfius' loans and advances exposures are primarily concentrated on Belgian counterparties (> 95%), a country exposed to limited physical risks according to an S&P assessment on country vulnerability to weather-related events where Belgium is qualified as a "less vulnerable country". This assessment is similar to the outcomes of the Thinkhazard tool that only identifies rivers, coastal floods and wildfires as prominent risks. Therefore, geography is currently not considered as a major driver in Belfius' risk management approach. Belfius climate risk exercises mostly focus on transition and flood risks.

At portfolio level

In 2021, Belfius carried out several in-depth analyses within its "loans and advances to non-financial corporates" portfolio aimed at identifying the most vulnerable counterparties and assets and quantifying its exposure to these risk pockets. These exercises were updated and refined in 2022.

The screenings that were performed are detailed hereunder, as well as their outcome. Please note however that these exercises are constrained by data limitations, including the prerequisite that the NACE code reflecting the real, precise, up-to-date activity of each company has been assigned to it. Belfius puts effort into continuously improving the quality of its non-financial data and will adjust the figures in future reporting if necessary.

- Belfius' exposure to climate-sensitive sectors was recalculated. It amounts to EUR 24.2 billion as of 31 December 2022.
  The definition used by Belfius to identify climate sensitive sectors takes into account definitions provided by CPRS[1], but also the climate stress methodology provided by the ECB (list of carbon intensive industries) and Pillar III ESG standards (list of sectors that highly contribute to climate change). It includes exposures on NACE codes A to H and L.

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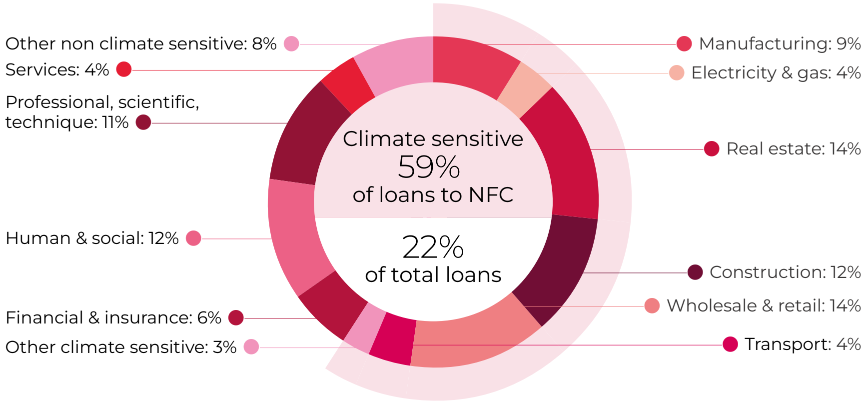
(1) The Climate Policy Relevant Sectors (CPRS) is a classification of economic activities to assess climate transition risk, first developed in an article by S. Battiston et al. (2017) published on Nature Climate Change. The CPRS classification, which has been refined over the years, has been widely used by practitioners and policy makers to assess investors' exposure to climate transition risk.

Breakdown of exposure to climate-sensitive sectors (as of 31/12/22)



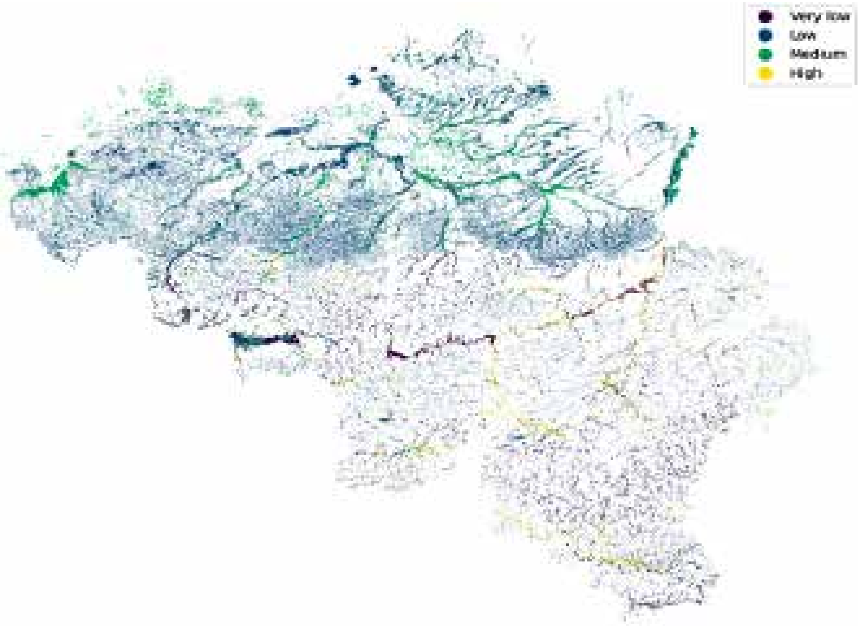
This is a sector-level analysis that does not take into account the huge potential differences between industries and companies within one sector. All companies active in a given sector are thus considered "at risk". In order to finetune this analysis, deep dives would be required to identify enterprises that have already taken measures to mitigate the risks via a transition plan, disinvestments, market and technological shifts, reduction of their carbon footprint, energy sourcing switches or limitation of their dependency on natural resources, to name a few. These companies could then be excluded from the list of vulnerable counterparties, which would in turn significantly lower the figures presented here.
The proportion of climate sensitive exposures in loans and advances to non-financial corporations and total loans and advances, is globally unchanged compared to 2021 and amounts to 22% and 59% respectively.
It should be noted that no huge sectorial concentration is observed in the balance sheet, neither in climate sensitive nor other sectors, with no single sector representing more than 14% of loans to non-financial corporations. The climate sensitive sectors that each compose more than 10% of this portfolio are "wholesale and retail", "construction" and "real estate". Exposure to the most vulnerable sectors such as agriculture and mining are particularly small (0.3% and 0.1% respectively).
Climate sensitive exposures are managed through the Transition Acceleration Policy, Risk Appetite Framework and ad hoc hedges for single name concentrations.

- Belfius' exposure to fossil fuel projects and companies amounted to EUR 1.2 billion as of 31 December 2022. In this screening, a customised fossil fuel definition based on NACE-codes along the fossil fuel value chain referenced in either CPRS or Pillar III was used. The methodology used for this fossil fuel value chain screening is constrained by data limitations. Most of the exposure (EUR 0.9 billion) is part of the legacy run-off portfolio. De-risking opportunities of the run-off portfolios are assessed on a regular basis and counterparties' ESG profiles, including climate transition risks, are factored into the analyses. In the meantime, mitigating actions (e.g. swaps) have been taken for these most climate sensitive exposures.

In 2022, the focus was set on real estate assets, since mortgage loans constitute a significant share of Belfius' financing activities and the bulk of these exposures are secured by real estate assets. A mortgage simulation tool was developed to project possible evolutions of mortgage loan portfolios in the long term (up to 2050), triggered by physical and transition climate risks. This dynamic view on climate risks allows to project risk levels over time. A number of proxies and assumptions have been embedded in the tool using data from official documents (e.g. NGFS scenarios, Belgian flood maps), existing policies (e.g. regional climate plans) and in-house studies performed with the support of the Belfius research department or academic institutions such as the University of Ghent.

- Using this tool, an analysis to assess the physical risks related to floods within Belfius' banking and insurance mortgage portfolio was conducted. Currently, floods are considered as the main physical climate risk in Belgium. The real estate assets used as collateral have been geolocalised and mapped to the latest available regional maps on flood risk existence and severity.

Flood map for Belgium as of 31/21/22, combination of regional maps with varying risk scales



  The results showed that 90% of Belfius' mortgage exposures are located outside of flood risk zones, around 9% in low or very low risk zones and 1.6% in medium or high-risk zones. These percentages might evolve over time as new maps become available and cover additional risks (such as the sea level rise risk). Belfius will update the figures accordingly.
- The prospective module simulates the possible long-term impact of transition policies (estimated by mainly taking into consideration EPC required by Belgian authorities for Belgium's climate plans by 2050) on assets and debtors under various NGFS inspired scenarios. It also covers the potential impacts of flooding on asset values and debtor's credit risk profiles. This allows Belfius to assign "climate vulnerability scores" to assets and debtors, cluster them and identify the characteristics of the most vulnerable ones and thus the main risk pockets within its mortgage portfolio.

Scenario	Risks evaluated	Time horizons and intervals	Modelling assumptions	Sector exposure and business segment scope	Granularity of the assessment	Approach and methodology	Portfolio scope, coverage and exclusions	Output metric
NGFS[1] 2021-Net Zero 2050 NGFS 2021-Delayed Transition NGFS 2021-Current policies	Transition risks (EPC driven) and physical risks (flood risk)	2025-2030-2040-2050	Dynamic balance sheet EPC improvement trajectories	Mortgage loans	Asset and debtor	Sensitivity analysis based on location and energy performance of immovable property used as collateral	96% of the portfolio for flooding risk 47% of the portfolio for transition risk	Intermediary metrics: LTV[2] and EDSTI[3] Final metric: Climate vulnerability score per asset and debtor

(1) NGFS: Network for Greening the Financial System.
(2) Loan to Value.
(3) EDSTI: Energy bill & Debt servicing to income.

The main conclusion of the performed simulations at the moment is that the "delayed transition" scenario appears more risky than the "net zero" or "current policies" ones, with risks peaking in 2030.

At counterparty/asset level

Since there is more data available at sector-level than company-level, a top-down approach to materiality assessment is a logical first step to gaining quick insights on risks. However, the added value of these approaches remains limited as sector-level data do not take into account the large differences between firms within a sector, such as companies' production processes and technologies, company specific strategies and dynamics over time. The same is true for the mortgage portfolio analysis, from which Belfius can gather interesting insights at portfolio level but that are based on numerous assumptions and proxies.

Consequently, Belfius believes the bottom-up approach is complementary to the top-down approach in risk assessment. Belfius started performing these analyses by assigning individual scores to individual companies with the help of a tool that was developed in-house. This tool factors in a range of qualitative and quantitative ESG indicators to which varying weights have been allocated.

This tool will enable Belfius to rank counterparties based on their exposure to ESG factors, their willingness to take ESG issues into consideration, their ability to assess and measure ESG risks and opportunities, their capacity to monitor ESG risks, their current ESG risks management practices, the results of their mitigation actions, their level of transparency and their overall performance with regards to ESG.

This risk scoring approach is fully integrated into a customer dialogue. Indeed, the questionnaire used to capture the relevant data serves as a basis for engaging more deeply with clients to better understand where they stand, what their key issues are, how they plan to transition to a low carbon economy and how Belfius can support them to this end. As such, the ESG score will be embedded in Belfius' commercial strategy.

The aforementioned ESG scores are also expected to contribute to quantification of credit risks if and when a robust statistical link can be made between these scores and risk parameters, such as probability of default and loss given default.

Belfius is in the process of developing a similar individual ESG risk scoring tool for its mortgage loans in 2023.

7.3.5.2. Risk identification and assessment of insurance activities

As a first step, a climate risk map was established in 2021 following EIOPA's opinion and guidance published on the use of climate scenarios in ORSA. The goal was to better assess risks and led to a first top-down risk assessment. Results are shown in section 7.3.2.

As part of this analysis, Belfius Insurance started a global climate risk materiality assessment in 2022 that will be finalised in 2023. Materiality assessment will cover all Belfius Insurance activities in order to determine which bear the most material risk and to identify if more accurate indicators to assess and monitor these risks are needed.

As a first assessment of transition risks in insurance activities, CPRS classification and the Paris Agreement Capital Transition Assessment (PACTA) tool were applied to the Belfius Insurance equity portfolio. As a result, the CPRS assessment shows that exposure to the high transition risk sectors on equity is limited, except for the real estate side where Belfius Insurance's exposure is quite material. This exposure will be analysed more deeply in the future and extended to the portfolio of Corporate bonds.

Regarding the climate risk on government bonds, the Notre Dame Adaptation Initiative Index (ND Gain) has been applied to Belfius Insurance's portfolio. This index summarises a country's vulnerability to climate change. It showed that Belfius Insurance's government bonds portfolio was mainly composed of assets belonging to countries that were among the less vulnerable to climate change.

Based on the climate risk mapping and Belfius Insurance's risk insurance taxonomy, Belfius Insurance crystalised ESG risks around three categories:

- **Regulatory risk**: risk of not respecting regulations related to sustainability in due time;
- **Strategy risk**: risk of ESG ambitions being considered insufficient or late by stakeholders;
- **Resilience risk**: risk of ESG event or evolutions materially affecting profitability and solvency.

For the first two categories, the risk level is assessed on a quarterly basis. Assessment is done by the risk management function in collaboration with Belfius Insurance's sustainability manager.

For the third risk category on physical risk (resilience), the existing indicator relates to the risk mitigation on Natural Catastrophy events impact from the reinsurance program, which is reassessed annually. In addition, specific analyses of resilience risks for both physical and transition risks are being developed in a climate risk materiality assessment. This analysis is following several guidances published by EIOPA on "Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA", "Sensitivity analysis of climate change related transition risks", and "European insurers' exposure to physical climate change risk: Potential implications for non-life business".

Belfius Insurance's ESG Risk Management journey so far

In order to manage sustainability risks, Belfius Insurance devised a multi-year risk roadmap to foster awareness in the first line of defense and embed ESG into the business decision processes. Belfius Insurance maximally aligns with the Belfius Group approach for more efficient and consistent solutions.

The implementation of the Belfius Insurance ESG risk roadmap started in 2021 and continued in 2022, resulting in tangible achievements:

- the establishment of a climate risk map in 2021;
- the execution of a first stress test in 2021 – following ORSA's solicitation – reviewed in 2022. The outcome of both test runs was that the Belfius Insurance solvency ratio was strong enough to withstand these shocks;
- the inclusion of the ESG dimension in key risk management tools e.g. Risk Taxonomy, Risk Charter, Investment Risk Framework, Real Estate Risk Framework, RICAP & SARIC, etc;
- the adaptation of the 2022 Risk Appetite Framework, to track three types of risks linked to ESG: regulatory, strategy and resilience;
- the appropriate inclusion of climate elements in insurance underwriting and reservation;
- the inclusion of ESG elements (EPC) in mortgage loans acceptance guidelines and pricing;
- the implementation of a process to ensure TAP compliance of financial investments.

7.3.5.3. Risk identification and assessment in asset management activities

In order to better identify and assess the risks of its investment activities, BIP looks at sectoral breakdowns, existence of PAI's, as well as evolution of social trends and interacts with its asset managers on a range of responsible investment topics, including management of climate-related risks. To improve identification and assessment of climate related risks:

- **Candriam** actively engages with investee companies to improve access to climate-related information so as to better assess companies' exposure, support alignment with TCFD recommendations and encourage efforts to improve the disclosure of Scope 3 emissions.
- **BlackRock** engages with investee companies regarding their climate risk disclosures and practices by requesting net-zero aligned business plans consistent with their business model and sector, considerations on reliable energy supply and assessment of impact of the just transition on their business. Through these activities, BlackRock assesses climate risk exposure at portfolio level, amongst others.
- **JP Morgan** encourages investee companies to report on their climate risk exposure. Efforts towards transparency allow JP Morgan to assess risks stemming from climate and environment.

7.3.6. Scenario analysis and stress testing

One of the most efficient ways to ascertain Belfius' level of climate resilience is to perform dedicated stress tests considering various climate-related scenarios with different temperature increases and transition pathways, including different time horizons. Such exercises allow Belfius to quantify the potential impacts of certain events relating to climate change and pave the way for risk mitigation solutions. Belfius believes that climate stress tests will undoubtedly become a common feature of financial institutions' stress test frameworks.

In the first half of 2022, Belfius Bank participated in the ECB climate stress tests and integrated climate scenarios in its internal stress tests for the financial planning process. Under the run scenarios, simulations showed limited and manageable vulnerabilities. For its part, Belfius Insurance conducted internal stress tests as part of its ORSA, leveraging upon and tailoring the scenarios provided by European regulators.

ESG Risk Management through the supervisory lens

One of the ECB's missions is to ensure the safety and soundness of the financial system. In line with the growing importance of climate change for the economy and increasing evidence of its financial impact on banks, the ECB (in its role as a supervisor of European banks) expects banks to properly detect, manage and disclose risks stemming from climate change:

- in November 2020, the ECB published a guide on climate-related and environmental risks;
- banks were required to perform a self-assessment in early 2021 and submit an action plan to close any existing gaps between practice and supervisory expectations outlined in the guide;
- the ECB provided feedback to each significant institution by the end of 2021 and published a first report on the state of climate and environmental risk management in the banking sector in November 2021;
- in 2022, the ECB further stepped up its efforts by conducting a supervisory stress test exercise focusing on climate related risks and a thorough review of the practices of 186 banks (via a thematic review on environmental and climate related risks);
- following these exercises, the ECB published several reports, including papers highlighting good practices in the field of climate risk management on the one hand and climate stress testing on the other. A new report was also published regarding banks' climate related risk disclosures.

The main conclusion from the thematic review at sector level was that "despite improvements, banks still need to better identify and manage climate and environmental risks: even if 85% of banks now have in place at least basic practices in most areas, they are still lacking more sophisticated methodologies and granular information on climate and environmental risks."

To encourage banks to speed up their efforts, the ECB decided to set staggered (institution-specific) deadlines for banks to progressively meet all supervisory expectations by the end of 2024. Each systematically significant financial institution thus received its own individual feedback letter, detailing identified weaknesses and short-comings and communicating expected remediation dates.

Outcomes from the thematic review were integrated in the Supervisory Review and Evaluation Process (SREP) and, in some limited cases, resulted in binding qualitative requirements or even an impact on the SREP score (affecting, in turn, Pillar 2 capital requirements of concerned banks).

Upon the request of the ECB, Belfius Bank, like other European banks, will submit an updated action plan by 31 March 2023, highlighting the additional actions that will be undertaken in 2023 and 2024 to accelerate the integration process of environmental and climate-related risks in Belfius' risk management framework.

The whole financial sector expects supervisory scrutiny to remain high and new supervisory exercises to be launched.

More details on the aggregated results and lessons learnt from the thematic review of environmental and climate related risks can be consulted here: Walking the talk – Banks gearing up to manage risks from climate change (europa.eu)

The European Central Bank (ECB) organised the first supervisory climate stress test during the first semester of 2022. Belfius was one of the 104 significant banks who participated in the two first modules of the test relating to climate stress-test capabilities and reliance on carbon-emitting sectors. Furthermore, Belfius was also among 41 banks that had to carry out a bottom-up stress test aimed at gauging their performance under different scenarios over different time horizons through a projection of potential losses based on shocks proposed by the ECB.

It should be noted that, unlike other supervisory stress tests, this was not a capital adequacy exercise, but rather a joint learning exercise with pioneering characteristics whose goal was primarily to assess the financial sector's preparedness in this field and explore the possible impacts of climate-related factors on the economy and the financial system. The exercise therefore focused solely on the impact of global warming on a limited set of risk parameters and only entailed a first gross estimation of the probabilities and magnitude of potential losses arising from acute weather events and different transition pathways to a low carbon economy. Transition risks and physical risks were assessed separately.

Description Module 3 (bottom-up stress test)

	Transition risk assessment		Physical risk assessment	
SCOPE	Corporate exposures and Mortgage loans		Mortgage loans and Corporate exposures secured by real estate	Corporate exposures not secured by real estate
HORIZON	3 year	30 years	1 year	1 year
SCENARIO	Disorderly transition (NGFS)	3 scenarios: orderly transition, disorderly transition and hot house (NGFS)	Flood	Drought
RISK DRIVER	Sharp increase of carbon price	Changes in Gross Added Value per sector	Collateral's value decrease	Labour productivity losses
TRANSMISSION CHANNEL	Credit and Market	Credit	Credit	Credit
BALANCE SHEET	Static	Dynamic	Static	Static

The aggregated results at European level[1] show that banks' losses are lower in an orderly transition scenario than after delayed action. Almost two-thirds of banks' income from non-financial corporate clients come from GHG intensive industries. Credit and market losses in the short-term, disorderly transition and the two physical risks scenarios amount to around EUR 70 billion.

Belfius' individual results show good resilience and globally satisfactory performance. Vulnerabilities to climate scenarios are highly dependent on the sectoral breakdown of the corporate portfolio and the geographical location of the real estate assets used as collateral for mortgage loans and corporate exposures. Belfius Bank's relatively low concentration of corporate exposures to carbon-intensive sectors[2] explains Belfius' manageable sensitivity and vulnerability to transition scenarios. The modest impact of the physical risk scenarios in terms of credit risk parameters is mostly linked to Belfius Bank's very limited exposure to the agriculture sector that is one of the most heavily hit sectors in case of drought, and to the fact that almost all the immovable property used as collateral at Belfius is located in Belgium, for which no high flood risk zone was defined according to the ECB's methodology.

Results should however be interpreted with caution. Key lessons learnt from this exercise is that financial institutions face significant challenges as accurate data is often still lacking to better assess the level of exposure and most banks rely on models that currently only rudimentarily capture climate factors. Lastly, it should be noted that the scope of this exercise in terms of balance sheet coverage was rather limited and that second round effects of certain scenarios were excluded.

Belfius will use the findings and good practices derived from this exercise as a compass to guide it towards an even better incorporation of climate risks into Belfius' stress-testing framework, internal models and long-term strategy.

(1) See ECB press release published on 8 July 2022: Banks must sharpen their focus on climate risk, ECB supervisory stress test shows (europa.eu)
(2) As mentioned elsewhere in this report, the agriculture and mining sectors only represent very limited exposures on Belfius Bank's balance sheet. The quality of Belfius Bank's exposures in the energy sector should also be underlined as Belfius does not have any coal-extraction exposure based on available NACE data, has put strict lending limits in place for companies active in fossil fuel related industries and finances many renewable energy projects.

Belfius Bank internal climate stress test

Leveraging on the supervisory climate stress test, Belfius included a flood scenario in its 2022 internal stress test. The rationale behind this scenario is that better informed buyers combined with more (severe) flood occurrence in the coming years will lead to a permanent flood risk discount of asset values in regions prone to flooding. This scenario was applied on the mortgage loans portfolio and aimed at forecasting the impact on the cost of risk of market values shocks on residential properties following a flood event. Damages to properties were assumed to be insured and were thus not included in this assessment. In other words, the analysis focused on Loan to Value and Loss Given Default impacts, rather than Probability of Default impacts.

The internal flood scenario differed from the supervisory scenario, as Belfius used the official regional flood maps that are more precise than the map at NUTS3 level proposed by the ECB. A coastal flood/sea level rise risk was also considered in the scenario and several shocks in the form of haircut levels on the value of the properties were applied.

Scenario	Risks evaluated	Time horizons and intervals	Modelling assumptions	Sector exposure and business segment scope	Granularity of the assessment	Approach and methodology	Portfolio scope, coverage and exclusions	Output metric
Own flooding risk scenario based on ECB's supervisory climate stress test scenario	Physical risks (flood risk)	Frontloaded impact in 2022	Static balance sheet Damages insured	Mortgage Loans	Asset	Applying several haircuts to the market value of the collateral in function of the flood risk level associated with their location	100% of the portfolio	Intermediary metrics: Collateral market value, LGD(1) and LTV(2) Final metric: Cost of Risk

(1) LGD - Loss Given Default.
(2) LTV - Loan to Value.

Results from this sensitivity analysis showed that the absolute impact on the cost of risks remained limited, even in the most severe scenario, as less than 12% of Belfius' exposures are located in a zone that is considered as subject to flood risk. Following this first internal stress test exercise, Belfius plans to include additional and fine-tuned scenarios in the future.

Belfius Insurance climate stress test

Based on the outcome of its climate risk mapping exercise, by the end of 2021 Belfius Insurance conducted its first stress testing exercise in its ORSA. For more details on climate risk mapping please refer to section 7.3.2.

The scenario used in the stress test consisted of:

Extreme catastrophic events with exceptional magnitude such as unprecedented storms lead to deadly floods in Belgium, the Netherlands and Northern Germany. Following public opinion voicing for immediate change, these events trigger a major transition risk by an abrupt implementation of climate regulations heavily penalising high GHG emitters. The regulations designed to reduce GHG emissions materially impact the profitability of many companies leading to highly negative performances of stock exchanges and a credit crisis. The economic recovery is neither supported by major technological breakthroughs, nor by a positive perspective for climate action. These events lead to a structural deterioration of the economic situation for several years, materially and negatively impacting public debt. The reinsurance cost increases significantly.

The stress test scenario conducted was similar to the "disorderly transition scenario" developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)(1), however calibration used for this stress test was inspired by the DNB "policy shock" scenario(2) coupled with additional calibrations used in former Belfius internal stress tests.

For the second stress test which was part of the 2022 ORSA, several stress alternative scenarios proposed by European supervisory authorities (i.e. the Bank of England, the French Prudential Supervision and Resolution Authority, the EBA) in 2021 were reanalysed, but their impact was considered too mild for a stress test exercise. It was decided therefore to keep calibrations used in the first Belfius Insurance climate stress test performed in 2021 for this stress test.

These two stress test exercises show that, in these given scenarios, Belfius Insurance solvency ratio is impacted, but solvency risk appetite indicators continue to be respected. This resilience is due to Belfius' business strategy and proper risk mitigation systems already in place through an effective reinsurance programme, appropriate insurance underwriting and pricing practices, as well as the limits included in the investment risk framework.

7.3.7. Environmental and climate risk mitigation

To mitigate the identified environmental and climate risks, Belfius has put in place a series of key measures, most of which apply to the whole group/business areas, while some are specific to insurance and asset management activities.

Accordingly, climate and sustainability dimensions are gradually included into business practices for all Group activities, leading to certain climate risk mitigations by design. For banking, climate risks are progressively being integrated in the full end-to-end credit process. Similarly, ESG considerations will gradually make their way into pricing guidelines and collateral valuation tools. That being said, physical climate events have been embedded into practices related to product underwriting & pricing and reinsurance activities for decades now.

In line with its overall group sustainability strategy that covers all business activities (i.e. lending, insuring, investing), Belfius' commitments to decarbonise and its ambition to increase its positive impact on its value chain through more sustainable product and service offerings provide further safeguards in managing risks stemming from environment and climate concerns.

For more details on Belfius Group 's commitments and strategy on climate and environmental risks, please refer to section 7.3.3.

Limits to financing with the Transition Acceleration Policy (TAP)

As mentioned in the previous chapters, the TAP serves as a risk management tool for the whole group by excluding or restricting the financing of activities deemed non sustainable, enabling Belfius to lower its exposure to those activities which present increased financial and reputational risks. This policy is applicable to all types of activities and was immediately applied to new customers from its introduction. Customers who were not in line with the guidelines were not onboarded and the TAP is currently also being applied to existing customers on a progressive basis. Additionally, Belfius' commitment to the TAP has triggered modifications to other policies and guidelines, such as the credit acceptance policy and investment risk framework.

All investment products for which Belfius has full control must be TAP-compliant. This also applies to the funds managed for Belfius by its preferred asset management partners – Candriam, BlackRock Investment Management and JP Morgan Asset Management – as they fall into the above-mentioned scope.

Limits to financing with the Risk Appetite Framework

The Belfius Risk Appetite Framework (RAF), which already included social and governance key risk indicators, is gradually enhanced year upon year with a revision of ESG related qualitative statements and the inclusion of additional ESG quantitative risk indicators. The governance around these climate-related key risk indicators follows the one defined for the RAF in general.

New limits that will be implemented as from 2023 relate, among others, to fossil fuel exposures, the share of mortgage loans collateralised by immovable property located in zones subject to medium or high flood risk, and the proportion of Belfius Bank's mortgage loan production collateralised by real estate assets with very low energy performance certificates.

The targets set on a one-year horizon are revised on a yearly basis and are expected to be stricter over time to meet long-term objectives. A first threshold is set that triggers internal escalation to relevant management bodies, a second threshold requires corrective actions.

Belfius aims to gradually extend the number of key risk indicators to include a monitoring and control of indirect impacts through financed activities and to implement additional and more granular targets and limits.

(1) https://www.ngfs.net/ngfs-scenarios-portal/explore/
(2) 2018 DNB stress test: https://www.dnb.nl/media/pdnpdalc/201810_nr-_7_-2018-_an energy_transition_risk_stress_test_for_the_financial_system_of_the_netherlands.pdf

Specific measures taken by Belfius Insurance

In order to mitigate the risks related to the resilience of Belfius Insurance in the case of ESG risks affecting profitability and solvency, on the asset side, Belfius Insurance has integrated ESG related criteria in its investment risk framework and investment decisions, real estate decisions, fund selection, acceptance criteria and pricing of mortgages based on EPC scores.

On the non-life insurance underwriting side, climate event risk is materially mitigated thanks to the reinsurance programme. Furthermore, climate-related risk is integrated in underwriting acceptance criteria and pricing mainly for home and motor insurance. Perils included are floods, windstorms, hail and subsidence. Flood risk level is used to determine Natural Catastrophe premium level in home insurance based on flood risk maps. Other perils are included in the pricing but are not based on localisation. Subsidence risk is a more recent focus and models have been designed to estimate the necessary provisions to face related claims.

Specific measures taken by Belfius Investment Partners (BIP)

Regarding BIP's asset management activities, BIP mitigates risks stemming from sustainability (including climate) for its own investments by:

- considering sustainability risks (e.g. PAI's) in the financial analysis of individual investment instruments (e.g. shares, bonds);
- applying sector/industry limits at portfolio level related to sectors that are considered to have high sustainability risk (e.g. carbon intensive sectors, in line with the TAP);
- using voting rights (in the case of shares) to vote at shareholder meetings in favour of agenda items and shareholder resolutions related to sustainability risk related topics such as improving governance structures, increasing corporate disclosures related to sustainability aspects and implementing targets related to material sustainability topics;
- engaging with investee companies to first better understand the sustainability risks they are exposed to and the actions they have taken to identify, measure, mitigate and monitor them, and secondly to stimulate company management to take suitable action in the event that a high unmanaged sustainability risk has been identified.

PAI's are considered at investee company level where BIP selects individual securities, such as stocks and bonds. Where ETFs/funds are selected or the fund management is delegated to an external asset manager, BIP has requirements in place that its external managers need to meet with respect to various aspects of responsible investment, including identifying, measuring, managing and disclosing the PAI's of the investments. BIP then takes into account the PAI's considered by the selected asset managers.

In its Proxy Voting Policy, BIP commits to encourage companies to incorporate ESG considerations in their activities and supports environment-oriented proposals. In addition, BIP requests its external partners to either have or design a formal engagement policy on ESG related topics. BIP expects partners' approaches to be based on structural and systematic engagement with investee companies in relation to sustainability aspects that may be material to the financial value of the investment.

Whenever BIP believes an external asset manager is not operating entirely in line with BIP's responsible investment requirements, BIP actively further engages with them to resolve the issue. When needed, BIP approves an agreed upon period to meet requirements.

On top of BIP's own mitigation actions, BIP's external partners Candriam, BlackRock and JP Morgan also use risk mitigation actions such as investee engagement and proxy voting with regards to climate, amongst others.

7.3.8. Climate risk monitoring and reporting

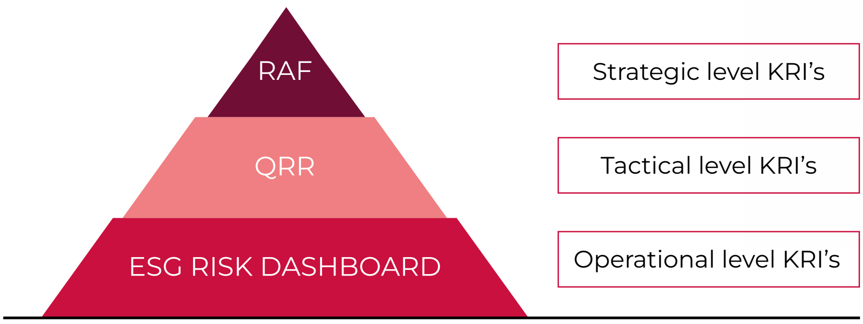
In order to properly monitor environmental and climate risks, Belfius is in the process of setting up an ESG Risk Dashboard. This tool lays the foundations for the comprehensive management of ESG risks and can be used to both support strategic objectives and ensure the institution's global resilience. It is reviewed and monitored on an ongoing basis. Indicators relate for instance to the availability of counterparty or asset level data.

Some of the input from the ESG Risk Dashboard is integrated into the Quarterly Risk Report (QRR) submitted to the Management Board and the Board of Directors. Examples of relevant indicators include statistics regarding the collection of EPC data and the distribution of EPC scores within the mortgage loans portfolio, a breakdown of ESG scores assigned to suppliers, as well as metrics related to operational events in the field of ESG (e.g. litigations, fines, penalties).

Finally, key risk indicators have been translated into limits incorporated in the Risk Appetite Framework. For more details on the RAF, please refer to section 7.3.7.

When mature, additional input from the ESG Risk Dashboard is expected to feed through to other strategic decisions such as limits at individual or portfolio-level and adjustments to Belfius TAP with financing conditions or exclusions.

KRI mapping



Sustainability-related commitments and targets are also monitored and reported to the Board of Directors on a regular basis throughout the year. The RAF for instance includes dedicated KRI's relating to the follow-up of the timely implementation of the ECB ESG action plan and the achievement of Belfius' decarbonisation targets of Belfius' own operations (see section 7.1. and 8). The evolution of the average CO_2 emissions of Belfius Auto Lease's car fleet is also subject to a monitoring process (see section 5.2.5.2.).

Furthermore, relevant teams (e.g. legal, risk, central Sustainability team) monitor environmental and climate-related regulatory risks on a quarterly basis to ensure full compliance with related regulations.

The search for accurate ESG data

Gathering granular data (at counterparty/asset level) is crucial but remains challenging, especially for non-listed or smaller companies where most data points are not yet publicly available and sometimes even non-existent.

A mix of internal and external data sources such as opensource data, data from external service providers or data submitted directly by customers are being used to this end. Proxies and estimations are being developed to fill the gaps.

Belfius set up a dedicated ESG Data Programme in 2020 which mainly focused on:

- the setup of a data (governance) framework;
- the identification of all data needs;
- capturing the required data and ensuring consistency between data sources (one single version of the truth);
- designing new calculation engines where appropriate (for instance for carbon accounting purposes);
- storing and making the data and outputs of calculation engines available to all business units.

As of now:

- some important data points are already readily available in Belfius' systems but need to be improved upon to finetune Belfius' risk analysis:
  - NACE codes: the sector corresponding to a company's main activity is known, but Belfius requires comprehensive and granular identification of all material activities carried out by a company;
  - addresses: the localisation of a company's headquarters and the immovable property used as collateral is known, but further identification of addresses of all immovable properties owned or used by a company (storage facility, plant, shop etc.) is needed.

Availability of some other crucial data points remains limited:

- GHG emissions:
  - at this stage, only listed and large companies disclose their carbon footprint (but covering varying scopes which poses comparability issues);
  - this information is mostly collected either via a third party provider, or through a questionnaire/survey to be filed by the customer;
  - a workaround is foreseen via a proxy calculated using PCAF emission factors and based on companies' revenues.
- EPC:
  - as Belgian banks have not been granted access to regional EPC registers, they must collect certificates directly from customers;
  - the EPC certificate has become a mandatory document in the credit granting process since 2021 and is available in around 70% of 2022's new mortgage production. As regional EPC regulations only impose the drafting of an EPC in certain cases, reaching coverage of 100% is impossible;
  - following some communication actions, Belfius also managed to capture this information for a limited share of its lending stock predating 2021;
  - for properties where EPC data is lacking, a workaround will be set up via a proxy provided by a third party.

7.3.9. Metrics and targets

Belfius as a group identified key metrics to measure and manage climate-related risks and opportunities. Due to their nature, these metrics are followed up by different functions within Belfius for different purposes. In addition to the aforementioned ESG Risk Dashboard that combines several key risk indicators which will be embedded to determine risk appetite framework around climate risk, Belfius has articulated a dashboard of key performance indicators around four topics: internal KPIs to implement the "Walk the Talk" strategy, as well as commercial KPIs for meaningful investing, insurance and financing offerings. For more details, please refer to Chapter 5: Meaningful Growth.

As on one of its key metrics, Belfius uses the percentage breakdown of climate sensitive sectors within its loans and advances portfolio. Belfius identifies climate sensitive sectors using an in-house selection of NACE codes based on CPRS methodology, ECB climate stress test methodology and Pillar III ESG standards.

Breakdown of climate sensitive sectors in Belfius' loans and advances portfolio	Carrying amount (%) 31/12/21	Carrying amount (%) 31/12/22
Manufacturing	8.0%	8.7%
Electricity, gas, steam and air conditioning supply	4.1%	4.0%
Construction	12.4%	12.1%
Wholesale and retail trade	14.3%	14.0%
Transport and storage	3.4%	3.6%
Financial and insurance activities	4.3%	6.2%
Real estate activities	13.8%	13.8%
Professional, scientific and technical activities	11.6%	11.4%
Administrative and support service activities	4%	3.7%
Human health services and social work activities	13.3%	12.0%
Other climate-sensitive sectors	2.9%	2.7%
Other non climate-sensitive sectors	7.9%	7.6%
LOANS AND ADVANCES NON-FINANCIAL CORPORATION (in millions of EUR)	36,078	40,990
LOANS AND ADVANCES TOTAL (in millions of EUR)	101,382	107,824
TOTAL CLIMATE-SENSITIVE SECTORS (in millions of EUR)	21,258	24,215
CLIMATE-SENSITIVE SECTORS AS % OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS	59%	59%
CLIMATE-SENSITIVE SECTORS AS % OF LOANS AND ADVANCES	21%	22%

Red: climate-sensitive sector.

While Belfius has already been disclosing its Scope 1, Scope 2 and Scope 3 emissions covering its operational activities on a voluntary basis, for the first time in 2022 Belfius accounted for and disclosed its financed emissions. 2022 will be the basis for setting science-based targets in line with Belfius' commitment to the SBTi and climate science. For Scope 1, Scope 2 and Scope 3 emissions breakdown, please refer to section 7.1.

Metrics used for investment activities

Furthermore, all major Belfius entities (Belfius Bank, Belfius Insurance and Belfius Investment Partners) are working towards quantifying their chosen PAI under SFDR regulation and BIP will work on integrating PAIs related to GHG emissions in particular.

Regarding carbon emissions of its investment products that are actively advised by Belfius, Candriam provided data on the metrics below:

Absolute carbon footprint

(in Mio tonnes CO_2)	2021	2022
Belfius and Candriam labeled funds (incl PSP & My Portfolio), actively advised by Belfius, managed by Candriam	1,060,705	811,971

Weighted average carbon intensity (WACI)

	2021	2022	
(Tonnes CO_2e/EUR millions revenues)	Portfolio	Portfolio	Benchmark
Belfius and Candriam labeled funds, actively advised by Belfius, managed by Candriam	115	106	169

Note: the data covers scope 1 and 2 emissions.

7.4. Aligning with the EU Taxonomy – mandatory reporting

The **EU Taxonomy** regulation provides a classification system of economic activities that can be considered environmentally sustainable on the EU market. This classification enables to compare the sustainability performance of economic actors in the EU and is based on the six environmental objectives of the European Commission: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. To be qualified as environmentally sustainable, the European definition of sustainability requires that an activity contributes substantially to one of the six environmental objectives of the European Union and that it does not harm any of the other five European environmental objectives, in accordance with the technical criteria defined in the regulations. In addition, each actor subject to this regulation must also prove that it respects certain minimum social safeguards.

For now, the European Commission has prioritized two of the six objectives. To achieve the objective of **mitigating climate change**, an economic activity must make a substantial contribution to stabilizing greenhouse gas emissions by avoiding or reducing them, or by enhancing the capture of greenhouse gases. This type of activity should be compatible with the long-term objective of the Paris Agreement. An economic activity that pursues the objective of adaptation to climate change should make a substantial contribution to reducing or preventing the negative impacts or the risk of negative impacts of the current climate or its future evolution, whether on the activity itself or on the population, nature or property. The sustainability criteria that will make it possible to meet the four other European objectives are expected to be published in the course of 2023.

This regulation (and the subsequent Disclosure Delegated Act and Annexes) imposes sustainability disclosure obligations to actors on the EU market that are subject to the Non-Financial Reporting Directive (NFRD), namely financial market participants and large public interest companies, and will later cover all large companies and listed SME[1] subject to the Corporate Sustainability Reporting Directive (CSRD). The first exercise started in 2022 required these large public interest companies to publish eligible activities, i.e. activities for which sustainability criteria have been defined in the regulations but for which an assessment of their sustainability did not have to be performed yet. During the year 2023, these same companies must publish the alignment of these activities with the criteria laid down in the EU taxonomy, assessing the sustainability of these activities. The implementation of this legislation is gradual, which should enable involved actors to gather the necessary underlying information on the technical criteria defining sustainability, and to perform the mandatory sustainability calculations.

As financial institutions, the evaluation of our Green Asset Ratio (GAR) and Green Investment Ratio (GIR), or the share of environmentally-sustainable activities complying with the EU Taxonomy criteria over our total assets and investments, is dependent on information published by our clients and investees that are subject to the Non-Financial Reporting Directive (NFRD). Therefore, the Belfius Group publishes here its eligibility report for the financial year 2022 and expects to publish its alignment figures in its Sustainability Report 2023, published in 2024. In the sections below, the eligibility results consolidated by entity for Belfius Bank Group, Belfius Insurance Group and Belfius Investment Partners are presented.

Financial institutions are required under EU Regulation 2022/1214 to disclose the proportion of their eligible and non-eligible nuclear and gas related activities. Belfius does not publish these key performance indicators for the year 2022 due to the lack of reported and sufficiently reliable data from its clients relating to these activities.

(1) Except for listed micro enterprises.

7.4.1. Taxonomy disclosure on Belfius Bank balance sheet

The following table shows Belfius Bank mandatory disclosures. It includes its eligibility percentage, but also further information on the counterparties and instruments that are not included in the sustainability-calculations. The data used to define on-balance sheet assets in this table are aligned with the definitions of the Commission Implementing Regulation (EU) 2021/451 on financial reporting (FINREP) consolidated at Group level.

Taxonomy mandatory reporting for Belfius Bank activities(1)

	Total Gross Carrying amount (in EUR bn)	% covered assets
TOTAL ASSETS	165.82	-
Of which total exposure to central governments, central banks and supranational issuers	50.17	-
Of which trading portfolio	5.27	-
TOTAL COVERED ASSETS (EXCLUDING EXPOSURE TO CENTRAL GOVERNMENTS, CENTRAL BANKS AND THE TRADING PORTFOLIO)	110.38	100%
Taxonomy-eligible economic activities	40.02	36.26%
Taxonomy non-eligible economic activities	9.01	8.16%
ADDITIONAL, COMPLEMENTARY DISCLOSURES ON THE DENOMINATOR	61.36	55.59%
Of which total exposure to derivatives (not in the trading portfolio)	1.19	1.08%
Of which on demand inter-bank loan	3.51	3.18%
Of which total exposure to undertakings not subject to NFRD(2)	46.86	42.45%
Of which non-EU counterparties	6.39	5.79%
Of which SMEs or NFCs not subject to NFRD	40.47	36.66%

(1) These figures do not include capex data.
(2) It is worth mentioning that the identification of non-financial undertakings subject to the NFRD may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

In accordance with the regulations, central governments, central banks and supranational bodies, as well as financial assets held for trading purposes are excluded from the ratio, while companies that are not required to disclose non-financial information under the Non-Financial Reporting Directive (NFRD), derivatives and on demand inter-bank loans are excluded from the numerator only. As the leading bank for public institutions in Belgium, Belfius' sovereign exposure is unsurprisingly high at 30% of our total assets. Unfortunately, this exposure will have no influence on our taxonomy alignment report as these counterparties are entirely excluded from the GAR calculations under the Taxonomy regulation. Furthermore, as a Belgian bank, Belfius has few **non-EU counterparties** in its portfolio, yet a significant exposure (36%) to **small and medium enterprises** (SMEs). Since lending to and investments in companies not subject to NFRD are not eligible for the GAR calculations, the current exclusion of SMEs from reporting obligations is expected to reflect on Belfius' future green asset ratio.

In order to contribute to the GAR of Belfius, the counterparties which Belfius lends to or which Belfius invests in need to be among those that can be taken into account for the calculations under the Taxonomy Regulation. However, the identification of companies subject to NFRD is data driven and comes with many data quality issues. Moreover, the activities run by these companies needs to be eligible, meaning that they are described with sustainability criteria within the regulation.

The eligible activities reported herein have been identified based on loans and advances with known use of proceeds to households and to large corporates subject to NFRD. For such products, we capture information on the destination of our financing in our internal systems and do not rely on third-party information. The largest share of eligible activities identified at present concern real estate activities and motor vehicle loans for households as well as commercial real estate

loans towards large companies. For general purpose loans, i.e. products with unknown use of proceeds, the screening of eligibility percentage part of the mandatory reporting is based on the most recent eligibility data provided by our ESG data provider. Careful review of our ESG data provider's methodology has been performed and only data reported by the underlying counterparties have been used to prepare the figures presented in this table. This eligibility percentage only covers the climate change mitigation objective as data on climate change adaptation is not yet available from our ESG data provider.

It is worth mentioning that our project finance portfolio does not include entities large enough to be eligible in our calculations. Nevertheless, a large part of these projects are related to electricity generation using renewable energy, infrastructure projects for personal mobility or rail transport, as well as some projects on construction of new buildings that could potentially be considered in a later stage. In addition, no exposure to local governments has been identified since the only eligible activity in the Taxonomy relates to social housing, which is financed by the regions in Belgium, and therefore do not qualify as local government financing according to the Belgian National Bank (schema A).

Belfius considers the EU Taxonomy as an essential tool to support the climate transition strategy, next to Science-Based Target setting. The EU Taxonomy is used as a means to identify climate-solutions and opportunities of financing, and in particular as a metric enabling the Belfius Group to better track its contribution to financing assets positively contributing to climate objectives. Development of the Taxonomy to the four remaining environmental objectives will allow us to further identify environmentally-sustainable activities and increase our exposure to green activities. Therefore, Belfius uses the taxonomy to engage with its customers improving their own alignment with the sustainability criteria defined by the EU. During 2022, Belfius launched Ambition Loans in the real estate, transportation, energy and water and waste sectors. These loans are a first attempt to integrate taxonomy activities in our loans offerings. However, several technical criteria of the EU Taxonomy leave room for interpretation or are challenging to implement. Therefore, further research need to be performed or alignment with our peers in the interpretation of the criteria to ensure these products become compliant with the EU taxonomy definitions.

In parallel, Belfius aims to limit its risk exposure and the adverse impact it has on several ESG major issues. Hence, the Group is revising its Transition Acceleration Policy and will consider, amongst other, the technical criteria defined as significantly harmful to the environment, assessing their relevance and practicality of implementation.

7.4.2. Taxonomy disclosure on Belfius Insurance balance sheet

Belfius Insurance assets are presented here according to the guidelines of the Taxonomy Disclosure Delegated Act.

Taxonomy mandatory reporting for Belfius Insurance balance sheet(1)

	Total Gross Carrying amount (in EUR bn)	% of total assets covered by the KPI
TOTAL ASSETS	19.72	-
Of which total exposure to central governments, central banks and supranational issuers	5.64	-
TOTAL ASSETS COVERED BY THE KPI (EXCLUDING EXPOSURE TO CENTRAL GOVERNMENTS, CENTRAL BANKS AND SUPRANATIONAL ISSUERS)	13.88	100%
Taxonomy-eligible economic activities	4.71	33.94%
Taxonomy non-eligible economic activities	3.66	26.4%
ADDITIONAL, COMPLEMENTARY DISCLOSURES ON THE DENOMINATOR	5.50	39.67%
Of which derivatives	0.02	0.12%
Of which total exposure to undertakings not subject to NFRD(2)	0.93	6.70%
Of which non-EU counterparties	0.43	3.11%
Of which SMEs or NFCs not subject to NFRD	0.50	3.59%

(1) These figures do not include capex data.
(2) It is worth mentioning that the identification of non-financial undertakings subject to the NFRD may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

Belfius Insurance commits itself at creating long-term value for our beneficiaries and the community in a responsible manner requiring important decisions about what we choose to do or not considering near financial criteria, also environmental, social and governance criteria. The EU Taxonomy will be one of the ESG criteria that will be considered during the due diligence process.

Our investment strategy is liability-driven as the main objective is to meet our contractual liabilities to policyholders (Pension, Insurance Based Invest products, non-life products, …). Our investment approach is a buy and hold strategy on fixed income assets.

Therefore, we invest in relatively lower profile risks (as defined by Solvency II) such as sovereigns. Indeed, 29% of Belfius Insurance total assets are sovereign exposure that do not count in the KPI. Compared to the banking group, Belfius Insurance has a relatively smaller exposure to SMEs and corporates not-subject to NFRD. Yet, Belfius Insurance has a larger but still limited exposure to non-EU counterparties.

Data on eligible taxonomy activities in the mandatory reporting are calculated with the same methodology as for the banking group, i.e.:

- either coming from products with known use of proceeds, as mortgages backed activities or direct investment in real estate assets; or
- through reported taxonomy eligibility data captured through our ESG data provider. Therefore, no proxies were used.

7.4.3. Taxonomy disclosure on Belfius Insurance non-life insurance and reinsurance activities

The European Commission is defining specific economic activities that can qualify as sustainable linked with 6 environmental objectives in the EU Taxonomy. One of those objectives is climate adaptation aiming at reducing or preventing the adverse impact of the current or expected future climate, and the risks of such adverse impact. The non-life Insurance activity, or the underwriting of climate-related perils covers, contributes to climate adaptation by supporting people, households and businesses facing life hazards such as natural catastrophes.

Two business lines foresee climate-related covers within Belfius Insurance offer, namely motor insurance (i.e. omnium car) and fire and other damage to property insurance. These two business lines represent 51% of the overall amount of premiums on consolidated level (Belfius Insurance SA and Corona SA). The following tables provide the detailed breakdown of insurance and reinsurance activities that could contribute to climate adaptation according to the EU Taxonomy.

Taxonomy mandatory eligibility reporting for non-life insurance and reinsurance activities

	Absolute Premium in Mio consolidated(1)	Proportion of premiums in % consolidated
Taxonomy eligible non-life insurance and reinsurance activities	412.58	51.25%
Of which reinsured	14.90	1.85%
Of which reinsured stemming from reinsurance activity	0.51	0.06%
Of which reinsured (retrocession)	0.37	0.05%
Taxonomy non-eligible non-life insurance and reinsurance activities	392.43	48.75%
TOTAL TAXONOMY ELIGIBLE AND NON-ELIGIBLE NON-LIFE INSURANCE AND REINSURANCE ACTIVITIES	805.01	100%

(1) Scope: Belfius Insurance SA and Corona SA (= Belfius Insurance consolidated).

As for the Bank, the data provided is the data used for the financial statements. It should also be noted that in order to facilitate reporting during the first two years, when a Line of Business was confirmed to cover climate-related perils, the full Gross Written Premium (GWP) for that line of business had been reported as eligible.

7.4.4. Taxonomy disclosure on Belfius Investment Partners investment activities

The following table provides Belfius Investment Partners disclosure of eligible activities. It represents the eligible basis for the Green Investment Ratio following guidelines from the Annex III & IV of the Disclosure Delegated Act. The basis of these calculations covers all assets under active management, discretionary and advisory, as reported in financial statements. Care was taken to avoid double counting BIP exposures among the various investment instruments.

Belfius Investment Partners percentage eligibility is calculated with the same assumptions as those applied for the banking and insurance eligibility reports. Eligibility figures provided in this table only consider data reported by the underlying counterparty, as captured through our ESG data provider. This data covers the climate change mitigation objectives, as climate change adaptation data was not available at the time of the preparation of this report. Belfius Investment Partners noted that a limited amount of eligibility data were available, either because it was not captured through our data provider or not reported by the underlying investees. In addition, for this report, the assumption was made that all funds had 0% eligibility due to a lack of reported information. Therefore, the percentage of eligible activities identified is relatively low. In the same line, the exposure to other counterparties is relatively high as it represents all funds and ETFs.

Taxonomy mandatory eligibility reporting for Belfius Investment Partner asset management activities(1)

The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-eligible economic activities **relative to the value of total assets covered by the KPI**, with following weights for investments in undertakings per below: Turnover-based: **1.36%** Capex-based: **1.18%**	The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-eligible economic activities, with following weights for investments in undertakings per below: Turnover-based: **387 EUR Mio** Capex-based: **334 EUR Mio**
The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities. Coverage ratio: **98.83%**	The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: **28,363 EUR Mio**
ADDITIONAL, COMPLEMENTARY DISCLOSURES: BREAKDOWN OF DENOMINATOR OF THE KPI	
The percentage of derivatives relative to total assets covered by the KPI: **0.16%**	The value in monetary amounts of derivatives: **45 EUR Mio**
The proportion of **exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **7.20%** For financial undertakings: **4.31%**	Value of **exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **2,041 EUR Mio** For financial undertakings: **1,222 EUR Mio**
The proportion of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **7.31%** For financial undertakings: **1.33%**	Value of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **2,074 EUR Mio** For financial undertakings: **377 EUR Mio**
The proportion **of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI: For non-financial undertakings: **0.94%** For financial undertakings: **0.51%**	Value of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**: For non-financial undertakings: **267 EUR Mio** For financial undertakings: **144 EUR Mio**
The proportion of **exposures to other counterparties over** total assets covered by the KPI: **70.51%**	Value of **exposures to other counterparties: 19,999 EUR Mio**

(1) It is worth mentioning that the identification of non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU may present some challenges, especially in the case of large international groups and holdings due to lack of qualitative data.

8. Towards more sustainability in our own operations

In 2019, we committed to reduce the carbon footprint of our own operations by 20% by 2025, mainly from the use of our buildings and the mobility of our employees. This ambition was in line with previous efforts and has been progressively accomplished. In the context of the current energy crisis, it is all the more relevant for Belfius to contribute to the collective effort to minimise the use of energy resources in order to remain a credible financial partner for Belgian economic players (individuals, companies, public or social players) who are also working towards a low-carbon future.

In addition, we are seeing a growing awareness within the organisation of the direct negative impact that each of us has on the environment, promoted among other things by internal communications during key moments such as Earth Day or Mobility Week. These communications are often the result of collaboration between Human Resources and Building Management, Internal Communications and the Corporate Social Responsibility (CSR) Commission[1].

8.1 Reducing resource use and avoiding waste

8.1.1. Saving energy

In order to carry out its activities, Belfius uses a large number of buildings - central and regional buildings and local branches - which need to be lit and heated. Given the impact of energy consumption on climate change, Belfius takes measures to limit its energy needs and opts for renewable energy sources wherever possible.

(1) The CSR Commission is a working group within Belfius Bank's social consultation process that focuses on corporate social responsibility and staff awareness regarding ecological and social topics

8.1.1.1. Active management of the building stock

New buildings and major renovation projects use the latest techniques in energy-efficient and socially responsible construction: insulation and ventilation that meet the latest standards, LED lighting, heat pumps and, where possible, the installation of photovoltaic panels. The choice of materials takes into account their environmental impact.

Where appropriate, local branches with a high CO_2 impact are closed and integrated into other more energy-efficient sales points or new construction projects. Such adjustments have also been made at the level of regional buildings, the latest example being the Namur-Combattants site, which will replace the old locations in Bouge, Namur, Liège and Wépion.

For the next few years, Belfius is implementing an energy-saving renovation programme for its branches. The first step is to map the energy intensity of all branches (EPC scores) so that the buildings with the best improvement potential can be tackled first.

8.1.1.2. Green electricity

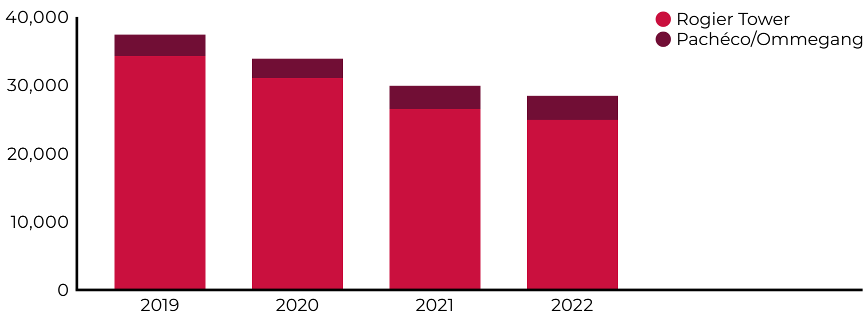
While the headquarters, regional buildings and branches of the employee network have been using renewable energy for many years, this is not necessarily the case across our independent network branches, as each cluster of branches (SComm) manages its own energy contracts. In order to further integrate the Belfius energy and climate vision into our value chain, an agreement has been reached whereby Belfius will take over all existing (Belfius brand) SComms electricity contracts and convert them to green energy as soon as possible. The agreement also includes gas and water contracts.

In order to reduce energy consumption, the lighting in the salaried and independent branches is almost exclusively LED. These branches are gradually being equipped with solar panels where possible according to local standards. At the end of 2022, 12 Belfius branches were equipped with solar panels.

In 2022, lighting at our head office was replaced with LED models that consume much less energy. Presence sensors were also installed in areas that are frequented on an intermittent basis (meeting rooms).

26% of our salaried and independent branches are equipped with Nanogrid, an application that allows energy consumption to be monitored and adjusted continuously. All branches are expected to be equipped with Nanogrid by 2025. A similar system has been in operation for several years at our head office and allows progress made to be monitored.

Consumption of primary energy at the central offices in Brussels
(in MWhep)



Belfius, through its partner P^{I2}, uses 2 data centres that consumes around 9.4 thousand MWh of energy for Belfius. 100% of the consumption of the 2 centres is covered by renewable energy certificates.

8.1.1.3. Energy crisis

Following Europe's call for energy savings, the winter 2022-2023 energy plan, which started on 17 October 2022, is the most visible and impactful measure taken by Belfius this year. The plan was discussed in the Committee for Prevention and Safety at Work and is the subject of a communication campaign (e-mail, intranet) to employees in the buildings affected (central and regional buildings and employee network branches). It includes a widening of the comfort temperature range with a minimum authorised temperature of 19°C instead of 22.5°C and a reduction in automatic lighting to 7.30 a.m.-5.30 p.m. A re-organisation of the teams at our head office has made it possible to vacate floors that no longer need to be heated or lit.

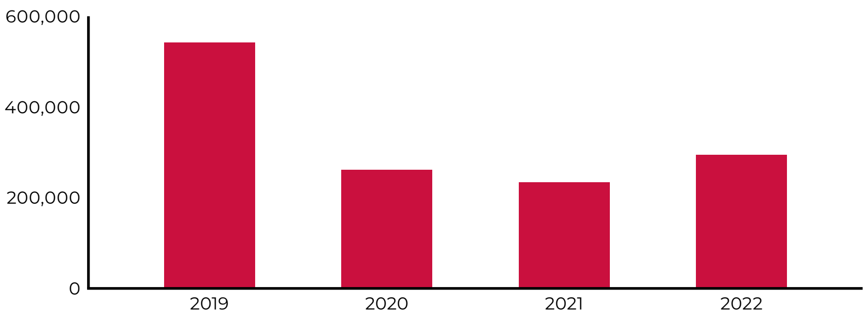
With this plan, we aim to reduce electricity consumption by 5% and gas consumption by 19% in central offices during the winter, taking into account average weather conditions. Belfius will evaluate the results after the Winter season. Comparable measures have been taken for the heating and lighting of the branches.

8.1.2. Steadily decreasing waste

In order to reduce the pressure on natural resources, we are working both to limit the production of waste (mainly office waste but also catering and hygiene waste) and to increase the percentage of recycled waste.

After two covid years, during which the company restaurant was temporarily closed, waste production at head office has increased again. However, the level is still 46% below the 2019 baseline, close to our ambition to achieve an overall reduction of 50% between 2019 and 2025.

Production waste at the Brussels head office (in kg)



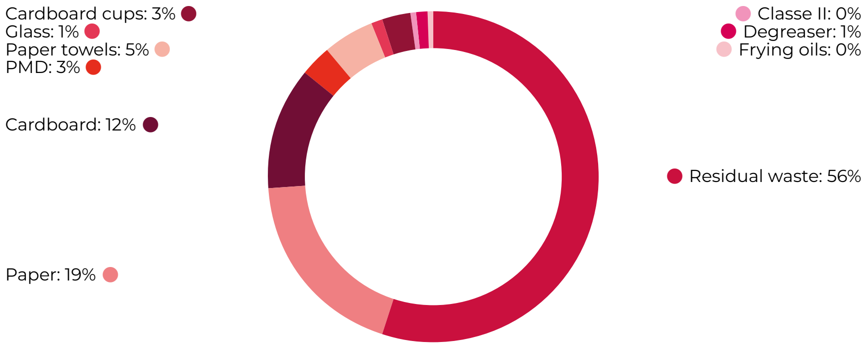
The waste generated at the Belfius Tower (head office) and regional headquarters is sorted using sorting bins installed on all floors. These are collected by the cleaning company. Some of the waste goes into the processing chain of the local municipal services, while other waste is collected by specialised companies.

Paper (confidential and non-confidential), cardboard, paper cups and paper towels are recycled.

At all local branches, waste is sorted in accordance with the regulations of the municipality concerned. However the removal, destruction and further processing of confidential paper is uniformly handled by a single operator appointed by our head office.

The graph below shows the distribution of the different waste categories for 2022 as measured by our waste manager using the FMIS system. Electronic equipment (servers, laptops, tablets, telephones, etc.) is not included because Belfius operates through leasing contracts for IT equipment.

Production waste at the Brussels head office



The close monitoring of the presence of staff in our buildings avoids food waste from the company restaurant. In addition, we continue to set our caterer ambitious targets to further reduce food and non-food waste in their assigned buildings. These include composting food waste or converting it into biogas, using sustainable products, shorter production chains and eliminating single-use plastic.

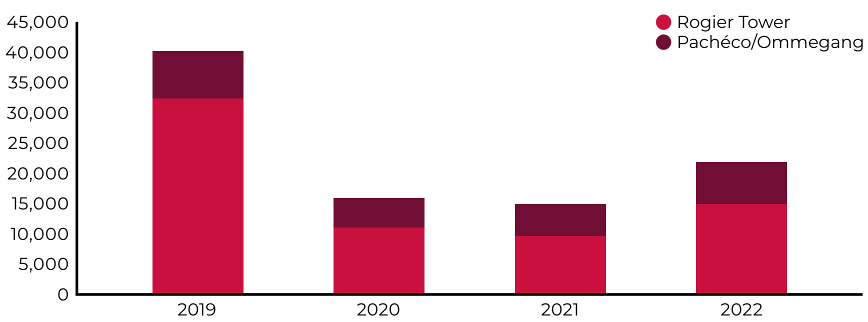
8.1.3. Water consumption

Water management is a key environmental issue in Belgium. Although in absolute terms Belfius is not a major player in this area, we nevertheless want to optimise our management of running water. For example, our new building in Namur uses rainwater for its toilets.

Water consumption at central offices is monitored so that we can intervene quickly in the event of leaks or anomalies. Most of the decrease in water consumption in our offices compared to 2019 is due to teleworking, which has become an integral part of our way of working. Waste water is discharged via the municipal sewer system.

Local offices are connected to the local water supply. As Nanogrid also monitors water consumption, it is also used to check for leaks. All offices are expected to be equipped with Nanogrid by 2025.

Water consumption at head office in Brussels (in m^3)



Belfius, through P[I2] uses 2 data centres. Belfius' share of the running water consumption at these centres is 2.5 thousand m3.

8.2. Fleet and commuting

In 2022, Belfius introduced a new structural teleworking status which has reduced commuting and associated CO_2 emissions.

In addition, since January 2022 employees entitled to a company car can only choose electric or hybrid cars. Due to the long delivery times of electric cars, the increase in electric driving for 2022 is slower than expected.

From 1 May 2023, only fully electric cars can be ordered. This initiative is also in line with the Belgian government's desire to promote more environmentally friendly mobility for leased cars.

The intention is to extend this measure to all employees who order a so-called "flex car" from 1 May 2023. In this way, the use of the Belfius car fleet and the fleet of flex cars will be decarbonised by the end of 2028.

Additional charging stations have been installed at headquarters and regional buildings for a total of 61 - more will follow if necessary. 44 local branches have one or more charging points and more are planned. Employees entitled to a company car will have a charging point installed at home for optimal use. This is already the case for some two hundred members of staff.

For more than ten years, Belfius has been encouraging the use of public or active modes of transport. Public transport and parking at a railway station are free. Cyclists and pedestrians receive an allowance per kilometre and have access to showers, changing rooms and secure parking. The mobility plan further discourages individual car use (not carpooling) by charging a parking fee at the workplace. In view of the congestion on Belgian roads and its negative impact on the environment, this is a choice that Belfius still promotes today.

Main mode of transport for home-to-work journeys Belfius Group

	2020	2021	2022
Public transport	57.8%	68.4%	77.2%
Private motorised transport (car, motorbike, carsharing)	38.0%	26.0%	17.7%
Active modes (walking or cycling)	4.2%	5.6%	5.1%

8.3 Sustainable IT

Our Information Technology Systems are pivotal to our success and are at the very heart of our "engine". Over the coming years, the use of all types of digital services will continue to grow.

All companies and organizations should address sustainable IT. Therefore, we continue to support ISIT-BE (Institute for Sustainable IT) in their ambition to inform and train institutions to reduce the environmental and social impact of IT systems.

The environmental axis – often called "Green IT" – aims to minimise the environmental impact of IT. With an ever-growing application portfolio where new business developments or mandatory needs outpace decommissioning of older applications, carbon reduction is more than a challenge. To limit the impact of the IT activity, we will foremost focus on rightsizing equipment and configurations and on applying principles of eco-coding to ensure optimal development practices.

- Infrastructure: rightsizing computing and storage configurations at the start of applications and throughout their lifecycles is an obvious action, although we should maintain a buffer to guarantee the availability and required performance of applications;
- Eco-design: one of the foundational elements of sustainable IT, the enterprise and solution architects, designers and developers must grasp the impact of their activities. Well-built software is a prerequisite for lowering infrastructure load;
- Optimising equipment usage by lengthening the use of devices: material that is used for a longer period is contributing to a more responsible use of minerals. Still, a large part of Belfius employee laptops have come to a respectable age and need replacement. Following an RFP, Belfius selected a supplier with a proven track record in collecting material after three years and selling it on to the refurbished market. The replacement of older appliances will gradually take place in 2023.

The social axis addresses the need to lower barriers in technology. We are fully aware of the importance of offering accessible customer channels. An extensive audit was performed on Belfius Mobile and Belfius Direct Net to detect anomalies. Going forwards, and after corrective actions, strengthened governance (including recurring testing) should ensure we stay at the required level. In addition, we want to facilitate gender diversity among staff (currently 31% of Technology department staff are women) and provide all IT staff members with the skills to deliver on our sustainable IT objectives.

The governance axis ensures that policies and procedures enforce the activities relevant to the advancement of sustainable IT. As such, the Belfius AI & Ethics framework developed in 2022 will be part of standard governance and applied to every usage of AI. This will guide and support the teams to manage all inherent and related risks and ensure we are using AI to the best possible extent, taking into account our values, the legislative framework, present public concerns around AI and technical capabilities.

9. Community involvement

Belfius' purpose is to be "Meaningful and Inspiring for Belgian Society. Together." Every day we aim to make a positive contribution to society through our product and service offers. We are also deeply committed to supporting our society year after year through Belgian charities and promoting access to culture for all.

9.1. Teaming up to tackle social issues

Belfius has a strong tradition of supporting social projects and favours long-term partnerships with a limited number of stable, credible organisations that truly make a difference for Belgium's communities and fit with Belfius' purpose and strategy. This fit is assessed by the Brand Committee, in charge of the protection and development of all of Belfius' brands, and whose main members are the CEO's of Belfius Bank and Insurance, the Directors responsible for the Business lines and the Head of Communication. It has resulted in the selection of good causes that care for those who have been given fewer opportunities in life.

The Belfius communication department manages relations with chosen charities. The charities in question maintain full autonomy in their choices and operation of projects for children, young people and the disadvantaged.

Belfius staff and agents from the independent network are encouraged to actively champion these charities. Next to this, every year Belfius staff also support various smaller charities and other initiatives.

9.1.1. Fighting child poverty (Viva for Life)

Belgium has one of the highest rates of child poverty in Europe. In the Wallonia-Brussels Federation, 80,000 children, hence one in four, grow up in poverty. Combatting child poverty must therefore be a strategic priority because we, as Belfius, believe children are the future.

That is why Belfius has been supporting Viva for Life, the biggest end-of-year charity initiative in French-speaking Belgium that is committed to the fight against child poverty. It is run by the Belgian radio and television station RTBF, in partnership with charity Cap 48 and Belfius, who has been its main sponsor since 2016.

All donations and profits generated through this initiative are managed by Cap 48, who is also responsible for selecting the dozens of supported associations. In 2022, a total of 166 institutions were supported with funds collected in 2021. 60% of donations went to associations for children aged 0-3 years, while the remaining 40% went to associations for children aged 4-6 years. The 2022 edition continued to raise an impressive amount equal to EUR 8,034,120 of which EUR 784,563 was provided by Belfius.

Money raised Viva For Life

(In EUR)	2020	2021	2022
Amount from Belfius[1]	623,345	620,545	784,563
Total raised[1] for Viva For Life	7,061,534	7,512,346	8,034,120

(1) The "Amount from Belfius" is the amount raised by Belfius through its various programmes, whereas the total raised represents the proceeds raised for Viva For Life in the whole of Wallonia and Brussels.

9.1.2. Helping young people become more resilient (Red Nose day - JEZ!)

In collaboration with VTM, Qmusic and Het Laatste Nieuws, Belfius has supported Red Nose Day since it was launched in 2015 to help Flemish youths who suffer from mental health problems find the care they need. Over the years, the focus has extended to building resilience in young people and resulted in the creation of 30 "OverKop" houses and the Sidekick Sam Academy for teachers who wish to provide young people with additional support.

After six years, it was yet again time to move towards an even broader concept, starting from our belief in young generations. We believe that motivated, committed and well-supported young individuals have the power to shape the future and solve the most difficult problems. Through JEZ!, a brand new collective of young people, the sponsors (VTM, HLN, QMusic and Belfius) aim to put young people back in society's spotlight and connect them through a positive, optimistic attitude.

Around 200 local associations and organisations signed up for JEZ!, making the collective the biggest charitable action for young people to obtain financial support. The Sidekick Sam Academy is one of these associations.

9.1.3. Supporting the disabled through sport (Special Olympics)

Through Belfius' partnership with Special Olympics Belgium since 2014, we support individuals with intellectual disabilities and encourage their integration into Belgian society through sport. Belfius has been a main partner of the Belgian Special Olympics since 2019. Following two digital sessions due to Covid (2020 and 2021), in 2022 the games resumed physically. These games represent the sporting event of the year in Belgium for athletes with a mental disability and a total of 3,000 athletes participated in 16 sports.

9.1.4. Fostering second chance education (Campus 19)

Since 2018, Belfius has been a sponsor of the Brussels Campus of Campus 19 – previously Ecole 19 – a new type of school that trains young people aged 18 to 30 in computer coding. The school does not require a diploma to enter and is free, emphasising the social aspect of this initiative. There are no teachers, and students progress at their own pace thanks to e-learning and challenges that they must solve alone or in teams to advance in their learning. In October 2022, Campus 19 inaugurated a second Belgian campus in Antwerp, which Belfius also sponsors.

In 2022, Campus 19 had 322 active students, 31 internships and enabled 50 jobs. Several students have launched their own start-ups. The school is working to increase the number of female students as the IT sector is experiencing an important gender gap.

9.2. Philanthropy (through our product offer)

9.2.1. Beats

Beats, an innovative and combinable banking and telecom offer, gives customers the opportunity to mark their choice of one or several societal themes that they consider important:

- 28% favour Beats for Health with My Cancer Navigator. My Cancer Navigator from the Antikankerfonds provides cancer patients with evidence-based information in understandable language, giving them somewhere to go for information and allowing them to choose the most appropriate treatment in consultation with their doctor.
- 24% favour Beats for Planet via Airscan. The air quality in and around schools is often particularly poor due to poor ventilation or car traffic and therefore has an impact on the health of our children. Airscan places measuring equipment that monitors many air quality parameters in real time in and around schools with the intention of drawing up an action plan to improve air quality, both outside (CO_2 + fine dust) and inside.
- 18% opt for Beats for People with the Sidekick Sam Academy for Flanders and Viva for Life for French-speaking Belgium.
- The remainder support all three in equal measure.

9.2.2. Funds of the Future

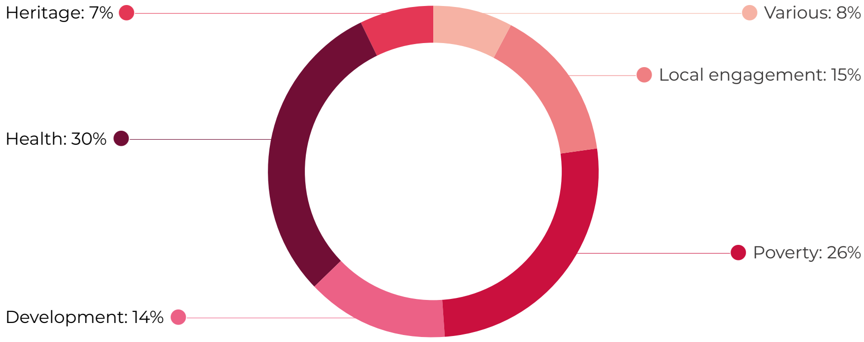
We offer investment solutions that invest in organisations that aim to tackle social and environmental problems. Belfius adds a further dimension by financially supporting good causes through partnerships with local entities, charities or similar initiatives: the Foundation Against Cancer for Cure, Airscan for Climate, Boost for Wo=Men, Tubbe for Be=Long, Responsible Young Drivers for Move, Close the Gap for Re=New, Campus19 for Virtu=All and Foodwin for Innov=Eat. Since 2019, EUR 4.8 million have been donated.

9.2.3 Private and Wealth Management

The Belfius philanthropy programme offers its wealthier customers a specific framework for including charitable donations as a structural element of their wealth management or estate planning. In this way, Belfius responds to the demand of clients who wish to support certain charitable activities (e.g. health, poverty, heritage preservation and development aid, amongst others) in a structured manner. Through this programme, Belfius supports its clients in the creation of their own registered fund within an existing structure, such as a public utility foundation or university.

In 2022, 257 funds were in operation and more than EUR 6 million were transferred from the estate of Belfius customers to various charities.

Allocation of philanthropic funds in 2022



9.3. Our heart Beats for Belgian Art

Belfius has been sharing its passion for art with the public for the past decade. Every year, the Belfius Art Gallery on the 32nd floor of the Belfius Tower, our Brussels headquarters, presents a new thematic selection of some 60 works from our collection. The Belfius Art Collection, with more than 4,000 works, is the largest private collection of Belgian art. In 2022, the Art Beats exhibition offered a fresh look at Belgian art by exploring the link between different styles, currents and artists.

In parallel to the exhibition, we proposed virtual tours of past and present exhibitions via our website in 2022, giving many visitors the opportunity to enjoy a digital experience of the Belfius Art Gallery. Our Facebook and Instagram accounts also highlight exhibitions and give the public a glimpse behind the scenes, as well as insights into known and lesser-known artists from this outstanding collection spanning over five centuries.

The collection is actively managed as new works by emerging Belgian talents are still acquired and loans of works from the collection to museums in Belgium and neighbouring countries are set up.

10. Human Resources

Belfius' purpose is to be "Meaningful and inspiring for Belgian Society. Together.". This purpose is embodied by the talents of Belfius' human capital.

Belfius attaches great importance to its talents and human capital plays a key role in the company's success. Our human resources policies also help to position Belfius as a highly customer-oriented organization that is adapted to an ever-changing environment.

Consequently, our mission is to manage this human capital and anchor the Belfius' culture in line with Belfius' purpose.

The four Belfius values provide the framework of a corporate culture:

- **Customer orientation**: the satisfaction of its customers is and will remain the reference and the ambition which governs everything Belfius does;
- **Authenticity**: Belfius respects each person's individuality and finds differences enriching. Everyone is at their best if they can be themselves;
- **Fairness**: Belfius seeks to balance the interests of all its stakeholders: its aim is to create long-term value for its customers and its company, as well as for the community and the environment;
- **Entrepreneurial spirit**: Belfius dares to take new paths and to push the limits. It also has a flair for opportunity, which it aims to deliver with passion, determination and integrity.

Belfius has a specific identity that goes beyond the FACE (Fairness, Authenticity, Customer-orientation and Entrepreneurial spirit) values that guide its actions, as they are made manifest through a set of concrete behaviors.

All Belfius managers learn about and are encouraged to champion the Belfius "Love" brand, FACE values and expected behaviours through our Leadershift Learning Expeditions, a four-day intensive residential training programme first held in 2019 and re-organised in 2022 to include newly-promoted or newly-hired managers. With the LeaderShift Expeditions, Belfius has created tremendous momentum and managers feel energised, proud and eager to make change happen.

10.1 Staff members: the backbone of the company

10.1.1. Key Figures

In 2022, Belfius Group counted 6,715 staff members of which 99% had permanent contracts.

The age pyramid shows the distribution of the number of staff members by age group. These figures show that ageing is not only one of the major challenges of the near future (more than 48% of staff members of Belfius Bank & Insurance, are aged 50 or more), but also offers opportunities in terms of "employability" of younger staff members, who can thus continue to develop within the organisation.

Movements in the number of active employees in the consolidated Belfius Group (headcount)(1)

Type of contract	2021			2022		
	Male	Female	Total	Male	Female	Total
Permanent contract	3,329	3,118	6,447	3,422	3,234	6,656
Fixed-term contract	34	50	84	30	29	59
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

Movements in the number of active employees working full-time/part-time in the consolidated Belfius Group (headcount)(1)

Work regime	2021			2022		
	Male	Female	Total	Male	Female	Total
Full-time	3,244	2,295	5,539	3,327	2,389	5,716
Part-time	119	873	992	125	874	999
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

Movements in the number of active employees per age category in the consolidated Belfius Group (headcount)(1)

Age category	2021			2022		
	Male	Female	Total	Male	Female	Total
20y-29y	270	281	551	310	307	617
30y-39y	560	499	1,059	617	534	1,151
40y-49y	813	965	1,778	790	930	1,720
50y-59y	1,277	1,222	2,499	1,252	1,244	2,496
60+	443	201	644	483	248	731
TOTAL	3,363	3,168	6,531	3,452	3,263	6,715

(1) All of the figures relating to staff are for the "active" headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

10.1.2. Tailored Talent Acquisition strategy

Talent Acquisition refers to the act of placing particular emphasis on the process of finding and hiring new employees.

In 2022, 907 internal and external vacancies for permanent positions were published for Belfius Bank and 347 for Belfius Insurance.

Number of internal and external vacancies at Belfius Bank and Belfius Insurance, excl. temporary vacancies

	2021	2022
# vacancies	1,184	1,254

Movements in the number of 'arrivals' per age group in the consolidated Belfius Group excl. transfers between entities(1)

Year	Age group	Male	Female	Grand Total
2021	20-29	102	85	187
	30-39	82	52	134
	40-49	28	41	69
	50-59	20	8	28
TOTAL 2021		232	186	418
2022	20-29	123	94	217
	30-39	113	89	202
	40-49	60	51	111
	50-59	35	22	57
TOTAL 2022		331	256	587

(1) All of the figures relating to staff are for the "active" headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

In order to face the challenges of the future, Belfius is convinced that it is necessary to invest today in tomorrow's solutions. For Belfius, as for many other companies, the need to recruit new profiles is a challenge. Belfius is constantly on the lookout for the right new talents, on the one hand to reinforce expertise in specific domains and on the other to build a talent pipeline of diverse profiles with the potential to grow and remain relevant.

Each year Belfius recruits around 20 to 30 **Young Professionals**, young people who have just graduated or who have limited professional experience. These young staff members work on strategic projects in different departments for four to six-month missions.

As part of our objective to reach a younger audience for a diverse and inclusive workforce, Belfius invests in university job fairs and networking events that reinforce Belfius' employer brand.

In 2022, Belfius Bank and Belfius Insurance welcomed 76 **interns**.

Number of work experience trainees at Belfius Bank and Belfius Insurance (from school)

	2021	2022
Male	30	46
Female	16	30
GRAND TOTAL	46	76

Belfius aims to attract the best talent and develop their full potential. Increased inflow of young talents with the potential to grow and continuously develop is crucial for Belfius to remain relevant. To this end, we have established a **partnership with "Capital"**, whose mission is to offer a wide range of impactful activities together with different societal partners to Brussels youth.

Finally, Belfius invests in developing an inspiring end-to-end talent acquisition and onboarding journey, underpinned with a focus on a strong **Employer & Employee Brand**, attention to Diversity & Inclusion, and a focus on the attraction of Millennials.

A new and more modern recruitment and onboarding tool will be implemented in 2023. This will complement the authentic and warm Belfius onboarding with a digital touch.

10.1.3. Outflow

Natural turnover is also a challenge for Belfius. In absolute figures, the number of departures increased last year. The majority of these were staff members in the 60+ age group who were retiring (35% of total departures). At the end of 2022, the 60+ age group represents 11% of our active population at Belfius Bank and Belfius Insurance.

Movements in the number of "departures" per age group in the consolidated Belfius Group, excl. transfers between entities[1]

Year	Age group	Male	Female	Grand total
2021	20-29	33	31	64
	30-39	41	32	73
	40-49	31	15	46
	50-59	17	25	42
	60 and +	67	47	114
TOTAL 2021		189	150	339
2022	20-29	27	29	56
	30-39	57	38	95
	40-49	31	22	53
	50-59	25	10	35
	60 and +	82	44	126
TOTAL 2022		222	143	365

Movements in churn in Belfius Bank en Belfius Insurance, i.e. number of departures in year N / [(# headcounts at 31/12 for year N-1 + # headcounts at 31/12 for year N) / 2][1]

	2020	2021	2022
Belfius Bank	3.10%	4.01%	4.82%
Belfius Insurance	6.36%	8.54%	7.81%

(1) All of the figures relating to staff are for the "active" headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

10.2. Talent management

As a bank-insurer, the quality of Belfius' talents is a key asset, but attracting the right profiles is not enough – creating a healthy, safe and motivating work environment and focusing on the development of talents is key to providing meaningful employment. Only by investing in lifelong learning and sustainable careers can talent retention be fostered to face the challenges of tomorrow.

10.2.1. Lifelong learning

Lifelong learning is the ongoing, voluntary and self-motivated pursuit of knowledge for either personal or professional reasons.

Changes in the environment, such as new technologies, digitization, early retirement and so on require staff members to be flexible. People no longer embark on a "job for life", so in an environment that is rapidly changing, a culture of life-long learning is crucial. Belfius is convinced that this is the best guarantee for its staff members to stay ahead of the latest developments and to increase their employability. Consequently, Belfius provides its staff members with the means they need to continue investing in their personal development and, in doing so, it is nurturing a purposeful and sustainable organisation.

To give its employees every opportunity to develop in a rewarding work environment, a "Talent Development, Leadership and Change" team is dedicated to the development and management of training (hard and soft skills), talent development and change management.

Belfius offers its employees a wide range of **training programmes** that cover soft skills, technical skills and theoretical knowledge through the "My Development" portal. 35,593 days of training were given in 2022 (mostly by videoconference).

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Average days of training per employee (incl. on-the-job, e-learning & mandatory training)	6.1	6.4	7.8	6.8
Average per female employee	6.3	5.6	8.0	7.0
Average per male employee	6.0	7.2	7.6	6.5

In addition, Belfius regularly organises enriching **conferences** given by renowned external speakers to inspire employees.

The **"My Development"** portal also provides access to:

- Share&Learn: an internal platform for every employee to share informative or inspiring content;
- GetAbstract: an online service that provides summaries of over 10,000 of the most influential books in the business world on personal development, leadership, business strategy or sales and marketing, to be read in less than 10 minutes;
- +Babbel: a language learning platorm to learn new languages.

Initiatives organised by and for employees are also promoted. In our **Train Your Colleague sessions**, employees with specific expertise share with their colleagues, for example digital or linguistic skills (Linguistic Lunches), or even skills beyond banking and insurance activities. In total, more than 70 training sessions were given in 2022.

Finally, change management is another key element considered by Belfius in creating sustainable jobs and opportunities. The **Belfius Change Center** is available for all staff from management committees, senior managers and team and project leaders, through to senior managers, the Management Board and the Board of Directors.

10.2.2. A sustainable career policy

A sustainable career policy is a set of strategies and actions designed to help individuals maintain a successful and fulfilling career over the long term.

In 2019, Belfius Bank introduced a new career policy based on two pillars: on the one hand a reflection tool that is available in the form of a personal online questionnaire, allowing employees to ask themselves the right questions to manage all aspects of their career; and on the other hand each employee has the opportunity to invite their manager at least once every 12 to 18 months to a career interview to discuss their future professional plans.

In addition, **continuous feedback** is part of the Belfius, culture and bolsters the above two pillars. Belfius supports managers and directors in giving feedback as often as possible following negative or positive performances:

- positive and exceptional performance is often rewarded with variable remuneration (a 'spot award') which is awarded throughout the year;
- negative performance is followed up with concrete feedback and an action plan is discussed between the manager and the department's HR business partner.

Internal mobility

One of the ways to achieve a sustainable career is to move to another role/function within the company (internal mobility). As an employer, Belfius offers a wide range of functions, both in central and regional departments, and offers a wide variety of job opportunities to potential candidates. In 2022, 360 staff members changed jobs within Belfius Bank and 110 within Belfius Insurance.

10.2.3. Employee satisfaction and engagement

For the past nine years, Belfius has been measuring the satisfaction and engagement of its staff members through its annual engagement survey. Engagement remains very high in 2022, with 86.9% of employees engaged across Bank and Insurance together.

"Satisfaction indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)(1)

	2020	2021	2022
Belfius Bank	96.7%	92.9%	95.0%
Belfius Insurance	95.5%	92.7%	92.0%

"Engagement Indicator" scores from the Engagement Survey (Belfius Bank and Belfius Insurance)(1)

	2020	2021	2022
Belfius Bank	90.9%	87.0%	87.5%
Belfius Insurance	88.8%	84.7%	83.9%

(1) All the figures relating to staff are for the "active" headcount (unless stated otherwise), i.e. excluding employees taking early retirement, on long-term sick leave, full-time time credits, on secondment.

10.2.4. Leadership

Leadership is the ability to inspire and guide others towards a common goal or vision.

Leadership plays an essential role in aligning everyone behind a common vision, conveying meaning and inspiration, supporting change and bringing values to life within teams. Leadership training courses are available on MyDevelopment.

Coaching requests increased in 2022 to 45, for Belfius Bank and Belfius Insurance.

Every year, HR launches an internal **talent scouting exercise**. Each department can offer employees the opportunity to enroll in a talent development programme (Key Potentials, Forward, Future Teamleaders, Talented Employees) to shape the managers of tomorrow. The HR Business Partner supports departments and their managers in their choice of candidates with their knowledge of the individuals concerned. During this exercise, Belfius ensures that women and men are given equal opportunity and are fairly distributed.

	2020		2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Number of staff members who changed jobs within Belfius	238	62	336	75	360	110

10.3. Inclusive company culture

10.3.1. Human rights

Belfius respects the rights of its employees and in turn expects them to respect Belfius' human rights values and the Code of Conduct which requires an honest and ethical attitude at work.

In accordance with Belgian law and its regulations on human rights and labour law, Belfius formally prohibits child and forced labour across all of its activities. In line with the International Labour Organization's (ILO) conventions and local/EU-level regulations, Belfius shows the utmost respect and compliance on its employees' **right to collective bargaining and freedom of association**. In 2022, 94.18% of Belfius Bank and Belfius Insurance employees were covered by collective bargaining agreements.

The CLA No. of the NAR dated 24 May 1971 on the status of trade union delegation of personnel within companies posits that the representative workers' and employers' organisations express agreement with the following principles:

- workers recognise the necessity of the legitimate authority of the heads of enterprises and perform their work scrupulously;
- employers respect the dignity of workers and treat them fairly. They undertake not to hinder, either directly or indirectly, their freedom of association and the free development of their organisation within the company.

Enterprise representatives and trade union delegates are under all circumstances expected to demonstrate a sense of justice, fairness and conciliatory spirit towards good labour relations in the company and are expected to combine their efforts to comply with social legislation, collective agreements and labour regulations.

The management body is responsible for setting the social strategy, policies and risk framework, as well as supervising and managing their implementation. Conversely, employees are bound to perform their assigned work carefully and observe professional secrecy, particularly regarding confidential information which could cause damage to the company, both during and after the execution of the employment contract.

Discrimination of individuals on the basis of personal characteristics such as, among others, gender, skin colour, age, disability or sexual orientation has no place in Belfius' corporate culture. This is enshrined in our Anti-Discrimination Policy. Belfius applies a zero-tolerance policy towards violence in the workplace, including verbal, physical and sexual harassment.

Belfius respects the privacy of employees and acknowledges that data privacy issues are human rights issues, falling under the "S" of ESG. According to Human Rights Watch, comprehensive data protection laws are essential for protecting human rights. Most obviously the right to privacy but also many related freedoms depend on the ability to make choices regarding how and with whom information is shared. Compliance with Global Data Protection Regulation (GDPR) is a crucial aspect in the processes to guarantee **privacy and protection of personal data**.

10.3.2. An active diversity, equitable opportunities and inclusion (DEI) approach

An active diversity, equitable opportunities and inclusion (DEI) approach is a proactive and deliberate effort to promote a culture that fosters diversity, equality and inclusion, ensuring equal opportunity and equal pay.

Belfius believes a diverse and inclusive workplace where each employee feels their presence is valued and respected is conducive to a sense of engagement and innovation. For this reason, DEI makes up one of the core values of Belfius' approach. We also believe that this contributes to the development of Belgian society. With this purpose, the **Diversity Manager** and the **Diversity Steering Group** have been working towards creating an ever more inclusive environment at Belfius since 2015. An environment that gives the opportunity to all employees to be and to act in line with their personality and share this with their colleagues in an open and authentic way.

In line with this, Belfius has also integrated its DEI approach into the screening of candidates, interview processes, salary proposals, recruitment KPIs, onboarding journeys, promotions & leadership trajectories and employer brand & value propositions.

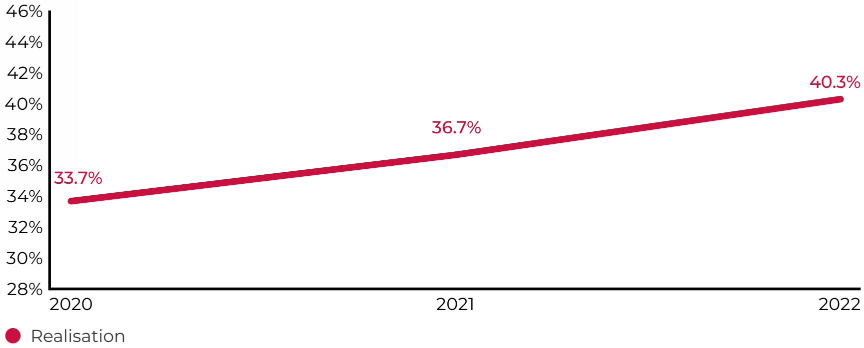
As a firm believer of the importance of diverse representation (gender, age, origin, language etc.), Belfius is a signatory to the **Inclusive Panels Charter**, to strive towards diverse panel representation in order to facilitate the creation of a sense of belonging for the audiance.

In 2022, Belfius took another step towards diversity and inclusion by officially becoming a partner of **Open@Work** to bring together and connect people from the LGBTQIA+ community within Belfius. The initiative aims to join forces to create and improve the working environment of the companies involved so that everyone feels comfortable and at home in the work environment.

Belfius continues to take an active part in the **"Women In Finance"** initiative to improve gender balance in the financial sector. By signing the Financial Sector Diversity Charter in 2019, Belfius committed to pursuing a set of diversity objectives, making them public and reporting on them annually. The results are published on the Department of Finance website. In 2022, Women in Finance hosted an inclusive networking event, in which Belfius' Diversity Manager took part.

Belfius Group is gradually establishing a better gender balance at all levels of the organisation. The average number of women in managerial positions (manager or senior/key position except Management Board) evolved positively in 2022 By 2025, our aim is that 44% of managerial positions are occupied by women (scope Belfius Bank and Belfius Insurance). Women make up 37.5% of Belfius Bank's Board of Directors and 33.3% of Belfius Insurance's Board of Directors.

Arithmetic average BB & BI weight female managers



Belfius' remuneration policy is gender neutral and non-discriminatory. The remuneration policy ensures equal access to all available positions within the company without distinction of gender, and applies a uniform system of remuneration for the same category of employees. Belfius strives for equal remuneration for equal responsibilities and equal experience and discusses, measures and reports evaluations, remunerations and promotions within the competent bodies on an annual basis. An analysis to measure a possible gender pay gap is carried out every two years and is presented to the social partners (Works Council). In 2022, the unadjusted pay gaps of 12% (Belfius Insurance) and 11% (Belfius bank) shrank to a 1% adjusted pay gap for both entities, which means the same salary is paid under the same conditions (seniority in the company, function level, level of education, activity percentage) regardless of the gender of the employee.

Belfius Bank

	2021			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Total number of employees entitled to parental leave	1.044	608	436	1100	633	467
Total number of employees who took parental leave	120	59	61	152	64	88
Total number of employees who returned to work after parental leave ended	120	59	61	152	64	88
Total number of employees who took parental leave in the year and are still employed today	119	58	61	147	61	86
Retention rate of colleagues who took parental leave	99%	98%	100%	97%	95%	98%

Belfius Insurance

	2021			2022		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**
Total number of employees entitled to parental leave	387	180	207	387	181	206
Total number of employees who took parental leave	65	24	41	64	22	42
Total number of employees who returned to work after parental leave ended	63	24	39	61	21	40
Total number of employees who took parental leave in the year and are still employed today	59	22	37	59	21	38
Retention rate of colleagues who took parental leave	91%	92%	90%	92%	95%	90%

Belfius supports employees through all stages of their lives and their career paths by a **parental leave policy** that complements our DEI approach.

The **Belfius Young Community (BYC)** brings together employees under the age of 36 to support them in the early years of their careers. Through its activities, it contributes to broadening the role of young employees so that they can leave their mark on Belfius' corporate culture.

10.4. Strong focus on health and wellbeing

By prioritising health and wellbeing regardless of circumstances, individuals can improve their overall quality of life and be better equipped to handle the challenges that they may face.

Belfius attaches great importance to the general wellbeing, safety and health – both physical and mental – of all its staff. Welfare, safety and health concern us all and is a right for each and every one of us.

10.4.1. Occupational health and safety management system

Belfius has a **health and safety policy as specified** by the Wellbeing Law of 1996 and its executive decrees (Codex Wellbeing at Work). It requires the development of a policy that aims to prevent accidents at work and occupational illnesses, and specifies the relationship between people and work so that better attention is paid to people as a whole.

Belfius employs a dynamic **risk management system** that covers the following seven wellbeing domains: occupational safety, ergonomics, occupational hygiene, occupational health, environmental impact on employees, psychosocial aspects, embellishment of workplaces, as well as the (potential) interactions between these domains. The risk management system enables prevention planning and the implementation of policies, in accordance with the Deming Principle (Plan-Do-Check-Act).

The prevention policy takes into account a number of specific government-issued legal and regulatory requirements, such as the designation of an internal health & safety adviser, the affiliation to an external health & safety service, the Committee for prevention and protection at work, emergency procedures (first aid, fire, etc.) & accident prevention, psychosocial and ergonomic risks.

Belfius also works with contractors, third parties, temporary workers and trainees. These persons are considered equal to internal employees under the wellbeing law and thus have the same rights and obligations.

10.4.2. Hazard identification, risk assessment and incident investigation

A job risk analysis exists for all internal employees. It is carried out by the internal H&S department and the occupational physician. The result of this analysis determines whether the employee should have a medical examination, follow specific trainings, have personal protection equipment, etc. The results of this analysis are reviewed on a yearly basis and adjustments are carried out if needed.

Persons/organisations who perform work at Belfius (bodyshoppers, contractors, trainees etc.) receive the following information in advance of their time at Belfius: Health, Safety & Environment - A responsible bank-insurer - Belfius.

Every employee has the right and duty to report an unsafe situation and also has the right to stop work if they consider it too dangerous. An internal employee can do this by informing their supervisor or by contacting the H&S service. The legislation protects employees against possible reprisals.

The external workforce has the same duties, rights and protection in reporting unsafe situations under the wellbeing legislation.

For internal employees, a root cause analysis is performed for each accident (via an insurance declaration tool). Based on this analysis, corrective measures are determined to avoid a similar incident/accident in the future.

For the external workforce, accident investigations are carried out by the third-party employer. These provide Belfius with the necessary information so that any preventive measures can be taken. Every third party is obliged to provide Belfius with all incidents that have occurred at least annually. In the case of serious accidents, Belfius has the right to participate at the Root Cause Analysis.

As a service providing company, Belfius' greatest risks are situated in the psychosocial and ergonomic domain for internal employees. Contractors may come into contact with more technical installations as a result of their work, such as the maintaining of buildings. So far, no serious industrial accidents have occurred with contractors. Nevertheless, through contractor management, Belfius always tries to provide the necessary exchange of information in order to detect risks preventively and reduce them to a minimum by taking all the necessary measures.

Risk assessments are carried out on a regular basis: psychosocial (2019, 2021, 2022), ergonomics (2016, 2017, 2022), indoor climate (2021, 2022), fire (2021, 2022), functions (2016, 2021). Belfius often opts for participatory risk analyses in which every employee can partake and contribute to the mapping of risks via a global anonymous employer's report. Additionally, all employees have the opportunity to propose initiatives and points for improvement.

The advice and results from these risk analyses are translated into an action plan. Both the results and the action plan are presented and followed up at the Committee for Prevention and Protection at Work.

10.4.3. Health and Safety organisation at Belfius

The Internal Service for **Prevention and Protection at Work** contributes to the implementation of legal and regulatory provisions relating to the wellbeing of employees in the performance of their work. The workers' representatives in this committee are elected every four years as part of the social elections and represent all employees within the organisation (white-collar and blue-collar workers). They are convened as soon as the need arises.

In 2022, 10 meetings were organised for Belfius Bank and 11 meetings for Belfius Insurance. The following areas were formally discussed: safety at work, protection of employee health, psychosocial stress (stress and violence, harassment or sexual harassment at work), ergonomics, occupational hygiene, embellishment of workplaces and environmental measures which have an impact on wellbeing at work.

Moreover, various prevention advisers are also at the service of employees, including a prevention adviser responsible for psychosocial aspects. At Belfius, each **prevention adviser** is also a confidential adviser and is therefore bound by professional secrecy. All these persons have also been approved by the Committee for Prevention and Protection at Work.

Belfius provides a lot of information on wellbeing via InSite. Employees can find information via internal communication channels on the following topics: physically fitness, mental fitness & resilience, safety at work, optimal working environment, healthy lifestyle, training, and a contact page for H&S support (internal and external services).

Belfius has a mandatory Health & Safety e-learning for all employees, as well as an evacuation exercise /fire drill. First aid training is provided to the first aid team and fire training to the fire intervention team. Optional trainings include psychosocial training (such as mindfulness, dealing efficiently with stress) or automatic defibrillator training.

Most Belfius employees do not come into contact with customers. For those who do, the biggest risk is aggression. To support staff in this, extra security personnel are provided and training is given on dealing with aggression and aggressive customers.

The policies and actions with regards to health and wellbeing, as well as figures (absenteeism, engagement, PBT-score, etc.) compared to external sectoral and national benchmarks, are presented annually to the **Board of Directors**.

10.4.4. Investing in well-being

Belfius has been following a structured approach to employee health and wellbeing for several years. A **"wellbeing tool"** makes it possible to identify the level of resilience and risk factors, both at collective and individual level, so that targeted measures can be taken. At the individual level, employees receive confidential report with concrete courses of action. They can find support internally from the psycho-social team, but also externally through an Employee Assistance Programme (EAP).

The **EAP** provides free external assistance, complementary to the internal prevention services. The service is accessible 24/7, remotely or via a personal interview, is fully confidential and is available to employees and their families for any problem (psychological, relational, financial, legal, practical work /life balance support etc.), whether private or professional in nature. In 2022, 184 Belfius Bank & Insurance employees called on the EAP.

In addition, Belfius is also affiliated to an external prevention service, Idewe, which has more than 900 qualified employees and provides support in the seven welfare domains of the welfare legislation. Annually, they support Belfius for around 1,500 hours, the largest number of hours going to medical examinations and performing risk analyses in all domains (safety, ergonomics, psychosocial). In the ergonomics domain, they provide suggestions and advice on the most appropriate type of office chairs, mice, desks, workstation settings and the use of computer glasses.

Within Belfius Bank, a free medical check-up is offered every two years from the age of 40. At Belfius Insurance, the check is offered to all employees every two years for employees under the age of 50 and annually from the age of 50.

10.4.5. Work-related issues

At Belfius Bank and Belfius Insurance, there were 10 accidents at work, 35 accidents whilst commuting and 1 fatality in 2022 (which represents a 0.03% loss of productivity).

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Total number of employees with work-related injuries	27	6	39	7
Of which fatalities	0	0	1	0
Of which a workplace accident	16	2	10	0
Of which commuting	11	4	28	7

Specific guidelines are communicated to minimize **work-related injuries**. These include reporting an unsafe situation, creating an optimal working environment, detailed safety instructions and recommendations for safe commuting, as well as detailed emergency procedures and/or descriptions of evacuations.
In addition to the hardship caused to employees, the work-related accidents recorded in 2022 represent a loss of productivity.

	2021		2022	
	Belfius Bank	Belfius Insurance	Belfius Bank	Belfius Insurance
Performable Hours (in thousand)	6,862	1,490	6,933	1,473
Work accident (expressed in thousands of hours)	1.6	0.4	3.3	0.3
Loss of productivity	0.024%	0.029%	0.048%	0.019%

The **loss of productivity** is calculated by the quotient of the number of hours of incapacity in the event of an accident and the total number of performable hours. Only employees on the payroll are taken into account.

Over the past three years, **absenteeism** at Belfius has remained relatively stable.

Absenteeism

	2020	2021	2022
Belfius Bank	3.76%	3.90%	4.61%
Belfius Insurance	4.98%	5.42%	5.51%

10.5. Remuneration at Belfius

10.5.1. Employee benefits

Employee benefits are designed to provide employees with financial and non-financial support that can help to improve their overall quality of life and job satisfaction.

Remuneration and benefits for employees are different per entity of the group. Overall, Belfius Bank and Belfius Insurance employees have access to benefits that include, but are not limited to, pension, life and health care insurance, disability and invalidity coverage, parental leave, meal vouchers and a cafetaria plan with a.o. mobility options such as car lease. Differentiation of benefits for employees based on the type of employment contract is possible:

- in principle, the same benefits apply for part-time employees as for full-time employees, apart from the fact that some are calculated on a pro rata basis, depending on the percentage of their work regime (e.g. salary, premiums, etc.);
- for fixed-term contract employees, some benefits do not apply. Those are mainly linked to the cafeteria plan and lease contracts. Benefits where the leasing period is longer than the duration of the fixed-term contract do not apply for fixed-term contract employees.

10.5.2. Senior management

Concerning remuneration policies for members of the highest governance body and senior executives, Belfius Group aims to have a single, overall remuneration policy for all entities. This remuneration policy fully applies to Belfius Bank and Belfius Insurance. With regards to subsidiaries and, more specifically, to Corona and Belfius Investment Partners, the same basic principles apply. The specific nature of the subsidiary, in particular its size, specific regulations and the company's impact on the risk profile of the Belfius Group must always be taken into account however.

Process of defining remuneration

The Belfius Group's remuneration committee prepares the remuneration policy of the entities belonging to Belfius Group. The resulting recommendations are submitted for decision to the respective Boards of Directors.

The policy may be revised at any time pursuant to a decision of the Board of Directors at the proposal of the Remuneration Committee, including in the event of a change in legislation relating to fiscal, social and accounting law, a change in corporate governance rules, or a change in the applicable legal and regulatory framework.

Depending on the activity and level of seniority in the position, Belfius Group positions the remuneration of employees to whom the remuneration policy applies in relation to their peers. The positioning is therefore done in relation to a reference market.

By means of an endorsement or decision by the Board of Directors of the company concerned, targeted measures may be considered in certain Belfius Group entities when significant anomalies are identified in order to enable Belfius Group to attract the missing necessary talent or to retain and reward the talent already present.

Structure of remuneration

Any type of remuneration may consist of:

- a **fixed** part (including fixed salary, function premium on condition that the person continues to occupy that position), allowance (provided the legal conditions are fulfilled) for group insurance, fixed reimbursement of out-of-pocket expenses, healthcare insurance and company car. The fixed proportion is the largest part of the remuneration;
- a **performance-related**, variable part: additional payments that are linked to pre-defined performance criteria to retain and motivate staff already working for the Group, as well as to be able to recruit new talent in line with market practices.

The performance-related remuneration is made up of three parts that are assessed separately based on a number of financial and non-financial, quantitative or qualitative criteria:

- Group and entity share: this share is common to all employees and is calculated based on indicators taken into consideration by the Board of Directors at the proposal of the Remuneration Committee;
- Business share: the business share is assessed individually in the light of the objectives allocated for the coming year;
- Individual share: the individual share is assessed based on the objectives for the year in question, based on financial and qualitative criteria, such as management skills, the way in which the employee in question took part in the development or practical implementation of the business plan for his or her department and compliance with the mission of the Belfius Group.

Belfius also encourages the adoption of Belfius' sustainability values by its managers through their annual variable remuneration. Non-financial qualitative criteria, such as customer satisfaction, carbon emissions of own operations, employee engagement, the development of leadership, diversity and the management of operational risks are included in the three parts set out above and represent at least one third of the total to provide even greater support for ESG considerations in management decisions.

In the event of a possible consolidated loss of Belfius Group (net result after tax), of a noticeable fall in results, or in other unfavourable circumstances, the group and entity share and business share of the performance-related remuneration may be reduced to zero. In addition, the entire performance-related remuneration may be reduced to zero if the individual assessment falls below a certain percentage or if the results or other circumstances in which Belfius Group finds itself are so severe that the Board of Directors, on the advice of the Remuneration Committee, is obliged to bring the entire performance-related remuneration to zero.

Notwithstanding the statutory and regulatory provisions, **variable remuneration clawbacks** are possible in a number of situations (e.g. active participation in fraud, performance or risk issues at the company, etc.).

If a **signing-on payment** were to be made by way of compensation for a loss of variable remuneration allocated by the previous employer, this payment must reflect the long-term interests of the company and must meet all requirements regarding variable remuneration, in particular with regards to deferment, retention, payment in instruments and clawback rules. Non-compensatory signing-on payments may only be allocated once if the company has a solid capital base.

Severance pay not only covers compensation for dismissal or redundancy, but also any other payment allocated at the end of an employee's professional relations in any form whatsoever, including payments for non-competition. Severance pay proposals are prepared by Human Resources and, if required, coordinated with the independent control functions and submitted to the Remuneration Committee, Board of Directors and, where applicable, to the General Meeting and Works Council. When working out severance pay, the performance of the Senior Manager in question during the two years prior to the date on which collaboration comes to an end is taken into account.

Global Reporting Initiative (GRI) – table

Statement of use	Belfius Bank NV/SA has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI Financial Sector Standards have not been released yet, Belfius used the previous GRI G4 Financial Sector Services disclosures when relevant

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GENERAL DISCLOSURES					
GRI 2: GENERAL DISCLOSURES 2021	2-1	Organisational details	Belfius Bank NV/SA Public limited company Place Charles Rogier 11, B-1210 Brussels Belgium		
	2-2	Entities included in the organisation's sustainability reporting	Annual Report 2022: • Profile of Belfius; • Financial results - Preliminary notes to the consolidated financial statements; Sustainability Report 2022: About this report		
	2-3	Reporting period, frequency and contact point	Annual Report 2022: Message from the chairmen; Sustainability Report 2022: About this report		
	2-4	Restatements of information	There are no substantial restatements for the Belfius Sustainability Report 2021.		
	2-5	External assurance	Sustainability Report 2022: About this report		
	2-6	Activities, value chain and other business relationships	Annual Report 2022: • Message from the chairmen; • Profile of Belfius; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Sustainable procurement		
	2-7	Employees	Sustainability Report 2022: Human Resources		#8 Decent work and economic growth; #10 Reduced inequalities
	2-8	Workers who are not employees	Omitted	Information unavailable/ incomplete(1)	#8 Decent work and economic growth; #10 Reduced inequalities

(1) Monitoring of workers who are not employees is being put in place.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GRI 2: GENERAL DISCLOSURES 2021	2-9	Governance structure and composition	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-10	Nomination and selection of the highest governance body	Annual Report 2022: Corporate governance		#5 Gender equality
	2-11	Chair of the highest governance body	Annual Report 2022: Corporate governance		
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-13	Delegation of responsibility for managing impacts	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-14	Role of the highest governance body in sustainability reporting	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		
	2-15	Conflicts of interest	Annual Report 2022: Corporate governance		
	2-16	Communication of critical concerns	Omitted	Information unavailable/ incomplete[(1)]	
	2-17	Collective knowledge of the highest governance body	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - ESG Governance		#4 Quality education
	2-18	Evaluation of the performance of the highest governance body	Annual Report 2022: Corporate governance		
	2-19	Remuneration policies	Sustainability Report 2022: Human Resources - Remuneration at Belfius		
	2-20	Process to determine remuneration	Sustainability Report 2022: Human Resources - Remuneration at Belfius		
	2-21	Annual total compensation ratio	Omitted	Confidentiality constraints[(2)]	
	2-22	Statement on sustainable development strategy	Annual Report 2022: Message from the chairmen		
	2-23	Policy commitments	ESG Framework		
	2-24	Embedding policy commitments	Annual Report 2022: Message from the chairmen		
	2-25	Processes to remediate negative impacts	Omitted	Information unavailable/ incomplete[(3)]	
	2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Compliance & ethics		
	2-27	Compliance with laws and regulations	Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Compliance & ethics		

(1) Critical concerns treated by Board of Directors on a case by case basis. Numbers not monitored.
(2) No legal obligation to publish.
(3) Whistleblowing mechanism in place, but does not cover all negative impacts.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
GRI 2: GENERAL DISCLOSURES 2021	2-28	Membership associations	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Engaging with our stakeholders		#17 Partnerships to achieve the Goals
	2-29	Approach to stakeholder engagement	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Engaging with our stakeholders		
	2-30	Collective bargaining agreements	Sustainability Report 2022: Human Resources - Human rights		#8 Decent work and economic growth;
MATERIAL TOPICS					
GRI 3: MATERIAL TOPICS 2021	3-1	Process to determine material topics	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Materiality assessment		
	3-2	List of material topics	Sustainability Report 2022: ESG fully embedded in the Belfius Strategy - Materiality assessment		
INFORMATION SECURITY					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Risk Management; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Data privacy & Information security		
TALENT MANAGEMENT					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: Human Resources; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy		#3 Good health and well-being; #4 Quality education; #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 401: EMPLOYMENT 2016	401-1	New employee hires and employee turnover	Sustainability Report 2022: Human Resources - Key figures/ Tailored talent acquisition strategy/Outflow		#3 Good health and well-being, #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report 2022: Human Resources - Employee benefits/Senior management		
	401-3	Parental leave	Sustainability Report 2022: Human Resources - An active diversity, equitable opportunities and inclusion (DEI) approach/Employee benefits		
GRI 404: OCCUPATIONAL HEALTH AND SAFETY 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report 2022: Human Resources - Strong focus on health and wellbeing		#3 Good health and well-being; #4 Quality education; #5 Gender equality #8 Decent work and economic growth; #10 Reduced inequalities
	403-9	Work-related injuries	Sustainability Report 2022: Human Resources - Strong focus on health and wellbeing		
GRI 404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee	Sustainability Report 2022: Human Resources - Lifelong learning		#4 Quality education; #5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
	404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report 2022: Human Resources - A sustainable career policy	Information unavailable/ incomplete[1]	

(1) Although the main disclosure requirements in the Guidance have been reported on, due to data constraints certain granular data could not be disclosed.

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
CUSTOMER EXPERIENCE AND SATISFACTION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	ESG framework; Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Sound Corporate Governance - Responsible business conduct - Compliance & ethics; • Listening to our customers - For your Love, we do more/ Complaint management		#10 Reduced inequalities
PRIVACY AND DATA PROTECTION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Risk Management; Sustainability Report 2022: Sound Corporate Governance - Responsible business conduct - Data privacy & Information security		
GRI 418: CUSTOMER PRIVACY 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report 2022: • Sound Corporate Governance - Responsible business conduct - Data privacy & Information security; • Listening to our customers - Complaint management		
CLIMATE CHANGE AND ENVIRONMENTAL RISKS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	ESG framework; Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth; • Sound corporate governance - Responsible business conduct - Sustainable procurement; • Focus on climate action - Decarbonisation trajectory/ Acknowledging emerging environmental challenges/ Environmental and climate-related risks and opportunities		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action; #14 Life below water; #15 Life on land
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		#3 Good health and well-being; #7 Affordable and clean energy; #8 Decent work and economic growth; #12 Responsible consumption and production; #13 Climate action
	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
	305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory/Environmental and climate-related risks and opportunities - Metrics and targets		

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
COMPLIANCE AND BUSINESS ETHICS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Governance Memorandum; ESG framework; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Compliance & ethics		
GRI 205: ANTI-CORRUPTION 2016	205-3	Confirmed incidents of corruption and actions taken	Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Compliance & ethics		
RESILIENCE AND LONG-TERM ORIENTED FINANCIAL PERFORMANCE					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value generated and distributed	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 207: TAX 2019	207-1	Approach to tax	Sustainability Report 2022: Sound corporate governance - Responsible business conduct - An honest taxpayer		#8 Decent work and economic growth
	207-2	Tax governance, control, and risk management	Annual Report 2022: Financial results; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - An honest taxpayer		
	207-4	Country-by-country reporting	Annual Report 2022: Declaration of transparency, Country-by-country reporting		
HUMAN RIGHTS					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Human Rights Policy; Anti-Discrimination Policy; Sustainability Code of Conduct for Suppliers; Sustainability Report 2022: • Human Resources - Human rights • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Sound corporate governance - Responsible business conduct - Compliance & ethics/Human rights due diligence/Accelerating the transition/ Sustainable procurement		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability Code of Conduct for Suppliers; Sustainability Report 2022: Sound corporate governance - Responsible business conduct - Sustainable procurement		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
COMMUNITY INVOLVEMENT					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Annual Report 2022: Financial results; Sustainability Report 2022: • Meaningful growth - Sustainable financing solutions; • Community involvement		#1 No poverty; #8 Decent work and economic growth; #9 Industry, innovation and infrastructure; #10 Reduced inequalities; #11 Sustainable cities and communities
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value generated and distributed	Annual Report 2022: Financial results; Sustainability Report 2022: Community involvement		#8 Decent work and economic growth
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-2	Significant indirect economic impacts	Sustainability Report 2022: • Meaningful growth, Sustainable financing solutions; • Community involvement		#1 No poverty; #8 Decent work and economic growth; #10 Reduced inequalities; #11 Sustainable cities and communities
GRI G4 LOCAL COMMUNITIES	FS14	Initiatives to improve access to financial services for disadvantaged people	Sustainability Report 2022: Listening to our customers - Special attention to our vulnerable customers		#1 No poverty; #8 Decent work and economic growth; #10 Reduced inequalities
SUPPPORTING AND ACCELERATING THE SUSTAINABILITY TRANSITION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth; • Sound corporate governance - Responsible business conduct - Accelerating the transition; • Focus on climate action		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
GRI G4 PRODUCT PORTFOLIO	FS7	Monetary value of products and services developed in order to obtain specific social benefits by business line and purpose	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainable financing solutions		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainable financing solutions; • Focus on climate action - Aligning with the EU Taxonomy		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action
GRI G4 ACTIVE OWNERSHIP	FS10	Percentage and number of companies held in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues	Sustainability Report 2022: • Meaningful growth - Meaningful investing; • Meaningful growth - Sustainably managed proprietary portfolios - Sustainable management of insurance reserves (by Belfius Insurance)		#3 Good health and well-being; #7 Affordable and clean energy; #12 Responsible consumption and production; #13 Climate action

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
DIVERSITY, EQUITABLE OPPORTUNITIES AND INCLUSION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Human Rights Policy; Anti-Discrimination Policy; Sustainability Report 2022: Human Resources - Human rights/An active diversity, equitable opportunities and inclusion (DEI) approach; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy;		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	Sustainability Report 2022: Human Resources - Key figures/ An active diversity, equitable opportunities and inclusion (DEI) approach; Sustainability Report 2022: ESG fully embedded in the Belfius Strategy		#5 Gender equality; #8 Decent work and economic growth; #10 Reduced inequalities
FINANCIAL INCLUSION AND ACCESS TO FINANCIAL SERVICES					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Listening to our customers - Special attention for more vulnerable customers		#1 No poverty; #4 Quality education; #8 Decent work and economic growth; #10 Reduced inequalities
GRI G4 LOCAL COMMUNITIES	FS14	Initiatives to improve access to financial services for disadvantaged people	Sustainability Report 2022: Listening to our customers - Special attention for more vulnerable customers		#1 No poverty; #4 Quality education; #8 Decent work and economic growth; #10 Reduced inequalities
FUTURE-PROOF, INCLUSIVE AND RELEVANT INFRASTRUCTURE					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy - ESG at the heart of everything we do; • Meaningful growth - Sustainable financing solutions; • Community involvement		#8 Decent work and economic growth; #11 Sustainable cities and communities
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	Infrastructure investments and services supported	Sustainability Report 2022: • Meaningful growth - Sustainable financing solutions; • Community involvement		#8 Decent work and economic growth; #11 Sustainable cities and communities
TRANSPARENT COMMUNICATION ON PRODUCTS AND SERVICES					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy; • Sound Corporate Governance - Responsible business conduct - Compliance & ethics; • Listening to our customers		

GRI standard/ other source	Disclosure		References/Information (hover over text for link)	Omissions	Sustainable Development Goals
LOCAL INNOVATION AND DIGITALIZATION					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • ESG fully embedded in the Belfius Strategy, ESG at the heart of everything we do; • Meaningful growth, Innovative banking and insurance solutions		#9 Industry, innovation and infrastructure; #10 Reduced inequalities;
MANAGING DIRECT AND INDIRECT ENVIRONMENTAL IMPACTS OF BELFIUS GROUP					
GRI 3: MATERIAL TOPICS 2021	3-3	Management of material topics	Sustainability Report 2022: • Focus on climate action - Decarbonisation trajectory; • Towards more sustainability in our own operations, Reducing resource use and avoiding waste		#12 Responsible consumption and production; #13 Climate action
GRI 301: MATERIALS 2016	301-1	Materials used by weight or volume	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
GRI 302: ENERGY 2016	302-1	Energy consumption within the organisation	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Saving energy		#12 Responsible consumption and production; #13 Climate action
GRI 303: WATER AND EFFLUENTS 2018	303-5	Water consumption	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Water consumption		#12 Responsible consumption and production
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		#12 Responsible consumption and production; #13 Climate action
	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
	305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report 2022: Focus on climate action - Decarbonisation trajectory		
GRI 306: WASTE 2020	306-1	Waste generation and significant waste-related impacts	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
	306-2	Management of significant waste-related impacts	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		
	306-3	Waste generated	Sustainability Report 2022: Towards more sustainability in our own operations - Reducing resource use and avoiding waste - Steadily decreasing waste		

UN Global Compact Progress Index

Principles	References
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 2: make sure that they are not complicit in human rights abuses.	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 4: the elimination of all forms of forced and compulsory labour;	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 5: the effective abolition of child labour; and	Belfius Human Rights Policy Transition Acceleration Policy Sustainability Code of Conduct for suppliers Human Resources, Human rights
Principle 6: the elimination of discrimination in respect of employment and occupation.	Belfius Human Rights Policy Belfius Anti-Discrimination Policy Sustainability Code of Conduct for suppliers Human Resources, An active diversity, equitable opportunities, and inclusion (DEI) approach Human Resources, Human rights Sound corporate governance, Responsible business conduct, Compliance & ethics

Principles	References
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Towards more sustainability in our own operations Focus on climate action, Environmental and climate-related risks and opportunities
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Towards more sustainability in our own operations Focus on climate action, Environmental and climate-related risks and opportunities
Principle 9: encourage the development and diffusion of environmentally friendly technologies	Transition Acceleration Policy Sustainability Code of Conduct for suppliers Meaningful growth
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Belfius Anti-Bribery Policy Belfius Anti-Fraud Policy Sustainability Code of Conduct for suppliers Sound corporate governance, Responsible business conduct, Compliance & ethics

UNEP FI Principles for Sustainable Insurance reporting

Principle 1: We will embed in our decision-making, environmental, social and governance issues relevant to our insurance business.

Company strategy

As society is facing growing environmental, social and governance (ESG) challenges, sustainability has increasingly become an indispensable component within Belfius' strategy. We work with regulators, brokers and customers to guarantee sustainable business practices and develop approaches to better manage underlying trends in the insurance industry. As part of our core purpose: "Meaningful & Inspiring for Belgian Society. Together", Belfius aspires to creating long-lasting value for all of its stakeholders. With this vision as our guiding principle, we have defined a clear sustainability strategy.

On the one hand we 'walk the talk': we do what we say in terms of sustainability and ensure a maximum positive contribution in everything we do. On the other, we put our customers in the driver's seat of their sustainability ambitions and support them through an adapted range of products and services. We also provide a strong framework through collaboration with sound partners who help lead the way in a complex and changing world.

Because the fight for climate is more than an environmental issue, we make daily efforts to not only support, but actively enable, the transition to a low-carbon, resilient Belgian society as it is a crucial social change that we seek to encourage. Belfius joined the Science Based Targets initiative (SBTi) in 2022 and is committed to setting emissions reduction targets in line with the Paris Climate Agreement.

We are also aware of the complexity of finding solutions that meet both the needs of our clients and our sustainability goals. Within this context, we heavily invest in improving the quality of our ESG data environment. As we understand that appropriate measurement and transparent reporting are keys to success, Belfius attaches great importance to having an open dialogue with stakeholders on ESG issues to understand and tackle those properly and efficiently.

Belfius has established an ESG governance structure with clear responsibilities at Board and executive management level, regular collaboration and interactions with Belfius' insurance shareholder (Belfius Bank), and explicit integration of sustainability-linked criteria into the variable compensation of senior management positions. Furthermore, various dedicated teams are responsible for ESG issues within the Group, although we continually ensure that all of our employees include sustainability in their decision-making. In 2022, a total of five awareness sessions and two conferences were organised, including on topics such as sustainable IT and sustainable buildings, amongst others. For additional information, see section 6.1.7. and 7.3.1. of the Sustainability Report and section 5.2. of the Human Resources chapter.

Risk Management and underwriting

Introduction

As managers of risk, the insurance sector is exposed to ESG concerns. Traditionally, climate risk was mainly considered from the perspective of the non-life insurance business. The risks related to climate events were primarily managed via an appropriate risk (re)pricing based on historical data and mitigated by reinsurance. For insurance products, the underwriting of life risks might be impacted however, with the possibility of pricing being increasingly based on a prospective rather than a historical basis and the insurability of some risks currently covered by insurance policies becoming uncertain in the longer run.

Now, due to the escalating challenges posed by climate change, climate-related risks also encompass assets (risks due to transition or physical events).

In response to the increase in the frequency and severity of extreme weather events, considerable efforts have been devoted to assessing the significant issues related to climate change. With the objective of managing our exposure to climate-related risks, Belfius Insurance closely follows up on climate and sustainability risks. To this end, we have also included ESG risks in our Risk Management Framework and have defined a dedicated Risk Appetite Framework and suitable risk indicators. The aim of our Risk Management Framework is to ensure that existing and emerging risks are eventually systematically and effectively identified, assessed, managed and monitored. For more information, see section 7.3.2. and 7.3.5. of the Sustainability Report.

Risk Roadmap

In order to ensure that ESG risks are gradually and systematically embedded into our governance, processes and the existing Risk Management Framework, a three-year ESG Risk Roadmap was designed and approved in 2021 by the Management Board. It focuses on three risk categories:

- ESG Regulatory requirements: risk of not respecting (ESG) regulatory requirements in due time
- ESG Strategy: risk that ambitions related to sustainability are deemed insufficient (by clients & other major stakeholders) or not reached on time
- Resilience Risk: risk that profitability and solvency are materially affected by ESG events

The implementation of the ESG Risk Roadmap was structured around different steps. We initially performed qualitative screening of our climate-related physical and transition risks ("Climate Risk Map"). Then, based on this risk map, we quantified the impact of such risks, convinced that measurement is key in efficient risk management. For more information, see section 7.3.5. of the Sustainability Report.

A first climate stress scenario at company level was calibrated and the impact on our solvency ratio was computed in 2021. In 2022, a second stress test as part of the 2022 ORSA was performed. It should be noted that Belfius also closely analysed the climate stress tests proposed by several European supervisors, with the aim to improve our internal Climate Stress Test. For more information on the insurance climate stress tests, see section 7.3.6. of the Sustainability Report.

As a result, sustainability-related risks have been embedded in the risk appetite policy with dedicated key risk indicators (KRIs). These indicators have been defined and have been in use in 2022. We have also started to collect energy performance information on assets linked to real estate properties (for both direct investment in Belgian real estate and mortgage loans) as a first step to measuring transition risks for these kinds of positions. The subsidence risk for Belfius Insurance's portfolio is now covered in our property insurance and the Transition Acceleration Policy (TAP) has been fully implemented in our financial assets and underwriting portfolio. For more information on KRIs and the TAP, see sections 6.1.3. and 7.3.3. of the Sustainability Report.

Embed ESG in our risk management practices

In addition, in line with the ESG Roadmap and strategy, we took initiatives to embed ESG in our decisions, policies, processes and organisation. We applied sustainability criteria to several risk processes:

- Sustainability risks were more accurately included in the Risk Taxonomy
- Sustainability risks were added to the Risk Charter
- ESG considerations were added to the Investment Risk Framework and Real Estate Risk Framework. These are now also taken into account during the investment process
- Sustainability-related risks were integrated into the Risk Charter, Actuarial Function Charter, Remuneration Policy and Risk Taxonomy, so as to comply with Solvency II regulation which requires the inclusion of sustainability risks in various aspects of risk management
- Sustainability elements have been embedded in the Risk and Control Self-Assessment (RCSA) for the Internal Control Report
- The identification, assessment, monitoring and management of these risks in now part of our Risk Identification and Control Assessment Process (RiCap) and several ESG reflections have been included in the (product) approval process
- A review of sustainability risks aspects is regularly organised to monitor both regulatory evolutions and the development of good risk practices
- In line with Belfius Group's Transition Acceleration Policy (TAP), these screening principles have gradually been embedded into our underwriting guidelines over the course of 2022.

Product and service development

By essence, an insurance company has an essential social role. It is our mission to protect and insure our clients against the financial risks related to serious life hazards (e.g. domestic or mobility accidents, natural catastrophes, illness, hospitalisation, unemployment, disability or death). Since life is unpredictable, we seek to help our clients prevent those risks, protect them and their loved ones and facilitate their access to insurance solutions. To this end, we embed environmental, social and governance factors into our products and services.

In terms of insurance products, Belfius has adapted its processes, leading to the development of products incorporating ESG criteria and has facilitated the development of innovative insurance solutions. Our aim is that each of our products and services should fully integrate our ambition and strategy.

For our non-life insurance products, we seize every opportunity to encourage our clients in their transition towards a net-zero economy and society. We offer a wide range of products and services that answer to the needs of a large number of people and have a positive effect on the environment:

- With regards to Property insurance, we have widened our coverage to insure all “smart” installations that have a positive impact on reducing the Green House Gas (GHG) emissions of buildings (heat pumps, solar panels, batteries, etc.) without an extra premium. As of 2022, drought risk is now embedded in our coverage. Furthermore, in order to support our customers in their transition towards energy-efficient housing, we offered pricing reductions for housing with EPC below 150kw/m^2/year in 2022. Our property coverage extends to customers looking for shared mobility solutions and thus who do not own the car that they drive. It is essential that we support shared and circular economy initiatives as they will help ensure the maintenance of economic growth, while minimising GHG proliferation.
- In terms of Mobility Insurance, we have adapted our pricing in relation to CO_2 emissions and kilometres driven, encouraging the transition to low-carbon mobility, as well as offering an Assistance budget instead of a replacement car. Moreover, when a vehicle is damaged or faulty, insurers can play a key role in ensuring that repairs are carried out in the most sustainable way possible. In this respect, together with other industry players, Belfius is contributing to the development of standards for the future certification of actors in the repair chain that operate in an environmentally sensitive way. Finally, in 2022 we developed a unique all-in bike insurance product covering theft, personal injury and repair.

With regards to our Life Insurance products, we adapted our Kite Invest products (Branch 23, EUR 25 Bn outstanding) to be fully compliant with the Belfius Transition Acceleration Policy. We are committed to offer products matching all SFDR criteria by 2025 (Art 8 from SFDR). In 2022, 95% of our promoted insurance-based investment products were at least Art 8.

Our aim to become a more sustainable organisation does not stop at offering insurance solutions. The underlying risk covered by insurance solutions should be universally understood, especially by our clients. That is why we invest in prevention and clear communication. In 2022, we developed a communication prevention kit sending alerts and prevention tips before a natural catastrophe. This kit was activated five times in 2022, mainly for the storms in February and March and droughts during the Summer period.

For more information on our underwriting offer, please see sections 5.3. and 7.3.7. of the Sustainability Report.

Claims management

We also believe that our efforts should carry on during the whole lifecycle of our product offerings. It is our part of our mission to serve our clients fairly, quickly and transparently. Our easy-to-use MyBo platform is a clear reference for our efforts to facilitate the claims management process. MyBo was the preferred tool when natural catastrophes occurred. For instance, in February 2022 after disasters due to storms, a total of 67% of claims were introduced through MyBo.

Even when we deploy many solutions however, complaints can always arise, and we handle these in line with the expectations of the related Service Level Agreement. Those complaints are essential to improve our processes and allow our offerings to become even more meaningful for our clients in the future.

For more information on complaints management and the insurance approach, please see sections 5.3. and 6.2.2. of the Sustainability Report.

Sales and marketing

As Belfius' values revolve around customer-orientation, establishing transparent relationships with customers is an integral part of our mission. In addition to the ethics policies in place, also covering client relations, Belfius adheres to Assuralia's code of conduct.

In 2022, our sales forces were educated through various trainings to increase their understanding of sustainability so as to better advise our clients. Following the implementation of the amended Insurance Distribution Directive (IDD) integrating customers' sustainable preferences, the different networks (Bank and DVV) followed a mandatory education programme related to changes implemented by the directive.

For more information on responsible and transparent customer relations, please see section 6.2. of the Sustainability Report.

Investment management

As an insurer with deep roots in Belgian society, a large part of Belfius Insurance's resources is invested in Belgian assets. Indeed, Belfius Insurance's contribution to the Belgian economy cannot be underestimated.

In 2022, more than EUR 3.4 billion was invested in bonds issued by the Belgian State and Regions. Thanks to this investment, Belfius Insurance thus provides the State, Regions and, consequently, Belgian society, with significant resources that make it possible to intensify societal commitments.

In addition, in 2022 EUR 6.2 billion was invested in other Belgian assets (corporate bonds, real estate, mortgages, loans, shares of Belgian companies, etc.) across various sectors. We are also investing in the start-ups of the future through W.I.N.G.S, a business incubator, and started a sponsorship with Do! Gent.

As of 2022, a total of EUR 14.2 billion has been invested in the real economy, mainly in Belgium. Our Engagement Report gives more details on this.

We also seek to limit our impact on the environment while maximising our impact on society and its resilience. Since October 2022, our Transition Acceleration Policy (TAP) has been fully integrated into our Investment strategy. For more information on the TAP, see section 6.1.3. of the Sustainability Report.

Finally, Belfius acts as a responsible investor through its engagement strategy. Following the end of the partnership with Portfolio21 on September 30, 2022, Belfius Investment Partners is now in charge of the screening and engagement approach.

For further details on Belfius' insurance management of proprietary assets, see section 5.5.1. of the Sustainability Report.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Our clients

Belfius is aware of the increasing environmental, social and economic challenges that our society is facing. To this end, we integrate ESG considerations into our decision-making processes to prevent and manage sustainability risks that might impact our strategy. Our group also takes these considerations into account when engaging with our different stakeholders to understand their expectations, but also to ensure the path towards a sustainable future.

We continuously inform customers on ESG-related risks and, to support them with their daily operations, regularly develop a series of sustainable solutions to help them prepare for the potential negative effects of climate change (cf. Section 5.3.). Increasing our customers' awareness is a key priority for Belfius and to do so we provide additional information on our investment products (Life Invest products) to increase our clients' knowledge of ESG risks and to match their sustainability preferences with dedicated products. With regards to our property products and mortgages, we regularly inform clients on the different climate associated risks they may face (flooding and drought for instance) and how to help mitigate these.

In 2022 through market and peer analysis, we also updated our material topics list that had been assessed at Belfius Group level by various stakeholders in 2021. For more information on this, please refer to section 4.3. of the Sustainability Report.

Our suppliers

Our business partners also play an important role in our transition to a low-carbon economy. Belfius is aware of the need to manage its supply chain in a sustainable manner and to ensure that we maintain a constant dialogue with our suppliers so that they may take appropriate mitigating actions. This is crucial in terms of continuity, reputation and cost, as we have the ambition to make affordable insurance solutions available to all of our clients.

Within this context, we have selected EcoVadis as our partner to screen our most important existing and new suppliers and advocate for these changes. We believe it is not only important for Belfius Insurance to understand our suppliers' exposures related to ESG risks, but it is also considered by our suppliers as an opportunity to understand and improve their own processes. Modifications have been made accordingly, including to our tender process, to screen new suppliers so as to embark on the sustainability journey together from the very beginning. In 2022, 66%[1] of the total vendor spend was evaluated, prioritising High and Medium Risk suppliers. In the event that vendors did not immediately respond to the ESG assessment invitation, Belfius actively interacted with them. Finally, we reflected upon our own EcoVadis results related to the Sustainable Procurement theme and identified different areas that could be improved by the end of 2023.

For more information on sustainability within the supply chain, see section 6.1.6. of the Sustainability Report.

Insurers, reinsurers and intermediaries

In order to maintain the quality standards of the Insurance industry, we work together with other organisations to increase our expertise in the sector. To this effect, Belfius Insurance played a central role together with Assuralia members in the development of the ESG Action Plan aimed at helping the entire sector to endorse more sustainable behaviours. The Action Plan has been validated and we continue working with our peers to strengthen sustainability in the sector.

Furthermore, Belfius Insurance has always seen reinsurance as an indispensable risk mitigator. Reinsurers help us to measure and assess, amongst others, risks associated with natural catastrophes. In this regard, discussions with reinsurers on climate risks and impacts in Belgium remain essential.

Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Governments, regulators and other policymakers

The EU Commission has developed an ambitious action plan that makes the European Union the first in the world to answer to the commitments made during the Paris Agreement in 2015. The first regulations that have been issued in that regard are the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy for sustainable activities. Other existing regulations have been amended, such as the Insurance Distribution Directive (IDD), Solvency II and the Non-Financial Reporting Directive (NFRD), which will be replaced by the Corporate Sustainability Reporting Directive (CSRD) in the future. This is mainly aimed at redirecting financial flows where they can have a positive impact, enhancing our risk management and increasing transparency in the financial sector, allowing for better investment decisions.

To this effect, Belfius developed a dedicated project to adequately respond to the different regulatory requirements it is subject to. A dedicated team operates the legal watch. Regular dialogue with different stakeholders, such as Assuralia, Insurance Europe, the European Insurance & Occupational Pensions Authority (EIOPA) and Financial Services & Markets Authority (FSMA) aims to facilitate the implementation of these regulations. In 2022 through Assuralia, we have been in discussion with the Government to ensure that 2nd and 3rd Pillar of pensions are invested as sustainably as possible.

Academia

One of the greatest environmental challenges Belgium is facing today is the energy issue, by far the primary driver of the ongoing climate change crisis. As a Belgian bank-insurer, we consider it our duty to come up with meaningful solutions to the energy issue for Belgium and to support the many investments needed from all citizens and public authorities related to climate and energy challenges.

(1) Belfius Group

Therefore, we contacted several professors (e.g. from UCL and ULiège) to better understand the energy specificities and climate challenges within Belgium. This led to the definition of Belfius' science-based Energy vision that was presented to the Board of Directors and which will guide the development of specific offers for our clients in terms of energy (financing, investment and insurance solutions).

Philanthropic Organisations

Belfius has a strong tradition of supporting social projects. Every year, Belfius staff actively support various charities and other initiatives. In line with our strategy, we work to create a favourable social atmosphere through meaningful and long-term partnerships with organisations in Belgium that work for those who have been given fewer opportunities in life. We implement projects and initiatives to support children, young people and the disadvantaged (such as Viva for Life and Jez!) and promote access to culture for all.

For more information on Belfius' philanthropic initiatives, see section 9 of the Sustainability Report.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Once a year we publish an extended Sustainability Report, including the UNEP FI Principles for Sustainable Insurance (PSI), in which we provide further information on our annual accomplishments. All our reports and continuous progress are also available on the Belfius website. Our yearly engagement report with regards to our investment portfolio is also published. For more information on engagements, see section 5.5. of the Sustainability Report.

In 2022, the ESG Dashboard, which consists of a series of our Key Performance Indicators (KPIs) in line with our strategy, was discussed by the Board of Directors of Belfius Insurance on several occasions.

Additionally, Belfius collaborates with other external stakeholders, such as non-governmental associations or environmental, social & governance (ESG) rating agencies, with the ambition to enhance our existing policies and increase transparency within the insurance sector.

UNEP FI Principles for Responsible Banking reporting

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies Belgium, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Belfius Bank is licensed as a credit institution in accordance with Belgian Banking Law. Belfius Bank, which has signed the United Nations Environmental Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB), is the parent company of the Belfius Group. Its major commercial subsidiaries operate in the Belgian market: Belfius Insurance (BI, insurer), Belfius Investment Partners (BIP, asset manager), Belfius Lease & Lease Services (leasing), Belfius Auto Lease (car leasing), Belfius Commercial Finance (factoring) and Crefius (servicing and managing mortgage loans).

For some very specific activities, entities are maintained in Luxembourg and Ireland:

- Belfius Financing Company SA issues certain securities to external investors. For technical and operational reasons, it has been decided that these issuances take place in Luxembourg. Belfius Insurance Finance manages a portfolio of shares and bonds there in full transparency vis-à-vis the Belgian tax authorities after receiving a positive ruling in Belgium.
- Ireland-based Belfius Ireland controls a historical long-term bond portfolio, however this portfolio is currently being wound down. Belfius' Irish presence does not constitute a case of tax optimisation as there is no shift of taxable base from Belgium to Ireland.

As of 31 December 2022, Belfius serves approximately 30% of the Belgian population and was positioned as the second largest retail bank-insurer in Belgium with 3.8 million customers. It is the third largest bank for small and medium enterprises (SMEs), with approximately 0.3 million professional customers, making it the largest bank in the public sector with almost 100% penetration. It is also the third largest bank for corporates, serving approximately 50% of the companies in the Belgian market with a turnover equal to or above EUR 10 million. Belfius' integrated business model is based on creating and leveraging synergies across these client segments, as well as its products and businesses, investing in all segments of society:

- The public and social sector, such as local and federal authorities, inter-municipal companies, hospitals, care homes, social housings and education centres are offered a wide and integrated range of products and services including, but not limited to, credit lending, treasury management and financial markets products.
- Belfius equally provides financing to entrepreneurs and enterprise clients ranging from the self-employed, liberal professions and small enterprises, to local corporates, and medium- and large-sized companies. . Belfius seeks to

Links and references

Annual Report 2022, Profile of Belfius
Annual Report 2022, Sustainability Report 2022, Section 3 About Belfius

Transition Acceleration Policy

Response	Links and references
support them throughout their entire lifecycle with a comprehensive package of products and services for both business and private needs (loans, transaction banking, financial market products, pension insurance, digital accessibility etc.). • Moreover, Belfius finances individuals, including private and wealth management clients. As a bank-insurer, Belfius helps customers protect and develop their assets through cross-selling along the whole product range, such as payments, savings, mortgages and consumer finance, non-life and life insurances, investments and insurance-investments. With the exception of some actors that cannot meet our Transition Acceleration Policy, and a historic underrepresentation in agriculture, Belfius' portfolio mostly reflects Belgium's activity sectors. For further information, please see section 7.3.5. of the Sustainability Report . With an essentially Belgian balance sheet for its commercial activities, Belfius is committed to maximal customer satisfaction and added social value by offering products and services with added value through a modern omni-channel distribution model that includes branches, bankers, Belfius Connect and mobile and digital channels.	

1.2. Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

● Yes ○ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

● UN Guiding Principles on Business and Human Rights ● International Labour Organization fundamental conventions ● UN Global Compact ○ UN Declaration on the Rights of Indigenous Peoples ○ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones ○ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones ○ None of the above

Response	Links and references
Believing in its role in Belgium's sustainable development, Belfius' value and corporate sustainability strategy are aligned with the Sustainable Development Goals (SDGs). Considering its business context and core activities, Belfius prioritises SDG 7-Affordable and Clean Energy, SDG 8-Decent Work and Economic Growth, SDG 9-Industry, Innovation & Infrastructure and SDG 11-Sustainable Cities and Communities, where we believe we can (and aim to) create the greatest positive impact. In this regard, Belfius strives to contribute to the SDGs through its product and service offering wherever possible. Belfius has historically been a bank that is active in the public and social sector in Belgium, financing core infrastructure investments in the country for an inclusive and prosperous society. While many of Belfius' banking activities contribute to the SDGs, Belfius first launched in 2019, investment products where Belfius invests in different social and environmental themes that contribute to at least one of the Global Goals. Acknowledging the urgency of the climate crisis, Belfius also actively participates in local and international initiatives to better align its business with the objectives of the Paris Climate Agreement. At Belgian level, in 2020 Belfius participated in the launch of the Belgian Alliance for Climate Action (BACA), a joint initiative of the Belgian sustainable development network (The Shift) and WWF Belgium. The alliance brings together companies and organisations with a strong intention to pave the way to a low carbon economy by increasing their climate ambitions in line with the Paris Climate Agreement. To this end, Belfius has committed to set targets aligned with climate science as part of its decarbonisation strategy, in line with the Science-based Targets initiative (SBTi). In 2022, we have gathered and disclosed the first estimates of financed emissions. For more details, please see section 7.1. of the Sustainability Report. Finally, Belfius respects and integrates additional international frameworks into its strategy and actions. In particular, we incorporated the International Bill of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work (ILO), the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the recommendations for Responsible Business Conduct in the Financial Sector into our Human Rights policy. Belfius has also been a participant to the UN Global Compact since 2020, the principles of which are consolidated into both the Transition Acceleration Policy (TAP) and the Human Rights Policy. In 2002, we took part in the trial for the enhanced Communication on Progress of the UNGC.	Annual Report 2022, Sustainability Report 2022 section 3 About Belfius and section 7.1. Decarbonisation Trajectory Transition Acceleration Policy Human Rights Policy

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1. Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope

What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response		Links and references
Serving approximately one third of the population, Belfius is a major player in the Belgian financial sector and is continuously monitoring the social, economic and environmental impacts resulting from its activities. In order to assess and understand its positive and negative impacts, as part of our impact analysis assessment, we used the UNEP FI Portfolio Impact Analysis Tool for Banks ("the Tool") in 2021, where Belfius' consumer, investment, business, corporate and public banking activities in Belgium were considered in the scope of the analysis which ran on the loan portfolio per 30 June 2021.	Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the scope will also be re-evaluated.	Annual Report 2022, Belfius Profile

b) Portfolio composition

Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

- by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response		Links and references
For each business line, data containing main sectors, allocation of financing within these sectors and a breakdown of products and services, were entered as an input to the Tool. This allowed Belfius to identify its scale of exposure where sector impact mapping is built-in within the Tool. The most important sectors in Belfius' portfolios are public administration, construction and real estate, holding company activities and retail.	Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the portfolio composition will also be re-evaluated.	

c) Context

What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Response	Links and references
Considering Belgium's country needs (as pre-defined in the UNEP FI Impact Analysis Tool) and Belfius' portfolio exposure, the analysis conducted through the Portfolio Impact Analysis Tool generated the following results: • The potential positive impact areas associated with Belfius' portfolios include access to decent housing, public debt management, quality and availability of water, waste management, the efficient use of resources (water, energy, raw materials etc.) and climate change. • The potential negative impact areas associated with Belfius' portfolios include public debt management, quality and availability of water, waste management, the efficient use of resources (water, energy, raw materials etc.) and climate change. Additionally, the Tool facilitated the identification of the most relevant challenges and priorities related to sustainable development in Belgium, where almost all of Belfius' activities are located. For that purpose, the Tool has a scoring system where most relevant challenges and priorities related to sustainable development for Belgium are highlighted based on data retrieved from national or international statistics related to relevant sustainable development areas. We complemented the findings with our research and assessment regarding the Belgium national context to gather the most representative and up to date overview based on external data. Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, the context will also be re-evaluated.	Annual Report 2022, Sustainability Report 2022, section 4.3. Materiality Assessment

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response	Links and references
Following UNEP FI's PRB guidance, when selecting and prioritising areas of most significant impact, Belfius considered the scope, scale of exposure, context and relevance and scale and intensity/salience of the social, economic and environmental impacts resulting from its activities. Among the potential positive and negative impact areas that were generated by the tool and supported by our internal research on the national context in Belgium, we have identified climate and affordable energy-efficient housing as our most significant impact areas. In this identification process, we looked into our business activities and their contribution to impacts to determine the scale and intensity/salience of the impacts. The fact that construction, real estate and electricity represented the major sectors in our business and corporate portfolios, and the fact that mortgages constituted the bulk of loans to individuals, played a role in our assessment. **Affordable energy-efficient housing** Considering the outcomes of the Tool and salient issues in Belgium related to sustainable development, we decided to combine two potential impact areas, namely resource efficiency from the perspective of energy efficiency and affordable housing. Both concentrations of our portfolios in certain sectors (construction and real estate represent the major sectors in our business and corporate portfolio and mortgages constitute the bulk of loans to individuals) and the priority of the agenda of affordable energy-efficient housing in Belgium, played a role in our selection. According to figures published by the King Baudouin Foundation, the share of Belgian households considered energy-poor has on average increased by 0.8% over the 2019-2020 period, from 20.7% in 2019 to 21.5% in 2020, with regional disparities (2020: Wallonia Region – 29.5%, Brussels-Capital Region – 26.5%, Flanders Region - 15.9%). "The energy efficiency of Belgium's housing stock is 72 % lower than the European average,"[1] which confirms that it is of utmost importance to address this issue. In fact, the majority of dwellings in Belgium were built before 1981, which explains the need for housing renovation in Belgium. Accordingly, the renovation of buildings is one of the major action plans highlighted in Belgium's National Energy and Climate Action Plan (NECP, 2019) mandated by and submitted to the European Union.	Figures published by the King Baudouin Foundation

(1) https://ec.europa.eu/regional_policy/en/projects/europe/innovative-belgian-funding-scheme-helps-vulnerable-homeowners-renovate-their-houses

Response	Links and references

For Belgium to reach its goals regarding energy-efficient housing, Belfius believes it is crucial to tackle the underlying challenge of the target, which is the affordability of energy-efficient housing. In Europe, lowest-income households live in the most energy-inefficient houses and face major difficulties in renovating their houses[1]. Based on a survey on income and living conditions in Belgium in 2022, 5.1% of the Belgian population struggled to keep their home adequately warm due to financial reasons[2]. Thereby, energy-saving renovations are rapidly becoming a social necessity.

We believe it is important that public sector efforts towards affordability should be complemented by private-sector initiatives that will address the challenge at the country-level. As the number one bank for the public and social sector, we want to leverage our position in affordable energy-efficient housing for our retail clients, as well as for social housing entities in our client portfolio. We want to help our impacted clients to escape the affordability trap, where renovation investment prices stay high and energy expenditures become a burden. By focusing on affordable energy-efficient housing, our ambition is not only to contribute to actions towards the NECP commitments of Belgium, but also to support the Belgian population's welfare through renovation investment, which will both increase the value of owners' properties and lower the energy expenditures of households.

Climate

At a time of unprecedented global awareness regarding the importance of climate and given the concentration of our portfolio in the construction, real estate, production and distribution of electricity sectors, we have identified climate as our second area of most significant impact.

Natural disasters and severe weather conditions continue to disrupt economic activities in both developed and developing countries, heightening the need to focus on the challenge of achieving sustainable development goals and transitioning towards a climate-resilient society. In addition, the growing interest in climate change policy across political debates and the increased level of awareness amongst the younger generations, have placed environmental challenges at the heart of the EU's agenda. The impact of climate change on human and natural systems also poses serious challenges to Belgian society, as witnessed by the July 2021 floods and 2022 European heatwaves.

Following the Paris Agreement, the European Union has been taking actions to fight climate change by developing a series of policies and measures to implement concrete climate solutions. As part of the European Green Deal's ambitions, the EU has put forward a plan to further cut emissions by at least 55% by 2030. As part of its National Energy and Climate Plan (NECP), Belgium has endorsed EU ambitions by aiming to reach a GHG emissions reduction of 35% by 2030 compared to 2005 (for non-ET sectors). Alongside reducing greenhouse gas emissions, the EU is also taking action to adapt to the impacts of climate change.

Having a key role in the Belgian private sector, Belfius is aware of the importance of taking concerted actions in order to mitigate the negative impacts of climate change and minimise potentially devastating consequences. We are committed to setting our emissions reduction targets in line with the Paris Climate Agreement to limit global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Our objective is also to accompany our clients in their ambitions to reduce their carbon impact and to implement necessary climate adaptation actions. Finally, Belfius seeks to positively support Belgium towards the implementation of national commitments and ambitions by making climate a strategic priority in our sustainability strategy. We believe that effectively confronting climate change starts with collaborative efforts and shared responsibility.

(1) https://www.feantsa.org/public/user/Resources/reports/Targeting_Energy_Efficiency_Renovation_Report.pdf
(2) https://statbel.fgov.be/en/themes/households/poverty-and-living-conditions/material-and-social-deprivation / Material and social deprivation | Statbel (fgov.be)

d) For these (min. two prioritized impact areas)

Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

Response	Links and references
As a financial services institution, our impact depends on the structure of our portfolios, client profiles, or the types of services and products offered. Although no update to our impact analysis was carried out in 2022, we will reassess our impact during the next reporting cycle through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, performance measurement will also be evaluated. Nevertheless, Belfius has already started measuring its impact. In this regard, in 2022 we updated the heat maps aimed at detecting sensitivities to climate-related risks within loans and advances to non-financial corporations. The definition used by Belfius to identify climate sensitive sectors takes into account definitions provided by CPRS, but also the climate stress methodology provided by the ECB (list of carbon intensive industries) and Pillar III ESG standards (list of sectors that highly contribute to climate change). It includes exposures on NACE codes A to H and L. It should be noted that no huge sectorial concentration is observed in the balance sheet, neither in climate sensitive nor other sectors, with no single sector representing more than 14% of loans to non-financial corporations. The climate sensitive sectors that each compose more than 10% of this portfolio are "wholesale and retail", "construction" and "real estate". Exposure to the most vulnerable sectors, such as agriculture and mining, are particularly small (0.3% and 0.1% respectively). Moreover, in 2022 Belfius has already started developing measurements of relevant data, more specifically financed emissions for all asset classes defined in the first edition of the Partnership for Carbon Accounting Financials (PCAF)[1]. We tested methodologies and calculated 46% of the total Group balance sheet, or 100% of the five asset classes covered by a PCAF methodology despite remaining data challenges. A detailed action plan will be established following the update of the impact analysis and the targets definition planned for the next reporting cycle.	Annual Report 2022, Sustainability Report 2022, section 7.1. Decarbonisation Trajectory and section 7.3.5. Risk Identification and Assessment

SELF-ASSESSMENT SUMMARY

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- Scope: Yes ●, In progress ○, No ○
- Portfolio composition: Yes ●, In progress ○, No ○
- Context: Yes ●, In progress ○, No ○
- Performance measurement: Yes ○, In progress ○, No ●

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation and Affordable energy-efficient housing

How recent is the data used for and disclosed in the impact analysis?

○ Up to 6 months prior to publication ○ Up to 12 months prior to publication ○ Up to 18 months prior to publication ● longer than 18 months prior to publication

Following formal discussions with UNEP FI representatives, Belfius prioritised the implementation of measures over further analysis. We are confident that an update of the impact analysis using the novel tool throughout the next reporting cycle will confirm prior results.

(1) According to PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition. November 18, 2020

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment

Which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Response		Links and references
Following the completion of the updated portfolio impact analysis exercise as part of Belfius' engagement with the PRB through the novel tool, Belfius Bank will review its assessment and develop targets accordingly. In the meantime, Belfius joined the PCAF in 2021, a collaboration between banks and investors from all around the world to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments to compute its carbon baseline.	Moreover, as mentioned in section 2.1. of the PRB Report, following our selection of climate change mitigation and affordable energy-efficient housing as impact areas, we have taken into consideration Belgium's National Energy and Climate Action Plans (NECPs) mandated by and submitted to the European Union, in addition to the European Green Deal and the Paris Agreement's ambitions.	Annual Report 2022, Sustainability Report 2022, section 7.1. Decarbonisation Trajectory

b) Baseline

Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Response		Links and references
A baseline for targets will be disclosed as soon as we have established SMART targets addressing climate change mitigation and affordable energy-efficient housing.	We aim to address this development throughout the next reporting cycle.	

c) SMART targets (incl. key performance indicators (KPIs))

Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response		Links and references
Belfius has not set targets yet. However, in 2022 we strengthened our climate action by joining the SBTi and publicly committing to establishing concrete objectives for both our own operations and our financed emissions in line with the Paris Climate Agreement to limit global warming to well below 2°C above preindustrial levels and pursue efforts to limit temperature increase to 1.5°C.	Although SMART targets linked to our impact analysis are yet to be set, Belfius has already made ESG-related commitments according to its 2025 strategy. For more information, please see section 4.1. ESG at the heart of everything we do.	Annual Report 2022, Sustainability Report 2022, 7.1. Decarbonisation Trajectory and 4.1. ESG at the heart of everything we do

d) Action plan

Which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response	Links and references
We aim to formalise Belfius' Action plan towards its climate and affordable energy-efficient housing targets throughout the next reporting cycle. However, to mitigate climate risks, Belfius has already put in place some measures, such as the Transition Acceleration Policy or the development of offerings to help customers reduce their carbon footprint (Ambition loans & lease, energy renovation loans etc.)	Annual Report 2022, Sustainability Report 2022, section 5. Meaningful Growth and section 7.3.7. Environmental and Climate Risk Mitigation

SELF-ASSESSMENT SUMMARY

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: Climate mitigation	**... second area of most significant impact: Affordable energy-efficient housing**	**(If you are setting targets in more impact areas) ... your third (and subsequent) area(s) of impact: ... (please name it)**
Alignment	○ Yes ● In progress ○ No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
Baseline	○ Yes ● In progress ○ No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
SMART targets	○ Yes ○ In progress ● No	○ Yes ○ In progress ● No	○ Yes ○ In progress ○ No
Action plan	○ Yes ● In progress ○ No	○ Yes ● In progress ○ No	○ Yes ○ In progress ○ No

2.3. Target implementation and monitoring (Key Step 2)

For each target separately: show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response	Links and references
Implementation and monitoring of plans will be developed as soon as we have established SMART targets addressing climate change mitigation and affordable energy-efficient housing.	

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1. Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

○ Yes ● In progress ○ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

● Yes ○ In progress ○ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Response	Links and references
Customers are at the heart of Belfius' business strategy. Establishing a lasting relationship with customers and engaging with them in a responsible and transparent way is a key factor in building long-term relationships. The Belfius Customer Acceptance Policy and Transition Acceleration Policy (TAP) are the cornerstones of Belfius' responsible engagements with its clients. Belfius aims to ensure that sustainable and responsible business practices are adopted and implemented by all business lines and customers. In line with its values as a responsible bank-insurer, Belfius expects that its principles of responsibility, honesty and professionalism are adopted and embraced by all of its employees. Belfius' TAP aims to both exclude certain activities that are controversial (e.g. tobacco production and gambling) and support clients' transition to a low-carbon and just economy, while respecting the United Nations Global Compact principles. The scope of the policy covers all processes of Belfius Group, such as client onboarding, loan and leasing origination and investment offer, amongst others. It is Belfius' ambition to further develop the TAP's reach over time, addressing emerging societal or market evolutions in a timely manner, as well as covering voluntary commitments (e.g. SBTi, Principles for Responsible Banking) and upcoming legislations (e.g. the EU taxonomy, Corporate Sustainability Due Diligence Directive).	ESG Framework Policies & Charter website Annual Report 2022, Sustainability Report 2022, section 6. Sound Corporate Governance

3.2. Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response	Links and references
As a key bank-insurer in Belgium, Belfius believes that it has a crucial role within society to facilitate and promote the transition of the Belgian economy to sustainable economic activities in line with the vision of the European Green Deal. To achieve this, Belfius relies on the TAP and the development of a product and service offering that supports customers in the accomplishment of their sustainability ambitions. The majority of funds distributed by Belfius are produced and managed by either its subsidiary Belfius Investment Partners (IP), or one of its preferred Asset Management Partners (Candriam, Blackrock, JP Morgan). As a signatory to the United Nations Principles for Responsible Investment (PRI), BIP constantly monitors its investment portfolios and integrates ESG criteria when selecting underlying instruments (funds, trackers). All preferred partners are encouraged to actively engage with the companies in which investments are made. Furthermore, Belfius Bank actively participates in sustainable lending programmes offered by European institutions such as the European Investment Bank (EIB) or European Investment Fund (EIF), to contribute to the sustainable economic activities of its clients and customers e.g. the European Local Energy Assistance (ELENA) initiative and the preferential credit partnership with the EIB on projects/investments related to smart cities, climate action and circular economy. Additionally, Belfius supports green and sustainability bond issuances of its clients through the entire process. In 2022, Belfius launched Ambition Loans and Lease dedicated to financing projects with environmental and climate targets as defined by Belfius. With CO_2rporate ESG Ambition, we aim to accompany all our Corporate and Local Corporate customers through their entire ESG journey from definition to financing the implementation of their ESG strategy. Belfius also offers its retail customers an Energy Renovation Loan for financing construction and renovation projects that contribute to energy-savings in Belgian households, as well as Energy (Plus) Car loans, bicycle loans and reductions in Belfius Car premiums for customers who limit their mobility ecological footprint.	Annual Report 2022, Sustainability Report 2022, 5.1. Meaningful Investing; 7.3.5 Risk identification and assessment; 7.3.7. Environmental and climate risk mitigation. 5.2. Sustainable financing solutions

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1. Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

○ Yes ● In progress ○ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

Belfius regularly consults and engages with its stakeholders, more specifically its customers, employees and unions, civil society, shareholder, sectorial organisations and prudential supervisors, as well as rating agencies and sustainability analysts. The aforementioned stakeholders were identified considering relevant stakeholders that are impacted by Belfius' activities, as well as their impact on Belfius. These interactions with stakeholders take place on a regular basis through different channels depending on the nature of Belfius' relationship with the stakeholder in question. Dialogue with stakeholders allows Belfius to understand their expectations regarding Belfius' environmental and social impact, as well as inform them about Belfius' sustainability strategy, objectives and risk management.

Belfius first conducted a materiality analysis in 2017, which contributed to the development of sustainability policies and the integration of ESG into Belfius' Inspire 2025 strategy. At the end of 2021, Belfius once again engaged with stakeholders (a selection of customers, suppliers, partners, NGO's, academics, trade unions and employees) through a questionnaire with a double objective: to confirm that Belfius' group-wide strategy and sustainability commitments tackle issues that stakeholders consider relevant and to identify any additional topics that are material to Belfius' stakeholders that might not have been included in Belfius' strategy yet. The results of this assessment were published in the 2021 Sustainability Report and were reviewed in 2022 to reflect the changing world around Belfius.

In order to implement the Principles and improve Belfius' impact on society and the environment, Belfius actively engages with several sustainability initiatives and sectoral organisations, both at local and international level. Acknowledging the United Nations' role, in addition to being a signatory to the PRB initiative, Belfius is also a signatory to the United Nations Global Compact, the UN Principles for Sustainable Insurance (Belfius Insurance) and the UN Principles for Responsible Investment (Belfius Investment Partners). Our participation in these initiatives allows us to be part of a collective action and share experiences around sustainable finance.

Concerning sectoral organisations, Belfius Bank actively participates in and contributes to workgroup activities organised around sustainability by Febelfin.

In 2020, as part of its commitment to climate action and to better align with the objectives of the Paris Climate Agreement, Belfius participated in the launch of the Belgian Alliance for Climate Action (BACA). This participation underscores Belfius' ambition to better fulfil expectations of the Principles. Accordingly, Belfius is also a member of PCAF (since 2021) and also joined SBTi (2022).

At the local level, Belfius is a member of the sustainability community the Shift, as well as the Belgian Institute for Sustainable IT (ISIT-BE), a think and do tank bringing together Belgian companies, organisations and individuals to help them succeed in their digital transition while reducing the environmental and social footprint of their IT services and usages. Further confirming Belfius' commitment to SDG 5 on gender equality, Belfius is also a signatory to the Women in Finance Diversity Charter for a more balanced and fair financial service industry. In 2022, Belfius took another step towards diversity and inclusion by officially becoming a partner of Open@Work to bring together and connect people from the LGBTQIA+ community within Belfius.

Our upcoming PRB impact assessment exercise should allow us to engage with stakeholders on selected impact areas in the future.

Links and references

Annual Report 2022,
Sustainability Report 2022
4.2. Engaging with our Stakeholders
4.3. Materiality Assessment

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1. Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

● Yes ○ In progress ○ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response	Links and references
All ESG-related themes (e.g. climate and environmental risks, or voluntary commitments such as SBTi or the Principles of Responsible Banking) are integrated into the various governance layers of Belfius Group. For further details on the responsibilities of the Board of Directors, Management Board and Joint Management Committee, please see the 2022 Annual Report. Moreover, the novel Strategic Sustainability Committee (SSC), established in 2022, drives and oversees the execution of our ESG strategy, ESG Framework and the Transition Acceleration Policy, while acting as the central hub for operational ESG Governance in line with Joint Management Committee and Board of Directors expectations, including reporting requirements and adherence to voluntary commitments. As the sponsor of the ESG strategy, the Belfius Bank CEO regularly confers with the Sustainability Manager, who coordinates the implementation of the Principles of Responsible Banking, amongst other ESG duties.	Annual report 2022, Corporate Governance Annual Report 2022, Sustainability Report 2022, section 6.1.7. ESG Governance

5.2. Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response	Links and references
Belfius' corporate culture relies on four overarching values: customer orientation, authenticity, fairness and entrepreneurial spirit. These values ensure that customer expectations are at the centre of Belfius' business and that each person's individuality and differences are respected. Belfius seeks a fair balance between the interests of all stakeholders to create sustainable long-term value for its customers, society as a whole, the environment and the Belfius organisation. In line with its core values, sustainability lies at the heart of Belfius' business strategy. The Belfius Inspire 2025 Strategy, shared across the organisation, puts forward the need to integrate sustainability into all aspects of the business. This is an aspect that is fundamental to Belfius' purpose: "Belfius, Meaningful and Inspiring for Belgian Society. Together." Belfius also integrates ESG-related objectives into senior managers' variable remuneration. ESG-related objectives cover topics related to customer satisfaction, employee engagement & wellbeing, diversity, leadership development and Belfius' carbon footprint for its own operations. Moreover, Belfius strives to integrate and adopt all aspects of sustainability into its work environment. Belfius actively promotes a diverse and inclusive work environment and encourages employees with an interest in sustainability to share this passion through "Train Your Colleagues sessions". Belfius broadcasted a webinar on the Transition Acceleration Policy (accessible to all employees) and invited some inspiring speakers. For instance, we organised a conference on the impact of digital technologies on the environment with Aurore Stéphant (a mining geologist, specialising in the health and environmental impacts of minerals) and Olivier Vergeynst (director of the Belgian Institute for Sustainable IT). We also Invited Vincent Callebaut (Archibiotect[1] who designs and builds with the future in mind) to give a presentation to our colleagues on how cities face the challenges of the 21st century where climate and environmental impact and resilience were addressed.	Belfius Annual Report 2022, Human Resources chapter, section 2. Talent Management and section 3. Inclusive Company Culture

(1) Archibiotect is a word combining the prefixes of the words ARCHItecture + BIOtechnologies + Technologies of Information and Communication.

5.3. Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response		Links and references
In 2022, Belfius' overall ESG approach was cast into a new ESG framework for the benefit of our customers, partners, employees and other stakeholders to inform them of Belfius' commitment to addressing climate, environmental, social and governance issues. It summarises Belfius' ambitions, strategy, commitments and governance in the area of sustainable development (ESG) in terms of responsible business, the conduct of its core business, the management of its internal operations and its dealings with its counterparties. The framework also provides access to all of Belfius' underlying policies linked to ESG, such as the Customer Acceptance Policy, the Transition Acceleration Policy, the Human Rights Policy, Anti-discrimination Policy and Whistleblowing Policy. Over the course of 2022, an Environmental Policy was developed.	In 2022, we conducted a gap analysis on our value chain to identify areas for improvement in our due diligence processes on Human Rights. The identification of potential ESG risks associated with a new product, service or process is done from inception (New Product Approval procedure). Environmental, social and governance questions on customer activities are also included in the loan origination process (internal rating system and credit note).	Annual Report 2022, Sustainability Report 2022, Section 6.1. Responsible Business Conduct ESG-Framework-EN - final for publication.pdf (belfius.be)

SELF-ASSESSMENT SUMMARY

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

● Yes ○ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

● Yes ○ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

○ Yes ● In progress ○ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1. Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

○ Yes ○ Partially ● No

If applicable, please include the link or description of the assurance statement.

Response	Links and references
-	

6.2. Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

● GRI ○ SASB ○ CDP ○ IFRS Sustainability Disclosure Standards (to be published) ● TCFD ○ Other

Response	Links and references
We have been reporting sustainability-related information in line with the Global Reporting Initiative (GRI) Standards since 2017. Although we only became a TCFD supporter in 2022, Belfius already reported on climate risk following the TCFD recommendations in its 2021 Sustainability Report. Finally, Belfius intends to begin reporting to the CDP in 2023.	Annual Report 2022, Sustainability Report 2022 Section 1. About this report Section 7.3. Environmental and Climate-related Risks and Opportunities Appendix – GRI index

6.3. Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response	Links and references
Over the next reporting cycle, we will update our impact analysis through the latest version of the Portfolio Impact Analysis Tool for Banks. As we do so, we will continue to consider the scope of our impact, the Belgian context and the composition of our portfolio, while measuring our performance. We are planning to set SMART targets addressing climate change in line with the Paris Climate Agreement and affordable, energy-efficient housing.	

6.4. Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.

- ○ Embedding PRB oversight into governance
- ○ Gaining or maintaining momentum in the bank
- ○ Getting started: where to start and what to focus on in the beginning
- ○ Conducting an impact analysis
- ○ Assessing negative environmental and social impacts
- ○ Choosing the right performance measurement methodology/ies
- ○ Setting targets
- ○ Customer engagement
- ○ Stakeholder engagement
- ● Data availability
- ● Data quality
- ○ Access to resources
- ○ Reporting
- ○ Assurance
- ● Prioritizing actions internally
- ○ Other

If desired, you can elaborate on challenges and how you are tackling these.

Financed emissions methodology

The calculation of financed emissions starts from Belfius balance sheet data, so all financial numbers and asset class definitions are set in line with financial accounting definitions to align with Belfius' financial statements:

The calculations of financed Scope 3 GHG emissions are performed by internally developed calculation engines. The engines are built to allow maximal flexibility and will select the calculation option with highest data quality depending on data availability. Belfius is expecting to increase data availability over the next years, so the engines are built to integrate these data points.

Real estate loans

Scope of the portfolio

The portfolio of mortgages includes all mortgage loans of Belfius consolidated Group (i.e. covering Belfius Bank and Insurance balance sheet). Construction and renovation loans are excluded from the calculations, as per the PCAF Standard, since it is often unfeasible for financial institutions to obtain the necessary emissions data. For loans including both the purchasing and the renovation of the building, it is currently not possible to split the loan amount in the different purposes of the loan. In these cases, the full outstanding amount is included as a mortgage loan in the financed GHG emissions calculations.

The portfolio of Commercial Real Estate (CRE) includes all loans of Belfius Bank serviced by the letting of one or more properties. Development loans that are serviced by the eventual sale of one or more finished buildings that are currently under development are excluded from the calculations under the PCAF Standard because it is often unfeasible for financial institutions to obtain the necessary emissions data. Other commercial real estate loans that are not defined under the CRE asset class according to the PCAF Methodology are classified as business loans in the financed GHG emissions calculations. Loans to regulated real estate investment companies are classified as business loans.

Methodology

$$\text{Financed emissions} = \sum_{b,e} \frac{\text{outstanding amount}_b}{\text{Property value at origination}_b} \times \text{Building emissions}_{b,e}$$

(with b = building, e = energy carrier)

Our calculations of the attribution factor are based on the valuation of the real estate collateral, since no information on the financed building is available. In cases where no information on real estate collateral is available, the most conservative approach of 100% attribution is used.

Our calculations of the building scope 1 and 2 emissions for the real estate loan portfolio are obtained in two different ways:

First, for mortgage loans, Belfius started structurally collecting energy performance certificates (EPC) of real estate assets in the loan origination process since 2021. Building emissions are estimated through the building energy consumption based on the EPC score (kWh/m^2) and the estimated surface area. Since information on the surface area in our systems is lacking at the moment, this data is approximated based on statistical sector prices for flats and houses per municipality.

Second, if no information on the EPC label is available, country-specific emission intensities per building type are used from the PCAF European building emission factor database. For Commercial Real Estate loans, Belfius uses this estimation option as Belgium's three regions do not require EPCs on all commercial buildings.

General purpose asset classes

Scope of the portfolio

The general purpose asset class includes all listed and unlisted equity, corporate bonds investments and business loans of Belfius Bank and Belfius Insurance.

Methodology

For listed companies:

$$\text{Financed emissions} = \sum_{c} \frac{\text{Outstanding amount}_c}{\text{Enterprise Value Including Cash}_c} \times \text{Company emissions}_c$$

(with c = borrower or investee company)

For unlisted companies:

$$\text{Financed emissions} = \sum_{c} \frac{\text{Outstanding amount}_c}{\text{Total } equity_c + \text{Total debt}_c} \times \text{Company emissions}_c$$

(with c = borrower or investee company)

The **company emissions** are obtained and prioritised in five different ways, depending on data availability:

First, through reported emissions data from our ESG data provider.

Second, through estimated emissions data from our ESG data provider.

Third, specifically for loans and investments to counterparties active in the power generation sector, the counterparty's emissions are approximated by using physical activity data of the company. This production data was collected manually by screening the annual report or website of large power generation companies in our portfolio, resulting in a data quality score of three. The production data of the counterparty is multiplied with a PCAF physical activity-based emission factor to obtain the company emissions.

Fourth, in case the counterparty is active in other sectors than power generation, an economic activity-based emission factor per sectoral revenue from the PCAF emission factor database is used to estimate revenue-based emissions. Graydon databases are used to obtain financial information of Belgian counterparties in the Belfius portfolio, our ESG data provider for foreign companies.

Fifth and lastly, the GHG emission intensity per sectoral total assets is used from the PCAF emission factor database and multiplied with the outstanding amount to obtain the financed emissions.

There is an inconsistency between scope 3 emissions reported and estimated by our ESG data provider and scope 3 emissions estimated from PCAF emission factors. PCAF emission factors only include scope 3 upstream emissions whereas our ESG data provider takes into account both upstream and downstream scope 3 emissions. Consequently, to obtain consistency in reporting from both emission sources, where company scope 3 emissions are missing, estimations of continental and sectoral averages are performed using our ESG data provider estimated and reported emissions.

Project Finance

Scope of the portfolio

In line with PCAF, the project finance portfolio includes scope 1 and scope 2 emissions from all financing of projects in the power generation sector of Belfius Bank. Project finance of other types are currently out of scope of these calculations and will be considered in the future. The scope of the methodology covers projects contributing to electricity generation from fuels including biomass and waste, wind and solar photovoltaics.

Methodology

$$\text{Financed emissions} = \sum_{p} \frac{\text{Oustanding amount}_\text{p}}{\text{Total equity}_\text{p} + \text{Total Debt}_\text{p}} \times \text{Project emissions}_p$$

(with p = project)

The **project emissions** are approximated by using physical activity data of the project in the power generation sector. This production data was collected using the P50[1] value (as recommended by PCAF) of the projects in the commercial files. This production data is multiplied with a PCAF physical activity-based emission factor to obtain the project's

(1) P50 is only used for renewable energy sources where the actual energy production varies depending on external factors. To give a best estimate of emissions, we use the P50 which is a statistical level of confidence suggesting that we expect the predicted energy yield may be exceeded with 50% probability.

emissions. Since all financed power generation projects in the Belfius portfolio are renewable energy projects, the financed emissions using this calculation method is zero as the PCAF emission factor for renewable energy projects is also set at zero emissions.

Motor vehicle loans

Scope of the portfolio

The portfolio of motor vehicle loans includes all loans for specific purposes, i.e. financing of motor vehicles. The portfolio includes consumer lending for motor vehicles, to purchase a motor vehicle for private use, as well as corporate loans that include financing of motor vehicles for a business.

Operational and financial leasing of motor vehicles are not included in this asset class as emissions of these are respectively classified as Scope 3 Category 13 Downstream Leased Assets, or as a separate asset class financial lease.

Methodology

$$\text{Financed emissions} = \sum_{v} \frac{\text{Oustanding amount}_{\text{v}}}{\text{Total value at origination}_{\text{v}}} \times \text{Vehicle emissions}_{\text{v}}$$

(with v = vehicle or vehicle fleet)

For all motor vehicle loans, the conservative assumption of 100% attribution is used as no information is currently collected and stored on the financed vehicles.

Our calculations of the vehicle emissions for the motor vehicle portfolio are based on country-average vehicle emissions using the PCAF emission factor database. As the portfolio composition of combustion type of vehicles is unknown, the conservative assumption that all vehicles are thermal combustion is used.

Financial Lease

Scope of the portfolio

The portfolio of financial lease includes all financial lease contracts of Belfius Lease, Belfius Lease Services and Belfius Bank. On the accounting balance sheet, financial leases are treated similarly to business loans as the ownership of the leased asset lies with the lessee instead of the lessor (Belfius). This is why Belfius decided to include the financial leases in scope 3 – category 15 Investments, and calculate financed emission in line with the PCAF Methodology, according to the leased asset.

Methodology

$$\text{Financed emissions} = \sum_{f} \frac{\text{Oustanding amount}_{\text{f}}}{\text{Total value at origination}_{\text{f}}} \times \text{Asset emissions}_{\text{f}}$$

(with f = financial leased asset)

Our calculations of the leased asset emissions are aligned as much as possible to the PCAF methodology depending on the type of the leased asset:

- In case of real estate lending, country-specific emission intensities per building type are used from the PCAF European building emission factor database.
- In case of a motor vehicle, country specific emissions factors per vehicle types from the PCAF database are used.
- In case of power generation assets, as well as air and maritime transportation, sectoral emission factors provided in the PCAF database are used to cover carbon intensive sectors in a consistent way.

Abbreviations

Acronym	
ABS	Asset-Backed Securities
ALM	Asset-Liability Management
AML	Anti-Money Laundering
AUM	Assets Under Management
B/S	Balance Sheet
BACA	Belgian Alliance for Climate Action
BIP	Belfius Investment Partners
bp	basis point
BRRD	Bank Recovery and Resolution Directive
C/I RATIO	Cost-Income ratio
CCF	Credit Conversion Factor
CET 1	Common Equity Tier 1
CO_2e	CO_2 equivalent
CoR	Cost of Risk
CPRS	Climate Policy Relevant Sectors
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSDD	Corporate Sustainability Due Diligence Directive
CSM	Contractual Service Margin
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Value Adjustment
DCM	Debt Capital Markets
EAD	Exposure At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
ECM	Equity Capital Markets
EIF	European Investment Fund
EPC	Energy Performance Certificate
ESG	Environmental, Social & Governance
FCF	Fulfilment Cash Flows
FEAD	Full Exposure At Default
FHIC	Federal Holding and Investment Company
FTA	First Time Adoption
GAR	Green Asset Ratio
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IRBA	Internal Rating-Based Approach
IRS	Internal Rating System
LC	Loss Component
LCM	Liquidity and Capital Management
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
LRE	Leverage Ratio Exposure
LT	Long-Term
LTRO	Long-Term Refinancing Operations
MREL	Minimum Requirement for own funds and Eligible Liabilities
NBB	National Bank of Belgium
NFR	Non-Financial Risks
NGFS	Network for Greening the Financial System
NIG	Non-Investment Grade
NPS	Non Preferred Senior Bonds
NSFR	Net Stable Funding Ratio
P&L	Profit and Loss
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of Default
PS	Preferred Senior Bonds
PVFCF	Present Value of Future Cash Flows
RA	Risk Adjustment
RAF	Risk Appetite Framework
RICAP	Risk Identification & Cartography Assessment
RMBS	Residential Mortgage-Backed Securities
ROA	Return On Assets
ROE	Return On Equity
RONRE	Return on Normative Regulatory Equity
SARIC	Self-assessment of Risks & Internal Controls
SBTi	Science-Based Target initiative
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and Medium Enterprises
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
T-LTRO	Targeted Longer-Term Refinancing Operations
TAP	Transition Acceleration Policy
TCFD	Taskforce on Climate-related Financial Disclosures
TLOF	Total Liabilities and Own Funds
TREA	Total Risk Exposure Amount
TRIM	Targeted Review of Internal Models
UNEP FI	United Nations Environment Programme Finance Initiative
UNEP FI PRB	United Nations Environment Programme Finance Initiative - Principles for Responsible Banking
UNEP FI PSI	United Nations Environment Programme Finance Initiative - Principles for Sustainable Insurance
VAR	Value at Risk
WACI	Weighted Average Carbon Intensity

Erratum

Three modifications on Belfius' carbon footprint computation (Sustainability Report 2022, chapter 7. Focus on climate action, 7.1. Decarbonisation trajectory), were performed between the April 2023 version of the Annual Report 2022 and the current version of this report:

- Scope 1 emissions decreased with 56 tCO_2e. The refrigerants-related emissions of our Pacheco buildings were overreported in the April 2023 version.
- Scope 2 emissions decreased with 15 tCO_2e in the market-based methodology. The electricity consumption of Elantis, one of Belfius' entities, is in fact linked to a renewable energy contract, which was not taken into account in the April 2023 version.
- Scope 3 financed emissions decreased by 51,730 tCO_2e in the mortgage portfolio. The methodology used when energy performance certificates are available had to be adjusted because of a mismatch between primary energy intensity on the certificate and end-energy intensity used in the PCAF database.

The first two changes have an impact on scope 3 category 2 emissions and thereby on the market-based and location-based total figures.