ABOUT BELFIUS INVESTMENT PARTNERS

Belfius Investment Partners (Belfius IP or BIP) is a Belgian Fund Management Company licensed by the FSMA as Management Company of (Ucits & Alternative) Investment Funds (BE 0654.876.296). (Conform article 22 of the law of 3 August 2012 and article 41 of the law of 19 April 2014).

Belfius IP has since incorporation (May 2016) launched 2 funds for a total AuM of EUR 1.7 bio. The 2 funds have ETFs and mutual funds as building blocks.
Additionally, as a fund management company, Belfius IP manages funds for a total AuM of EUR 17 bio. The investment management of these funds is delegated to Candriam.

The funds managed by Belfius IP may have an asset allocation following a traditional approach or an asset allocation in which the selection is focused on sustainable assets (the so-called “sustainable investment products” covered by this policy).

Belfius IP is the Asset Management competence center for Belfius Group.

Belfius Bank is the majority shareholder of Belfius IP. Belfius as a group offers banking services in Belgium in three main areas: retail, commercial and private banking as well as wealth management, financial services for the public and social sector and corporate clients (wholesale banking) as well as insurance products through Belfius Insurance SA.

OUR INVESTMENT FRAMEWORK AND COMMITMENT TO ESG

Sustainable investment is an investment strategy and practice that incorporates Environmental, Social and Governance (ESG) factors in investment decisions and active ownership.

The awareness and demand of a constantly growing number of investors for long-term sustainable investing is a trend that is driving the investment process for all asset classes towards longer term investments, and is there to stay. It allows to align their investment objectives with their fiduciary duties towards society as a whole.

Belfius IP has adopted an investment process in which fundamental analysis is combined with environmental, social responsibility and governance factors that are gradually further integrated.

The integration of ESG factors is not yet applied to the whole range of investment products developed by Belfius IP. The focus is currently set on sustainable investment products.

The signature on 28th February 2019 of the UN Principles for Responsible Investment (UN PRI) is one of the first commitments taken by Belfius IP towards this progressive introduction of a specific and gradual attention to ESG in the development of (sustainable) investment solutions.

Belfius IP is also an active member of the "Steering Committee ESG", an internal committee which intends to expand and streamline best ESG practices within the Belfius Group.

For Belfius IP due to its current specificities, namely being a fund of funds manager, this is essentially translated in the specific attention granted to ESG criteria in the selection of the underlying instruments (funds, trackers) in which the portfolio managers may invest.

Belfius IP continuously improves its policies and ESG criteria in its fund selection process or daily monitoring in line with the PRI requirements and future reporting's, as well as with the continuously evolving standards applicable to the sustainable product range.

ESG INTEGRATION INTO ASSET ALLOCATION FOR SUSTAINABLE INVESTMENT PRODUCTS

The materiality of environmental, social and governance (ESG) issues differs substantially between industries. In each factor, some material issues should be assessed[1].

Environment	Social	Governance
○ Climate Change & Carbon Risk ○ Use of Raw Materials, Water & Energy ○ Biodiversity & Land-use ○ Generation of Wastes & Noise ○ Supply chain management	○ Human Rights ○ Labour Rights, Equal Opportunities ○ Occupational Health & Safety ○ Government and Community Relations ○ Consumer Protection, Product Safety ○ Personal Data Safety & Privacy	○ Transparency, Reporting on Material Issues & Audited Reports ○ Board Composition and Independence ○ Accounting risk, & Audit Committee Structure ○ Bribery and Corruption ○ Aggressive Tax Planning

This approach applies to investments in all asset classes, within practical limitations and in accordance with the fiduciary responsibility of Belfius IP towards its clients.

On top of this ESG analysis to be done in each security in which the sustainable funds will invest and in order to implement the investment strategy, the fund managers may reduce the investment universe by applying some of the following methodologies:

- Exclusion of companies (negative screening);
- Selection of best-in-class companies within the respective sectors (positive screening);
- Selection of companies based on sustainable investment themes;
- Dialogue with companies (engagement);
- Exercising voting rights (voting on shareholder meetings);

The most important objectives for the integration of ESG criteria and processes are:

- The strategic and tactical asset allocation has to be in line with the clients investment objectives;
- The investments are broadly allocated within and across various asset classes, various instruments (equities, fixed income instruments, funds or trackers) and investment styles in order to maintain a sufficient diversification within the portfolios;
- The sustainable investment policy will be executed by Belfius IP directly (though its own portfolio managers) or indirectly (though the selection of sub investment managers to which the daily

[1] The list of factors is not exhaustive & may evolve over time.

management of the funds is delegated) through the selection of various, externally managed, investment funds or trackers.

SELECTION & MONITORING OF FUND MANAGERS

In order to select and monitor the funds (managers), Belfius IP classifies all investment funds based on their risk profile and, whenever possible, responsible investment policy.
The classification methodology is described in a separate document, internally called "the fund selection policy". Below is a summary description of the applicable methodology.
In order to classify the investment funds, the return and risk profiles are first reviewed. We then look at specific criteria in the due diligence process of both the fund and the fund's manager.

For products that will qualify as "sustainable investment solutions", the fund selection team of Belfius IP will specifically assess the following criteria in the due diligence process of external fund managers.

- They have signed the UN PRI initiative;
- They have adopted a convincing responsible investment policy that is in line with Belfius IP's policy;
- If they do not apply or receive the Belgian label, they have signed towards Belfius IP a commitment to respect the rules described in the Belgian Febelfin Quality Standard, the so-called "Towards Sustainability" label.
- They offer maximum transparency with regard to the underlying investments & provide at least on a monthly basis an extensive overview of the holdings in which the external fund managers have invested. This will allow Belfius IP to perform its own ESG monitoring also-called the "look-through approach"; In this approach, an attention will be granted to the use of derivatives or securities lending, if any.
- They rank highest within the fund universe according to our internal criteria;
- They can prove a real & active engagement towards the companies in which they invest, regardless of the fact they are stockholders or bondholders;
- They are active shareholders who exercise their voting rights and hold dialogues with the respective companies. They are active bondholders;
- They report in a clear, transparent and consistent manner with respect to their responsible investment policy, the selection and exclusion of companies and the results of their active ownership;
- They are open to a dialogue with Belfius IP with respect to their responsible investment policy and respond constructively as to the conditions stipulated by Belfius IP.

Belfius IP will monitor on a regular basis the respect of these conditions.

Belfius IP will engage directly with the asset manager in case of potential breach.
In case of one or more consistent omissions, Belfius IP may decide to relinquish the investment into the underlying investment fund.

The policies followed by the asset managers may differ from one asset manager to another, but it is clear that the global philosophy will be identical.

EXCLUSION SCOPE & CONTROVERSIES

Scope

In line with the progressive implementation of an ESG policy applying on all the investment funds, Belfius IP will be imposing exclusions on sectors or companies that are not compliant with internal policies or positions towards sectors that are considered as controversial.

Financial products with a sustainability focus (also called the "sustainable financial products") shall not finance or support companies that are continuing or not phasing out practices that are widely regarded as unsustainable.

The exclusions cover equities as well as other securities such as bonds, futures, certificates, etc.
They are implemented in the portfolio management system and monitored on a daily basis by the risk department.

UN Global Compact violations

Belfius IP has defined criteria for the exclusion of companies that are acting in breach of the 10 Global Compact principles (Human Rights, Labour Rights, Environment, Anti-corruption)[2].

A socially responsible product shall not finance companies that pose an unacceptable risk to contribute to or be responsible for:

a) serious or systematic human rights violations, such as murder, torture, deprivation of liberty, forced labour and the worst forms of child labour;
b) serious violations of the rights of individuals in situations of war or conflict;
c) severe environmental damage;
d) acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions;
e) gross corruption;
f) other particularly serious violations of fundamental ethical norms;

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

Companies will be identified with the support of a specialized research firm.

Weapons

Weapons can be used for attack or defense, in other words to threaten and protect. But a weapon or a weapon system is an instrument designed to injure or kill an opponent. This raises ethical questions. While armaments may be necessary for the maintenance of peace, its ultimate goal is to threaten or destroy human life.

[2] The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.
See https://www.unglobalcompact.org/what-is-gc/mission/principles

When used for military purposes, weapons are typically divided into three main categories. On the one hand the controversial weapons & on the other hand the non-conventional weapons & the conventional weapons.

Regarding the controversial weapons category, Belfius IP do not invest in companies involved in the production or supply of indiscriminate weapons. By this we mean weapons that have led to an unnecessary number of civilian casualties.
A company is deemed to be involved in the following cases:

- A company is directly involved in the development, production, maintenance or trade in controversial weapon systems or provides essential and specifically adapted components or services for such weapons; and
- A company owns (>20%) or is owned by (>20%) a company that is directly involved.
- The criteria for exclusion with respect to controversial weapons are applicable to all investments of Belfius IP. If an investment fund is no longer in compliance and the situation is not rectified by the fund manager after a dialogue with Belfius IP, the investment fund will be sold.

In line with the Belgian "Loi Mahoux", Belfius IP has implemented a list of companies (identified with the support of a specialized research firm) active in the controversial weapons industry that will be excluded of any fund developed & managed by Belfius IP fund managers.
This list covers the following sectors:

- Cluster munitions & anti-personnel mines
- Biological Weapons
- Chemical Weapons
- (depleted) Nuclear Weapons

The category "non-conventional weapons" includes nuclear weapons. A socially responsible product shall not finance companies that manufacture or sell nuclear weapons or tailor-made components of nuclear weapons to countries that have not signed the non-proliferation treaty.

The category "conventional weapons" includes, for example, small arms and light weapons, bombs and missiles (non-nuclear), shells, rockets, etc. The identified producers contribute to the realization of the weapon system and / or its platforms.
Belfius IP will exclude from its sustainable investments companies that generate 10% or more of their revenues from the production of weapons or tailor-made components[3] thereof.

Tobacco

It is scientifically proven that all forms of tobacco cause health problems at all stages of life, often leading to death or disability. Smokers have a significantly increased risk of cancer and a greater risk of heart disease, stroke and emphysema, in addition to other fatal or non-fatal consequences.

A sustainable investment fund do not invest in companies producing tobacco or products that contain tobacco.

[3] Weapons are defined as products or basic components of products that have been 'designed to injure/kill' and are used exclusively for military purposes. Tailor-made components are components that are developed primarily in order to be integrated into a weapon system.

Additionally, Belfius IP will not invest for its sustainable offer in companies that derive 10% or more of their revenues from tobacco related sales.

Companies will be identified with the support of a specialized research firm.

Coal and unconventional Oil & Gas extraction

Coal is a combustible black or brownish-black sedimentary rock, formed as rock strata called coal seams. As a fossil fuel burned for heat, coal used to supply an important part of the world's primary energy and of its electricity. Some iron and steel making and other industrial processes burn coal.
The extraction and use of coal causes many premature deaths and much illness.
Coal industry damages the environment, including by climate change as it is the largest anthropogenic source of carbon dioxide.

Unconventional oil and gas refers to the oil and gas resources which cannot be explored, developed and produced by conventional processes just in using the natural pressure of the wells and pumping or compression operations. By unconventional oil & gas, we mean arctic oil and gas extraction, shale energy or oil sands.
These unconventional crude oil and natural gas are trapped in the pores of sediments rocks called shale.

Coal and unconventional oil and gas pose unacceptable environmental, climate and societal risks. Investments in these industries could retard investments in transitional and renewable energy sources and thus should not be part of a socially responsible financial product.

A socially responsible investment product shall not finance companies that derive 10% or more of their revenues from thermal coal extraction or unconventional oil & gas extraction. Companies with expansion plans for coal extraction or unconventional oil & gas extraction should not be financed neither in a socially responsible investment product.

Companies will be identified with the support of a specialized research firm.

Conventional Oil & Gas extraction

Conventional oil and gas, or the generic term of conventional energy resources, applies to oil and gas which can be extracted, after the drilling operations, just by the natural pressure of the wells and pumping or compression operations. After the depletion of maturing fields, the natural pressure of the wells may be too low to produce significant quantities of oil and gas.

Conventional oil and gas products have an important role in our current economy and are expected to do so in the coming years. This sector is key in the transition to a low-carbon economy. In that way it can have a place in a socially responsible portfolio, definitely for gas which can be considered as a transitional energy resource. However, it should be approached cautiously and selectively to value positive evolution and to limit negative impacts.

An ESG due diligence process will monitor & evaluate companies involved in conventional oil & gas extraction. The evaluation will use of forward-looking metrics like the level and the management of carbon related risk, and the transition plans towards low carbon and renewable energy.

A socially responsible product shall not finance oil & gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources.

The companies should have policies in place or have clear public statements confirming the aim of accelerating the transition to a low carbon business model and of supporting their R&D in sustainable energy technologies. Belfius IP & the asset managers will support companies accelerating the transition to a low carbon business model and will support their R&D in sustainable energy technologies.

Companies will be monitored with the support of a specialized research firm.

Nuclear Energy

The electricity generation & heat sector is the largest source of human-made CO_2 emissions. It is also the sector that can most readily be decarbonized.
The scale of the challenge requires growth of all available clean energy technologies.
As such, the production of energy through nuclear reactors can be seen as part of the solution, but raises many questions linked to for instance:

- The risks associated with the operation of nuclear power plants (Tchernobyl or Fukushima are recent examples), or
- The storage – often very long term – of the radioactive waste that is generated and for which there is for the time being no real clean solution.
- The dismantling of nuclear power stations and the proliferation of nuclear fuels.

Belfius IP understands the exit process of this industry may be long. Belfius IP will assess and monitor closely the commitment and the transition progress of companies using the nuclear energy. Additionally, other material indicators like the average age of the nuclear fleet will be closely monitored in order to sufficiently mitigate additional risks and hence steer investment decisions.

Companies will be monitored with the support of a specialized research firm.

Electricity generation

Electricity is key in the development of a zero carbon economy and requires a specific focus to monitor how electricity is produced.

Electricity utility companies that are on a transition path in line with the Paris agreement goals are eligible to be financed by a socially responsible financial product.

On top of the ESG analysis that will be performed, a monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production will be done.
The evaluation will use forward-looking metrics like the level and the management of carbon related risk, and the transition plans towards low carbon and renewable energy.

A socially responsible product shall not finance electricity utilities with a carbon intensity that is not aligned with a below 2 degrees scenario[4].

[4] Scenario provided by the International Energy Agency (2017)

This can be translated in the following max thresholds :

	2019	2020	2021	2022	2023	2024	2025
Max. gCO2/kWh	429	408	393	374	354	335	315

In the case that carbon intensity data is not available, a socially responsible product shall not finance:
- electricity utilities of which more than 10% of the power production is based on coal;
- electricity utilities of which more than 30% of the power production is based on oil & gas;
- electricity utilities of which more than 30% of the power production is based on nuclear sources.

A socially responsible product shall not finance electricity utilities with expansion plans that would increase their negative environmental impact or that go contrary to below 2 degrees scenario alignment.

A sustainable product shall not finance electricity utilities constructing additional coal- or nuclear-based power production installations.

Belfius IP & the asset managers will support companies accelerating the transition to a low carbon business model and will support their R&D in sustainable energy technologies.

Companies will be monitored with the support of a specialized research firm.

Controversial governments

The monitoring of controversial countries & the potential decision not to invest in debt instruments they may issue relies mainly on the country watchlist available at the Belfius group level.
This country watchlist is a constantly updated list of excluded countries based on EU embargos, US sanctions, designation by FATF (Financial Action Task Force on Money Laudering) or under the catch-all heading of “tax haven”.

ENGAGEMENT AND COMPLIANCE WITH BELFIUS IP ESG POLICY

Belfius IP will continuously monitor its investment portfolios in light of the above-mentioned standards and engage with investment managers of the underlying funds to obtain a formal engagement on their part that Belfius IP’s ESG principles will be respected at all times.

The occurrence of deviations from Belfius IP’s ESG policy are expected to be limited.
Belfius IP will furthermore review fund managers engagement policies.

The following steps will be taken:
- Companies in an investment fund in breach with one of the controversial activities will be identified by Belfius IP with the support of a specialized research firm;
- Belfius IP informs the fund manager and requests the fund manager to justify its position & if necessary to commence a dialogue with the companies involved, or to cease investing in the companies.

If it appears however that an investment fund does no longer meet these principles, and, after a dialogue with Belfius IP, the fund manager does not take steps to bring the portfolio back in line with Belfius IP's poliy, the investment into the fund will be sold off.

The fund manager will be given a maximum of 12 months to meet Belfius IP's criteria by excluding companies or through engagement with these companies. If, after a 12-month period, the investment fund still does not act in accordance with the criteria as defined by Belfius IP, Belfius IP will make a decision as to whether the investment into the fund should be maintained or divested.