

1. BELFIUS INVESTMENT PARTNERS POSITION ON ESG & ENGAGEMENT POLICY

Belfius Investment Partners (Belfius IP) and more generally the Belfius Group are determined to play an important role in contributing to economic growth for the Belgian society. Together with our customers, employees and long-term partnerships we aim to making the difference on Environmental, Social and Governance (ESG) challenges and investing in long-term solutions that contribute to a more sustainable society.



The 17 United Nations Sustainable Development Goals (SDG's) are a universal set of goals that define global sustainable development priorities and ambitions for 2030. Together, they form a set of targets that calls for urgent action by all actors of society - governments, businesses and community- in order to end poverty, reduce inequalities, protect the planet and ensure prosperity for all.

Belfius Group, through its CSR strategy, has defined 10 commitments towards 2025-2030 (e.g.: CO2 neutrality and support transition towards sustainable economy and society) aiming at achieving a maximum impact on the realization of the SDG's principles¹. These commitments can be found on the Belfius website².

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 currently set on the so-called "sustainable investment products"³ but this will evolve in the coming 2 years.

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.

Creating long-term value for our beneficiaries and the community in a responsible manner requires important decisions about what we choose to do or not. For that reason, after an in-depth analysis of sensitive sectors and

¹ SDG branding may be used without permission for informational purposes only subject to Sustainable Development Goals Guidelines.

² <https://www.belfius.be/about-us/en/belfius-community/sustainable-strategy>

³ https://www.belfius.be/common/FR/multimedia/MMDownloadableFile/belfius-investment-partners/FR/20191115_PolicySustainableProducts.pdf

areas of business, Belfius Group, through its “ESG Steering Committee” is implementing an internal ESG policy called “Belfius Sector exclusion & Limitations Policy” (SLP⁴) through which we (will) carefully apply restrictions on specific sectors and activities that we consider not to be in line with our ESG principles. Regarding the latter, we refer to the content of the “Belfius in the Community” section available on the Belfius Group corporate website.

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. The first mandatory reporting will be done in April 2021.



The **European Union Shareholder Rights Directive (2017/828/EC)**, dated as of May 17th, 2017 was put in place in order to encourage long-term shareholder engagement and to enhance transparency between companies and investors.

Belfius Investment Partners is committed to progressively integrate ESG criteria at the heart of its investment decisions alongside the financial health of companies in which we decide to invest.

We commit to report on our actions and progress in a consistent and transparent way. Being meaningful & inspiring is the guiding principle in everything we do. In this way, we can create a sustainable and transparent environment for the Belgian economy and society as a whole.

Our sustainability ambitions for 2025-2030, translated into the 10 individual commitments⁵, and our overall engagement policy are interconnected and enable us to act in the best interest of our clients.

2. ENGAGEMENT POLICY IN OUR DIFFERENT ACTIVITIES

We believe that the role we want to play in society can be fulfilled in a meaningful way through constructive and continuous dialogue with our stakeholders. By regularly contacting them, we can understand their concerns and their main expectations towards us.

Beside the fact that we together with the Belfius Group already conduct a dialogue with several stakeholders (customers, employees, governments & regulators, rating agencies...), we also maintain a regular dialogue with the external asset managers we select.

The specificities of the activities of Belfius IP imply the need to differentiate the way engagement is done within the firm towards the companies in which we invest.

Belfius IP manages funds internally (more specifically currently mainly funds of funds or funds of ETF's) & delegates the management of some other funds to external partners.

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.

2.1 ENGAGEMENT POLICY THROUGH THE FUNDS INTERNALLY MANAGED

⁴ The Belfius SLP is in its implementation phase and will be published on the website when implementation is finalized.

⁵ <https://www.belfius.be/about-us/en/belfius-community/sustainable-strategy>

Due to its current specificities, namely being a fund of funds manager, engagement 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. This is even more specifically the case for the products we manage that are following our ESG policy for Sustainable Investment Products⁶.

Belfius IP continuously monitors its investment portfolios considering 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 consider & monitor 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 policy, 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 decide whether the investment into the fund should be maintained or divested.

2.2 ENGAGEMENT POLICY THROUGH THE FUNDS EXTERNALLY MANAGED

Belfius IP delegates the management of some other funds to external partners, like among others Candriam, JP Morgan Asset Management & Black Rock.

Each delegation is detailed into an Investment Management Agreement where, among others, the engagement, stewardship & proxy voting is described.

We expect fund managers to apply, towards the companies in which they directly invest, their own voting policies and to disclose in due time their own Engagement reporting on their website.

3. ANNUAL REVIEW OF OUR ESG AND ENGAGEMENT POLICIES

Our policies and the related progress will be reviewed annually to integrate elements from our active engagement policy process and to follow up on new ESG developments, especially for ESG issues that are of concern. The way our engagement policy has been implemented during the year will be published on our website on a yearly basis.

⁶ https://www.belfius.be/common/FR/multimedia/MMDownloadableFile/belfius-investment-partners/FR/20191115_PolicySustainableProducts.pdf