

REPORT ON THE ENGAGEMENT POLICY 2023



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FOREWORD:

ESG ENGAGEMENT IN OUR RESOLUTELY FORWARD-LOOKING INVESTMENTS

Belfius occupies a unique position in the Belgian financial landscape: a 100% Belgian bank-insurer which focusses its activities primarily on the Belgian socio-economic fabric of private individuals, the self-employed, the liberal professions, SMEs, large companies, social institutions, public authorities and local administrations.

Within this context, in terms of strategy and fully to achieve our objective “Meaningful & Inspiring for the Belgian Society. Together”, Belfius Insurance is determined to contribute to the economic growth of Belgian society. Together with our customers, staff members and long-term partners, we aim to make a significant impact on Environmental, Social and Governance (ESG) challenges and to invest in long-term solutions which contribute to a more respectful society for our planet. The ESG challenges and sustainable development objectives are described in our [Corporate Engagement Policy](#).

We put our **customers** in the driving seat to achieve their sustainability ambitions by providing them with the necessary tools, funding and expertise (whether existing or newly developed). We work with our customers to meet the challenges of our time (e.g. climate change) and shape the future responsibly. We are transparent and give our customers the information they need to make the right decisions.

A **governance structure** dedicated specifically to monitoring this strategy has also been set up to ensure that it is implemented. Various committees (in particular for Investments) set up in 2022 have continued to meet in 2023 to support governance. In addition, the Board of Directors of Belfius Insurance and the Board of Directors of Belfius Bank carry out joint monitoring on a regular basis. In 2023 specifically, the Board monitored this on four occasions, in particular via a dedicated dashboard.

In terms of **insurance products and services**, in line with our defined strategy, we are convinced that we can support and encourage all kinds of virtuous behaviour on the part of our customers and also reduce our own environmental footprint (taking account of the entire value chain). Inter alia, we insure all kinds of mobility (e.g. cycling), encourage our customers to drive less (e.g. insurance per kilometre, mobility budget for assistance to avoid having to use a polluting replacement vehicle). We also offer products to protect the home, which aim to encourage our customers to limit their CO₂ emissions while guaranteeing the best possible cover for the various life hazards which they may face.


In our **operations**, we are attentive to our entire value chain. We work with a third party to assess and monitor the environmental and social sustainability performance of our various partners. We also measure and calculate our greenhouse gas footprint. Indeed, in order to have an even greater impact in the climate actions we undertake, we have committed to measuring our greenhouse gas emissions, including our financed emissions, using a methodology in line with the standards defined by PCAF (Partnership for Carbon Accounting) and following a decarbonisation pathway required to reach the targets of the Paris Accords (2015) and in line with the latest scientific data on the climate (Science Based Target).

4. Finally in terms of **investment**, the basic principle of our investment policy is respect for specific (international) norms and standards, which are included in our "[Transition Acceleration Policy \(TAP\)](#)" which was reviewed in December 2023 and the new version of which will apply to all our investments on 1 August 2024.

With our Engagement Policy, we have committed to report on our ESG actions and progress in a transparent manner and the purpose of this engagement report is to describe for the year 2023 the implementation by Belfius Insurance of its ESG engagement within the companies in which it has invested through its voting behaviour. In this respect, Belfius Insurance stresses that, as in 2021 and 2022, it did not use the services of voting consultants in 2023.

This report is integrated into and refers to the Belfius sustainability strategy outlined in its annual report, as well as the policies which accompany that strategy (such as the Engagement Policy, Transition Acceleration Policy, available on our website under "Policy & Charters"). The purpose of this report is for the year 2023, to describe the implementation by Belfius Insurance of its ESG Engagement through the following four sections:

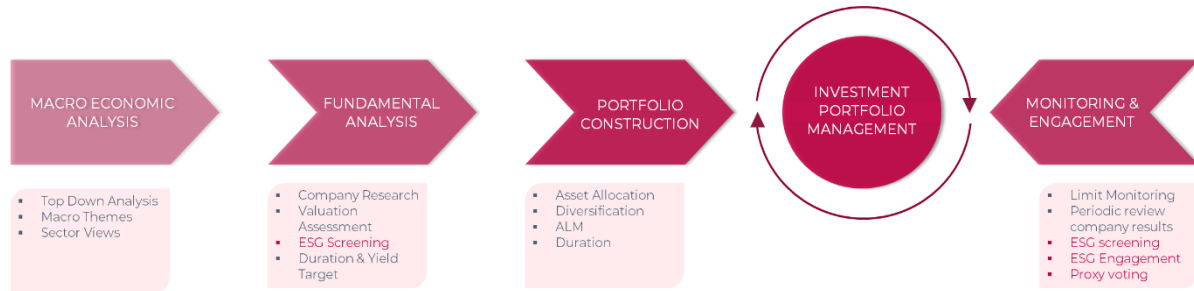
- 1) The implementation in 2023 of our engagement policy and our voting behaviour,

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- 2) The monitoring in 2023 of our investee companies in terms of strategy, financial and non-financial performance, social and environmental impact and corporate governance,
 - 3) A description of the most important votes,
 - 4) An overview (by graph) of our engagement to the companies in which we hold shares.

1. THE IMPLEMENTATION IN 2023 OF OUR ENGAGEMENT POLICY AND VOTING BEHAVIOUR

1.1 THE ESG CRITERIA ANALYSED FOR EACH INVESTMENT

In order to implement our Engagement Policy and integrate ESG factors into our investments, we consider it important to check the ESG criteria of the companies in which we invest, both before each investment and throughout the investment itself.



In 2023, we collaborated with our preferred partner within the Belfius Group, Belfius Asset Management, which provides us with ESG data (from an external supplier) and carries out a screening before each investment. If the company analysed in this way is the subject of controversy, this information is brought to light to enable us to decide whether or not to invest, to debate the controversy or to ask the company concerned to adopt measures which tend to respect ESG standards.

In addition to this collaboration, our staff in the investment department also collect the information needed to make informed decisions. The company's financial data and ESG score are incorporated into our analysis and compared with our own benchmark. As an insurer, we have to look at and focus on the long term, which explains why, in an investment portfolio, we may well find companies which had a lower ESG score in the past but which, over the years, have made significant efforts to improve their ESG engagement.

To support and determine our voting behaviour in a company, we believe that as a committed investor, Belfius Insurance has a duty to encourage better ESG practices and greater transparency concerning them in the companies in which we invest.

Our behaviour is primarily collaborative, through a constructive and permanent dialogue with the management or, as the case may be, the members of the boards of directors in which we have a representative in the companies in which we have invested.

It should also be noted that Belfius Asset Management monitors compliance with the TAP (after investment) at least once a year in order to verify the correct application of this policy by the companies in which we have invested. This monitoring is also carried out independently of the investment teams by the ESG team as well as by the second-line control teams which also monitor our investments (Compliance team concerning sector exclusions and the Risk division).

This monitoring of compliance with the TAP is then reported to the various governance bodies, i.e. the Asset & Liability Committee, the Management Board of Belfius Insurance and the Board of Directors of Belfius Insurance.

If, after analysis, it appears that an investment in the Belins portfolio no longer complies with the TAP, the following actions are taken:

- Belfius engages with to the issuer in order to restore the issuer's TAP compliance. During the engagement period, new investments linked to this issuer are prohibited. If the issuer does not respond positively to the engagement process, Belins must divest.
- If divestment leads to serious negative ALM or P&L impacts or liquidity problems (e.g. private equity funds), the Investment Department will ask the Asset & Liability Committee to confirm that the position can be retained in the portfolio and the conditions of such retention.

This procedure did not have to be applied in 2023. All criteria were met by all issuers.

1.2 SUMMARY OF OUR PORTFOLIO

With regard to the implementation of our Engagement Policy at the end of 2023, out of total assets under management of € 14.74 billion, Belfius Insurance has invested € 3.72 billion in mortgage loans, € 771 million in real estate and € 5.87 billion in government bonds. The entire investment portfolio meets 100% of the TAP requirements as at 31 December 2023.

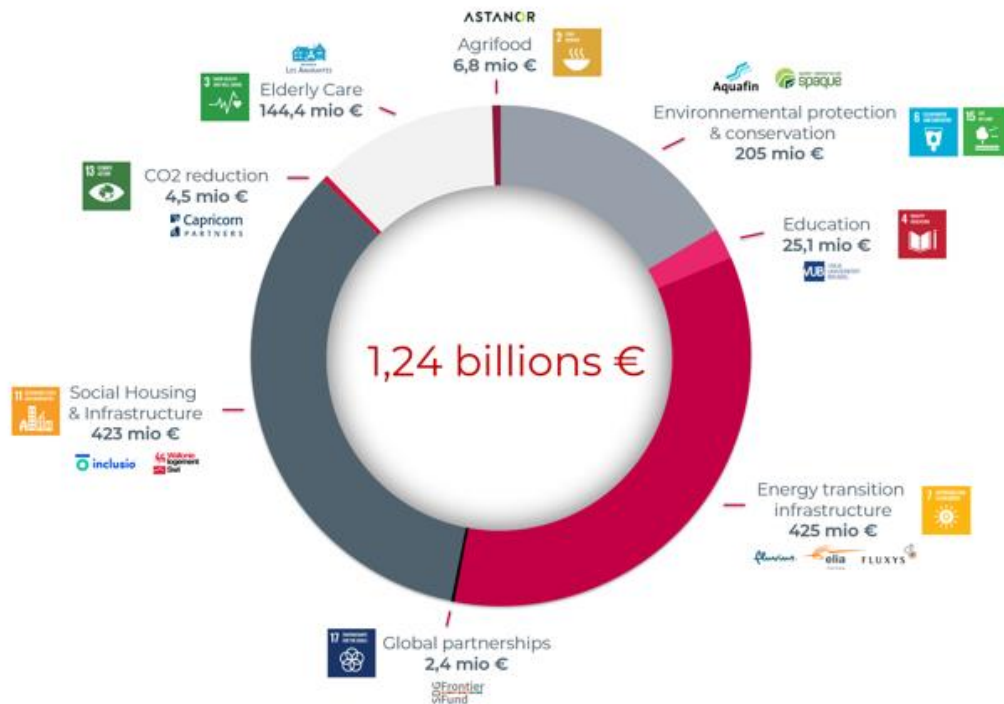
As an insurer deeply rooted in Belgian society, a major part of Belfius Insurance's resources is invested in Belgian assets. Indeed, Belfius Insurance's contribution to the Belgian economy cannot be underestimated:

- At the end of 2023, more than € 3.3 billion were invested in bonds issued by the Belgian State and the Regions. Thanks to this investment, Belfius Insurance is providing the State, the Regions, and consequently Belgian society, with significant resources which will enable it to step up its social commitments.

- In addition, € 6.6 billion (as at 31 December 2023) are invested in other Belgian assets (corporate bonds, real estate, mortgages, loans, shares in Belgian companies, start-ups, and so on). This is helping to revive and support various sectors of activity.

In addition to these assets, in order to implement its social engagement in a strong manner, Belfius Insurance also continued to invest in 2023 in funds which had been set up in 2021 specifically to relaunch sectors of activity in Belgium which had been badly hit by the covid crisis as well as those affected by the severe flooding in mid-July 2021.

In total, we estimate that € 1.24 billion will be invested in companies and infrastructure which contribute to a fairer, more equitable and more responsible world.



1.3 BELFIUS INSURANCE'S VOTE IN EACH COMPANY IN WHICH IT HAS A SIGNIFICANT HOLDING¹

For the year 2023, nine major shareholdings are concerned and are detailed in the following chapter.

For these holdings, one or more representatives took part in meetings of the boards of directors of these companies and actively asked questions. These representatives took part in ordinary and extraordinary general meetings to explain our voting behaviour (described below) and to express our ESG engagement.

For shareholdings below the 5% threshold (at which a significant shareholding can be defined – cf. footnote 1), Belfius Insurance also conducts a constructive and collaborative dialogue. However, for these smaller shareholdings, we use proxy voting at General Meetings of Shareholders. This proxy voting service is requested from a proxy voting service provider. It is carried out in accordance with the proxy voting policy of the service provider. This policy ensures that we vote on the various resolutions proposed by management, taking into account, inter alia, the general principles of good governance, the principles set out in the TAP (e.g. ten principles of the UN Global Compact), our convictions regarding action to mitigate the impact on the environment in general and the climate in particular, and to ensure that the least-represented gender is adequately represented on governance bodies.

In 2023, across our entire investment portfolio, during 70 meetings, out of 861 proposals put to the vote, 66% were approved.

To recall, Belfius Insurance did not use voting consultants in 2023, as in 2021 and 2022.

Our voting behaviour at general meetings is based on the following general principles:

- **Approval of the financial statements and management:** we look at the integrity of management and financial and non-financial information and ask questions if necessary.
- **Allocation of the result, equity management and capital transactions:** we ask questions and ensure that the distribution policy is also in the interests of long-term ESG investment.
- **Members of the Board of Directors:** when appointing or renewing the terms of office of directors, we take into account competence, independence and diversity when voting for or against a director.
- **Directors' remuneration and staff profit-sharing:** we look at the transparency, consistency and fairness of remuneration and, for companies where this is applicable, the integration of sustainability risks into the remuneration policy.
- **ESG practices:** we analyse the company's environmental, social and governance practices.

Each time we interact with the directors and senior executives of portfolio companies, we discuss these issues and how they are evolving.

¹ For the notion of significant shareholding or significant vote, we have taken as a criterion the thresholds (5% or more) referred to in the legislation relating to the disclosure of significant shareholdings, but we have also included private equity funds in which we can assert our engagement because we have a representative on the board of directors of that fund and when we hold a minimum shareholding of 5%. The threshold used is 5% or more of the existing voting rights within the meaning of Article 6 § 1 of the Law of 2 May 2007 on the disclosure of major shareholdings in issuers the shares of which are admitted to trading on a regulated market and of miscellaneous provisions (last updated by the Law of 27 June 2021).

2. THE MONITORING IN 2023 OF INVESTEE COMPANIES ON ISSUES OF STRATEGY, FINANCIAL AND NON-FINANCIAL PERFORMANCE

In 2023, Belfius Insurance held a significant stake in nine companies. The Belfius Insurance Investment team individually monitors those companies in which we have a significant stake or in which we have a representative on the Board of Directors.

The various representatives of Belfius Insurance attended all the meetings of the **Board of Directors** organised. It should be noted that two new directors were appointed during the year. They were only able to attend the Board meetings organised after their appointment, i.e. a limited number of meetings.

Regular contact with these companies enables us to understand their concerns and their main expectations of us. During these regular meetings of the Board of Directors, we actively ask questions and prepare for the General or Extraordinary Shareholders' Meetings to which we are invited.

In 2023, in order to assert our voting behaviour described above and to express our ESG commitments, eight representatives of Belfius Insurance participated respectively in a **General Meeting** (GM) of shareholders. Of these, four representatives also attended an **Extraordinary General Meeting** (EGM) of shareholders.

Within the framework of monitoring these companies, in addition to a screening of the ESG criteria within the companies by our aforementioned partner, we can indicate that we take into account, in addition to the fundamental analysis of the company, a series of KPIs on ESG included in the following non-exhaustive list:

- For the Environmental aspect:
 - Are there targets for reducing consumption of water/electricity/other raw materials?
 - Has a policy been implemented to raise staff awareness of the need to adopt “sustainable” behaviour (sorting waste, reducing the use of plastic or the number of printouts, and so on)?
 - Are measures taken to reduce the company's environmental footprint, particularly in terms of CO₂ emissions?
- For the Social aspect:
 - What is the state of relations between management and staff?
 - What is the staff turnover rate?
 - Is there an occupational health and safety policy (especially for industrial companies)?
- For the Governance aspect:
 - What is the composition of the Board of Directors (including gender diversity)?
 - To what extent are the roles of Chairman of the Board and CEO divided?
 - How many independent directors are there?
 - Who are the majority shareholders?


There is no consensus or guideline by which we can compare companies. As a result, we look first to see if the company is working on an ESG plan, how ESG is integrated into the company's activities, and if so, how measures and progress are assessed.

For smaller holdings and companies in which we do not have a representative on the Board of Directors, we use proxy voting, which in 2023, as in 2022, we have entrusted to an external partner specialising in proxy voting, so that we can systematically express our position and our ESG engagement.

3. A DESCRIPTION OF THE MOST SIGNIFICANT BEHAVIOUR AND VOTES IN 2023

In 2023, nine major shareholdings were involved. Given that the information in the engagement files relates in particular to the strategy of these companies and that most of this information may be sensitive and confidential, or fall within the scope of legally protected business secrecy, we are not disclosing any information by name in order to respect the confidentiality of the business of these companies.

On the other hand, in the interests of balanced transparency, we describe below the voting areas and



trends for these companies and private equity funds. These private equity funds are mainly active in the real estate sector, the technology sector, the media sector or the infrastructure sector, and some of them are companies which manage their holdings within an ESG context.

Questions about the financial and non-financial performance of companies, as well as social and environmental issues and corporate governance, were formally addressed by seven of the Belfius representatives at the various meetings of the **Boards of Directors** held during 2023.

Specifically we state that for one of these companies (active in technology), a strategic retreat was organised in the summer of 2023. For a second company, also active in technology, one of the members of the Board of Directors is in charge of ESG, and ESG issues were raised in discussions with suppliers in 2023, as were the non-financial criteria which form part of the variable remuneration of Top Management. Lastly, compliance with the principles of good governance was highlighted for a third company within the context of an acquisition.

Of the nine companies in which we have a holding, six did not include any environmental or social items on the agenda of their **general meetings** of shareholders in 2023.

However, these six companies do not have any social conflicts, most of them follow an internal sustainability policy, sometimes called an ESG policy, and operate in accordance with the rules of good internal governance which, in 2023, did not give rise to any particular points of attention either within their Board of Directors or at the General Meeting of Shareholders.

With the exception of two representatives who were unable to attend the Board meetings/GM/EGM due to their recent appointments in the course of 2023, all other representatives of Belfius Insurance voted positively with regard to the approval of the financial statements and the sustainable long-term investment policy (the allocation of the result, the allocation of shareholders' equity and capital transactions). Depending on the company represented, dividends may or may not have been distributed.


With the exception of the two representatives indicated above and one representative mentioning that this point was not addressed, all other representatives of Belfius Insurance voted positively with regard to the skills of the members of the Board of Directors; in other words, the necessary skills are well represented within each company in which Belfius Insurance has a significant holding.

With the exception of two representatives who were unable to attend the Boards/GM/EGM due to their recent appointments in the course of 2023 and one representative mentioning that this point was not discussed at all, all other representatives of Belfius Insurance voted positively with regard to the remuneration of executives and staff profit-sharing, confirming the good transparency, consistency and fairness of the remuneration, which therefore correctly reflects the necessary medium and long-term qualities of the executive power.

With regard to the positive vote in favour of responsible practices, a company active in the property sector indicated that it had released a budget to invest in projects to reduce greenhouse gas emissions.

Another company active in the technology sector voted in favour of reducing the number of directors while guaranteeing gender parity on the board. This same company states that all investments are made in line with sustainable development objectives.

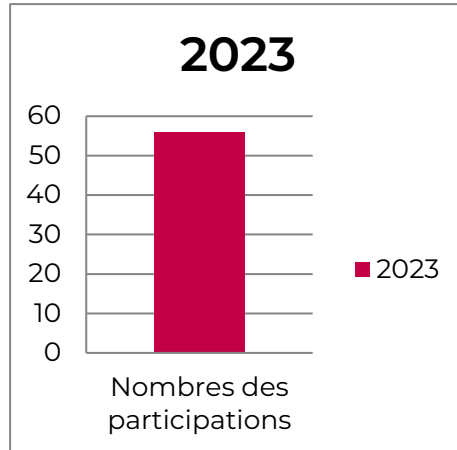
In terms of ESG resolutions on climate change, three of the companies represented voted in favour of clearly identified actions. These included a decision to install solar panels for a company active in real estate and another active in the infrastructure sector which invested in solar panels, electric cars and public charging stations. A fourth company represented has not made any formal climate resolutions in 2023. However, all new investments and assets in the portfolio are constantly analysed, and energy improvements are carried out where necessary; these include numerous thermal insulation works on several buildings, the replacement of several boilers, photovoltaic installations, and the replacement of external joinery and so on. Finally, thanks to its activity (its corporate object) of providing affordable housing for people with disabilities, this same company has managed to support 34 additional people (to the 1,163 identified at the beginning of 2023). The same company has allocated a specific budget to provide financial assistance to its tenants for social cohesion and building improvement projects. A call for projects was issued to tenants in 2023 and 18 projects were submitted. At the time of writing, we had not been able to obtain any information about the selection of the projects selected.



To close this chapter in terms of ESG resolutions, we can stress the importance of diversity, which in several companies has already been addressed through staff recruitment, with the aim of having a diverse pool of staff members.

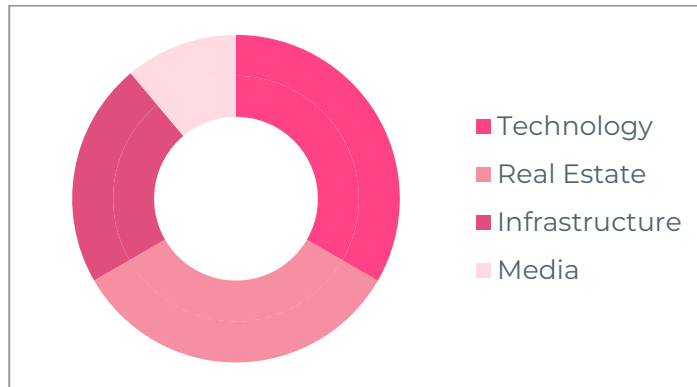
1. AN OVERVIEW OF OUR ENGAGEMENT WITHIN THE COMPANIES IN WHICH WE HOLD SHARES

The number of times Belfius Insurance participated in meetings of the Boards of Directors and in General Meetings (ordinary or extraordinary) of shareholders in 2023 in companies in which Belfius Insurance has a significant holding is 56.

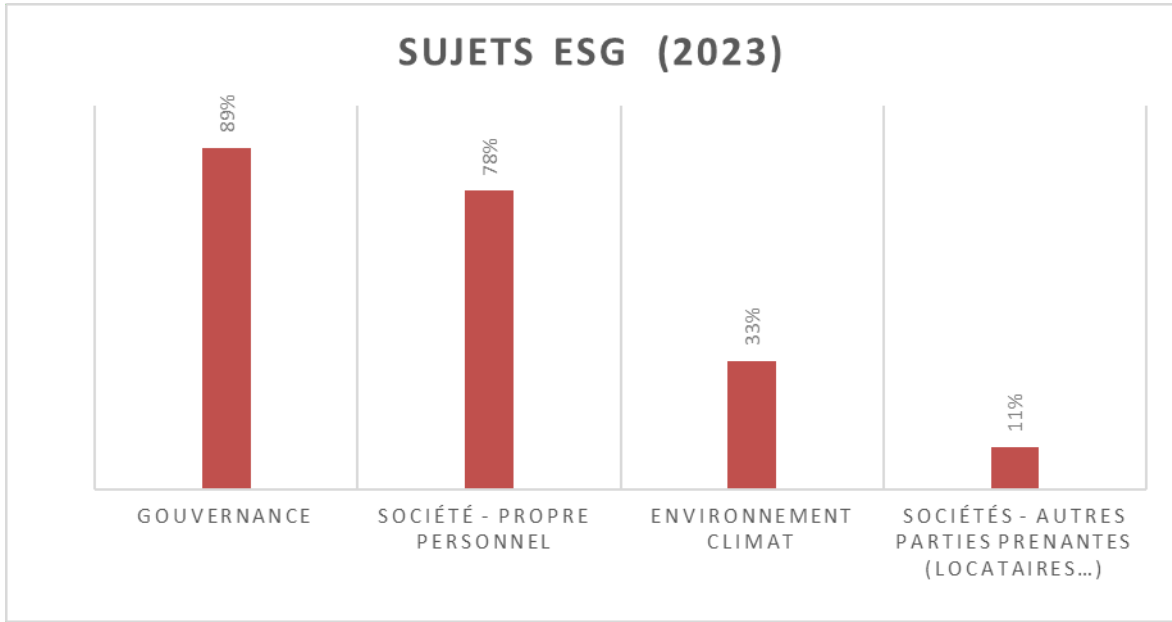


This chart is adjusted annually to reflect the evolution of participations in regular meetings of the Boards of Directors and in general or extraordinary meetings of shareholders.

The breakdown below shows the sectors in which Belfius Insurance has a significant stake in 2023:



The main ESG issues dealt with, and their percentage of representation, during our participation in meetings of the Boards of Directors, or even General or Extraordinary Shareholders' Meetings, are listed below:



The table below gives an overview of the ESG themes complied with by the companies in which Belfius Insurance has a significant stake. Following an internal survey of the companies in which Belfius Insurance has a significant stake, it was estimated that in the companies concerned, the ESG themes were complied with between 80% and 90% of the time.

