



# United Nations Principles for Sustainable Insurance (UNPSI)

Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

## Company strategy

- Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations
- Dialogue with company owners on the relevance of ESG issues to company strategy
- Integrate ESG issues into recruitment, training and employee engagement programmes

## Risk management and underwriting

- Embed ESG risks in the usual risk management practices and processes used to identify, assess, monitor and manage risks and be aware of potential ESG-related consequences of the company's transactions
- Integrate ESG issues into business practices: risk management as first lines of defence, underwriting and capital adequacy decision making processes, including research, models, analytics, tools and metrics

## Product and service development

- Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management
- Develop or support literacy programmes on risk, insurance and ESG issues

## Claims management

- Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood
- Integrate ESG issues into repairs, replacements and other claims services

## Sales and marketing

- Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns
- Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood

## Investment management

- Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)



Belfius Insurance is a 100% subsidiary of Belfius Bank and provides insurance solutions to their clients. As a subsidiary, we follow Belfius Bank’s strategy and benefits from initiatives realised at Group level.

### 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.

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 Group attaches great importance to having an open dialogue with stakeholders (including its shareholders) on ESG issues to understand and tackle them 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 and we continually ensure through the Belfius Insurance Approval Process that Belfius Insurance includes sustainability in its decision-making. In 2023, a total of eight awareness sessions (e.g. Risk Management, Project Management, Management Board and Senior Executive level, etc.)

were organised, including on topics such as sustainable finance and the EU Action Plan. For additional information, see section 6.1. of the Sustainability Report.

### Risk management and underwriting

#### Introduction

The insurance sector is particularly 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. To date, the mortality risk is not materially impacted in life insurance products.

Due to the escalating challenges posed by climate change, climate-related risks encompass all activities of Belfius Insurance, including the assets.

In response to the potential impacts of climate change and climate transition on Belfius Insurance activities, considerable efforts have been devoted to include, assess and manage the related significant risks in our Risk Management Framework. The concept of climate risk is even extended to sustainability risks in general. The aim of our Risk Management Framework is to ensure that risks are systematically and effectively identified, assessed, managed and monitored. For more information, see section 6.1. 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 in different majors, described below.

Firstly, a qualitative screening of our climate-related physical and transition risks was performed: the “Climate Risk Map”.



Based on this Climate Risk Map, a first climate stress scenario at company level was proposed and its impact on our solvency ratio was computed in 2021. This stress test is now updated on yearly basis in the ORSA. To design and calibrate this internal scenario, Belfius closely analyses climate stress tests proposed by several European supervisors. For more information on the insurance climate stress tests, see section 6.1. of the Sustainability Report.

Sustainability-related risks have been embedded in the risk appetite policy with dedicated key risk indicators (KRIs). Indicators are improved and completed when needed. These indicators have been monitored since 2022.

A first full climate materiality risk assessment has been performed to determine the risk level of all company activities in 2023.

We have also started to collect additional data to improve our risk assessments - energy performance information on assets linked to real estate properties (for direct investment in real estate and mortgage loans) is the 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. It should be noted that a new version of the Transition Acceleration Policy that considers the most recent scientific reports (IPCC<sup>(1)</sup> and IEA<sup>(2)</sup>) was validated by the Belfius Insurance Board of Directors in December 2023. For more information on KRIs and the TAP, see sections 6.1. and 5.1. of the Sustainability Report.

### Embed ESG in our risk management practices

In line with the ESG Roadmap and strategy, we also took initiatives to embed ESG in our decisions, policies, processes and organization.

To comply with sound risk management practices and regulatory risk requirements, sustainability features were progressively embedded in the risk management or business processes:

- Risk taxonomy, investment risk framework and Real Estate Risk Framework
- Sustainability-related risks were integrated in our Risk Taxonomy, Risk Charter, Actuarial Function Charter, Risk and Control Self-Assessment (RCSA) for the Internal Control Report, Remuneration Policy and Risk Taxonomy

(1) Intergovernmental Panel on Climate Change (IPCC) 6th synthesis report 2023

(2) International Energy Agency report

- The identification, assessment, monitoring and management of these risks is now part of our Risk Identification and Control Assessment Process (RiCap) and several ESG reflections have been included in the (product) approval process
- Inclusion in minimum standards on underwriting and in mortgage acceptance criteria and pricing
- ESG considerations are embedded in the Investment Risk Framework and Real Estate Risk Framework. These are taken into account during the investment process. We inserted additional considerations in the Investment Risk Framework to strengthen the investment due diligence process, taking into account for instance investees' actions to reduce their Green House Gas emissions that follows a scientific path

In line with Belfius Group's Transition Acceleration Policy (TAP), these screening principles have been fully embedded into our underwriting guidelines since 31 December 2021.

### 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, hospitalization, 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 regard to Property insurance, we have widened our coverage to ensure 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 (less than 10 years) with EPC below 150 kW/m<sup>2</sup>/year from



September 2023<sup>(1)</sup>. Our property coverage extends to customers looking for shared mobility solutions 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<sub>2</sub> 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, we have a unique all-in bike insurance product covering theft, personal injury and repair that won the DECAVI prize for the best bike insurance for a second year straight. Moreover, with our km insurance proposed by Belfius Direct Insurance, we incentivize people to drive less as they are reimbursed for kilometres that are not driven.

Our aim to become a more sustainable organization 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 seven times in 2023 (five times in 2022), mainly for the heavy rain and storm Ciaran experienced in November 2023.

With regard to our Life Insurance products, all our insurance-based investment products comply with criteria defined by the Transition Acceleration Policy. In 2023, 100% of our promoted insurance-based investment products were Art 8.

For more information on our underwriting offer, please see sections 5.6. and 6.1. 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 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 – a Belfius chatbot - was the preferred tool when natural catastrophes

occurred. For instance, in November 2023, after disasters experienced following storm Ciaran, a total of 56% of claims were introduced through MyBo.

Furthermore, in the case of homes claims, we collaborate with CED to expand the scope of remote expertise services. By leveraging technology, this collaboration has allowed us to minimize the necessity for experts to physically travel to locations. This shift not only reduces travel time and costs, but also significantly lowers the ecological footprint associated with the on-the-road activities of our experts. In 2023, we undertook 347 assignments, out of which approximately 70% were successfully completed remotely.

For all repair in kind, we worked with Jaimy by Belfius, our IT platform that puts you in touch with reliable professionals. Of the 9,860 claims managed, the average timeframe was eight days with client satisfaction up to 97%. We also include ESG criteria in our partner selection process (distance, means of transport, materials used), so as to help limit our overall environmental footprint.

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. These complaints are essential to improving 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 7.2.2. 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, Belfius adheres to Assuralia's code of conduct.

For more information on responsible and transparent customer relations, please see section 7.2. of the Sustainability Report.

### Investment management

As an insurer with deep roots in Belgian society, a large part of Belfius Insurance's resources are invested in Belgian assets. Indeed, Belfius Insurance's contribution to the Belgian economy cannot be underestimated.

(1) Before it was 45kw/m<sup>2</sup>year



In 2023, more than EUR 3.3 billion was invested in bonds issued by the Belgian State and Regions. Thanks to this investment, Belfius Insurance provides the State, Regions and, consequently, Belgian society, with significant resources.

In addition, EUR 6.6 billion was invested in 2023 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 have started a sponsorship with Do! Gent.

As of 2023, a total of EUR 14.7 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 maximizing our impact on society and its resilience. Since October 2022, our Transition Acceleration Policy (TAP) has been fully integrated into our investment strategy. By the end of 2023, our investment portfolios in scope<sup>(1)</sup> fully comply with the Transition Acceleration Policy. For more information on the TAP, see section 5.1. of the Sustainability Report.

Finally, Belfius acts as a responsible investor through its engagement strategy. Following the end of our partnership with Portfolio21 on 30 September 2022, Belfius Asset Management is now in charge of the screening and engagement approach.

For further details on Belfius' insurance management of proprietary assets, see section 5.6. of the Sustainability Report.

(1) The Transition Acceleration does not apply to mortgages.

## 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.

### Clients and suppliers

- Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues
- Provide clients and suppliers with information and tools that may help them manage ESG issues
- Integrate ESG issues into tender and selection processes for suppliers
- Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting framework

### Insurers, reinsurers and intermediaries

- Promote the adoption of the Principles
- Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry

### 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 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 regard to our property products and mortgages, we regularly inform clients through bankmails and newsletters on the different climate associated risks they may face (flooding and drought for instance) and how to help mitigate these.

### 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 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.

With regard to our claims management process in particular, we developed solutions with our privileged partner in repair in kind, Jaimy by Belfius, embedding sustainable criteria in the selection of our partners.

For more information on sustainability within the supply chain, see section 7.3. 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 and further implement this action plan.

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

- Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues
- Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions

### Other key stakeholders

- Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise
- Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies
- Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business
- Dialogue with media to promote public awareness of ESG issues and good risk management

### 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) by 2025. 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 dedicated project organisation to adequately respond to the different regulatory requirements (cf. Supra) it is subject to. Therefore, a dedicated legal team operates the legal watch. Belfius Insurance contributes to policy making through regular dialogue with different stakeholders, such as Assuralia, Insurance Europe, the European Insurance & Occupational Pensions Authority (EIOPA) and Financial Services & Markets Authority (FSMA), aiming at facilitating the implementation of these regulations.

### 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<sup>(1)</sup>. 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.

In 2022 therefore, we contacted several professors (e.g. from UCLouvain 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 guided the development of specific offers for our clients in terms of energy (financing, investment and insurance solutions). In 2023, we organized an expert panel to help us define amendments to the new version of the Transaction Acceleration Policy (TAP).

### Communication

In 2023, we worked with a consultant on how to increase awareness around various ESG risks through tailored communications.

## Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

- Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly
- Participate in relevant disclosure or reporting frameworks
- Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through 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 regard to our investment portfolio is also published. For more information on engagements, see section 5.6. of the Sustainability Report.

On several occasions in 2023, the ESG Dashboard, which consists of a series of Key Performance Indicators (KPIs) in line with our strategy, was discussed by the Belfius Insurance Board of Directors. We also worked on the measurement on our Green House Gas emissions and the development on Science Based Targets, leading to presentations to the Management Board. Targets will be submitted in 2024 to the Board of Directors for validation before submission.

Belfius also collaborates with external stakeholders such as non-governmental associations or environmental, social & governance (ESG) rating agencies, with the ambition of increasing transparency, enhancing our existing policies and increasing transparency within the insurance sector.

Finally, we have a complaint service that aims at addressing issues clients may have and maintaining a positive dialogue to gain mutual understanding and looking for appropriate solutions.

(1) IEA 2022