



Transition Acceleration Policy (TAP)

ESG sector criteria applied to Belfius' activities

A GROUPWIDE COMMITMENT TO SOCIETY

Belfius wants to contribute to a better Belgium by enabling the transition towards a sustainable society and economy. Our purpose “Meaningful and inspiring for the Belgian society. Together.” drives us to adapt our environmental, social and corporate governance policies to be exemplary, both for today and tomorrow. By signing up to the principles of the United Nations Global Compact, the UNEP FI Principles for Responsible Banking (PRB), the UNEP FI Principles for Sustainable Insurance (PSI), and the UNEP FI Principles for Responsible Investment (PRI), we are committing to co-creating a better society while rendering it sustainable for future generations.

As described in this Transition Acceleration Policy (“TAP”), creating long-term and sustainable value for Belgian society in a credible manner requires making clear-cut decisions about what we choose to do and what we choose not to.

This TAP is based on the 10 Principles of the [UN Global Compact](#). Based on a thorough analysis, Belfius¹ assesses activities in sensitive sectors and business areas so as to be able to ascertain whether they are in line with internal environmental (E), social (S) and corporate governance (G) criteria.

TAP PRINCIPLES

Supporting transition

Through the TAP Belfius wants to encourage and support businesses in their shift towards more sustainable activities. In this way, the Belfius TAP requirements will serve as a lever to increase our positive impact on people and society, as well as on the economy.

Limiting adverse impacts

Besides supporting transition, Belfius also intends, by means of this TAP, to reduce the negative impact of its activities by discontinuing or limiting its support of non-sustainable activities.

An iterative process

- The TAP will be developed further over time, according to regulatory developments, technological breakthroughs, sectoral reorientation, evolving stakeholder expectations, etc.
- For some sectors (gambling, weapons and energy) thresholds have been set. These thresholds will be revised over time (see ‘TAP timing’ below).

¹ The TAP will be implemented by Belfius Bank NV/SA, limited liability company incorporated under Belgian law, with registered seat at B-1210 Brussel, Karel Rogierplein11, registered in the Crossroads Bank of Enterprises under number 0403.201.185, FSMA nr. 19649 A, RLE Brussels (hereinafter “Belfius Bank”) and all companies (vennootschappen / des sociétés) under the control of Belfius Bank NV/SA (hereinafter the “Belfius Group”).

In relation to the companies in which any company of the Belfius Group has a minority participation or with the companies who entered into a partnership or shareholders' agreement with any company of the Belfius Group, any company belonging to the Belfius Group will undertake best efforts to implement standards in such relationships similar to this TAP.

TAP SCOPE

Products and services

Companies that are in breach of one of the ten UN Global Compact principles and/or are active in any of the controversial or sensitive sectors listed hereunder, are excluded² from obtaining the following products and services from any Belfius Group³ companies:

- > all forms of lending;
- > all forms of leasing;
- > all financial market activities;
- > insurance products;
- > investments by Belfius for its own account;
- > all other financial services and products except services and products under the minimum 'Basic banking service'⁴;
- > investment products and related services offered to customers.

Out of the TAP's scope are:

- > 'Execution only' transactions: transactions in financial instruments executed by the customer without advice from Belfius.
- > Investment products over which Belfius does not have full control: ETFs and index-linked products (including derivatives and structured products), hedge funds and institutional mandates.
- > Four illiquid positions of the run-off portfolio⁵

With regard to third party funds, Belfius' fund selection team has developed a rigorous process to identify the list of most suitable funds based on a combination of financial, liquidity and ESG criteria.

Within that list of most suitable third party funds, preference is given to funds that also comply with our TAP policy. Some exceptions can however be allowed (e.g. in transition-related sectors such as energy), subject to formal review and approval. Belfius regularly screens the third party funds it makes use of in its investment universe and engages with the external fund managers in order to strive towards compliance of their funds with our TAP policy.

With regard to Belfius' investment solutions, the TAP also applies to the funds provided for to Belfius by our preferred asset management partners, which are - as of date of this TAP - Candriam, BlackRock Investment Management and JP Morgan Asset Management. In other words, the funds they manage for Belfius' customers and that are included in Belfius' offering are not considered as "third party funds over which Belfius does not have full control". The limitation in terms of scope as mentioned above also applies to our preferred asset management partners.

Counterparties

The TAP applies to all 'direct actors', which are to be understood as companies with whom an entity of the Belfius Group has a direct professional relationship, either as a client, a supplier, or as a company invested in as part of investment fund management, within the perimeter of its core business.⁶

² Companies active in such controversial or sensitive sectors could however still be eligible for obtaining these products and services if they fulfil the conditions set forth in the specific provisions below in the paragraph 'Controversial or sensitive sectors'.

³ This list is non-exhaustive.

⁴ Basisbankdienst ondernemingen': <http://www.ejustice.just.fgov.be/eli/wet/2020/11/08/2020043673/justel>

⁵ Legacy portfolio inherited from the Dexia era is compliant with the TAP, except 4 illiquid positions

⁶ With regard to the evaluation of whether a company has to be excluded from the products or services listed in article 1.1 of this policy, only the company itself can be taken into account for such evaluation. The evaluation cannot relate to companies associated with such companies or companies that belong to the same group as the company in question. For the interpretation of terms such as 'associated companies', reference is made to articles 1:14 to 1:18 of the Belgian Code on Companies and Associations.

TAP CRITERIA

UN Global Compact

Belfius will not support companies that systematically or seriously violate one or more of the UN Global Compact principles⁷. Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, the environment and anticorruption. Companies that do not respect these basic principles, will not be supported by Belfius.

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

Controversial or sensitive sectors

TOBACCO

Tobacco kills more than 8 million people worldwide each year, including an estimated 1.3 million non-smokers who are exposed to second-hand smoke. In addition to the detrimental impact of tobacco on health, the total economic cost of smoking (from health expenditures and productivity losses combined) is estimated to be around US\$ 1.4 trillion per year.

For investment products:

- > All companies deriving revenues from tobacco production or tobacco products (e-cigarettes and essential parts thereof included) will be excluded;
- > All companies deriving 10% or more of their revenue from the wholesale⁸ trading of tobacco will be excluded.

For loans and other (non-investment related) activities:

- > Companies active in the production of tobacco or tobacco products (e-cigarettes and essential parts thereof included) are excluded;
- > New relationships with companies active in the wholesale of tobacco will not be accepted;
- > Existing relationships with companies active in the wholesale of tobacco are not excluded by this policy.

GAMBLING

Between 0.5 and 3% of Europe's total population is suffering from a gambling addiction. Gambling is considered to be highly addictive and causes severe social, financial and psychological harm. There is a strong correlation between addictive gambling behaviour and suicide.

For investment products:

- > All companies deriving 10% or more of their total revenues from ownership or operation of gambling-related business activities or a supporting activity thereof are excluded.

For loans and other (non-investment related) activities:

- > Privately-owned (50% or more) companies with gambling-related business or a supporting activity thereof are excluded.

Gambling and betting activities are:

- The organisation of lotteries, online gambling, gambling websites, the running of betting shops, bookmakers;
- The running of casinos, bingo halls;
- The running of gambling machines (coin operated or not) with profits being paid out in the form of cash.

⁷ The 10 UN Global Compact principles can be consulted here: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

⁸ A tobacco wholesaler is a company that imports tobacco products or sells tobacco to tobacco retailers

WEAPONS

Although weapons may be necessary from a peacekeeping standpoint, or for the protection of the population by official forces, their ultimate goal of destroying or threatening human life is in contradiction with the most fundamental of human rights.

For all activities:

- > Companies operating in the field of **controversial or non-conventional weapons** are excluded. Non-conventional weapons include the following weapons:
 - cluster munitions, anti-personnel mines, biological weapons, chemical weapons, and depleted uranium, as defined by the Belgian Mahoux Law, initially dating from 2006;
 - incendiary bombs containing white phosphorus.
- > Companies involved in the development or production of nuclear weapons are excluded.

For investments:

- > Companies deriving more than 10% of their total revenues from activities related to conventional weapons are excluded.

For loans and other (non-investment related) activities:

Companies active in the production or trade in military goods (i.e. goods appearing on the EU Common List of Military Goods⁹) are not a priori excluded as customers, but Belfius limits the financing of these companies to transaction financing (i.e. financing that is contractually linked to a specific transaction).

The traceability and final destination of the goods financed by Belfius are crucial to us, which is why these companies are not eligible for financing with general corporate and working capital purposes.

Additional conditions are:

A. If the underlying transaction involves **military goods**:

- > The counterparty (the buyer/consignee of the goods) in the transaction must be a government, if not a party expressly mandated by a government for the transaction in question;

AND:

- > Both the company (the credit applicant) and the counterparty (the purchaser/designee of the goods) must be located in one of the following countries: a NATO member state, an EU member state, Switzerland, Ukraine. The geopolitical context can lead Belfius to consider an extension to this list of countries, on an exceptional basis, and subject to the approval of the Board of Directors.

B. If the underlying transaction involves **dual-use goods** (i.e. goods that can be used for both civilian and military purposes and are on the EU List of Dual-Use Items¹⁰):

- > No restrictions apply if an End-User Certificate (EUC) can be presented in which the counterparty (buyer/designee of the goods) declares that the goods will be used exclusively for civilian purposes. The EUC must be certified by an authorized government agency (Foreign Affairs, in advance by the Belgian Embassy or by the local chamber of commerce in the counterparty's country).
- > If it cannot be guaranteed that the goods will be used exclusively for civilian purposes, on the basis of an EUC, Belfius will regard them as military goods and the conditions set out in point A will apply.

C. If the underlying transaction relates to goods other than military goods or dual-use goods, no restrictions apply.

⁹ Publications Office (europa.eu): the actual list can be found under Annex I, p. 25

¹⁰ Common Military List of the European Union (europa.eu)

ENERGY

Thermal coal

Coal assets are the most at risk of becoming stranded assets when limiting global warming to the goal of the Paris Agreement. The latest IPCC reports indicate that emissions from coal should reduce globally by more than 80% by 2030. The recent IEA Report “Net Zero by 2050” also confirmed that no new coal power plants or coal mines should be developed and that no new coal-fired power stations should be built if the world is to stay within safe limits of global warming and meet the goal of net zero emissions by 2050.

For the purpose of the TAP, coal companies are companies that are involved in the value chain of thermal coal.

For investments:

- > From 2030 onwards all coal companies are excluded, in line with Belfius’ energy vision.
- > Moreover, already from 1 August 2024 onwards all coal extraction companies are excluded as well as any company with expansion plans in coal mining or coal-based power generation.

For loans and other (non-investment related) activities:

- > Any new financing and investment to companies involved in thermal coal across all their activities are excluded.
- > Existing relationships with thermal coal companies across all their activities will be phased out by 2030. Therefore, thermal coal companies shall reduce their absolute coal production or capacity, and not be involved in coal exploration or the development of new coal mines.

Unconventional oil and gas extraction

Unconventional oil and gas extraction pose unacceptable environmental, climate and societal risks. Investments in these industries delay investments in transitional and renewable energy sources, a much-needed shift to render Europe’s climate neutral ambition a reality.

For all activities:

- > Companies active in unconventional oil and gas extraction (shale gas, shale oil, tar sands, arctic¹¹ drilling, deep water drilling, extra heavy oil) are excluded.

Conventional oil and gas extraction

Although gas will have to play a role in the transition to a low-carbon economy, conventional oil & gas companies must reduce energy-related emissions in line with international climate targets in order to have a place in a socially responsible portfolio and – at least partially – make a shift towards renewable energy production.

For investments:

- > Companies operating in the conventional oil & gas extraction sector are only accepted by Belfius if they meet the following cumulative conditions:
 - the company’s capex for renewable energy activities is higher than 20%
 - the company has no expansion or exploration plans in relation to fossil fuels

For loans and other (non-investment related) activities:

- > Non-Belgian based companies (HQ) operating in the sector of extraction of conventional oil and gas are excluded.
- > Belgian companies and Belgian entities of international companies can be financed by Belfius if the purpose of the financing is linked to a transition project investing in low carbon energy exclusively.

¹¹ The Arctic geographical Coverage | AMAP

Electricity production

Belfius sets clear criteria for companies active in electricity generation, guaranteeing a path to transition towards more renewable energy sources. The exclusion of companies active in electricity generation will be based on specific metrics and will focus on the company's energy mix and transition path.

Financing renewable energy is a priority for Belfius. Belfius will consider the carbon intensity (expressed in gCO₂/kWh) of electricity producing companies, which will be required to be below a certain threshold, that decreases year-on-year.

For all activities:

- > The carbon intensity (expressed in gCO₂/kWh) of these companies must be below the following thresholds¹²

Year	2023	2024	2025	2026	2027	2028	2029	2030
gCO₂/kWh	346	312	279	247	216	186	156	128

Belfius will continue financing new gas-fired power plants only if they meet the conditions of the Capacity Remuneration Mechanism (CRM). However, the calculation of whether a company meets the above thresholds does not take into account emissions from such CRM-projects. In addition, when an electricity generation project is based entirely or partly on conventional natural gas, then it must include a commitment to switch to renewable or low-carbon gases by 2035, on a best effort basis.

If carbon intensity data are not available:

For Investments:

- > Companies are excluded if:
 - 5% or more of their production is coal-based or
 - 20% or more of their production is based on oil or gas.

For loans and other (non-investment related) activities:

- > For new applications for products & services, companies are excluded if:
 - any of their production is coal-based or
 - 20% or more of their production is based on oil or gas.
- > For existing relationships, companies will be excluded if:
 - 5% of their production is coal-based (in line with our coal phase-out policy) or
 - 20% or more of their production is based on oil or gas.

Nuclear power plants

Belfius will only directly finance or ensure the construction or maintenance of nuclear power plants if they are located within the EU.

(OTHER) CLIMATE-SENSITIVE SECTORS

The transition to a low-carbon society that reduces risks to our economy, current lifestyle and to future generations requires an immediate and ambitious reduction in greenhouse gas emissions in line with the Paris Agreement.

For loans and other (non-investment related) activities:

- > All listed companies in climate-sensitive sectors (agriculture, mining and quarrying, cement, iron, steel and aluminium production, construction and real estate, aviation, shipping, automotive and road transport) will be encouraged to have published a science-based reduction target and action plan by December 2025 in line with the Paris Agreement. For companies in the energy and electricity production sector, please refer to the relevant section in this policy.

¹² According to the SBTi 1.5° scenario for power generation; figures are offset by 1 year to account for data availability.

MINING

The mining sector has a crucial role to play in the energy transition, due to the exponentially increasing global need for special metals and minerals to realise this transition (e.g. for electrification). On the other hand, this may in turn involve increased ESG risks, for instance due to new methods such as deep-sea mining.

Mining may cause irreversible impacts on the environment and local populations with severe violations of human rights and irreversible damage to nature as a consequence.

We therefore recognise both the importance of the sector and the associated ESG risks and carry out a normative screening here.

For all activities:

- Mining companies can be accepted and financed by Belfius on condition that they comply with the **United Nations Guiding Principles on Business and Human Rights (UNGP)** and/or the **OECD Guidelines on Multinational Enterprises**.

PALM OIL

Without proper safeguards, palm oil is a major driver of deforestation and hence a considerable threat to biodiversity. The production process also releases huge amounts of carbon emissions into the air. There also exist some serious associations with child labour and corruption.

For all activities:

- Companies in this sector can be accepted and financed by Belfius provided that they are a member of the **Roundtable on Sustainable Palm Oil (RSPO)**, an international sector organisation that aims to promote the sustainable cultivation of palm oil, through the establishment and enforcement of global standards that all stakeholders in the sector can voluntarily adopt.

SOY

Without proper safeguards, the soybean industry causes widespread deforestation and displacement of small farmers and indigenous peoples around the globe.

For all activities:

- Companies in this sector can be accepted and financed by Belfius provided that they are a member of the **Roundtable on Responsible Soy (RTRS)** an international sector organisation that promotes the production, trade and use of responsible soy, through collaboration with all parties in the soy value chain, from production to consumption.

AGRICULTURAL COMMODITIES

The impact of speculation on basic food commodity price volatility creates instability and pushes up global food prices, leaving millions hungry and facing deeper poverty. Belfius refrains from stock market trading in agricultural commodities, involving speculation on food prices.

- Belfius will not actively commercialise Exchange Traded Funds (ETF), Exchange Traded Commodities (ETC) and Exchange Traded Notes (ETN) type products with agricultural commodity derivatives in their portfolio, nor investment products with agricultural commodity derivatives in their portfolio that involve speculation at the expense of agricultural and food commodities.

In December 2013, Belfius permanently removed investment funds that invest in food commodities from its investment offer.

TAP TIMING

In order to implement the TAP in a reasonable and feasible way, and to be clear and fair to existing clients and partners, Belfius has opted for a two- tiered approach depending on whether the counterparty is part of the existing portfolio of clients and contracts, or whether a counterparty comes under new entities and transactions.

For investment products and related services offered to customers:

- The implementation of the revised criteria will be done progressively, with 31/07/2024 as the deadline for full implementation, except for the energy sector and (other) climate-sensitive sectors, where specific run-off periods or deadlines apply (see sections 'Energy' and 'Climate-sensitive sectors').

For loans and other (non-investment related) activities:

- The TAP immediately applies to new relationships, activities and applications.
- The TAP allows for gradual phasing out in relation to the existing/current portfolio (existing relationships, activities and applications). The timing of implementation is determined per sector and activity. The full implementation of the initial TAP criteria (April 2021) was completed by 31/12/2022, unless this was legally and contractually not allowed. The deadline for the full implementation of the revised criteria is set at the date of 31/07/2024, provided this is legally and contractually allowed.

TAP GOVERNANCE

Belfius has set up a specific governance for ESG and TAP matters, under the supervision of the Board of Directors of Belfius Bank's NV/SA (the "Board"). The Strategic Sustainability Committee (the "SCC") is responsible for driving the ESG strategy of Belfius Bank across all its dimensions. It is also supported among others by the Sustainable Investment Desk, that has the responsibility for the set-up and monitoring of the TAP, and for its implementation across the portfolios and investment offer of Belfius Bank.

In particular, the Sustainable Investment Desk is in charge of deciding which securities and issuers are compliant or not, taking into account all information available. When a security or issuer held in an investment portfolio is deemed not compliant with the TAP by the Sustainable Investment Desk, the relevant security must be sold within a period of three months (the "grace period").

For the implementation of the TAP on loans and other (non-investment) activities, the SSC is supported by the Sustainable Banking, Finance & Insurance Desk.

TAP implementation

The TAP will be incorporated as a policy into the existing processes and procedures of the various business lines and relevant departments. A strict follow-up procedure will be assured under the principle of the 'Three Lines of Defense' model.

Engagement process

In the event of conflict pertaining to the criteria of the TAP, Belfius will enter into dialogue with the counterparty in a bid to find a solution. If no satisfactory solution is found however, Belfius will proceed to exclusion. Belfius is notably dependent on the quality, accuracy and currency of information supplied by the relevant counterparty.

Revision of the TAP

The TAP is regularly reviewed, taking into account the evolution of scientific research, technology, geopolitics and society as a whole.

The TAP was last revised as of 02/01/2024. The main changes relate to the scope (run-off portfolio) and the timing (deadlines for implementation of the revised criteria) of the TAP, as well as to the energy sector (criteria on thermal coal, (un)conventional oil & gas extraction and electricity production were sharpened) and climate-sensitive sectors (new). Minor changes relate to the sectors of tobacco, gambling, weapons, mining, palm oil and soy.

General disclaimer :

We constantly strive to apply the exclusion and restriction criteria of the TAP as strictly and consistently as possible. However, criteria such as 'any thermal coal activity' present an ongoing challenge due to data availability issues. When we experience such data issues, we will take appropriate action to enhance data availability and reliability.

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