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Principal Adverse Impacts "PAI" at product level - Policy

For Investments

Belfius Asset Management

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1. Purpose and Scope

This Policy explains how our investment products take into account the potential negative impacts that investment decisions may have on the environment and society. These negative effects are referred to as Principal Adverse Impacts, or PAIs.

The objective of this document is to give clients and investors a clear and transparent view of:

- What PAIs are,
- How we consider them when managing our funds, and
- How they influence our investment decisions over time.

This Policy applies to all Belfius SFDR Art.8 funds. While some funds integrate sustainability considerations more extensively than others, all follow a structured approach to understanding and managing PAIs.

2. Regulatory Context

The way Belfius AM considers Principal Adverse Impacts (PAIs) is guided by the European Sustainable Finance Disclosure Regulation (SFDR).

SFDR is a set of rules created by the European Union to improve transparency on how financial institutions integrate sustainability into their products.

Under this regulation, asset managers must explain:

- How investment decisions may have negative effects on sustainability factors, such as climate change, biodiversity, human rights, or good governance.
- How these negative impacts are identified, measured, and monitored.
- How each fund takes these impacts into account, depending on its objectives and investment strategy.

The detailed framework used to measure PAIs is provided by the SFDR Regulatory Technical Standards (RTS). These standards include a list of environmental and social indicators—such as greenhouse gas emissions, exposure to fossil fuels, water usage, or labour rights issues—that help investors understand the potential negative effects associated with investments.

While SFDR is a technical regulation designed mainly for financial professionals, our aim is to ensure that clients and investors receive clear, simple and transparent information on how these rules influence the management of our products.

3. Monitoring of PAIs at Product Level

To ensure that our products effectively consider Principal Adverse Impacts (PAIs), Belfius AM monitors a selected set of indicators on a regular basis. While the full list of PAIs defined by the European regulation is extensive, we focus on the indicators that are most relevant and meaningful for our investment strategies and for our clients.

Our monitoring approach distinguishes between indicators that apply to all funds and those used only for products with stronger sustainability ambitions.

| # | PAI indicator | Description | Unit of Measure |
|---------------------------------|--|--|--------------------------------------|
| Environmental indicators | | | |
| 1 | GHG emissions | - Measures how much greenhouse gas a company emits directly or indirectly | - Tons of CO ₂ equivalent |
| 2 | Carbon footprint | - Total carbon emissions of a company relative to its size or revenue. | - Tons CO ₂ e / revenue |
| 3 | GHG intensity of investee companies | - Compares carbon emissions to the company's activity level (e.g., sales). | - Tons CO ₂ e / revenue |
| 4 | Exposure to companies active in the fossil fuel sector | - Measures how much of the company's activity depends on fossil fuels. | - % revenue |
| 5 | Share of non-renewable energy consumption and production | - Share of energy the company uses or produces that comes from non-renewable sources (oil, gas, coal). | - % of total energy |
| 6 | Energy consumption intensity per high impact climate sector | - Shows how much energy the company uses relative to its activity, especially in sectors with high climate impact. | - kWh per unit of revenue |
| 7 | Activities negatively affecting biodiversity sensitive areas | - Whether the company operates in or harms areas important for biodiversity. | - Yes/No or % of activities |
| 8 | Emissions to water | - Measures pollutants released into water (e.g., heavy metals, chemicals). | - Tons of pollutants |
| 9 | Hazardous waste and radioactive waste ratio | - Amount of hazardous or radioactive waste produced compared to total waste. | - Tons of waste / total waste |

| | | | |
|--------------------------|---|--|----------------|
| Social indicators | | | |
| 10 | Violations of UNGC Principles and OECD Guidelines for Multinational Enterprises | - Whether the company is involved in severe breaches of international norms (human rights, labour rights, environment, anti-corruption). | - Yes/No |
| 11 | Lack of processes and compliance mechanisms to monitor compliance with UN GC principles and OECD Guidelines for Multinational Enterprises | - Checks whether a company has systems to identify and prevent risks related to human rights, labour or governance. | - Yes/No |
| 12 | Unadjusted gender | - Difference between average pay of | - % difference |

| | | | | |
|----|--|--|---|----------|
| | pay gap | | men and women in the company. | |
| 13 | Board gender diversity | | - Share of women on the company's board of directors. | - % |
| 14 | Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | | - Whether the company is involved in banned or internationally condemned weapons (cluster bombs, landmines...). | - Yes/No |

| Indicators applicable to investments in sovereigns & supranationals | | | | |
|---|---|--|---|----------------------------------|
| 15 | GHG intensity | | - Measures how much greenhouse gas a country emits relative to the size of its economy. | - Tons CO ₂ e per GDP |
| 16 | Investee countries subject to social violations | | - Whether the country breaches important international conventions (UN, ILO). | - Yes/No |

PAI Indicators Monitored Across Different Products

PAI 4 – Exposure to fossil fuels

This indicator is monitored for our most sustainable funds, which aim to promote environmental or social characteristics or pursue a sustainable investment objective. It helps us evaluate how much a portfolio is exposed to companies involved in fossil fuel extraction, refining or energy generation.

PAI 10 – Violations of UN Global Compact principles

This indicator is monitored for all funds, as respect for fundamental human rights and ethical business practices forms the basis of responsible investing. When a company is involved in severe violations of international norms, it becomes subject to our Exclusion Policy, ensuring it cannot be held in any of our products.

PAI 13 – Gender pay gap

This indicator is monitored for a specific fund “Belfius Equities Wo=Men”, where gender equality forms part of the sustainability philosophy and investment focus. Monitoring this indicator enables us to identify companies that show good practices—or significant gaps—in pay equality between men and women.

PAI 14 – Exposure to controversial weapons

This indicator is also applied to all funds. Our Exclusion Policy does not allow any investment in companies involved in controversial weapons such as cluster munitions, anti-personnel mines, or chemical and biological weapons.

4. Methods Used to Consider PAIs

Belfius AM uses several complementary methods to ensure that our investment products take into account the potential negative impacts associated with the companies or countries invested. These include our Exclusion Policy, our Sustainable Investment Framework, and our Engagement approach. Each contributes in a different way to identifying, reducing, or managing Principal Adverse Impacts (PAIs).

Exclusion Policy – Transition Acceleration Policy “TAP”

The TAP is the first mechanism through which PAIs are incorporated. It helps limit investments in sectors or activities that present the most significant sustainability risks.

Two regulatory PAIs are central to this policy for all funds:

- PAI 10: Companies involved in severe breaches of international standards, such as human rights or labour rights violations.
- PAI 14: Companies connected to controversial weapons that are internationally banned or condemned.

These exclusions apply to every product we manage, ensuring that we avoid the most harmful practices.

For more information on our exclusion policy TAP, please refer to the [Policy](#).

Sustainable Investment Framework (SIF)

Our Sustainable Investment Framework is used to determine whether a company can be classified as a sustainable investment.

As part of this assessment, we systematically consider all mandatory PAIs to ensure that a sustainable investment:

- Does not cause significant harm,
- Demonstrates sound environmental and social practices, and
- Is aligned with long-term sustainability objectives.

This holistic assessment ensures that PAIs are integrated in a consistent and comprehensive manner when identifying sustainable investments.

For more information on our proprietary framework, please refer to [Belfius Asset Management](#).

Engagement

Engagement is another way in which PAIs are taken into account. When we identify negative impacts or areas where companies could improve, PAIs help guide the topics and priorities of our engagement activities.

In practice, this means that:

- PAIs help determine when engagement is appropriate,

- They inform the issues we raise with companies, and
- They support our monitoring of whether companies are making progress.

We use engagement as a constructive tool to encourage companies to reduce their adverse impacts over time, complementing the exclusions and assessments described above.

For more information on our Engagement framework, please refer to the [Policy](#).

5. Data Sources and Data Reliability

The consideration and monitoring of PAIs relies on the availability of consistent and reliable sustainability data. To ensure high-quality information across all our products, Belfius AM uses a single primary external provider for PAI indicators and related sustainability metrics.

Primary Data Provider

We rely on Morningstar Sustainalytics as our main external source for PAI data. This provider offers a comprehensive, standardised and widely recognised dataset that covers all the necessary information to monitor and report.

Using one consistent provider ensures that PAI data is aligned across all products, enabling comparability, robust monitoring and coherent disclosures for clients.

Engagement with the Data Provider

While Morningstar Sustainalytics offers extensive coverage, sustainability data can still evolve and vary across markets and issuers.

When needed, we may engage directly with the provider to:

- Clarify methodology or assumptions used in specific indicators,
- Verify the reliability of certain data points,
- Understand changes in data values,
- Request additional insights where data gaps or inconsistencies are observed.

This dialogue helps us ensure that the information used in our investment processes is as accurate and robust as possible.

Limitations

As sustainability reporting continues to evolve, certain limitations may remain, such as:

- Differences in reporting quality across companies and regions,
- Time lags between company disclosures and updated datasets,
- The use of estimates for hard-to-measure metrics (e.g., Scope 3 emissions).

We monitor these limitations closely and take a cautious approach when data reliability is uncertain.

6. Application Depending on the Type of Fund

The way PAIs are taken into account may differ depending on the structure of the fund and the type of assets in which it invests.

Belfius AM distinguishes between products investing directly in securities (equities and bonds) and those investing indirectly through fund-of-funds structures.

Funds Investing Directly in Equities and Bonds

For funds that invest directly in companies, PAIs are integrated into the investment process in a straightforward way.

In this case, we rely on:

- The sustainability data provided by our external data supplier (Morningstar Sustainalytics),
- Our Exclusion Policy TAP,
- Our Sustainable Investment Framework,
- And our Engagement approach.

Because the fund holds the securities directly, we can:

- Monitor PAI indicators at issuer level,
- Apply exclusions immediately when required,
- Assess all PAIs for sustainable investment classification,
- And conduct engagement directly with companies to encourage improvement when relevant.

This setup allows us to manage PAIs actively and adjust the portfolio when necessary.

Funds Operating Under a Fund-of-Funds Structure

For products that invest indirectly through other funds, the way PAIs are taken into account is necessarily different.

We still rely primarily on the PAI data reported by our external data provider for the underlying holdings when available.


However, because investment decisions are made by the underlying fund managers, we cannot apply our own methodology directly at issuer level.

To ensure that PAIs are still considered appropriately, we supplement external data with:

Due diligence questionnaires

We ask external managers or we review the underlying fund documentation to provide information on:

- How they consider PAIs,
- The sustainability policies they apply,
- Their exclusion criteria and engagement practices.



This helps us verify that the underlying funds consider the PAIs we monitor in a meaningful way, even if their methodology differs from ours.

No imposition of our own methodology

Because these funds are managed by external asset managers, we cannot impose our PAI methodology or our internal sustainability frameworks.

Our role involves ensuring that Principal Adverse Impacts (PAIs) are considered at the appropriate level, selecting external funds that implement credible sustainability practices, and maintaining continuous oversight through due diligence and periodic reviews.

7. Data Responsibility and Limitations

Belfius AM relies on sustainability data provided by Morningstar Sustainalytics to assess and monitor the Principal Adverse Impacts (PAIs) associated with our investment products. This provider is a recognised specialist in ESG and sustainability research, offering broad coverage and standardised methodologies across markets and asset classes.

By choosing it, we ensure consistency across all products and take responsibility for integrating these data into our investment, monitoring and reporting processes.

However, it is important to acknowledge that:

- Sustainability data are continuously evolving,
- Reporting practices differ significantly between companies, sectors and regions,
- Certain indicators rely partly on estimates or modelling,
- And external providers may update methodologies or classifications over time.

While we may engage directly with our provider when clarification is required, we cannot guarantee the absolute accuracy or completeness of all data received.

As a result, PAIs and related sustainability indicators should be interpreted with an understanding of these inherent limitations.