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Biodiversity Policy

Belfius Asset Management



Table of Contents

1. About Belfius Asset Management	3
2. About this policy – Introduction & Scope.....	3
3. What is Biodiversity	4
4. Our approach	5
a. Forestry – deforestation risk	5
b. Food & Agriculture sector	6
c. Fishing.....	6
d. Mining.....	6
e. Land Grabbing	6
5. Governance.....	7

1. About Belfius Asset Management

Belfius Asset Management (hereafter: Belfius AM) is a management company recognized by the FSMA for UCIs (Undertakings for Collective Investments) and mutual investment funds, including alternative funds. Belfius AM is a subsidiary of Belfius Bank, and is therefore strongly anchored in the Belgian financial sector. Our activities mainly consist of the management, administration and distribution of investment solutions through a diversified range of investment funds.

Our objective is to add value to our end investors, both from a financial and from a wider societal perspective, by managing our portfolios proactively and by working together with a number of renowned asset management partners. We strive to create long-term and sustainable value and to be meaningful and inspiring for Belgian society in a credible manner. Belfius AM has a long history in managing sustainable investment products, allowing our clients to invest in the transition to a more sustainable economy.

Belfius AM currently has four distinct models of investing:

- 1) **Belfius AM funds of funds:** These are investment funds for which our internal fund selection and portfolio management teams analyze and select underlying Exchange Traded Funds (ETFs) and Undertakings for collective investments (UCI) of third-party asset managers. These UCIs are collective investment vehicles that we select based on various aspects, such as investment strategy, financial performance, costs, and responsible investment approach and capabilities
- 2) **Delegated funds:** These are investment funds for which Belfius AM is the management company and for which we have delegated the investment management of the assets to an external manager. These external investment managers are currently Candriam & BlackRock Investment Management.
- 3) **Funds in direct lines** managed by Belfius AM's fund management teams: These are investment funds for which Belfius AM invests directly in individual securities.
- 4) **Private Portfolio Management:** This concerns discretionary portfolio management (discretionary portfolios) and investment advice (advisory portfolios) for private clients of Belfius Bank, with Belfius AM appointed as delegated investment manager by Belfius Bank. For these mandates, the private portfolio management team can invest in ETFs, funds, individual securities, alternative investments and/or derivatives.

2. About this policy – Introduction & Scope

According to the World Economic Forum's 2024 Global Risks Report¹, biodiversity loss and ecosystem collapse is ranked 3rd among the most severe global risks in the next 10 years. This refers to the severe consequences for the environment, humankind and economic activity due to destruction of natural capital stemming from a result of species extinction or reduction, spanning both terrestrial and marine ecosystems.

The term "Biodiversity" pertains to the range of living organisms on Earth. Although all industries rely on biodiversity to some extent, certain sectors have a greater impact and dependence on it. We will outline what biodiversity is and our investment approach and monitoring.

This Biodiversity Policy outlines how biodiversity is integrated into the investment process of funds managed by Belfius Asset Management.

¹ World Economic Forum-The Global Risks Report 2024. Available at: https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2024.pdf

3. What is Biodiversity

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), an independent intergovernmental body established by states to strengthen the science-policy interface for biodiversity and ecosystem defines biodiversity as “The variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems”².

Biodiversity encompasses three intertwined features: genetic diversity, species diversity and ecosystem diversity. The more intertwining there is between these features, the denser and more resilient the global biodiversity becomes.

- Genetic diversity : the variability of genes within species. E.g. Different breeds of cats, varieties of tulips flower, etc.
- Species diversity : the different types of species found in a particular ecosystem. It includes all the species ranging from plants to different microorganisms.
- Ecosystem* diversity: the variety of different habitats, communities and ecological processes. Variations in the plant and animal species living together and connected by food chains and food webs.

*An ecosystem is a collection of living and non-living organisms and their interaction with each other. E.g. deserts, rainforests, mangroves, etc.

Unfortunately, biodiversity is currently under severe threat due to human activities such as consumption and other disruptive practices that harm and even destroy ecosystems. As a result, the rate of species extinction has risen dramatically, and some experts predict that as much as half of all species on Earth may become extinct within the next century. In light of these concerns, conservation efforts are essential to safeguard biodiversity and protect endangered species and their habitats. It is crucial to take action now to ensure that future generations can enjoy the same diversity of life on Earth that we have today.³

The IPBES identified five anthropogenic direct drivers^{4,5} (originating in human activity) of global biodiversity loss, and a recent 2022 review article synthesizing empirical comparisons of those drivers showed that land/sea use change has been the dominant direct driver of recent biodiversity loss worldwide. Followed by direct exploitation of natural resources and pollution. Climate change and invasive alien species have been less important than the top two drivers.

- **Land/sea use change** has been the dominant direct driver of recent biodiversity loss worldwide. This involves the conversion of land for agricultural and construction purposes, resulting in soil degradation, deforestation, and harmful alterations in ecosystems, many of which are irreversible.
- **Direct exploitation of natural resources** : This pertains to the excessive use of animal and plant resources for human consumption, with the majority being utilized for food production and timber.
- **Pollution**: The contamination of air, water, and soil is caused by various sources such as industrial, transportation, and consumer activities. Thus, it refers to the introduction of harmful materials into the environment.
- **Climate Change**: It refers to long-term shifts in temperatures and weather patterns.
- **Invasive species** are organisms that are not indigenous, or native, to a particular area and which can cause great economic and environmental harm to a new area.

² IPBES (2024). Biodiversity glossary. Available at <https://www.ipbes.net/glossary/biodiversity>

³ National Geographic (2024)- Encyclopedic Entry Biodiversity. Available at <https://education.nationalgeographic.org/resource/biodiversity/>

⁴ IPBES (2019). Media Release: Nature's Dangerous Decline 'Unprecedented'; Species Extinction Rates 'Accelerating'. Available at <https://www.ipbes.net/news/Media-Release-Global-Assessment>

⁵ IPBES. Models of drivers of biodiversity and ecosystem change. Available at <https://www.ipbes.net/models-drivers-biodiversity-ecosystem-change>

The negative impact of those 5 drivers differs between terrestrial, freshwater, and marine realms (Figure 1).

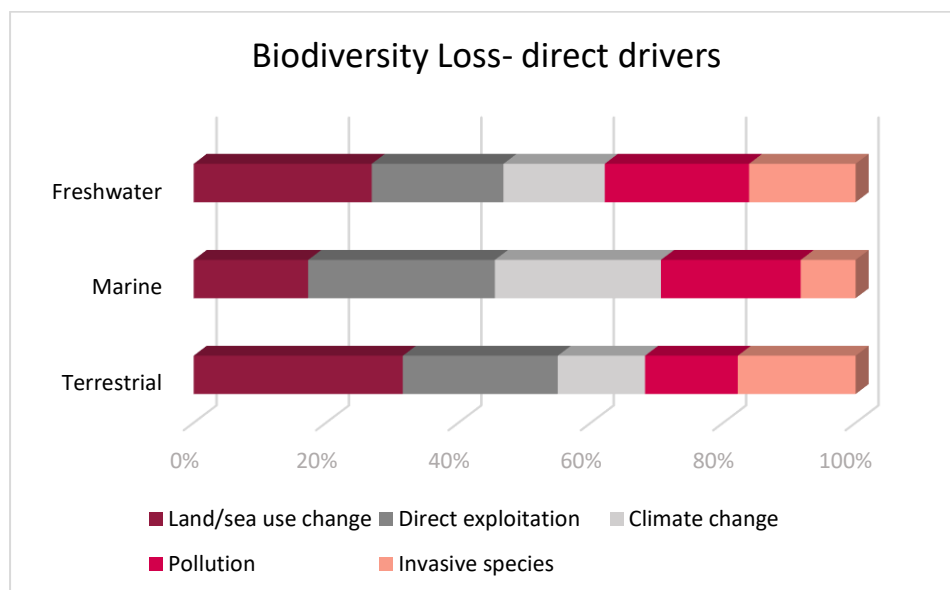


Figure 1- Direct drivers of global anthropogenic biodiversity loss (data source⁶)

4. Our approach

Belfius AM recognizes the crucial significance of biodiversity and the pivotal role it plays in society and several sectors. The actions taken by companies that are exposed to biodiversity can have profound effects on the environment and the welfare of humanity. To address this issue, Belfius AM is committed to integrating biodiversity considerations into our investment strategies and address biodiversity loss drivers. First, we aim to reduce negative effects by excluding particularly harmful sectors, such as for instance palm oil. Secondly, and more importantly, we engage with investee companies and/or external fund managers to promote positive impacts, and mitigate risks related to biodiversity loss. To that end we monitor a range of indicators, including PAI indicators, that provide us with an indication on negative biodiversity impact of an investee company's activities.


In addition, we encourage our external asset managers to formulate a comprehensive policy on biodiversity as part of our ongoing efforts to promote sustainable practices. The policy aims to ensure that our investments are aligned with our commitment to preserving and enhancing the natural environment. Therefore, we encourage our external asset managers to consider the impact of their investments on biodiversity and to develop strategies that promote responsible and sustainable business practices.

When assessing biodiversity risks, Belfius AM pays attention to a number of specific sectors and related risks, which are set out below.

a. Forestry – deforestation risk

The world's forests are a vital resource to safeguard the planet's biodiversity. Without proper safeguards, palm oil is a major driver of deforestation and hence a considerable threat to biodiversity. Moreover, the production process also releases huge amounts of carbon emissions into the air and some serious associations with child labor and corruption exist. Also the soybean industry is causing, without proper safeguards, widespread deforestation and displacement of small farmers and indigenous peoples around the globe. As a consequence,

⁶ Pedro Jaureguiberry et al., The direct drivers of recent global anthropogenic biodiversity loss. Sci. Adv. 8, eabm9982 (2022). DOI:10.1126/sciadv.abm9982. Available at: <https://www.science.org/doi/10.1126/sciadv.abm9982>



in order to mitigate deforestation risks in our portfolios investing in individual securities, we exclude companies that are active in these industries, unless they meet certain standards, as described in Belfius' [Transition Acceleration Policy](#) (TAP).

In addition, we will engage with invested companies in forestry and other sectors which are exposed to serious deforestation risks to encourage sustainable practices. Our active ownership activities involve advocating for deforestation policies and transparency which we deem essential for informed decision-making. We will engage in constructive dialogues with investee companies encouraging them to adopt biodiversity-friendly practices. We will also engage with external fund managers to encourage them to implement deforestation policies as well.

b. Food & Agriculture sector

Biodiversity is essential for food and agriculture, but the very systems that sustain our food production are contributing to its decline. Intensive agricultural practices, deforestation, overuse of pesticides and fertilizers, and habitat degradation are some of the major direct threats to biodiversity. Livestock breeds are increasingly at risk of extinction, and the diversity of crops cultivated by farmers has diminished. As we strive to increase food production, it is crucial to address these challenges while safeguarding the delicate balance between human needs and the natural world. For relevant companies and/or external fund managers, we will monitor and encourage to adopt Sustainable Agriculture Programmes/policies.

c. Fishing

Persistent overfishing poses a severe threat to marine biodiversity. As fish stocks are depleted, entire ecosystems suffer. Many species face local extinction, and the delicate balance of marine life is disrupted. Destructive fishing practices, such as bottom trawling and dynamite fishing, further exacerbate the problem. These practices harm not only the targeted fish species but also the broader ecosystem, including vulnerable habitats like coral reefs, seagrass beds, and sponge grounds. As we strive for sustainable fisheries, it is crucial to address these impacts and adopt practices that safeguard biodiversity for future generations. Where relevant for the funds we manage, we will engage and monitor best-practices with regard to overfishing. For example, we will encourage to adopt Sustainable Aquaculture Programmes/policies.

d. Mining

The mining industry plays a pivotal role in the global energy transition. As the demand for special metals and minerals skyrockets—especially for electrification purposes—mining becomes increasingly critical. Transitioning to sustainable energy sources brings new risks related to environmental, social, and governance factors. On the other hand, mining activities can have irreversible consequences for the environment and local communities, violating human rights and causing lasting damage to nature. Emerging methods like deep-sea mining may exacerbate these risks. While mining remains essential, it's crucial to recognize its potential negative impacts on ecosystems, communities, and human rights. We will engage with those investee companies that we feel have poor environmental management systems.

e. Land Grabbing

At Belfius AM, we recognize the impact of land grabbing, particularly on local communities in developing countries. Land grabbing, characterized by the acquisition or easing of large land areas by investors, poses immediate challenges to food security and disrupts the lives of small-scale food producers. Our commitment to addressing land grabbing is reflected in our Human Rights Norms-based analysis, UN Global Compact & Human Rights Violations: We scrutinize the absence of human rights violations related to land acquisition. Any evidence of mistreatment or disregard for fundamental rights is taken seriously.

5. Governance

Procedures for the implementation of this policy are reviewed regularly for continuous improvement. In our commitment to adapting and improving, this policy will evolve over time to accommodate new commitments, alterations in our practices, and shifts in regulations.

This policy was issued as at 26/06/2024.

Please refer to Belfius AM's website (<https://www.belfiusam.be/nl/index.aspx> or <https://www.belfiusam.be/fr/index.aspx>) for more details on the company's responsible investment approach.