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Country policy

Belfius Asset Management

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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. Belfius Asset Management Responsible Investment Framework

We are convinced that the systematic incorporation of sustainability or Environmental, Social and Governance (ESG) factors allows investors to better understand both the risks and opportunities in financial markets and therefore generates robust risk-adjusted returns. In addition, we fully recognize the role we have as an investor and our ability to use the capital we invest on behalf of our clients to not only generate financial returns, but to also create beneficial change. We have therefore developed a responsible investment approach that is aimed at allowing us to achieve strong investment returns, while also mitigating the adverse impacts of our investment decision-making and delivering societal returns, in line with the expectations of our clients and other stakeholders.

Please refer for more information to our Responsible Investment Policy, which can be found on our Sustainability page: <https://www.belfius.be/belfiusam-fr-esg> or <https://www.belfius.be/belfiusam-nl-esg>.

3. About this policy – Objectives

The Belfius AM's Country Policy is driven by clear objectives:

- Firstly, it aims to align with international standards and regulations by establishing transparent criteria and risk mitigation strategies. This reflects our commitment to responsible investing practices on a global scale.
- Furthermore, the policy seeks to proactively mitigate financial risks by avoiding investments in countries with poor governance, thereby reducing exposure to economic uncertainties such as unpredictable changes in regulations, currency volatility, liquidity risks, market manipulation, and inadequate investor protection.
- Alignment with the broader goal of enhancing our clients' trust by offering transparent and responsible investment choices.
- Ultimately, the establishment of the Country Policy, rooted in good governance principles, positions Belfius Asset Management as a relevant player in sustainability. This reinforces the alignment of our financial operations with our ESG objectives, contributing to responsible investing practices and our broader aspiration to positively influence the global shift towards sustainability in the financial industry.

4. Our approach and scope

4.1 Criteria and control procedure

Belfius AM's approach is based on risk assessment of countries, applying such criteria as violation of international sanctions and embargoes, money laundering, terrorism financing and tax fraud risk. Based on these criteria, an exclusion list is created for compliance purposes and regular checks are done to provide guidance for dealing with countries posing higher risks.

In addition, our framework assesses the governance and the political regime of countries. Based on predefined thresholds, Belfius AM has drawn a controversial regimes list, excluding countries with poor governance from both internally managed portfolios as well as funds for which investment management is delegated to external partners. By applying these exclusions, Belfius AM aims to avoid investing in countries where human rights and fundamental freedoms are regularly denied, and insecurity is ongoing due to government failure and systematic ethical breaches.

To identify countries with poor governance performance, Belfius AM's Responsible Investing team bases its assessment on data from the Financial Action Task Force (FATF) and the World Bank. The latter uses a variety of widely recognised sources such as Freedom House, The Economist Business Intelligence Unit, Transparency International and The World Economic Forum.

The controversial regimes list is made available to the investment teams which are responsible for implementing it in Belfius AM's investment portfolios. Regular secondary controls for the adherence of the investment portfolios to the Country Policy are conducted by Belfius Asset Management's Risk Team, which reports its findings to Belfius AM's Responsible Investing Committee. Additional controls for the adherence of internally managed funds to rules on sanctioned countries and countries presenting risks of tax evasion, terrorism financing or money-laundering are conducted by the Compliance and Risk teams of Belfius Asset Management.

4.1.1. Scope

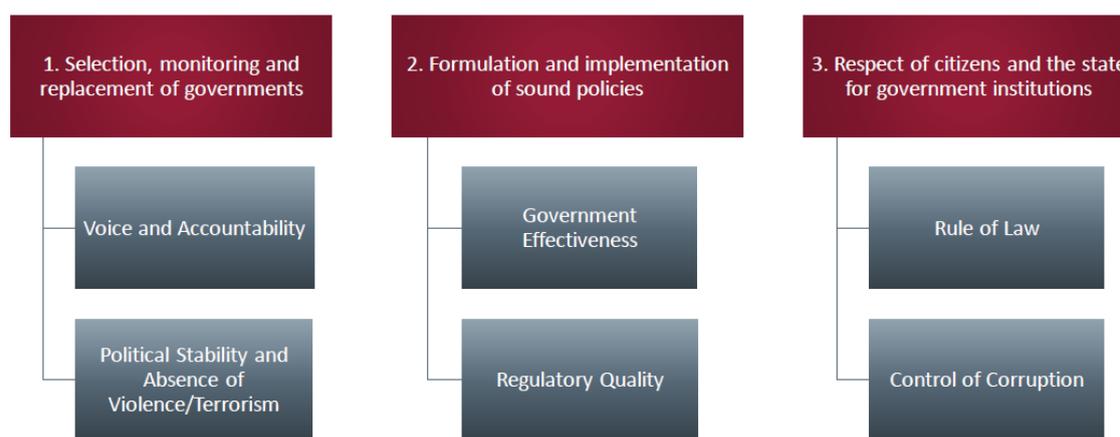
The scope of the Country Policy contains **sovereign** and **sub-sovereign entities**, and **state-owned enterprises** of the countries figuring on our controversial regimes list which is applied to asset management activities.

- **Sovereign entity means** a central government or an agency, department, ministry, or central bank of a central government.
- **Sub-sovereign entity** refers to regional, city or local government entity, as well as government agencies.
- **State-owned enterprises (SOEs)** are those companies that are majority-owned by a state (>50%).

4.1.2. The Worldwide Governance Indicators

The [Worldwide Governance Indicators \(WGI\) of the World Bank](#) used in the framework of our Country Policy, cover six key aspects of countries' governance, including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption (Figure 2) :

Figure 2. Key dimensions of the Worldwide Governance Indicators



The six WGI dimensions are defined by the World Bank as follows::

WGI Dimension	Definition
Control of Corruption	Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
Rule of law	Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
Political Stability and Absence of Violence/Terrorism	Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
Government effectiveness	Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Regulatory Quality	Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Voice and Accountability	Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

Belfius AM's Responsible Investing Team uses the WGI to establish a governance ranking of all countries in the World Bank's database. Poorly ranked countries are included in Belfius AM's controversial regimes list and financial instruments issued by sovereign and sub-sovereign entities as well as state-owned enterprises from these controversial regimes are excluded from investment portfolios.

4.2 Additional criteria for labelled products' sovereign exposures

In the framework of the [Towards Sustainability Quality standard](#), additional criteria are applied to sovereign exposures of the Belfius-branded labelled products. As defined by the Quality Standard 2023 of the Towards Sustainability label, sovereign exposures are exposures to central governments, central banks and supranational issuers. Sovereign issuers are classified on income level of their economy, based on the classifications of the World Bank: low-income, lower middle-income, upper middle-income and high-income economies.

To be aligned with a QS-compliant portfolio, all States shall comply with the base criteria (4.2.1). States classified as high-income economies shall also comply with the additional criteria (4.2.2)

4.2.1 Base criteria for all economies

The Towards Sustainability label 2023 standard uses the 6 World Bank Governance Indicators as an appropriate measure of responsible allocation of proceeds by governments. The following criteria are applied to sovereign exposures of Belfius' labelled financial products:

"A State is eligible if both of the following conditions are met:

- *The average of its scores on all 6 World Bank Governance Indicators is at least -0.59
It does not score less than -1.00 on a single World Bank Governance Indicator"*

4.2.2 Additional criteria for high-income economies

"In addition to the base criteria under b), high-income economy States shall also meet all the following conditions:

- *The State has ratified or has implemented in equivalent national legislation:

 - *the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work*
 - *at least half of the 18 core International Human Rights Treaties**
- *The State is party to:

 - *the Paris Agreement*
 - *the UN Convention on Biological Diversity*
 - *the Nuclear Non-Proliferation Treaty**
- *The State does not have a particularly high military budgets (>4% GDP)*
- *The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF*

¹ [Quality Standard of the Towards Sustainability label \(p.31\)](#)

- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

*Portfolios can invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio. This threshold may temporarily be exceeded in the event of extraordinary market circumstances to protect investors' financial interests."*²

The country policy of Belfius AM imposes a strict exclusion of countries and state-owned entities that do not comply with its criteria, meaning that any exemptions foreseen by the Towards Sustainability label³ are not applied to states and state-owned entities that fail to meet the governance criteria developed by Belfius AM.

The Central Labelling Agency (CLA) provides label holders with a list of eligible States based both on criteria for all economies and high-income economies. The list is updated annually. The list is, consequently, more extensive than the controversial regimes list of Belfius AM, as stricter criteria are applied for labelled portfolios. During the verification process, controls are regularly done by the Verifier of the TS label both for labelled products managed by Belfius AM and funds managed externally, ensuring compliance with the above-mentioned criteria.

5. Governance

The controversial regimes list undergoes an annual review, taking into account the most recent available data. Ad hoc reviews are possible under special circumstances.

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.

² [Quality Standard of the Towards Sustainability label \(p.32\)](#)

³ "Use-of-proceeds instruments issued by non-compliant States can still be eligible. State-owned companies or private companies active in ineligible States are not automatically ineligible themselves. They should be evaluated using the criteria applicable to (private) companies" (Quality Standards of the Towards Sustainability label, p. 32)