EXCLUSION POLICY

2024

ethias

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1. Introduction

For the sake of a better, fairer, greener, more equal and united world, Ethias positions itself as a trustworthy insurer, a sustainable company and a responsible investor.

Ethias' socially responsible investment (SRI) strategy is aligned with Ethias' Sustainability strategy. Through its financial investments, Ethias has a duty to act in the long-term interests of its policyholders and society in general. This role as a responsible investor involves integrating environmental, social and governance (ESG) considerations into our investment processes. We believe that these ESG factors may have an impact on investment portfolios across the regions, companies and sectors in which we invest.

ESG issues can affect the risk and return of portfolio positions and, as such, require special monitoring. Every year, we invest the premiums entrusted to us by all our policyholders in order to make them grow and to honour all our insurance payments. Through these investments, we are committed to playing

an important societal role in the hope of better preparing the world of tomorrow. We see our role as a responsible investor in the long term, particularly in the management of statutory and supplementary pensions and in supporting the economy.

An exclusion policy is one of the foundations, necessary but not sufficient, for the integration of ESG criteria in asset management. The Ethias exclusion policy is part of the Ethias Sustainable and Responsible Investment Policy («SRIP») that is applicable to all its investments.

The Ethias non-financial report provides in detail the actions, ambitions and results of the Sustainability strategy with a significant chapter on SRI.

2. Commitments

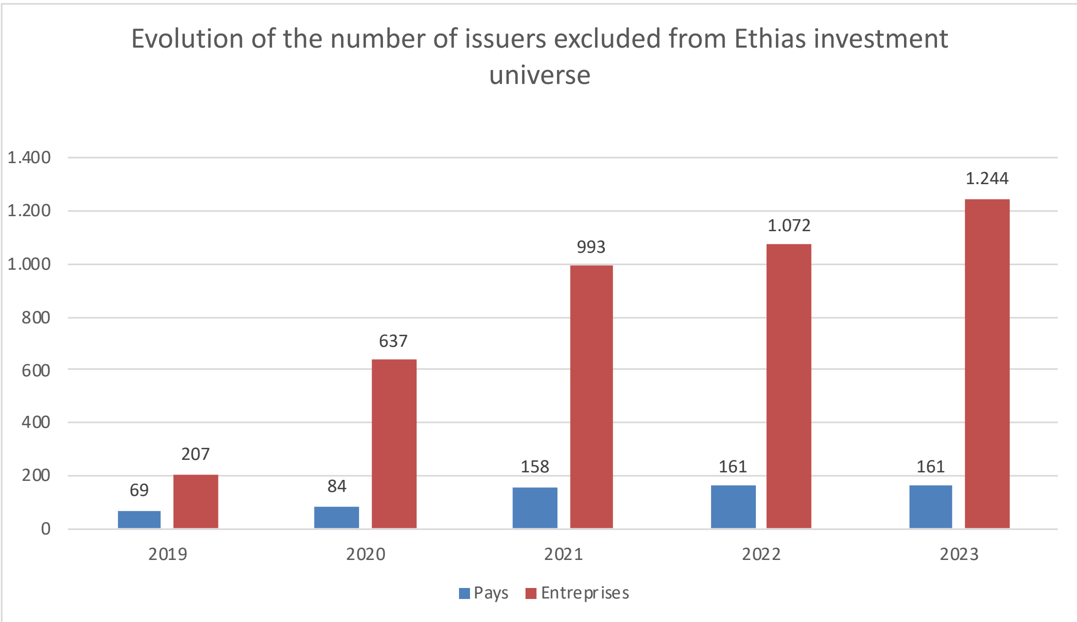
The Asset Management Department of Ethias respects, in all direct investments executed on one's account or on account of the Group, the prohibition to invest in shares and corporate bonds excluded by applying criteria set in 5.1 below as well as in government bonds of the countries excluded by applying criteria set in 5.2 below. Besides, all counterparties and intermediaries of the Asset Management Department will be requested to take note of the following principles which constitute this exclusion policy.

In terms of governance, the exclusion policy is updated annually. The selection method -i.e. exclusion criteria- of the issuers excluded from Ethias investment universe is operated and validated by the Sustainable and Responsible Investment Management Committee of Ethias. This exclusion policy is ultimately approved by the Executive Committee. It is then sent to the Ethics Committee and the Operational CSR Committee for their information.

The Asset Management Department strives for implementing best practices in terms of ethical and sustainable development, with a permanent learning commitment and the will to progressively broaden the application field.

Proof lies in the various policy developments made over time.

- Ethias excludes from its investment scope, all companies that violate the United Nations Global Compact principles, as well as companies involved in activities that do not fit Ethias' definition of sustainable development.
- Since 2005, we exclude companies involved in controversial weapons.
- In 2017, Ethias decided to exclude coal from our investments because of its contribution to global warming.
- In 2019, Ethias has excluded tobacco and the production of conventional weapons.
- In 2020, in order to comply with the «Towards Sustainability»[1] quality standard developed at the initiative of Febelfin and to participate to the efforts to prevent global warming, Ethias also excludes companies involved in the extraction of unconventional oil and gas as well as conventional oil & gas if they are not strongly involved in renewable energies as well as companies involved in unsustainable power generation.
- In 2022, and subsequently in 2023, Ethias confirmed its support to the Towards Sustainability initiative and updated its exclusion policy to consider all changes published in the latest revision of the Quality Standard.



1 www.towardssustainability.be

3. Scope of the exclusion policy

The scope of Ethias exclusion policy applies to the Ethias Group as well as the associated entities, in any manner, provided that the latter have entrusted the financial management of their assets to Ethias. It is specified that the scope of Ethias exclusion policy also applies to the entities associated through a management mandate within the framework of the direct investments.

The investments in external funds which are not managed by Ethias are currently not subject to this exclusion policy. Nevertheless, Ethias will promote its exclusion policy to asset managers to whom Ethias is giving investments' mandates.

4. Scope analysis

The table below mentions per asset class whether it is included or not in the scope of the criteria mentioned in this document.

Activaklasse (BGAAP-classificatie)	Beschrijving van de perimeter
Land and buildings	In scope because of their nature
Associated enterprises and other enterprises with participating interest	In scope: respected in first line (level issuer/counterparty)
Shares, participations and other variable yield securities: direct and indirect	In scope when it concerns direct investments Out of scope when it concerns indirect investments (funds) which are not managed by Ethias.
Bonds and other fixed income securities: Corporate, Government Covered and Other bonds; direct and indirect (via funds)	In scope when it concerns direct investments Out of scope when it concerns indirect investments (funds) which are not managed by Ethias. The exclusions criteria for coal, oil and gas, power generation as well as for sovereign bonds do not apply to Green bonds, Social bonds and Sustainability bonds. However, the investment manager will give particular attention to companies' transition efforts in the ESG due diligence process. Additionally, investment in Green, Social or Sustainability bonds is subject to the following specific criteria: • the issuance applies the ICMA Green Bond Principles or the ICMA Social Bond Principle or the ICMA Sustainability Bond Guidelines or received the CBI Certification; • the issuance is accompanied with an independent external review (e.g., an independent Second Party Opinion).
Mortgage loans and mortgage credits	Out of scope because of their nature
Other loans	In scope
Deposits with credit institutions	In scope: respected on the counterparty level (excluding collateral management)
Others (derivatives)	In scope: respected on the level of the underlying asset (for derivatives)
Deposits with ceding enterprises	Out of scope because of their nature
Cash and cash equivalent	Cash is out of scope. Specific cash equivalent instrument such as Commercial Papers issued by specific issuers are in scope.

5. Criteria of our exclusion policy

This section describes the exclusion policy that Ethias applies to corporate positions and sovereign positions separately.

5.1. Shares and corporate bonds

Ethias uses different sources of information including the MSCI ESG database[2] to establish a list of companies which are not in line with a set of strictly defined exclusion criteria defined below.

5.1.1. Normative screening

Based on the criteria defined in sections below, Ethias, as a trustworthy insurer, follows a strong normative screening and will not directly invest in companies that are implicated in one or more controversy cases where there are credible allegations that the company or its management inflicted serious large-scale harm in violation of these global norms and conventions.

For publicly traded companies and fixed income, Ethias relies on the MSCI ESG Global Norms screens, which use MSCI ESG Controversies flags to identify issuers involved in controversies that may constitute a breach of those global norms and conventions.

5.1.1.1 The United Nations Global Compact (UNGC) Principles

The UNGC[3] consists an initiative that global corporations can sign by committing to 10 principles guiding corporate behaviour in the following areas:

- Human Rights
- Labor
- Environment
- Corruption

Companies that join the compact are expected to integrate these principles into their corporate strategies, culture, and day-to-day operations. Companies are also expected to advocate the principles publicly and communicate with stakeholders on progress toward meeting the principles.

2 https://www.msci.com/our-solutions/esg-investing
3 www.unglobalcompact.org

5.1.1.2. The United Nations Guiding Principles on Business and Human Rights (UNGPBHRs)

The UNGPBHR[4] outline corporate responsibilities to respect human rights. The UNGPBHR explicitly reference the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work.

Human Rights Compliance screening encompasses a full array of human rights issues as well as the labor rights issues outlined by the ILO.

5.1.1.3. The OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises[5] on Responsible Business Conduct are recommendations addressed by governments to multinational enterprises. They aim to encourage positive contributions enterprises can make to economic, environmental and social progress, and to minimise adverse impacts on matters covered by the Guidelines that may be associated with an enterprise's operations, products and services.

The Guidelines cover all key areas of business responsibility, including human rights, labour rights, environment, bribery and corruption, consumer interests, disclosure, science and technology, competition, and taxation. The 2023 edition of the Guidelines provides updated recommendations for responsible business conduct across key areas, such as climate change, biodiversity, technology, business integrity and supply chain due diligence, as well as updated implementation procedures for the National Contact Points for Responsible Business Conduct.

5.1.1.4. The International Labour Organization (ILO) Conventions

The ILO[6]Conventions cover a wide area of social and labour issues including basic human rights, minimum wages, industrial relations, employment policy, social dialogue, social security and other issues. The ILO has identified eight fundamental conventions on labor rights:

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87);
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98);
- Forced Labour Convention, 1930 (No. 29);
- Abolition of Forced Labour Convention, 1957 (No. 105);
- Minimum Age Convention, 1973 (No. 138);
- Worst Forms of Child Labour Convention, 1999 (No. 182);
- Equal Remuneration Convention, 1951 (No. 100);
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

4 https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf
5 https://www.oecd.org/corporate/mne/
6 www.ilo.org

5.1.2. Sector policies

Besides the normative screening, Ethias adopts some specific sector policies in order to identify and exclude companies involved in harmful activities that could lead to adverse impact on sustainability factors, or companies providing dedicated equipment or services to enable these activities. Ethias has established a strict exclusion policy regarding the sectors of weapon, tobacco, thermal coal, unconventional oil & gas, conventional oil & gas and power generation. In addition, Ethias has also decided to exclude shares and corporate bonds from issuers based in some specific countries.

Moreover, Ethias would not invest in companies that do not have a strategy to reduce the adverse impact of their activities and to increase their contributing activities[7].

5.1.2.1. Weapons

Ethias excludes:

- any company that has activity of manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons such as: anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical or nuclear weapons.
- any company that derives more than 5% its revenues from the manufacture of weapons or tailor-made components thereof, or from the sale of weapons.

5.1.2.2. Tobacco

Ethias excludes companies that derive more than 5% of their revenues from the production or the wholesale trading of tobacco, tobacco products and e-cigarettes.

Additionally, Ethias excludes companies that derives more than 5% of their revenues from supplying products essential to the tobacco industry.

5.1.2.3 Thermal coal

Ethias excludes compagnies that derive any revenue from the mining of thermal coal and its sale to external parties or for which the installed capacity for thermal coal exceeds 5%, except if they have a SBTi[8] target set at well-below 2°C or 1.5°C.

With this policy, Ethias aims to exclude companies that are involved in the prospection, the exploration, the extraction/mining, the processing and the transportation of thermal coal, which are not in line with the Paris agreement[9].

7 Economic activities included in the EU Taxonomy or other economic activities (not yet in the EU Taxonomy) that contribute to environmental or social objectives. The activities shall clearly and concretely contribute to any of the EU environmental objectives or the Sustainable Development Goals (SDGs).

8 https://sciencebasedtargets.org/companies-taking-action#table

9 The Paris Agreement is a legally binding international treaty on climate change adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. Its overarching goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels.

5.1.2.4. Unconventional oil & gas

Ethias excludes companies that derive revenue from unconventional oil and gas.

With this policy, Ethias aims to exclude companies involved in the prospection, the exploration, and the extraction of unconventional oil and gas, which include tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra-deep drilling.

5.1.2.5 Conventional oil & gas

Ethias excludes companies involved in the prospection, the exploration, the extraction, the processing or refining of conventional oil and gas, as well as the transportation of conventional gas, except if they meet at least one of the below criteria:

» have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi «Business Ambition for 1.5°C' commitment»;

» derive less than 5% of its revenues from oil and gas-related activities;

» have more than 15% of CapEx dedicated to contributing activities[10].

5.1.2.6 Power generation

Ethias excludes companies involved in the generation of power or heat from non-renewable energy sources, except if they meet at least one of the below criteria:

» have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;

» derive more than 50% of its revenues from contributing activities;

» have more than 50% of CapEx dedicated to contributing activities;

» electricity utilities with a carbon intensity lower than the threshold .

5.1.3. Issuers based in some specific countries

All issuers domiciled in the countries on the list of «fiscally advantageous countries» as referred to in the Income Tax Code 1992[11] are prohibited.

All issuers domiciled in the countries on the EU list of non-cooperative jurisdictions for tax purposes as referred to in the Income Tax Code 1992[12] are also prohibited.

10 Economic activities included in the EU Taxonomy or other economic activities (not yet in the EU Taxonomy) that contribute to environmental or social objectives. The activities shall clearly and concretely contribute to any of the EU environmental objectives or the Sustainable Development Goals (SDGs).

11 Source: chapter III of the RD/TIC92, article 179 - list of States without taxation or with a very low taxation as referred to in article 307, § 1, section 5, b of the Tax Income Code 1992.

12 Source: chapter III of the RD/TIC92, article 179 - list of States without taxation or with a very low taxation as referred to in article 307, § 1, section 5, c of the Tax Income Code 1992. The list adopted by the Council on 5/10/2021 can be found here https://www.consilium.europa.eu/media/52208/st12519-en21.pdf.

5.1.4 Issuers that have commercial relationships with countries subject to international sanctions

Ethias must comply with binding provisions related to financial embargoes, asset freezes, and other restrictions such as embargoes on certain products or visa and travel restrictions. These measures are financial sanctions imposed against countries, individuals, or entities to prevent violations of peace and international security, such as terrorism, human rights abuses, destabilization of sovereign states, and proliferation of weapons of mass destruction.

Ethias must ensure that it does not invest in entities subject to financial sanctions,[13] and we also prohibit investments in companies that maintain commercial relationships with countries that are subject to international sanctions or that have practices contrary to ethical and social norms, such as human rights violations, corruption, or environmental damage. The list of countries subject to these exclusion policies is based on criteria such as international sanctions, ethical and social norms, and geopolitical risks.

5.2. Government Bonds

Ethias also applies a strict set of exclusion criteria to its investment in sovereign bonds. This section describes these criteria which result in a black list of countries.

5.2.1. Fiscally advantageous countries

All the countries on the list of « iscally advantageous countries» as referred to in the Income Tax Code 1992 are prohibited.

5.2.2. Non-cooperative jurisdictions for tax purposes

All the countries on the list of «non-cooperative jurisdictions for tax purposes» as referred to in the Income Tax Code 1992 are prohibited.

5.2.3. The Worldwide Governance Indicators (WGI)

The strength of the governance of a State is measured using the 6 Worldwide Governance Indicators (WGI), established by the World Bank:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

13 https://finances.belgium.be/fr/sur_le_spf/structure_et_services/administrations_generales/tr%C3%A9sorerie/services-et-activit%C3%A9s-0

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

- the average of its scores on all 6 WGIs is at least -0.59;
- It does not score less than -1.00 on a single WGI.

5.2.4. Countries subject to international sanctions

Ethias must comply with binding provisions related to financial embargoes and asset freezes, which are financial sanctions imposed against countries, individuals, or entities to prevent violations of peace and international security, such as terrorism, human rights abuses, destabilization of sovereign states, and proliferation of weapons of mass destruction.

These sanctions form part of a broader regime that includes other restrictions such as embargoes on certain products or visa and travel restrictions. Ethias must ensure that it does not invest in countries or entities subject to financial sanctions to comply with these measures[14].

Ethias excludes from its investments government debt of countries that are subject to international violations. The recognized sanctions are those provided by the following organizations:

- European External Action Service (EEAS);
- United Nations Security Council (UNSC).

5.2.5. States that have not ratified or have not implemented in equivalent national legislation the eight fundamental conventions identified in the ILO's declaration on Fundamental Rights and Principles at Workt

The International Labor Organization (ILO) has identified eight fundamental conventions on labor rights. These conventions cover subjects that are considered to be fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.

Ethias excludes all States which have not ratified or have not implemented in equivalent national legislation the eight fundamental conventions identified in the International Labor Organization's declaration on Fundamental Rights and Principles at Work.

5.2.6. States that have not ratified or have not implemented in equivalent national legislation at least half of the 18 core International Human Rights Treaties

Since 1945 the international community has progressively developed and defined international human rights law. The founding documents in this regard are the Charter of the United Nations (1945) and the Universal Declaration of Human Rights (1948). Today, the key definitions of human rights are comprised in the Declaration, in nine core international human rights treaties and in nine optional protocols. United Nations human rights work is largely undertaken within this normative framework. The treaties are central to the work and activities of the Office of the United Nations High Commissioner for Human Rights (OHCHR) at national, regional and international levels.

14 https://finances.belgium.be/fr/sur_le_spf/structure_et_services/administrations_generales/tr%C3%A9sorerie/services-et-activit%C3%A9s-0

The treaties and their optional protocols are ratified or acceded to by States on a voluntary basis; once a State becomes a party to a treaty or a protocol, it takes on the legal obligation to implement its provisions and to report periodically to a United Nations «treaty body» composed of independent experts.

Ethias excludes all States which have not ratified or have not implemented in equivalent national legislation at least half of the 18 core International Human Rights Treaties.

5.2.7. States which are not party to the Paris Agreement

Ethias strongly supports the Paris Agreement on climate change and has the ambition to decarbonize all its investments by 2050 at the latest.

In line with this commitment, Ethias excludes all States which are not party to the Paris Agreement.

5.2.8. States which are not party to the UN Convention on Biological Diversity

For our world to be sustainable, the protection of healthy ecosystems, including the preservation of biodiversity and forests, is crucial. This is captured in the vision of the UN Convention on Biological Diversity (CBD) that by 2050, «biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people».

Biological diversity, or biodiversity, refers to the many different species living within an ecosystem. One might think of animals, plants, bacteria, fungi, and other living organisms. It is typically expressed in the amount of species as well as the variety of ecosystems that these

species create. According to the UN Convention on Biological Diversity, our planet is home to as many as 13 million species, of which 1.75 million have been named and recorded. Unfortunately, the richness of biodiversity is under severe pressure. This shrinking biodiversity poses major risks to the future of global food and agriculture and thereby to human beings themselves.

Ethias is convinced that preservation of biodiversity and forests is crucial and in line with this, Ethias excludes all States which are not party to the UN Convention on Biological Diversity.

5.2.9. States which are not party to the Nuclear Non-Proliferation Treaty

The ownership, production, proliferation and use of nuclear weapons are strictly regulated and monitored via the Non-Proliferation Treaty of 1968, and if necessary sanctioned by the international community.

Ethias excludes States which are not party to the Nuclear Non-Proliferation Treaty.

5.2.10. States with particularly high military budgets

Military budgets are calculated as Defense Budget versus the GDP of each country. Ethias excludes all countries in which Defense Budget exceeds 4% of the GDP.

5.2.11. States considered «High-Risk Jurisdictions» or «Jurisdictions with strategic AML/CFT deficiencies» by The Financial Action Task Force (FATF

The FATF[15] was established in July 1989 by a Group of Seven (G-7) Summit in Paris. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. Starting with its own members, the FATF monitors countries' progress in implementing the FATF recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and, promotes the adoption and implementation of the FATF recommendations globally.

High-risk and other monitored jurisdictions

The FATF identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in two FATF public documents that are issued three times a year. The FATF's process to publicly list countries with weak AML/CFT regimes has proved effective. As of February 2020, the FATF has reviewed over 100 countries and jurisdictions and publicly identified 80 of them. Of these 80, 60 have since made the necessary reforms to address their AML/CFT weaknesses and have been removed from the process.

Ethias excludes all States considered «High-Risk Jurisdictions» or «Jurisdictions with strategic AML/CFT deficiencies».

5.2.12. The Transparency International Corruption Perceptions Index

The Transparency International Corruption Perceptions Index[16] is calculated by Transparency International which is a global movement working in over 100 countries to end the injustice of corruption.

Transparency International is an independent, non-governmental, not-for-profit organization and works with like-minded partners across the world to end the injustice of corruption.

The Corruption Perceptions Index (CPI) was established in 1995 as a composite indicator used to measure perceptions of corruption in the public sector in different countries around the world. The CPI aggregates data from a number of different sources that provide perceptions by business people and country experts of the level of corruption in the public sector.
The methodology follows four basic steps: selection of source data, rescaling source data, aggregating the rescaled data and then reporting a measure for uncertainty.

The final score is given on a scale from 0 (high level of corruption) to 100 (low level of corruption). Ethias excludes all States with a score of less than 40/100.

15 https://www.fatf-gafi.org/en/home.html
16 https://www.transparency.org/en/cpi/2020/index/nzl

5.2.13. The Freedom House « Freedom in the World »-survey

Freedom House[17] is the oldest American organization devoted to the support and defense of democracy around the world. It was formally established in New York in 1941 to promote American involvement in World War II and the fight against fascism.

In 1973, Freedom House launched an entirely new initiative, a report that employed the methods of social science analysis to assess the level of freedom in each country in the world, with a numerical score and ranking as Free, Partly Free, or Not Free. The report is known as Freedom in the World. Through the years, Freedom in the World has gained attention and influence in the media, the policy world, among foreign governments, and among educators and scholars. Freedom in the World has been called the «Michelin Guide to democracy's development» and «essential reading for policymakers and political leaders». Ethias excludes all States qualified as «Not free».

5.2.14. Death penalty legal and in use

Ethias excludes states that have the death penalty legal and in use.

5.2.15. Diversification or currency risk hedging

Ethias can invest, for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers[18] that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio.

5.2.16. Emerging markets focus

Ethias can invest a small portion of its portfolio in products/investment funds with a sustainable emerging market focus which invest in public debt instruments issued by States that do not comply with the above requirements.

6. Desinvestment criteria

If, when updating the exclusion policy, new names appear which are held in the portfolio, the following policy will be applied:

» the shares may be held as long as the stock market price is below the acquisition price and/or for regulatory reason;

» the bonds may be held to maturity in order to fulfil their obligations in terms of yield and asset/ liability management («ALM»).

However, the acquisition of new positions of the issuer involved is strictly forbidden.

17 More information about The Freedom House «Freedom in the World»-survey is available at https://freedomhouse.org/countries/freedom-net/scores.
18 I.e. the US, Japan and the UK, in line with Towards Sustainability label.