ETHIAS

IMPACT INVESTMENT POLICY

TABLE OF CONTENTS

1	**INTRODUCTION**	**3**
1.1	Our purpose	3
2	**GUIDING PRINCIPLES**	**4**
2.1	Our definition of impact investing	4
2.2	Spectrum of Capital framework	4
2.3	Profitability & risk-return balance	5
2.4	Intentionality	5
2.5	Measurability	6
2.6	Additionality	6
3	**INVESTMENT STRATEGY**	**6**
3.1	Asset allocation	6
3.2	Impact themes	7
3.3	Impact measurement	9
4	**MONITORING, REPORTING AND COMMUNICATION**	**10**
5	**GOVERNANCE**	**10**

1 INTRODUCTION

Ethias places great importance on responsible investing that seeks to create a measurable and positive impact on society and the environment. Our approach to impact investing is driven by a commitment to deliver tangible, quantified social and environmental benefits while also realizing financial returns.

The Impact investing Policy, as part of our broader sustainable & responsible investment policy framework, underscores our commitment to add value and create measurable results in our investments. As responsible investors, we systematically incorporate environmental, social, and governance (ESG) considerations into our investment process. Ethias recognizes the transformative potential of impact investments in various sectors and regions with Europe, and more particularly Belgium, as our primary focus.

Our investment strategy transcends conventional risk/return analyses, emphasizing the creation of quantifiable social and environmental effects alongside financial returns. Ethias is equally committed to additionality, a principle that ensures that our impact investments bring about positive changes that would not have occurred without our involvement.

Our impact investing approach encompasses guidelines that are integrated into our investment strategy. The Impact Investment Policy is integrated into Ethias' governance and general investment processes. It is an appendix to the Sustainable and Responsible Investment Policy. The assessment of impact investments is conducted through the existing investment committees. These guidelines are subjected to a rigorous review process and validation by the Executive Committee and the Board of Directors, following assessment by the Audit and Risk Committee, reinforcing our commitment.

This Impact Investment Policy outlines Ethias' commitment to incorporating a broader range of impact considerations into our investment decisions, going beyond ESG factors, and defines our approach to impact investing.

The Impact Investment Policy is applicable to Ethias SA.

1.1 OUR PURPOSE

At Ethias, we believe that social and environmental issues are intimately connected. Through our impact investment policy, we aim to:

- Work towards a **just transition** by addressing environmental issues without leaving anyone behind.
- **Prevent inequalities** while preserving the environment.

In this context, we want our investment efforts to contribute to the creation of a more resilient and inclusive economy. As an insurer and in line with our **long-term and prudent investment approach**, we favour projects focused on:

- Transitioning to a decarbonized, sustainable, and climate-resilient economy.

- Strengthening social cohesion, reducing inequalities, promoting health prevention, and improving the well-being of the population.

Concretely, this policy materializes through:

- **Investments contributing to environmental goals**: clean energy, building renovation, clean mobility, water management, recycling, territorial resilience, protecting biodiversity, etc.
- **Investments with societal added value**: housing accessibility, healthcare or education access, access to digital infrastructure, circular economy projects, etc.

2 GUIDING PRINCIPLES

Ethias's approach to impact investing is firmly grounded in a comprehensive framework that incorporates three core elements:

1. clarify our chosen definition of impact investing,
2. rely on the "Spectrum of Capital" framework as the foundation for determining our areas of focus and activity, and
3. outline our commitment to four key principles: profitability, intentionality, measurability, and additionality.

2.1 OUR DEFINITION OF IMPACT INVESTING

We adopted the definition by the Global Impact Investing Network (GIIN), which characterizes impact investments as those made with the deliberate intent to generate positive, measurable social and environmental impact alongside a financial return. This core definition underscores the dual commitment.

2.2 SPECTRUM OF CAPITAL FRAMEWORK

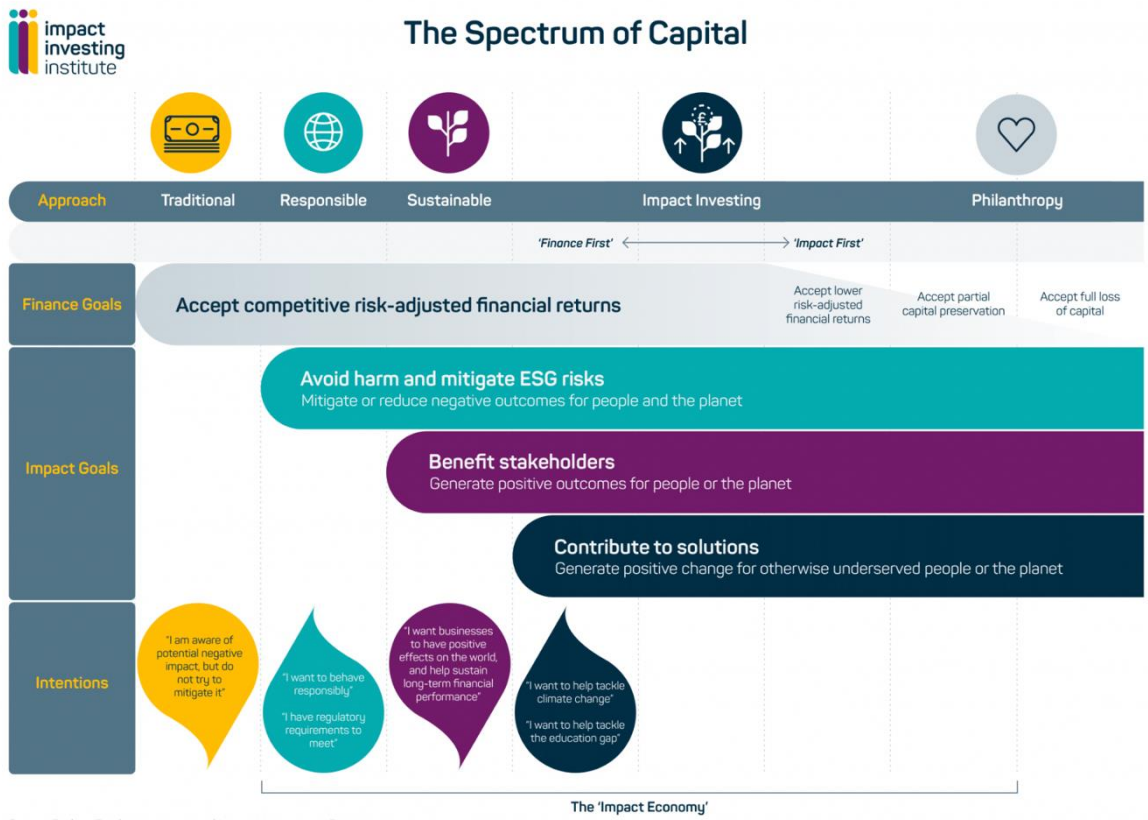
The second element draws from The UK Impact Investing Institute's "Spectrum of Capital" framework, which offers a valuable continuum for understanding the range of investment motivations and impacts. The spectrum extends from traditional investing, focused primarily on risk-adjusted returns, to philanthropy, which prioritizes impact delivery even at the potential loss of capital. This framework is further elucidated by the Impact Management Project's "ABC" framework.

In the initial stage, labelled as "A," the focus is on avoiding harm through negative screening. This initial stage is covered by Ethias' exclusion and integration policies.

The "B" stage involves actively seeking investments that benefit stakeholders by avoiding harm and considering positive impacts on people and the planet. This stage is covered by what Ethias considers as sustainable investment in accordance with SFDR.

The ultimate "C" stage signifies investments that intentionally contribute to solutions for social or environmental issues, thereby earning the classification of true impact investments. This framework serves

as the foundation for Ethias's impact investment policy, guiding our commitment to creating positive change while achieving financial returns. Ethias considers impact investing as a subset of the Ethias' responsible and sustainable investments. Our objective with impact investing is to contribute to solutions.



2.3 PROFITABILITY & RISK-RETURN BALANCE

We seek a balanced approach to risk and return, ensuring that impact investments align with our overall financial objectives while delivering meaningful impact. We are set to give up part of the expected return or slightly increase the risk taken compared with a similar investment if the following criteria for impact investing are met.

2.4 INTENTIONALITY

Intentionality is the deliberate aim of Ethias to drive social and environmental change alongside the financial returns. It serves as the foundation for impact investing. Ethias considers that impact investments should be accompanied by a theory of change (ToC). A ToC is a framework that enables investors to identify their

impact objectives, and to develop a roadmap for achieving these objectives through their investments. Ethias considers the ToC to be good practice.

Some funds or investees may also choose to donate some of their profits to a cause they support. Although Ethias does consider such a philanthropic practice as a prerequisite, it may reinforce the credibility of the investee or fund manager in their intention to generate a positive impact.

2.5 MEASURABILITY

This refers to the capability to quantify the social or environmental change resulting from an investment. Proper measurement ties back to intentionality, ensuring that the intended impact is being realized. However, choosing what to measure and how to interpret it involves subjective decisions. Collaboration between stakeholders can help make these decisions more balanced.

When reporting impact, one should be able to assess how much of the outcome depth was caused by its own contribution. This is about crediting the positive change to a specific investor or entity. Recognizing the responsible party ensures that those making a genuine impact are acknowledged and rewarded.

2.6 ADDITIONALITY

Additionality questions whether the investment is causing a unique positive change or if such an impact would have happened regardless. This concept can be challenging to verify because it involves comparing real outcomes to hypothetical situations where the investment would not exist.

In addition to supplying capital, additionality may also involve active support with the objective to enhancing the impact of investees. This can involve mentorship, training, networking, or even holding board seats. Another aspect is the "signaling effect", where investors showcase the importance of impact, motivating enterprises to adopt impact-centric strategies. This is usually referred to as non-financial additionality.

When investing in impact funds, Ethias therefore systematically considers the possibility and relevance of participating in funds' governance. Similarly, Ethias favors frequent communication with its investees in order to monitor impact and provide support wherever possible.

3 INVESTMENT STRATEGY

3.1 ASSET ALLOCATION

In terms of allocation, the following objectives are pursued:

Social return over investment return

As part of the strategy, Ethias is willing to accept a decrease in the expected return as compared to a similar investment in the traditional investment space. This reflects our commitment to societal and environmental objectives.

Long-term holding

Generating impact sometimes takes time. In this context, investments are made with a view to holding the investment for the term needed to generate the expected social impact and minimum return.

Asset class and specifications

Investments can be direct or indirect (via funds) depending on different factors such as access to specific markets or investment opportunities, total cost of ownership, risk diversification, liquidity, etc.

Investments made must comply with Ethias' general investment policy and its annexes except if specific conditions mentioned in this policy. In fact, we acknowledge that, in certain instances, Ethias may choose to relax specific criteria, such as fund size.

Geographic impact

Maintaining a minimum anchor in Belgium is an essential criterion in our investment strategy. Ethias will prioritize impact investments that generate a positive impact in Belgium wherever possible. However, impact funds often target a geographical scope that extends beyond one country. Consequently, our strategy may lead us to invest in funds targeting a broader region than Belgium alone.

We also recognize the importance of generating a positive societal impact wherever it exists, including in the world's most disadvantaged populations. This is why part of our strategy may be reserved for investments in lower income countries.

Activity segment allocation

In general, impact investments must not reduce the competitiveness of Ethias' insurance activities. For this reason, impact investments are allocated to its own equity segments unless it is in the commercial or ALM interest to allocate them to Life or Non-Life segments.

Carried Interest

A concept that has recently emerged in the impact investing landscape consists of linking the carried interest to the achievement of impact outcomes. In this practice, interest returns are not just contingent on financial returns, but also on achieving verified impact outcomes, eg GHG emissions reduced, hectares reforested, or affordable housing units delivered. When investing in impact funds, Ethias expects to have such a mechanism in place, as it demonstrates the responsibility and integrity of the fund manager with regards to impact.

3.2 IMPACT THEMES

The selected themes align closely with key Sustainable Development Goals (SDGs), reflecting a deliberate and strategic approach to impact investing. Ethias prioritizes the following impact domains:

Theme	Subthemes	Rationale	SDG Alignement
Climate	Climate change mitigation and climate adaptation and resilience	Addressing the urgent global challenge of climate change is embedded in the focus on both mitigating its impact and adapting to ensure resilience. This theme acknowledges the critical role of investments in fostering a sustainable and climate-resilient future.	SDG 13: Take urgent action to combat climate change and its impacts
Biodiversity & Ecosystems	Biodiversity & Ecosystem Conservation	Biodiversity is declining globally and in Belgium due to pollution, land use, and climate change. This threatens ecosystems that provide clean water, food, and climate stability. Protecting nature is essential for health, resilience, and long-term economic security—locally and worldwide. Investing in biodiversity and ecosystems therefore ensures food security, clean water, climate resilience, and economic stability—protecting the natural systems that sustain life and human well-being. As an insurer, Ethias is concerned about environmental degradation as it increases risks (e.g., floods, crop failures, and health issues) that directly impact claims, asset values, and long-term financial stability.	SDG 13: Take urgent action to combat climate change and its impacts; SDG 14: Conserve and sustainably use the oceans, seas, and marine resources; SDG 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
Energy	Energy access, clean energy and energy efficiency	Ethias is committed to ensuring access to affordable, reliable, sustainable, and modern energy for all. The subthemes highlight the dual focus on expanding energy access and promoting efficiency, contributing to a more sustainable energy landscape.	SDG 7: Ensure access to affordable, reliable, sustainable and modern energy
Infrastructure	Resilient infrastructure and infrastructure to promote accessibility	This theme recognizes the crucial role of resilient infrastructure in fostering economic growth and ensuring sustainable urbanization. The focus on promoting accessibility further emphasizes the commitment to inclusivity in development efforts.	SDG 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation; SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
Real Estate	Affordable quality housing and green buildings	This theme focuses on creating inclusive, safe, and sustainable communities. The emphasis on affordable quality housing and green buildings reflects the commitment to fostering environmentally friendly and socially responsible urban development.	SDG 1: End poverty in all its forms everywhere; SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable
Agriculture	Smallholder Agriculture, Sustainable Agriculture and Food Security	Investing in sustainable agriculture systems makes sense both from an environmental and from a social / economic perspective. Such investments help protecting the planet's ecosystems, conserving natural resources like soil and water, and promote biodiversity. Additionally, it brings public health benefits, ensure the long-term availability of food for the populations locally and globally and strengthen local economies and communities. Lastly, it also makes the food system more resilient to climate change.	SDG 3: Ensure healthy lives and promote well-being for all at all ages; SDG 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation; SDG 12: Ensure sustainable consumption and production patterns
Health	Access to quality health care and nutrition	Contributing to SDG 3 emphasizes the importance of access to quality healthcare and proper nutrition, essential elements for promoting well-being and sustainable development. These subthemes underscore the commitment to improving health outcomes for communities.	SDG 3: Ensure healthy lives and promote well-being for all at all ages
Education	Access to Quality Education	Investing in quality, inclusive public education is a critical engine to improve economic prospects and has ripple effects, stimulating economic growth over the long term. Investing in education is investing in our collective future. It is the cornerstone upon which we can build more resilient economies, healthier societies, and a more sustainable and peaceful world.	SDG 1: End poverty in all its forms everywhere; SDG 4 Quality Education; SDG 11: Make cities inclusive, safe, resilient and sustainable
Economic Empowerment	Financial inclusion	This impact theme is aimed at reducing poverty in all its forms, focusing on inclusive and sustainable economic growth as well as reducing inequalities. At Ethias, we recognize that financial empowerment is a key driver for breaking the cycle of poverty. By focusing on financial inclusion and offering micro-credits to underprivileged populations, we strive to empower individuals and communities economically. Providing micro-credits serves as a catalyst for entrepreneurship, enabling individuals to establish or expand small businesses, generate income, and uplift their overall economic well-being.	SDG 1: End poverty in all its forms everywhere; SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 10: Reduce inequality within and among countries

3.3 IMPACT MEASUREMENT

To justify the intentional sacrifice of yield, precise measurement is crucial. We place significant emphasis on metrics, particularly those aligned with the IRIS+ themes to which funds or investments are positioned. These metrics serve as the quantitative foundation for justifying the divergence from standard returns.

The assessment of impact investments based on intentionality, measurability, and additionality is a key framework for determining the quality and effectiveness of impact investments. These three dimensions help understand the depth of commitment to positive social or environmental impact. Here's how the assessment levels break down based on these criteria:

Intentionality

- Low Level: Investments are made without a clear intention to generate positive social or environmental impact. Investment decisions are primarily driven by financial returns, with no explicit consideration of ESG or sustainability factors.
- Medium Level: Investments are motivated by a positive intention, but this intention is not necessarily at the core of the investment strategy. Investors may seek to align their personal values with their investments but without a strong commitment to impact.
- High Level: Investments are deliberately designed to generate positive social or environmental impact. Intention is at the core of the investment strategy, and investors actively seek opportunities that address specific sustainability or social inclusion needs. Ideally, the investee / fund has developed and documented its own theory of change.

Measurability

- Low Level: Investments are not measured or evaluated in terms of impact. There is no system in place to track or quantify the social or environmental outcomes of investments.
- Medium Level: Investments are accompanied by basic measures to assess impact, but these measures are not necessarily thorough or sophisticated. Investors may have basic performance indicators without in-depth evaluation.
- High Level: Investments come with a robust impact measurement. Investors use quantitative and qualitative metrics to continuously assess the social and environmental outcomes of their investments. Data is collected, analyzed, and transparently communicated.

Additionality

- Low Level: Investments are not necessarily designed to be additional, meaning they may not necessarily contribute to outcomes that would not have occurred otherwise. They may follow a "business as usual" approach without seeking to generate additional impact.
- Medium Level: Investments aim to have an impact, but they could still be considered "additional" only to a certain extent. They seek to improve sustainability or social responsibility compared to non-sustainable alternatives but without bringing about radical changes.
- High Level: Investments are designed to be clearly additional, meaning they aim to solve problems or create social or environmental benefits that would not have occurred without this investment. They

go beyond the traditional approach and contribute to significant positive change. As an example, this covers investments that go beyond traditional approaches, actively contributing to significant positive change by empowering underprivileged populations through financial inclusion and micro-credits.

By evaluating impact investments across these three dimensions, investors can better understand the nature and effectiveness of their sustainability and social responsibility investments. This ensures that investments are aligned with desired impact goals and maximizes their contribution to positive outcomes.

For an investment to qualify as an impact investment, it should be classified under at least Medium Level under the three dimensions.

4 MONITORING, REPORTING AND COMMUNICATION

Reporting standards are paramount in our fund investments. We require a minimum reporting threshold, and beyond financial metrics, we insist on impact reporting. This dual reporting approach ensures a comprehensive understanding of both financial performance and the broader societal and environmental implications of our investments.

5 GOVERNANCE

The Policy is drafted by Asset Management and validated by the Sustainable and Responsible Investment Committee (SRIC). It is then validated collegially by the Management Board, following validation and proposal by the ALCO, and approved by the Board of Directors.

When considering impact investments, decisions are made on a case-by-case basis. These decisions are not made in the SRIMM but rather in the dedicated investment committees that are specific to the asset class being considered. This approach ensures that the investment decision-making process is tailored to the specific needs and characteristics of each asset class.

Asset Management is responsible for the execution of the Policy. Compliance is verified by the 1st and 2nd lines of controls.

Any deviation from this policy is reported to Risk Management as soon as it is detected. The ALCO decides on appropriate corrective action when required.

FOR MORE INFORMATION

Ethias
voie Gisèle Halimi 10 - 4000 Liège

Tel. 04 220 31 11
info@ethias.be