EXCLUSION POLICY

Version of 1st of January 2023

(Cancels and replaces all previous versions)

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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[1] 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 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.

1 https://www.ethias.be/content/dam/ethias-investors/INVESTORS/PDF/rapports-ethias/Ethias21_RNF_EN_WEB.pdf

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.

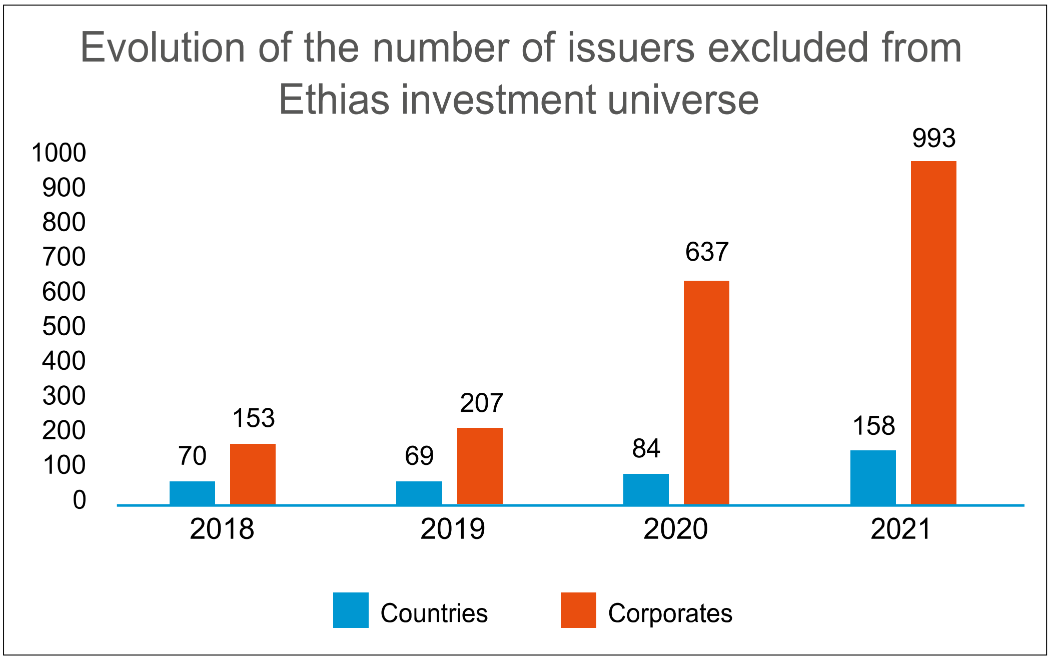
» In 2017, Ethias decided to exclude coal from our investments because of its contribution to global warming.

» In 2019, Ethias has excluded tobacco and the production of conventional weapons.

» In 2020, in order to comply with the « Towards Sustainability »[2] 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 2021, Ethias confirmed its support to the Towards Sustainability initiative and updated its exclusion policy in order to take into account all changes announced in the published revision of the standard in May[3].

By applying very strong exclusion criteria, Ethias excludes (as of 1st of January 2022[4]) 75% of countries and 10% of corporates from the starting investment universe.



2 www.towardssustainability.be
3 https://www.towardssustainability.be/en/node/2055
4 The list of issuers excluded is not static and can be revised at any time by Ethias by applying the list of criteria set in the exclusion policy. The criteria will only be reviewed annually at the same time of the revision of the exclusion policy.

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.

Asset class (BGAAP classification)	Scope description
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 (via funds)	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 following exclusion criteria do not apply to Green bonds, Social bonds and Sustainability bonds. However, investment in Green, Social or Sustainability bonds is subject to the following specific criteria: • the issuance needs to prove not to finance activities that are excluded by Ethias 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 by 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

5. Criteria of our exclusion policy

Two types of criteria are applicable within the framework of our exclusion policy: one for shares and corporate bonds and the other one for government bonds.

5.1. Shares and corporate bonds

Ethias uses different sources of information including the MSCI ESG database[5] to establish a list of companies which are not in line with:

» the United Nations Global Compact [6] (UNGC, 10 principles regarding human rights, the right to work, environment and fight against corruption);

» the United Nations Guiding Principles on Business and Human Rights (UNGPBHRs);

» the International Labour Organization (ILO) Conventions [7];

» and/or companies which are involved in controversial activities such as …

- (controversial and/or conventional) weapons,
- thermal coal,
- tobacco,
- unconventional oil & gas,
- conventional oil & gas,
- power generation.

These excluding conditions were transposed in screening criteria in MSCI database and this throughout their entire universe.

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 global norms.

5 https://www.msci.com/our-solutions/esg-investing
6 https://www.unglobalcompact.org/what-is-gc/mission/principles
7 https://www.ilo.org/dyn/normlex/en/f?p=1000:12000:::NO:::

5.1.1.1. The United Nations Global Compact (UNGC) Principles

The UNGC consists of 10 principles guiding corporate behaviour in the following areas:

- Human Rights
- Labor
- Environment
- Corruption

More detailed information can be found on the UNGC website: www.unglobalcompact.org.

Topics not covered within Global Norms Screening for UNGC compliance, because they are not addressed by the UNGC principles, include (but are not limited to) employee health and safety, working conditions not explicitly addressed by the UNGC, product safety, anticompetitive practices, accounting improprieties, and other types of business ethics violations. Global Norms Screening also does not address the absence of positive initiatives, focusing only on involvement in controversies that may represent a violation of the UNGC.

UNGC Focus Area	Content Summary Screening
Human Rights	General human rights concerns, indigenous peoples rights, civil liberties, disputed territories issues, environmental incidents that harm local livelihoods.
Labor	Child labor, forced labor, union and collective bargaining issues, discrimination.
Environment	Issues related to energy and climate change; impact on land, water, and air; impact on habitats and ecosystems; water stress; operational waste issues; and environmental issues in the supply chain including sourcing of high impact raw materials; controversial funding or investment in projects with high environmental impact.
Corruption	Bribery and corruption.

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

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

Global Norms Screening on UNGPBHR does not address the absence of positive initiatives, focusing only on involvement in controversies that may represent a violation of the UNGPBHR.

UNGC Focus Area	Content Summary Screening
Human Rights	General human rights concerns, indigenous peoples rights, civil liberties, disputed territories issues, environmental incidents that harm local livelihoods.
Forced Labor	Forced, bonded, or slave labor; includes issues in the supply chain.
Child Labor	Child labor in direct operations or supply chain.
Discrimination	Discrimination against employees in direct operations or supply chain.
Collective bargaining and freedom of association	Union-management conflicts, strikes and other work actions, anti-union actions by the company; includes strikes and unionization efforts by non-unionized employees; includes issues in direct operations and supply chain.

5.1.1.3. The International Labour Organization (ILO) Conventions

The International Labor Organization (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).

Collective bargaining, discrimination, child labor, and forced labor are covered by a specific screening.

The ILO also addresses a broader set of labor rights issues through an array of other conventions. This broader set of issues, including working conditions, wages and hours, and health and safety, is covered under another specific screening.

Both screens capture issues in companies' supply chains and franchise operations as well as their own direct operations.

Global Norms Screening on ILO Conventions does not address the absence of positive initiatives, focusing only on involvement in controversies that may represent a violation of the ILO conventions. More detailed information about the ILO and its conventions can be found on its website: www.ilo.org.

ILO Focus Area	Content Summary Screening
Forced Labor	Forced, bonded, or slave labor; includes issues in the supply chain.
Child Labor	Child labor in direct operations or supply chain.
Discrimination	Discrimination against employees in direct operations or supply chain.
Collective bargaining and freedom of association	Union-management conflicts, strikes and other work actions, anti-union actions by the company; includes strikes and unionization efforts by non-unionized employees; includes issues in direct operations and supply chain.
Health & safety	Worker injuries and fatalities, including both direct operations and supply chain.
Working conditions	Wages and hours; other issues related to working conditions; includes issues in direct operations and supply chain.

5.1.2. Sector policies (corporate-level criteria)

Besides the normative screening, Ethias adopts some specific sector policies in order to identify 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. All investments in weapons (point 5.1.2.1.), in thermal coal (point 5.1.2.2.), tobacco (point 5.1.2.3.), unconventional oil & gas (point 5.1.2.4.), conventional oil & gas (5.1.2.5.) and power generation (5.1.2.6.) are prohibited.

For the last 2 sectors (conventional oil & gas and power generation), some companies are currently not yet aligned with the business criteria set in 5.1.2.5 or 5.1.2.6 but are nevertheless within the best of their peer group in transitioning their business model. Ethias considers that investing in this transition is possible by financing these companies selectively and to a limited extent.

However:

» The total portfolio exposure to non-compliant companies (only concerning conventional oil & gas -5.1.2.5.- and power generation -5.1.2.6.-) is < 5%. This margin will decrease by 1pp (percentage point) per year as of 1/1/2023.

» Additionally, companies in this margin shall be subject to a best-in-class selection that selects from the 25% highest ESG-rated companies (leaders), with special attention to sustainable energy transition.

» Companies in this margin shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities [8], if applicable.

Ethias has also decided to exclude shares and corporate bonds from issuers based in some specific countries (5.1.3.).

5.1.2.1. Weapons

Scope

Companies involved in weapons-related activities or providing dedicated equipment or services therefor.

Business criteria

» The company shall have no 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.

» The company shall derive less than 5% of its revenues from the production of (other) weapons or tailor-made components thereof.

5.1.2.2. Thermal coal

Scope

Companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal[9] or providing dedicated equipment or services therefor.

Business criteria

All companies.

8 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).

9 Revenues (either reported or estimated) that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.

5.1.2.3. Tobacco

Scope

Companies involved in the production[10] or wholesale trading of tobacco products or providing [11] dedicated equipment or services therefor.

Business criteria

The company shall derive less than 5% of its revenues from the production of tobacco, products that contain tobacco or the wholesale trading of these products.

5.1.2.4. Unconventional oil & gas

Scope

Companies involved in the exploration or extraction of unconventional oil and gas[12] or providing dedicated equipment or services therefor.

This includes: the extraction of tar/oil sands, shale oil, shale gas and Arctic drilling.

Business criteria

All companies.

5.1.2.5. Conventional oil & gas

Scope

Companies involved in the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services therefor.

Business criteria

The company shall meet at least one of the following criteria:

» have a SBTi[13] 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[14];

» have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue;

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

10 Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.

11 Companies that manufacture and supply key products necessary for the production of tobacco products, such as tobacco flavoring, cigarette filters (acetate tow), tobacco roll paper, cigarette manufacturing machines, and tobacco packaging; specifically cigarette cartons, films, and aluminium foil.

12 Revenues (either reported or estimated) that a company derives from unconventional oil and gas as per the definition of Febelfin/Towards Sustainability label. It includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore. It excludes conventional oil and gas production, deepwater, shallow water and other onshore/offshore.

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

14 Revenues here are the sum of:
- revenues from unconventional oil and gas –see previous footnote-
- revenues (either reported or estimated) that a company derives from conventional oil and gas as per the definition of Febelfin/Towards Sustainability label (It includes revenues from conventional oil and gas production, deepwater, shallow water and other onshore/offshore). It excludes unconventional oil and gas production (sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane) as well as Arctic onshore/offshore)
- revenues (either reported or estimated) that a company derives from oil and gas pipelines and transportation. It includes revenues from mid-stream operations but excludes revenues from terminals and storage facilities
- revenues (either reported or estimated) that a company derives from refining oil and gas.

5.1.2.6. Power generation

Scope

Companies involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services therefor.

Business criteria

» The company's absolute production of or capacity for coal-based energy-related products/services shall not be structurally increasing.

» The company's absolute production of or capacity for contributing products/services shall be increasing.

» The company shall meet at least one of the following 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;
- for electricity utilities with a carbon intensity lower than the threshold of 354 gCO2/kWh and that are not structurally increasing coal-based power generation capacity.

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[15] 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[16] are also prohibited.

15 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.

16 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

5.2. Government Bonds

The black list of countries that only applies to government bonds, takes into account the following criteria:

- fiscally advantageous countries (see definition in point 5.1.3 above);
- non-cooperative jurisdictions for tax purposes (see definition in point 5.1.3 above);
- countries subject to international sanctions;
- states that have not ratified or have not implemented in equivalent national legislation the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work;
- states that have not ratified or have not implemented in equivalent national legislation at least half of the 18 core International Human Rights Treaties;
- states which are not party to the Paris Agreement ;
- states which are not party to the UN Convention on Biological Diversity;
- states which are not party to the Nuclear Non-Proliferation Treaty;
- states with particularly high military budgets;
- states considered « High-Risk Jurisdictions » or « Jurisdictions with strategic AML/CFT deficiencies » by the The Financial Action Task Force (FATF);
- the Transparency International Corruption Perceptions Index;
- the Freedom House « Freedom in the World »-survey.

5.2.1. Fiscally advantageous countries

All the countries on the list of « fiscally 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. Countries subject to international sanctions

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).

5.2.4. States that 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

The International Labor Organization (ILO) has identified eight fundamental conventions on labor rights (see 5.1.1.3 above). 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.

5.2.5. 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.

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.

5.2.6. 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.

5.2.7. 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.

5.2.8. 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.

5.2.9. 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.

5.2.10. States considered « High-Risk Jurisdictions » or « Jurisdictions with strategic AML/CFT deficiencies » by The Financial Action Task Force (FATF) [17]

The FATF was established in July 1989 by a Group of Seven (G-7) Summit in Paris, initially to examine and develop measures to combat money laundering.

In October 2001, the FATF expanded its mandate to incorporate efforts to combat terrorist financing, in addition to money laundering. In April 2012, it added efforts to counter the financing of proliferation of weapons of mass destruction.

Since its inception, the FATF has operated under a fixed life-span, requiring a specific decision by its Ministers to continue. Three decades after its creation, in April 2019, FATF Ministers adopted a new, open-ended mandate for the FATF.

17 More information about The Financial Action Task Force is available at https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)

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.

The FATF's decision making body, the FATF Plenary, meets three times per year.

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 ».

5.2.11. The Transparency International Corruption Perceptions Index [18]

The Transparency International Corruption Perceptions Index 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 calculation process also incorporates a strict quality control mechanism which consists of parallel independent calculations conducted by two in-house researchers and two academic advisors with no affiliation to Transparency International.

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.

18 More information on CPI Index is available at https://www.transparency.org/en/cpi/2020/index/nzl

5.2.12. The Freedom House « Freedom in the World »-survey[19]

Freedom House 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 ».

5.2.13. 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[20] that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio.

5.2.14. Emerging markets focus

Ethias can invest a small portion of its portfolio in products/investment funds with a sustainable emerging markets 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.

19 More information about The Freedom House « Freedom in the World »-survey is availalbe at https://freedomhouse.org/countries/freedom-net/scores

20 I.e. the US, Japan and the UK, in line with Towards Sustainability (Febelfin) label.