TCFD report 2020

April 2021

Supporter of your life

ageas

Table of Contents

1

INTRODUCTION

Ageas is aware that as a leading insurer, it has a unique role in the global effort to mitigate and adapt to climate change, both as a provider of risk protection solutions and as a major investor of its clients' assets.

Currently, Ageas is laying its foundations towards a global climate strategy. This is its first report detailing its approach to managing climate risks and opportunities in line with the voluntary recommendations set out by the TCFD (Task Force for Climate related Financial Disclosure).

Ageas assesses the 3 types of risks distinguished by the TCFD framework:

- Physical risks of climate change, being acute or chronic impacting our Non-Life business through extreme weather events intensifying heatwaves and droughts and rising sea levels or impacting Life and Health business through air pollution and vector-borne diseases
- Transition risks impacting the value of our investments and to a certain extent our underwriting business, as these will be subject to changes in consumer behaviour, technology (AI, ..), business models, stakeholder expectations and last but not least, changing legislation
- Litigation risk considered as any risk related to litigation pertaining to climate change and breach of the underlying legal frameworks on both the business level (underwriting, sales or investments) and corporate level (related to our liability as insurer or to the responsibility of directors…)

These risks also come with opportunities moving towards a low-carbon economy and incentivising preventative behaviour of our customers.

As outlined below and as part of its Connect21 strategy, Ageas adopted the UN Sustainable Development Goals and selected 10 of these SDGs, including SDG 13, Climate action, to actively work on. Ageas is committed to operating as a responsible insurer and investor, managing risks effectively and making a positive contribution to the achievement of the Paris Agreement 2015 goals.

To demonstrate the extent of this commitment, Ageas actively supports various initiatives that contribute to a better climate, which include among others Business for Nature's Call to Action. Bart De Smet, Chairman, reflected the ambitions of Ageas as follows:

> *"At Ageas we do not invest in coal, tobacco and weapons and we commit to being fully divested by 2030. We need ambitious policies on nature to create a stable environment in which we can all prosper long-term. We owe it to our stakeholders and the next generation of stakeholders to protect nature and help secure the future of our planet."*

Hereafter Ageas describes how it deals with the challenges of global warming and implementing a coherent action plan in line with TCFD recommendations and according to the four dimensions:

1. Governance
2. Strategy
3. Risk
4. Targets and Metrics

SCOPE

Ageas is an international insurance group with focus on Europe and Asia with a diversified product portfolio geared towards individuals and Small and Medium sized Enterprises. Total inflows (at 100%) amount to EUR 35.6 billion of which 81% in Life Insurance and 19% in Non-Life. In addition to traditional insurance activities, Ageas also carries out reinsurance activity. The scope for TCFD are in the first instance all controlled entities, which are based in Europe. Ageas is also active in Asia through long-term partnerships with strong financial institutions and key distributors via non-controlling stakes but does have representatives that are operationally active in these joint ventures in key management functions. For these activities Ageas adopts, in line with its overall governance, a more general recommendation approach to implement the same ESG related principles across the activities via the different governance bodies and its local representatives.

2
GOVERNANCE

The Ageas governance model is based on a robust framework designed to ensure that there is understanding, oversight and accountability for risks arising from sustainability related topics in general and climate risk in particular, at all levels of the Group.

BOARD OVERSIGHT

As stipulated in the Corporate Governance Charter, the Board of Directors pursues sustainable value creation by setting the strategic ambitions for the management of the Group, by putting in place effective, responsible and ethical leadership and lastly by monitoring the Group's performance. In order to pursue effectively sustainable value creation, the Board develops an inclusive approach that balances the legitimate interests and expectations of its shareholders with those of the other stakeholder groups with an increased focus on topics related to sustainability also labelled ESG matters, and broader how to deal with current societal challenges on which the Company may want to respond via its products, services and investment strategy. Climate related matters including relevant disclosures are clearly part of this responsibility. The progress update on the various projects related to the implementation of an overall sustainability plan is presented to the Board on an annual basis and in 2020 an additional deep dive on an ESG materiality assessment, supplemented with a maturity assessment was among other related topics discussed. Climate is one of the societal challenges identified and part of the 14 material ESG topics within this materiality survey.

The Board is assisted in its oversight and governance by its sub-committees which are composed of Board members and deal with specific aspects of the overall responsibility:

1 Nomination and Corporate Governance Committee:
makes "recommendations on environmental and societal matters next to the governance matters and non-financial KPI's", which also includes climate change.

This committee has been following up on the relevant legislations and recommendations at national and supranational level and has participated in some in depth discussions on how these should be implemented. It has also been kept informed on a periodic basis on the general progress made regarding the implementation of sustainability.

2 Remuneration Committee
makes proposals to the Board on the Remuneration Policy for Non-Executive Board Members and Executive Management, on the annual review of the Executive Management's performance and on the achievement of the Company's strategy against agreed performance measures and targets.

Within the 2021 global performance KPIs of management which are linked to the variable short-term incentive plan, several KPIs related to sustainability matters have been defined, more specifically a KPI related to climate matters, based on the TCFD recommendations. The relative weight of this KPI has been set between 4-7% of the total variable remuneration.

3 The Risk & Capital Committee:
part of the Ageas Corporate Risk governance and assisting the Board in defining and monitoring risks including those of a social and environmental nature within the traditional underwriting in Life and Non-Life. This Committee is also responsible for overseeing that the strategic decisions of the Board regarding its investment strategy takes into consideration any reputational and business risk including the environmental and societal aspects. The committee is supported by the Ageas Risk Committee, the Model Control Board, the Risk Specific Technical Committees, the Ageas Investment Committee and at operational company level the Audit, Risk and Asset-Liability Management Committee to ensure the effectiveness of the risk governance framework underpinned by a sound risk culture. At management level, the enterprise risk management processes, coordinated by the Risk department, ensure the bottom-up and top-down identification, assessment, monitoring and response in respect of key and emerging risks. Environmental sustainability (climate change / extreme weather) is explicitly captured in key and emerging risk reporting. (see also Risk section).

4 The Audit Committee:
has responsibility to assess, review and approve the Annual Financial Statements including the non-financial information disclosures which are part of the mandatory Report of the Board of Directors.

The Board supports the *Executive Management* in the fulfilment of their duties and challenges whenever appropriate including among others on sustainability matters.

EXECUTIVE MANAGEMENT

At *executive level*, the implementation of a climate related strategy is embedded within the current strategic plan, Connect21 which offers the framework for the respective operating companies to implement a consistent strategy. Within this strategic plan, Ageas explicitly commits to a stakeholder driven strategic approach with five distinct stakeholder groups identified: Employees, Customers, Partners, Investors and Society.

Ageas also formally subscribed to the UN Principles for Responsible Investment (PRI), the UN Global Compact (UN GC) and the Principles for Sustainable Insurance of the United Nations Environment Programme Finance Initiative (UNEP FI PSI), frameworks which are all supportive to the overall objective to be a stakeholder driven company focusing on creating both economic and societal value.

From a management point view, the Sustainability strategy and implementation is steered out of the CEO office, reflecting the breadth of the commitment and the fact that stakeholder engagement is a widespread topic that touches upon the entire Company. Under the leadership of the Group Sustainability department, a broad plan to implement ESG related aspects, including Climate related matters, has been developed. This plan entails the reflection around current and future products, our investments and thirdly our operations steered by the outcome of the ESG materiality assessment. The Corporate team is supported by a sustainability network of ambassadors, representing the operating companies in Europe and Asia, the subsidiaries AG Real Estate and Interparking, as well as key functions at Corporate level, such as Risk, HR or Communications, necessary to ensure a coordinated approach and to bring in the necessary expertise for a consistent implementation. Several cross-functional Sustainability Task Forces deal with the various sub-projects including one dedicated to assessing and implementing the TCFD guidelines, putting in place a consistent greenhouse gas emission measurement and an action plan to reduce the CO_2 emissions in the operations.

The Group Director Sustainability leads and oversees all projects, reports to and interacts with the CEO and ensures regularly briefings to the Executive Committee and the Management Committee on the progress made as well as requesting their approval of topic specific action plans.

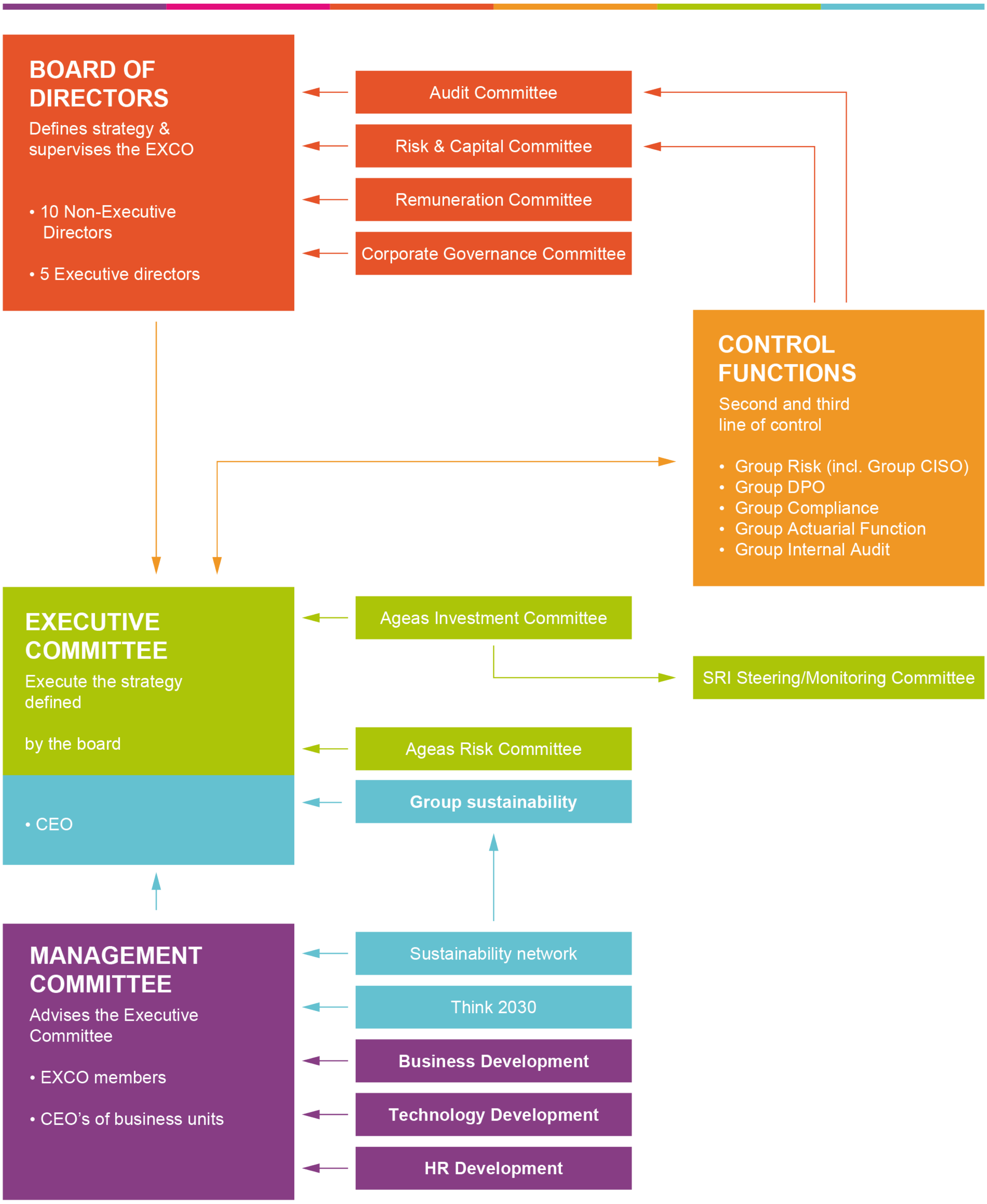
Specifically, with respect to the investment portfolio, dedicated Committees supervise or take care of implementing the UN Principles of Responsible Investments (UN PRI) to ensure a focused approach on the various specific ESG related matters including climate:

- Ageas Investment Committee (AGICO): operates at the level of Ageas Group and is led by the Group Chief Financial Officer (CFO); other members being the Group Chief Investment Officer (CIO) and the Group Chief Risk Officer (CRO). This monthly committee discusses and takes strategic decisions regarding the asset mix and all related topics and is responsible for the risk management of the investments. The AGICO validates and supervises the publication and the implementation of among others the Ageas' Responsible Investment framework applicable at the level of the operating companies. This framework consists of 3 parts: the exclusion criteria, the integration of ESG criteria and active engagement through dialogue and voting.

At the level of AG Insurance, the Belgian subsidiary of Ageas, and representing more than 80% of Ageas' funds under management, two dedicated committees overlook the set-up, integration and proper execution of the ESG strategy on investments, including climate change. AG Insurance operates as a Centre of Expertise for the Group proposing best practices and guidance to the Agico and advising and supporting extension to other operating companies.

- SRI (Social Responsible Investments) Steering Committee, responsible for the continuous monitoring and updating of the Responsible Investment policy. This committee meets quarterly and is in charge of validating the exclusions list, setting up and continuously reviewing the responsible investment framework including engagement and voting policies. Its members include the CIO, Head of SRI, Head of Risk, Internal Control & Compliance, Head of Front Office General Account, Head of Front Office Unit Linked and portfolio managers.

- SRI Monitoring Committee is responsible for the monitoring of all investment positions held. This committee meets every quarter to review and validate all investments with particular attention paid to issuers with higher ESG risk rated score voting proposals and engagement initiatives. Its members consist of the Chief Investment Officer, Head of SRI, Head of Reporting & Compliance, Head of Risk, Internal Controls & Compliance, Head of Front Office General Account, Head of Front Office Unit-Linked and portfolio managers.


BOARD OF DIRECTORS
Defines strategy & supervises the EXCO
• 10 Non-Executive Directors
• 5 Executive directors
Audit Committee
Risk & Capital Committee
Remuneration Committee
Corporate Governance Committee
CONTROL FUNCTIONS
Second and third line of control
• Group Risk (incl. Group CISO)
• Group DPO
• Group Compliance
• Group Actuarial Function
• Group Internal Audit
EXECUTIVE COMMITTEE
Execute the strategy defined
by the board
• CEO
Ageas Investment Committee
SRI Steering/Monitoring Committee
Ageas Risk Committee
Group sustainability
MANAGEMENT COMMITTEE
Advises the Executive Committee
• EXCO members
• CEO's of business units
Sustainability network
Think 2030
Business Development
Technology Development
HR Development

3
STRATEGY

Climate risk and opportunities are incorporated in the 3-year strategic cycle processes and also in various domains of the business.

Climate is one of the levers that drives investment decisions, both to reduce the negative impact of certain activities and to stimulate innovation by investing in new technologies. Since 2019, no new investments in coal related industries have been made and currently, carbon intensity of the portfolio is being measured. Investments with positive impact through green funds and infrastructure projects are promoted and the choice for our customers to invest in sustainable funds is growing with 95% of its sustainable funds having received an external certification.

In Ageas' underwriting business, the potential negative impact of climate change in the property portfolio is managed in the short-term through pricing and reinsurance. More forward-looking scenarii need to be developed illustrating impact in the medium and long term. Product wise, a number of new initiatives or new features to existing products are expected to provide coverage for negative consequences of a changing climate and could also stimulate a more climate friendly behaviour from our customers.

And lastly as a company, Ageas works actively on its environmental footprint by taking actions to reduce its carbon footprint.

SOURCES OF INPUT FOR OUR STRATEGY

Connect21

The current strategic plan Connect21 reconfirmed that Ageas aims to be a stakeholder driven company. It fully embeds sustainability as a key lever within its strategy and recognizes, more than ever, the relevance for Ageas to take into consideration a number of societal challenges such as climate change and how this may, positively or negatively, impact its future business.

Looking forward – Think2030

Next to the Sustainability department and with a specific focus on strategy, an internal think tank called Think2030 was created in 2018, under the leadership of the Strategy department, to develop and promote the long-term strategic thinking in the Group increasing the resilience of the company. The virtual workstream is composed of high potential individuals from across the group bringing together different ages, gender and backgrounds and is tasked with reflecting, performing research and providing deeper insight into a selection of trends that have been identified as highly influential for Ageas going forward.

A significant part of this work is strongly linked to a yearly trend-scanning exercise, called the Horizon Scan. In this process the inside-out view is coming from an internal survey where hundreds of employees participate, while the outside-in view is captured via an Artificial Intelligence engine (AI). The AI takes an 8-year retrospective view and then makes a prediction on how it expects the trend to evolve in the future.

In the 2020 exercise, 145 trends were mapped and clustered into 10 megatrends, one of which is Environment. All together 6 trends are categorized under Environment: Sustainability as a whole, Environmental Migration, Climate Change activism, Climate Change, Extreme Weather Events and Renewable Energy Generation. Out of these six, four are assessed as having a medium or high impact for the insurance industry as a whole and for Ageas specifically. These are:

1. Extreme weather events
2. Climate change
3. Sustainability
4. Renewable energy generation

Together with impact, the maturity of the trend is also assessed via the horizon metric. If a trend is expected to mature on the first horizon (H1), it means that its highest impact is expected to be reached in the coming 2 years. The second horizon (H2) or medium-term is defined as 2-5 years from now, while the third or long-term horizon (H3) is beyond the next 5 years.

- In the Horizon Scan 2020 exercise, the trend "*Extreme weather events*" is expected to mature within the timeframe of the current business plans, i.e. within the coming 3 years and it is identified as one of the most impactful trends out of the entire list of 145 topics. Most of the impact is expected in Non-Life (Property & Casualty) underwriting business and more specifically Household, and to a lesser extent in Life or Health related business.

- *"Sustainability"* refers to a more global and general concern and is increasingly affecting insurance over the past decade. Sustainability is defined as follows by the Think2030 workstream:

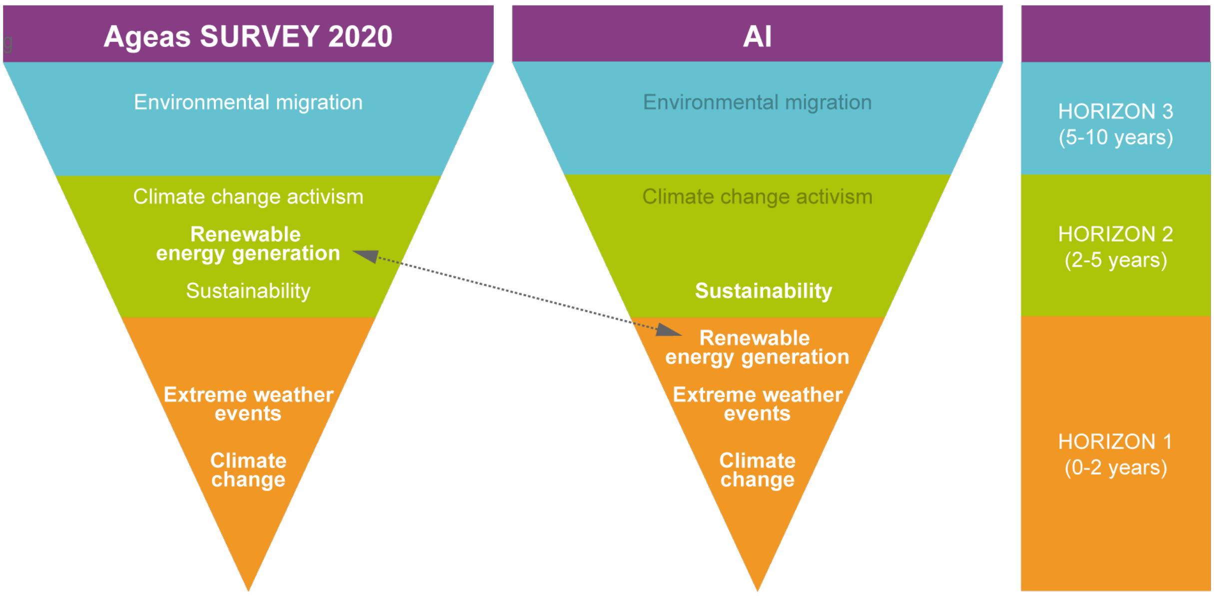
  > *"Sustainability refers to the process of people maintaining change in a balanced environment, in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations."*

  Its impact on insurance is lower than "*Extreme weather events*" and is expected to peak within 2-5 years or in the medium-term. Sustainability keeps all industries busy and also shows high traction in the global society, mainly in Western and Northern-Europe and (South-East) Asia. Due to Covid19, the AI-tool noted a drop in the traction of the Sustainability trend, which is expected to be a short-term change. This change is due to the fact that the world had to quickly adjust to a new reality under this pandemic, even if we had to sacrifice sustainability related concerns (e.g. enormous quantities of disposable face masks, shields).

- "*Climate change*" has switched horizon according to the AI in the 2020 survey, it is now considered to reach its peak impact on the 1st horizon. *"Climate change"* is affecting health and influences the value of companies (M&A) and investments (both negative and positive) and is ranked as a top risk for all insurance companies.

- *"Renewable energy generation"* is a new trend and scored very high on impact for the first time, landing on 1st horizon according to the AI. Looking at a global scale, this trend has high traction in Europe, Asia and Australia providing opportunities on the investments side and its potential to contribute to a greener energy system.

- Similar to the 2019 analysis, "*Climate change activism*" and "*Environmental migration*" are expected to have little direct impact on the insurance industry and Ageas specifically, consequently they have been put on a "Parking". This means that the impact and maturity will be reassessed annually, but no action is considered necessary on them right away.



ESG Materiality assessment

In the course of 2020 Ageas conducted an ESG Materiality survey among its stakeholders to obtain a better view on how relevant they find the respective topics selected. Within the list of 14 topics identified, 3 were directly related to climate aspects:

- Insurance products and services protecting against societal challenges
- Socially responsible investments focusing on societal challenges
- Environmental footprint of our business operations

The first two topics were scored high by the stakeholders while the latter ranked in the 3rd quartile (n°9 of 14).

These topics link back to the domains in which Ageas can impact or influence the global climate by taking appropriate initiatives:

1 Investments
2 Products & Services
3 Operations

CLIMATE CHANGE IN OUR STRATEGY

Investments

In the context of its Life business, Ageas acts as a large institutional investor and has as per 31 December 2020 Funds under Management of in total some EUR 85 billion fair value on a consolidated base (representing some EUR 80 billion IFRS value). The main asset categories are:

(in EUR bn)	2020
Cash	2.2
Sovereign Bonds	38.7
Corporate Bonds	19.9
Equities	4.9
Real Estate	5.9
Loans	13.4
TOTAL	85.1

Including the Unit-linked related assets, AUM amounted end 2020 to around EUR 97 billion.

Through its investment portfolio, Ageas has significant stakes in various economies and regions that are, or may be, affected by the physical impact of climate change and by the transition to a low-carbon economy, which can directly influence the ability of assets to generate long-term value. This exposure differs from asset class to asset class. However, we consider that almost half of this portfolio represents assets with a lower climate related exposure as this concerns cash and sovereign bonds. Furthermore, Ageas implemented its Responsible Investment Framework, which includes management of the physical and transition risk.

Ageas' Responsible Investment Framework

As a signatory of PRI, Ageas designed its *Responsible Investment Framework*[1] including an approach related to ESG in general and climate change more specifically considering the transition to a low carbon economy. On a group scale, AG in Belgium has already fully implemented this approach in 2020. The Responsible Investment Framework will also be implemented in the other consolidated entities. The main pillars are the following:

Integration of ESG related aspects in decision making:

- "E-factors" such as renewable energy use, reduction programme of greenhouse gas, environmental policy, carbon footprint and also forward looking qualitative information on the climate strategy of companies, are taken into account in all investment decisions based on information from an external provider of ESG data.

Exclusion of sensitive sectors:

- In relation to climate change, exclusion of investments in coal related activities via a blacklist for internally managed assets and externally managed assets via mandates
  - threshold of 25% revenue for mining and 25% capacity power generation in traditional funds
  - threshold of 10% revenue for mining and 10% capacity power generation in sustainable funds
- No new investments in coal related industries in Guaranteed Business or Unit-Linked Business. This is a basic principle since 2019 and Ageas has reiterated its full commitment to be fully divested by 2030 with divestment programs on going
- In its Unit-Linked business, direct divestment of all residual equities and corporate bonds positions in 2019 and in Guaranteed Business direct divestment of all equities' positions in 2018. Limited residual corporate bonds are in run off in the Guaranteed Business. In certain very specific situations, positions are kept for technical reasons e.g. cash flow matching
- In the investment funds with a sustainability focus, additional restrictive criteria for investments in conventional and unconventional energy sectors and in utility sectors are being imposed such as the exclusion of shale oil and gas or artic drilling.

1 *https://headless-api.ageas.com/sites/default/files/2021-03/Responsible%20Investment%20Framework%202021.pdf*

Engagement towards invested companies:

- Engagement policy with companies with a focus on climate related issues (e.g. TCFD recommendations) and ESG disclosures in general. The objective of the engagement is:
  - To better understand the business of companies and specifically their exposure to ESG risk and opportunities
  - To influence companies' behaviour aiming to favour good business practices in terms of ESG
  - To tackle societal and/or environmental issues such as climate change

  With the pursuance of its engagement, the Company also intends to improve the ESG profile of the companies in which it invests aiming to reach its long-term investment objectives.

- Set up of a voting policy: Ageas follows as a guideline its Responsible Investment framework to exercise its voting right and incite more commitment to sustainable objectives. The focus lies mainly on climate-related issues in the energy and electric utility sectors and in major investment files. Ageas will support the transition to a low carbon economy, initiatives to increase disclosures related to climate related issues and thus will support sound and well-considered proposals in that sense. Ageas will always exercise its shareholder rights when it holds at least 1 % of a company's equity capital. For holdings representing less than 1%, it will consider voting on a case-by-case basis.
- In Belgium AG Insurance has joined in 2020 the Climate Action 100+. This is an initiative uniting investors to urge the world's largest GHG emitters to take necessary action on climate change and help achieve Paris Agreement's goals.

Climate change as an investment opportunity

As an investor, Ageas can also play an important role in stimulating real climate transition. By making smart choices and investing with positive impact, Ageas can contribute to a cleaner and healthier environment. This is put in practice via:

Green investments

- Infrastructure projects in collaboration with AG Real Estate in renewable energy (wind farms, solar panels) and green transportation (Tram de Liège, tram depot, high-speed line SNCF)
- Green bonds and sustainable bonds
- Equity investment in companies offering products or solutions related to renewable energy

Sustainable products

- AG Insurance developed a range of sustainable products for its retail clients (more than EUR 11 bn invested)
  - More than 95% of the sustainable funds have a label or a certification from an external certification party implying that stricter criteria and guidelines around energy & utilities are applied. These are the "Towards sustainability" label and the certification by Ethibel Forum
  - In addition, some environmentally friendly thematic funds have been launched such as AG Life Climate change, AG Life World Aqua and Smart Invest Bon Responsible waste management

A specific category of investments: AG Real Estate and Interparking

Ageas holds indirectly via AG Insurance a majority stake in AG *Real Estate,* a leading private real estate investor and AG Real Estate holds a stake of 51% in Interparking, one of the leading European public parking operators.

At the end of 2020 around EUR 5.9 billion is invested in real estate or circa. 7% of the total funds under management. Both companies undertake significant efforts to upgrade their assets and activities to the highest environmental standards and have a specific role within the global strategy and more specifically to turn the cities of today into viable and sustainable cities for the future.

Ageas Real Estate portfolio covers different types of property: offices, warehouses, shopping centers, development projects of new city areas, residential housing, social infrastructure and public parking management. Its Sustainable Development Policy provides more specific guidelines on how it manages its portfolio.[2] The environmental preoccupation is one of the key pillars of the sustainability strategy of AG Real Estate. A multitude of initiatives have been taken directly related to its core business:

- Analysis and development of assets thanks to technical alterations (new boilers, solar panels, etc.)
- Energy performance monitoring (EPB conformity) and consumption optimization (Optiwatt platform)
- Development of environmental provisions for the occupants (WeCircular, Commuty…)
- Waste management by selective sorting means
- Supply chains and partnership with suppliers of goods and providers of services in line with our environmental protection ambitions
- Building Research Establishment Environmental Assessment Method, BREEAM and BREEAM In-use, is the reference for a sustainable quality mark for all newly constructed office buildings and buildings already existing. Since 2017 a certification project for all office buildings has been initiated

2 *https://www.agrealestate.eu/wpcontent/themes/aginsurances/assets/img/pdf/sustainable_development_policy.pdf*

AG Real Estate actively participates in the development of new city areas and always with the aim to make them more sustainable. As an example, AG Real Estate is part of the consortium that develops Bruneseau, the first completely decarbonized district in France, dividing by 5 the carbon footprint linked to the buildings.

At the end of 2020 Interparking operated almost 950 public car parks spread over 9 countries in Europe, serving about 120 million customers per year. Interparking is convinced that the key to successful green and efficient mobility is above all multimodality, offering spaces right next to major public transport hubs, for example the metro, tram, bus lines, train stations or airports allowing the combination of several modes of transport for travel.

Amongst the main initiatives are:

- The testing and roll out of a filtering ventilation/ionisation system, the so called "Lungs of the city", lead to a reduction of 50 to 70% of fine and ultrafine dust
- Advantageous tariff systems for clients driving low emission or electrical vehicles in the Netherlands (up to 20% reduction)
- Roll out of dedicated zones for electrical vehicles including more than 750 charging stations as well as for shared vehicles developing partnerships with the main car share companies

Products & Services

Analyzing Ageas' product portfolio and geographical presence, one should distinguish the potential risks and opportunities.

The most direct *risk* related to physical climate change can be found within the Non-Life underwriting business, more specifically in Household and to a lesser extend in the Motor portfolio. Ageas has a significant Non-Life presence within its European business, especially in Belgium (n°2 market position), Portugal (n°3 market position) and the UK (n° 6 market position). Based on 2020 figures, inflows for Household represent 27.3 % of total consolidated Non-Life inflows (EUR 1.2 billion on a total of EUR 4.3 billion).

Currently, Non-Life insurance policies are reviewed annually in terms of coverage, conditions and price, so the company has the ability to reassess periodically climate risks and opportunities and to act quickly with respect to pricing or risk taking. Furthermore, via its Reinsurance activities, Ageas has an additional tool to limit potential financial losses. Reinsurance contracts are typically reviewed and negotiated on an annual basis. We can therefore state that the impact of weather-related events is embedded in the underwriting assessments, but this is focused on the 12-month insurance cycle rather than the longer-term climate change horizon.

Ageas reports periodically on the financial impact of adverse weather events that impacted the actual results of the past reporting period.

In 2020, claims related to adverse weather events amounted to EUR 94 mio which represents 18% of the pre-tax results in Non-Life for the consolidated companies.

As Ageas' underwriting is mainly focussed on retail clients & SMEs with limited exposure to industrial risks in corporate business, we currently assess that transition risks related to Non-Life underwriting are low. However, one could expect changing behaviours regarding mobility which could change the products that customers want and for instance, lead to shifts away from car ownership. This change could imply a transition risk as the Motor portfolio is substantial for Ageas ((EUR 1.7 billion being 40% of total consolidated Non-Life inflows). In addition, climate change can lead to economic uncertainty and governmental policy changes which could result in deterioration of renewal and retention volumes. Also our Health business might be affected by climate change over a long(er) period in time due to new diseases appearing or changing mortality rates.

As for the liability risk, there has been little focus by the insurance industry on how claims based on climate change-related litigation could evolve and how to assess the liability.

With increasing occurrence of solar panels attached to residential and commercial roof space, incidence of fire risk and associated claims for instance could increase. Another example is for instance the deterioration of the construction materials of houses caused by extreme droughts. Further assessment of the risk and of the portfolio is therefore needed.

Furthermore, Ageas continuously seeks *opportunities* that are related to climate change or climate impact. The fact is that in most of our businesses, there is a mandatory cover in household policies for the risks related to natural catastrophes protecting customers from adverse weather events. Also, in motor policies, specific covers are offered to protect customers from the forces of nature causing glass / windscreen damage etc…In Belgium for instance, AG was the first insurance company to offer this protection.

Hereafter, some examples of products[3] being launched by our local business operations aiming to meet specific challenges with a climate related element:

- In Belgium, AG Insurance launched a Crop Insurance policy in 2019 in the Flanders region following a change in regulation. This insurance aims to cover the impact of weather on timing and quality of the crops as the higher frequency of extreme weather such as heavy rain, hail, flooding and drought, make this type of coverage much more relevant for the agricultural industry
- In the UK the use of 'Green parts' in motor repairs has been extremely well received by customers
- In Portugal, the first electric cars are being insured and pay as you drive covers are incorporated in new mobility solutions

3 *More info can be found on our website https://www.ageas.com/about/sustainability*

Operations

Next to the impact on our business, Ageas also identified risks in its own operations. Ageas is engaged in developing a long-term process of continuous improvement to enhance environmental protection and as such minimize negative impacts whilst maximizing environmental opportunities. In this regard, Ageas is committed to minimising the emissions arising directly from its own business activities to the extent economically feasible.

Ageas started over 2018 to measure the CO_2 emission from its own operations based on the international GHG protocol and according to scope 1, scope 2 and three categories of scope 3 and to reflect on an action plan to gradually reduce the CO_2e emission and eventually become carbon neutral. The main sources of CO_2e emission are:

- Lease car park
- Homework commuting
- Business travel
- Electricity consumption

Ageas took a number of initiatives that will result in a lower emission group wide. The main initiatives are:

- A progress review of the lease car policies across the Group aiming at promoting hybrid and electrical cars for its employees
- An adapted organizational and working environment named “Future of Work” actively stimulating or allowing to work more of the regular working hours from home
- A reviewed travel policy aiming to reduce structurally travel acknowledging that travel is essential to our business. This implies as an example that Ageas representatives in the local Boards of our Asian joint ventures aspire to assist in one on two local Board meetings virtually.

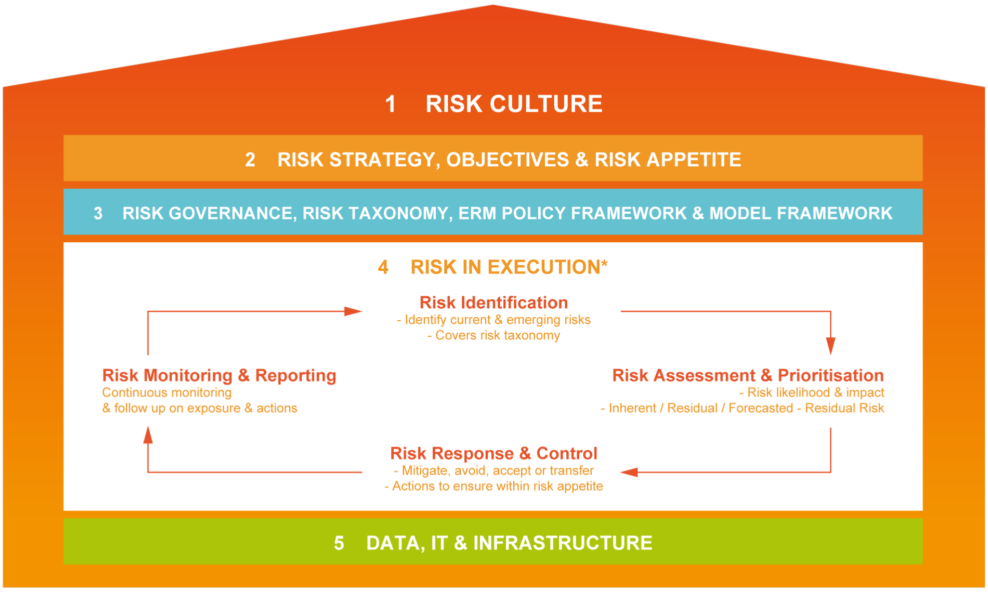
For more data please refer to the Targets & Metrics section.

The ambition for 2021 is to roll out the aforementioned measures taken at Group level to structurally reduce CO_2 emission across all operating entities and to reflect upon any other type of additional measures. The environmental commitment of Ageas is currently included in the Code of Conduct. The Responsible Investment Framework and the Sustainable Development Policy at the level of AG Real Estate cover the most significant group activities with an environmental component.

4 RISK MANAGEMENT

Ageas has established and implemented an *Enterprise Risk Management ("ERM")* framework taking inspiration from COSO ERM and Internal Control frameworks. Ageas' ERM framework can be defined as the process of systematically and comprehensively identifying risks, assessing their impact and implementing integrated strategies to manage and monitor them to provide reasonable assurance regarding the achievement of the company's objectives.

The infographic below reflects the ERM framework implemented across the Group:



* A. Key Risk & Emerging Risk Reporting B. ORSA Process
Note - Internal Control, Information Security and Data Management are managed as part of the ERM framework.
In addition to 4A & 4B, further risk reports exist and are documented in the Ageas Enterprise Risk Management Framework.

Note - Internal Control, Information Security and Data Management are managed as part of the ERM framework.
In addition to 4A & 4B, further risk reports exist and are documented in Limits & Minimum Standard documents falling within remit of the ERM policy framework.

The Risk in Execution cycle (depicted in the ERM framework visual) is a fundamental part of the Key Risk Reporting (KRR) process, which is based on a systematic approach to identify key (existing) risks that threaten the realisation of Ageas' strategy and objectives. Each region and/or Operating Company reviews locally their key risks on at least a quarterly basis, and the most significant risks are reported and monitored at Group level. Draft key risk reports are shared with Group and challenging sessions are organized, before aggregation & reporting of both Group & Regional key risks in a quarterly Top Risk Report. This report then goes through the Group risk governance bodies (ARC, ExCo, RCC & Board) before being submitted to the NBB (National Bank of Belgium).

Ageas has also implemented an Emerging Risk process. Emerging risks are derived from emerging trends that could become a possible threat, risk or opportunity for the business and that, by their nature, are uncertain and difficult to quantify.

In identifying key risks and emerging risks, a wide range of internal and external sources are considered. Internal sources include the risk taxonomy which covers traditional insurance related risks, such as financial, insurance, and operational risks, but also covers risks that can impact our strategy and business model.

TOTAL RISK TAXONOMY

FINANCIAL RISKS	INSURANCE RISKS	OPERATIONAL RISKS	STRATEGIC & BUSINESS RISKS
Market risk	Life risk	Employment practices & workplace safety	Strategic risk
Default risk	Non-life risk	Execution, delivery & process management	Change risk
Liquidity risk (assets & liabilities)	Health risk	Technology	Industry risk
Intangible assets risk		Internal fraud	Systemic risk
		External fraud	Sustainability risk
		Damage to physical assets (incl. physical security)	
		Clients, products, business & legal practices	
		Conduct	
		Regulatory compliance	
		Third party	
		Statutory reporting, disclosure & tax	
		Business continuity, crisis management & operational resilience	
		Data management	
		Information Security (incl. cyber)	
		Model	

Within the traditional *insurance related risks*, Catastrophe Risk is identified and relates to claims generated by catastrophic events including natural disasters (storms, floods, earthquakes, freezes, tsunamis etc.) Impacts can be wide-ranging with large volumes of customers affected or with collateral impacts such as pollution or business interruption. Catastrophe Risk is mitigated through pricing & underwriting and reinsurance.

On a quarterly basis Ageas calculates its capital requirements for Non-Life business based on an Internal Model. Part of the Internal Model will generate a large amount of weather events, to stochastically forecast the one-year insurance result due to Natural Catastrophe (Nat Cat) events. Additionally, for OpCos, exposures to Nat Cat (& Reinsurance), are assessed annually through the Own Risk and Solvency Assessment (ORSA) process.

However, the long-term impact of different climate change scenarios is more difficult to assess. Work continues in this area to agree, pragmatic, proportionate approaches that will meet regulatory and stakeholder expectations.

Within the *Strategic & Business risks category of the Risk Taxonomy*, Ageas identifies external and internal factors that can impact the business' ability to meet its current business plan and objectives and position itself for future growth and value creation. Specific attention is given to sustainability risks, defined as "an uncertain environmental, social or governance (ESG) event that, if it occurs, can have a significant impact on Ageas". This includes the opportunities that may be available to Ageas as a result of "changing environmental or social factors".

Environmental relates to the quality and functioning of the natural environment and natural systems, and our positive contribution towards it, more specifically:

- Biodiversity loss (extinction / reduction of global / local species (plants or animals)
- Greenhouse Gas emissions
- Climate change (strong winds, extreme weather, natural disasters, global warming…)
- Renewable energy
- Energy efficiency
- Air, water or resource depletion or pollution
- Waste management
- Stratospheric ozone depletion
- Change in land use
- Ocean acidification
- Changes to the nitrogen and phosphorus cycles

Environmental and climate related risks are increasingly on the agenda of regulators, supervisors, central banks, and our stakeholders urging organisations to take measures to combat / reduce / adapt according to climate change. Ageas' Risk department actively monitors evolutions in this domain and provides updates on a periodic basis to the various governance bodies at Management and Board level

Investment risk is managed at a local level, with local policies which align to the Group Policy Framework. Strategic Asset Allocation is performed regularly (typically yearly) and reported to Group AGICO. Group Risk monitors aggregate exposures by comparing risk limits (per asset class, geography, concentration) and reports to the Ageas Risk Committee on quarterly basis.

At AG Insurance, The SRI Monitoring Committee is the main body for monitoring and controlling responsible investments: particular attention is paid to issuers without an ESG rating or with severe risk ratings. Portfolio managers must present a documented ESG analysis, that includes climate related issues and review takes place on at least an annual basis. With respect to exclusions, Compliance has oversight of and performs control assurance activity on the effective implementation of the exclusion list. The results are consolidated in weekly and quarterly reports. Ad hoc reports are reviewed in the SRI Monitoring Committee. For externally managed assets, a quarterly compliance letter regarding potential breaches is drafted by the external managers and sent to AG. Compliance performs ad-hoc checks on these returns. All breaches are reported and corrective measures are taken.

In addition to the activities performed by Risk, applicable existing and emerging regulation is monitored by Legal, Compliance and the CEO Office via the Sustainability Department, which ensures the swift integration of all relevant information into strategic and operational action plans.

5

METRICS AND TARGETS

As part of the global implementation of a consistent Sustainability strategy, Ageas is currently in the process of establishing a set of non-financial metrics within the most critical domains of the company and taking into account (a certain notion of) materiality.

INVESTMENTS

Several aspects related to climate change are currently already measured. One should take into account that in the main investment funds, metrics such as average ESG score or carbon footprint are highly dependent of the geographical spread (e.g. Europe vs Emerging countries), style allocation (e.g. large caps vs small caps) and/or sectorial allocation (e.g. energy sector vs financial sector).

- For the own funds, part of the Guaranteed Business, ESG reporting is in place in Belgium, UK and France and under development in Portugal.
- At AG Insurance, the carbon footprint of the equity portfolio and corporate bond portfolio are measured and compared to a benchmark. In the UK, the carbon footprint of the investment portfolio is calculated and other regions are in the process of developing this metric.
- Electricity, gas and CO2e emissions reduction are measured in all owned office buildings of AG Real Estate since 2016.

Metric	Scope	2020	2019
Carbon footprint of	Equity portfolio and corporate bond portfolio of AG Insurance	Outcome internally available	N.A.
Transition to low-carbon economy	Infrastructure and other investments in renewable energy (including solar panels, winds farms)	EUR 420 million	EUR 303 million
	Infrastructure in "green" mobility (including train, metro, tramways, etc)	EUR 457 million	EUR 331 million
	Green bonds	EUR 340 million	EUR 291 million
CO2e	Offices buildings owned by AG Real Estate	Reduction of 28.16% since 2016 (-12.49% compared to 2019)	Reduction of 18% since 2016
Gaz	Offices buildings owned by AG Real Estate	Reduction of 8.55% since 2016 (- 2.93% compared to 2019)	Reduction of 5.8% since 2016
Electricity	Offices buildings owned by AG Real Estate	Reduction of 17.02% since 2016 (-12.04% compared to 2019)	Reduction of 5.7% since 2016

- Within the Investments strategy, one can already refer to specific targets:

Target	Status in 2020
100% of our direct investments in equities, government bonds, corporate bonds, infrastructure and loans subject to ESG analysis	90%
100% divestment of coal related investments by 2030	Target on track
0% of new investments in coal (*), tobacco (*), arms (**)	Fully realised

(*) revenue threshold 25% in traditional funds and 10% in sustainable funds
(**) revenue threshold of 10% in traditional and sustainable funds

OUR OPERATIONS

Ageas has been measuring its CO2 emissions of its own operations since 2018. The table hereafter reports the absolute and relative carbon emissions in tonnes CO2e for the most significant categories of emission for 2020 compared to 2019 and 2018.

The calculations for 2019 resulted in an almost stable level of CO2 emission of nearly 30,000 tons CO2e. 2020 presents a significant reduction which is largely related to the exceptional circumstances due to COVID-19: less travelling, use of the office buildings and commuting which resulted in a total emission level of 16,664 tons CO2e.

Ageas CO_2 emissions

		2020		2019		2018	
Scope		Net total (tCO2e)	Relative share	Net total (tCO2e)	Relative share	Net total (tCO2e)	Relative share
Scope 1	Direct energy - gaz & heavy fuels	1,810	11%	2,394	8%	2,152	7%
	Refrigerants	509	3%	531	2%	1,191	4%
	Owned vehicles	7,474	45%	9,850	33%	8,372	28%
	Total scope 1	9,793	59%	12,775	42%	11,715	39%
Scope 2	Electricity - net	1,180	7%	2,575	9%	2,779	9%
	Total scope 2	1,180	7%	2,575	9%	2,779	9%
Scope 3	Home - work commuting	4,881	29%	10,167	34%	9,778	33%
	Business travel	553	3%	4,333	14%	5,281	18%
	Paper	181	1%	168	1%	136	0%
	Waste	76	0%	265	1%	323	1%
	Total scope 3	5,691	34%	15,518	49%	15,518	52%
TOTAL tonnes CO2e gross		16,664		30,283		30,012	
Carbon offsetting* (AG Insurance Belgium and Interparking)				10,272		11,705	
TOTAL tonnes CO2e net		16,664		20,011		18,307	
Tonnes CO2e per FTE		1.6		2.8		2.8	

** to be determined based on signing of carbon offsetting agreements*

The relative share of emission related to electricity remains limited as green electricity already counts today for more than 75% of the total electricity consumption, an increase of 15% compared to 2019:

Electricity in detail (tCO2e)	2020	2019	2018
Electricity - gross	5,005	6.581	7.759
CO2e avoided by green electricity	3,825	4.006	4.980
Electricity - net	1,180	2.575	2.779

The action plan for reducing the CO2e emissions has been initiated and targets have been defined both at Group level and operating company level. The action plan aims to reduce emissions in the three major domains:

- Further greening our company car fleet
- Reducing employee commuting by increasing working from home under the “new way of working”
- Structurally reducing business travel by more permanently using of multimedia solutions
  The travel policy has been updated, considering these initiatives.

6

Conclusion

Ageas is committed to operating as a responsible insurer and investor, managing its risks effectively and making a positive contribution to the achievement of the Paris Agreement 2015 goals.

The assessment of climate-related impacts on the business is a complex activity and the methodologies for effective reporting on these aspects are still evolving. Ageas therefore considers this exercise the start of a journey towards the progressive refinement of its analysis and disclosure. Ageas is aware that there is much more work to be done in the domain of data collection, risk analysis and portfolio positioning and this is only the beginning of this important journey. Ageas intends to keep improving its initiatives and reporting over time by further building its understanding of the risks and opportunities arising from climate change and integrating the consideration of climate risk and other ESG factors into every area of its business. These initiatives will include amongst others:

- an updated risk management framework covering physical, transition and liability risk factors to enable the business to determine the materiality of its exposures on the short, medium and long term supported by scenario modelling and the formulation of a risk appetite statement
- an appropriate monitoring and disclosure framework to enhance transparency
- enhanced governance to evidence commitment towards climate change
- business initiatives for encouraging and implementing opportunities to protect against negative impacts from climate change and supporting customers in adopting responsible behaviours
- further develop measurement and management of the carbon intensity of our investment portfolio and continue our focus on investment opportunities in renewable energy
- training for all staff in the importance and impacts of climate risks

The new strategic update planned for 2021 will certainly put the sustainability topics, including climate change, even more central on the agenda.