TCFD

Report 2021

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ageas

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1 Introduction

While all sectors and companies have a responsibility in managing climate change, insurance and finance are key enablers in the evolution towards a carbon neutral world. 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 2015 goals.

Within its new strategy Impact24, sustainability has been put at the forefront embedding it into everything the company is doing. The sustainability ambitions have been clustered around four impact areas, i.e.

- Our people
- Customers
- Investments
- Planet

with its contribution to climate change as a transversal commitment throughout all impact areas.

To strengthen its commitment, Ageas adheres to the UN Principles of Responsible Investment (PRI), the UNEP FI Principles of Sustainable Insurance (PSI) and the UN Global Compact (UN GC) principles. Ageas also adopted the UN Sustainable Development Goals out of which it selected 10 SDGs, including SDG 13, Climate action, to actively work on. All of these frameworks support Ageas's objective to be a stakeholder driven company focusing on creating both economic and societal value.

This is Ageas's second 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 Disclosures). These recommendations provide guidance to all market participants on the disclosure of information on the financial implications of climate-related risks and opportunities so that they can be integrated into business and investment decisions.
Whereas the first exercise allowed Ageas to position its existing practices along the four dimensions, this second exercise reflects the progress made since April 2021 with respect to risk quantification and target setting while developing further the opportunities to make a positive impact and to accelerate the energy transition.

"At Ageas, we are making our ecological footprint smaller and our contribution to society bigger, year after year. And in 2021, we raised the bar: we will challenge and support the companies we invest in and stimulate the customers in their transition, so that together we can make an impact towards a more sustainable world. Hans De Cuyper, CEO Ageas"

Core elements of recommended Climate-related Financial Disclosures

Hereafter Ageas describes how it addresses the challenges of global warming, in particular the physical risk, the transition risks, and to a lesser extent, litigation risks, by implementing a coherent action plan in line with the TCFD recommendations:

1. Governance
2. Strategy
3. Risk Management
4. Metrics and targets

Governance

The organisation's governance around climate-related risks and opportunities.

Strategy

The actual and potential impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Risk Management

The processes used by the organisation to identify, assess and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risk and opportunities.

Source: www.fsb-tcfd.org

Scope

Ageas is an international insurance group with a focus on Europe and Asia and a diversified product portfolio geared towards individuals and SME. In 2021, total inflows (at 100%) amount to EUR 40 billion of which 80% is in Life Insurance and 20% in Non-Life. Alongside the traditional insurance activities, Ageas also undertakes reinsurance. The scope for TCFD is in the first instance the controlled entities in Europe. However, Ageas also has one controlled entity in the Philippines with a limited contribution to net profit and investments. In addition, Ageas is active in 8 other Asian countries 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 sustainability related principles across the activities via the governance bodies and its local representatives.

2 Governance

The Ageas governance model is based on a robust framework capable of ensuring 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.

2.1 Board oversight

As stipulated in the Corporate Governance Charter, the Board of Directors pursues sustainable value creation by the Company, Ageas Group, by setting the strategic ambitions for the management of the Company, by putting in place effective, responsible, and ethical leadership and lastly by monitoring the Company's performance. In order to effectively pursue such 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. This includes an understanding of the current societal challenges and the way the Company may want to respond via its products and services or investment strategy. The progress update on the various projects related to the implementation of the overall sustainability strategy is presented to the Board twice a year and during the annual offsite, at which a more in-depth focus is shared. In 2020 for instance, a deep dive in the conducted ESG materiality assessment, supplemented by a maturity assessment were among the topics discussed. Climate is one of the societal challenges identified and part of the 14 material ESG topics within this materiality survey. In the meantime, climate related matters including relevant disclosures, are clearly part of the overall defined Ageas ESG action plan. In 2021, a special Board session was organised to discuss in depth the sustainability strategy, its KPI's and targets. During the offsite, a review of all new and upcoming ESG legislation was performed, including a first time reporting in accordance with the EU Taxonomy regulation.

In 2021, the Corporate Governance Charter was reviewed to reinforce the aim to have a Board with expertise in ESG matters. And currently, several Non-Executive Board members have strong experience in all that relates to climate matters, from standard setting (ISSB), over chairing sustainability committees at board level, to overseeing and steering the transition to renewable energy, creating green funding to executing upon a first mandatory taxonomy reporting.

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:

2.1.1 Nomination and Corporate Governance Committee

The committee's responsibilities enhance the Group's ability "to make recommendations on environmental and societal matters next to the governance matters and non-financial KPI's", which also includes climate change.

Different matters were dealt with, including among others the review of the Corporate Governance Charter and the Articles of Association; also the list of competences to be taken into account when nominating a new board member which now explicitly references expertise / knowledge in the fields of Technology, ESG matters, Regulatory and Legal matters.

2.1.2 Remuneration Committee

This 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 achievements of the Company's strategy against agreed performance measures and targets.

Within the 2021 global performance KPI's of management and linked to (part of) the variable short-term incentive plan, several KPI's related to sustainability matters have been defined, more specifically a KPI related to CO2 reduction within Ageas's own operations. The results for the ESG scores were outstanding. As from 2022, the weight of the non-financial targets has been increased and now represents 15% for the management of the consolidated entities and 30% for executives of Ageas Group (including a target related to CO2e reduction).

2.1.3 The Risk & Capital Committee

This committee is part of the Ageas Corporate Risk governance and assists 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 the strategic decisions of the Board with respect to its investment strategy taking into account 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 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 of key and emerging risks. Environmental sustainability (climate change / extreme weather) is explicitly mentioned as a key and emerging risk within this risk assessment (see also Risk section).

2.1.4 The Audit Committee

This committee has the 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.

2.2 Executive Management

At an **executive level**, the execution of a climate related strategy is embedded within the current strategic plan, Impact24 which offers a framework for the respective operating companies to implement a consistent strategy. Within this strategic plan, Ageas is explicitly committed to playing its part in the climate challenge defining 4 impact areas with the environment as a transversal concern and defining clear KPI's and targets (see section 3.1).

From **a management** perspective, the implementation of the sustainability strategy was initially steered out of the office of the CEO reflecting the breadth of the commitment and the fact that stakeholder engagement is a widespread topic that touches upon the entire Company.

The central **Group Sustainability department** has a pivotal role in defining and implementing the sustainability strategy in conjunction with strong local involvement delivered through a network of ambassadors. Aside from the commercial businesses represented, i.e., Belgium, Portugal, UK, France and the Asian regional headquarters covering all the Asian countries, the network includes ambassadors within the domains of Risk, HR, Communications and Investments. This team has over the past few years driven the various initiatives taken across the organisation. In addition to the Sustainability network, colleagues from other departments such as Legal, Compliance and Finance also intervened on a more ad hoc basis to introduce specific competences which contributed to better and more balanced solutions and to ensure a smooth and fast integration of the relevant sustainability principles in the daily processes. This model has proven to be highly successful leading to a first wave of significant achievements and progress.

To implement the Impact24 strategy a new department has been created, **CDSO led by the Chief Development and Sustainability Officer**, and responsible for the implementation of all transversal initiatives across the Group that are key to the successful roll-out of Impact24. The CDSO is a member of the Ageas's Management Committee. Group Sustainability is part of this new organisation to ensure sustainability is fully embedded within all processes and especially within the new product development. It further strengthens the importance given by the management to sustainability within the Group. In addition, **an ESG Steering Committee** chaired by the Group CEO covers strategic discussions that may arise during the course of implementation, contributing to a smooth ESG transition for the Group. The new organisation was launched in September 2021 and has been fully operational since the beginning of 2022.

Furthermore, and specifically, with respect to the management of Ageas's **investment** portfolio, **dedicated Committees** supervise or take care of implementing the UN Principles of Responsible Investment (UN PRI) reflected in Ageas's Responsible Investment Framework, to ensure a focused approach on the various specific ESG related matters including climate:

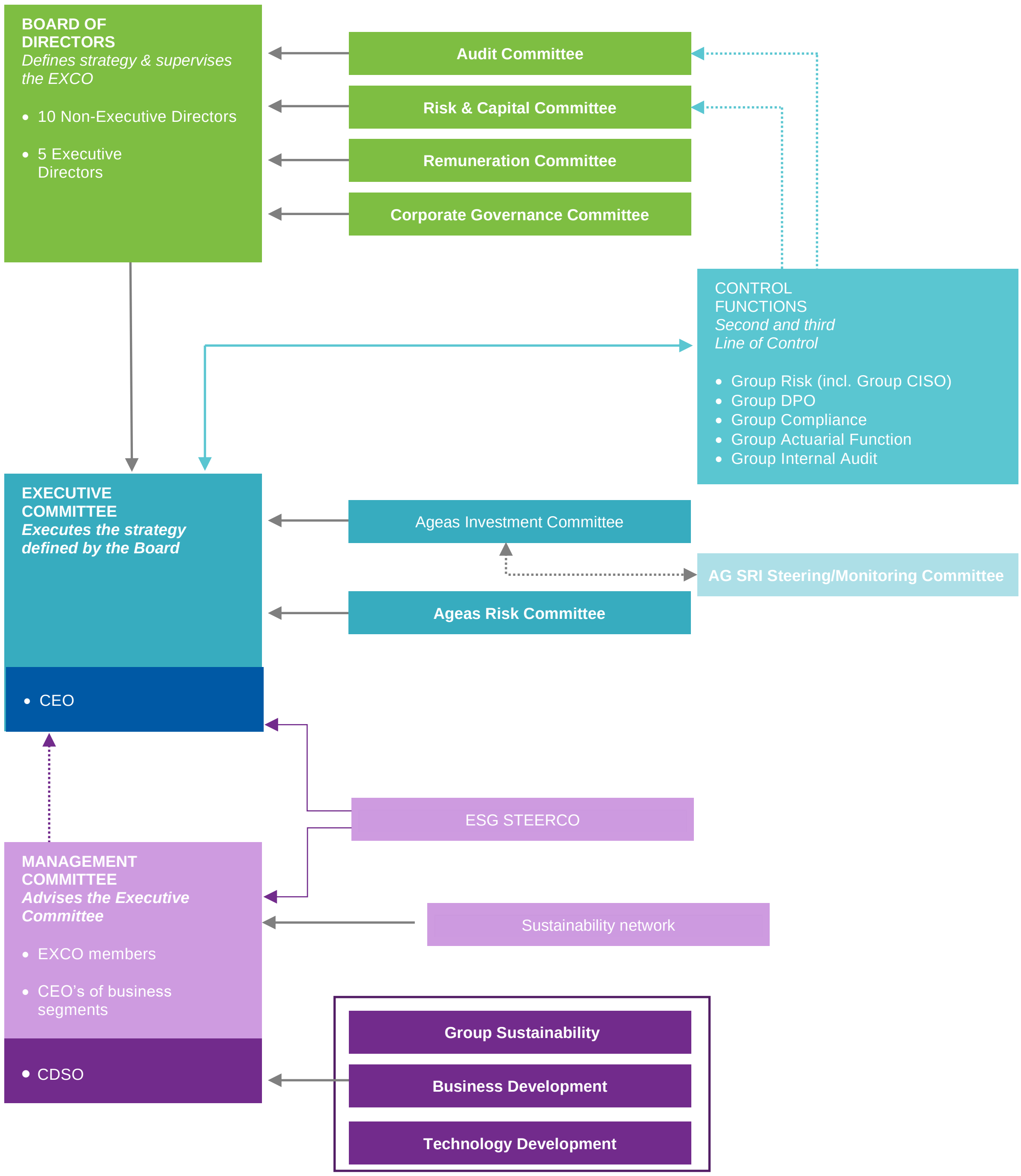
- **Ageas Investment Committee (AGICO):** operates at the level of Ageas and is led by the Group CFO; other members being the Group Chief Investment Officer (CIO) and the Group Chief Risk Officer (CRO). This monthly committee discusses and takes strategic decisions regarding the asset mix and all related topics and is responsible for the risk management of the investments. The AGICO validates and also supervises the publication and the implementation of among others Ageas's Responsible Investment Framework as it applies at the level of the operating companies. Part of this framework incorporates the exclusions list and the integration of ESG criteria.

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

At the level of AG, the Belgian subsidiary of Ageas, and representing about 80% of Ageas's funds under management, two dedicated committees oversee the set-up, integration and proper execution of the ESG strategy on investments, including climate change. AG 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. Each Opco has dedicated staff responsible for analysing ESG topics in the asset portfolio.

- **SRI 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 among others the 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:** responsible for the monitoring of all investment positions held. This committee meets quarterly and is in charge of reviewing and validating all investments with a particular attention on issuers with higher ESG risk rated scores and validating voting proposals and engagement initiatives. Its members consist of the Chief Investment Officer, Head of SRI, Head of Information Management, 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
Executes the strategy defined by the Board
CEO
Ageas Investment Committee
AG SRI Steering/Monitoring Committee
Ageas Risk Committee
ESG STEERCO
MANAGEMENT COMMITTEE
Advises the Executive Committee
EXCO members
CEO's of business segments
CDSO
Sustainability network
Group Sustainability
Business Development
Technology Development

3 Strategy

Climate related risks and opportunities are incorporated into the 3-year strategic cycle process and also in various domains of the business. In line with Connect21, Impact24 represents a long-term sustainable growth strategy in which Ageas clearly recognises, more than ever, the relevance of taking into consideration a number of societal challenges such as climate change and how this may, positively or negatively, impact its future business.

2021 was the closing year of the Connect21 strategy, and in June 2021, the new 3-year strategy was launched building on the foundations and achievements of Connect21. Impact24 leaves Ageas's purpose ("Supporter of your life") and values (Care, Dare, Deliver and Share) unchanged and represents a long-term sustainable growth strategy taking into account the interest of all stakeholders. The plan was built reflecting future trends and the Group's long-term view on the future of insurance.

Climate change, technological evolution and fast-changing customer needs are some of the forces impacting the insurance industry, with the Covid-19 pandemic acting as an accelerator. Through Impact24, Ageas aims to respond to these emerging trends and needs, allowing it to continue to deliver to all stakeholders.

With Impact24, sustainability takes centre-stage in Ageas's business and decision-making process. The focus is on those themes in which Ageas believe it can make most impact:

- **Our people**:
  work towards a diverse workforce, ensuring fair and equal treatment of employees, while fostering a culture of continuous learning;

- **Customers**:
  offer transparent products and services able to create economic and societal value, stimulating customers in the transition towards a more sustainable world;

- **Investments**:
  strengthen the long-term, responsible approach to how the Group invests, contributing to solutions around sustainable cities, local economies and climate change;

- **Planet:**
  reduce the Group's environmental impact Groupwide, aiming to be 'GHG neutral' in its own operations by 2024 and Net zero within its Investment Portfolio by 2050 at the latest in line with the European Green Deal.

The Group's commitment to protect the environment is a transversal concern across all ambitions. Accountability is ensured through clear KPI's and targets, allowing Ageas and its stakeholders to track the Group's progress in a highly disciplined way. The new non-financial and sustainability targets strengthen its commitment towards its stakeholders to maintain a sustainable business that is built to last. The Group also envisages periodic external reporting on the progress made against these ambitions.

3.1 Sources of input

3.1.1 Looking forward – Think2030

During the strategy exercise in 2018, Ageas established an internal think tank called Think2030. The aim behind this was to develop and promote long-term strategic thinking in the Group increasing the resilience of the Company. The research performed by this think tank fuels the Horizon Scan, an internal trend scanning process.

The Horizon Scan takes an inside-out view on trend scanning, reflecting the results of a yearly internal survey in which hundreds of employees participate, alongside an outside-in view captured via an AI-driven trend scanning. The comparison between these two viewpoints enables Ageas to capture the speed and significance of the emerging trends in an actionable manner and to select the trends that have been identified as highly influential for Ageas going forward. Next to the strategic cycle, the process gives input to the business budgeting cycle, the internal training offering and the emerging risk assessment.

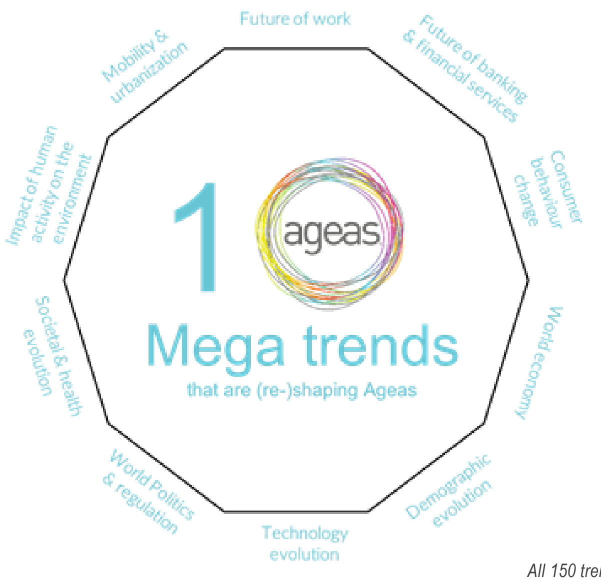
In 2021, nearly 150 trends were detected and classified according to the Horizon Scan methodology:

- *No brainer trends* are short-term impactful trends that should already have a place in the local business plans;
- *Speed-up trends* are impactful trends evolving faster than considered, therefore if not yet in the business plans, need to accelerate;
- *Alarm trends* are the ones that exhibit a misalignment between the internal and the AI view, therefore might require further investigation;
- *Observatory trends* exhibit considerable impact, however their peak maturity will be reached in the mid/long terms;
- *Parking trends* are low-impact trends to keep monitored without further action at this stage.

"The impact of human activity on the environment" is one of the megatrends/domains that is part of the Horizon Scan and that is constantly monitored. Sustainability topics feature prominently on the horizon, with trends as *Climate Change* and *Impact of Extreme Weather Events* categorized as no-brainer trends, and *Renewable energy generation* in the speed-up category, requiring accelerated actions.

Climate change is a wide-ranging topic with many factors impacting upon the way people live their live and the way that businesses operate (both now and in the future). Extreme weather events will likely be the source of more frequent and more severe claims in the coming years, which in turn will result into higher premiums for customers and an increase in reinsurance costs. Some risks might even become uninsurable by private companies and may require a 'public/private collaboration'. Moreover, rising temperatures are likely to negatively impact upon overall health and life expectancy in some parts of the world. This will have consequences for the Health and Life businesses.

All these considerations have guided Ageas, amongst others, in the development of Impact24 placing sustainability at the forefront of its three-year plan.



All 150 trends are clustered into 10 megatrends for Ageas and "Impact of human activity on the environment" is one of them.

3.1.2 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:

- Insurance products and services protecting against societal challenges;
- Socially responsible investments focusing on societal challenges;
- Environmental footprint of the Group's business operations.

The first two topics scored highly with stakeholders while the latter ranked in the 3rd quartile (n°9-14).

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

1. Investments
2. Products & Services
3. Operations

Building on the insights from the Group materiality assessment, Ageas Portugal and AG in Belgium conducted their own materiality analysis focused on their local operations. The outcome for both aligned with that of the Group, with some topics having a slightly higher or lower position on the materiality matrix. As well as the list of material topics at Group level, each subsidiary identified other topics of significance to local stakeholders. In Portugal, these concerned "sustainable and efficient processes" and "investment in the community" and although the score of "sustainable procurement and partners" was not amongst the highest, AG considers it as an area to develop given the potential impact.

3.2 Climate change in our strategy

3.2.1 Investments

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. In chapter 4, you can find the outcome of the first scenario-based risk assessment Ageas carried out in the context of its annual ORSA including its mitigation actions.

For several years, climate has been one of the levers that has driven investment decisions, both in terms of reducing the negative impact of certain activities and in stimulating innovation by investing in new technologies. Ageas Group's Responsible Investment Framework policy sets out the Group's vision and approach in this area. Within Impact24 Ageas expressed even more explicitly its ambition to play an active role in the transition towards a more sustainable world by defining clear targets.

Ageas wants to integrate ESG factors into 100% of its investment decisions and aims at increasing its positive impact by investing €10 billion in sustainable solutions. Finally, Ageas fully subscribes to the Paris agreements and wants to achieve net zero for its portfolio by 2050 at the latest.

In the context of its business, Ageas acts as a large institutional investor and on 31 December 2021, Funds under Management totalled some EUR 82,3 billion on a consolidated basis excluding Unit-Linked related assets. The main asset categories are:

(in EUR bn)	2021
Cash	1.9
Sovereign Bonds	35.5
Corporate Bonds	18.5
Equities	5.7
Real Estate	6.1
Loans	14.5
TOTAL	**82.3**

* *All assets at fair value except the 'Held to Maturity' assets, loans & real estate which are valued at amortized costs; consolidated @100%*

Including the Unit-linked related assets, AUM amounted end 2021 to around EUR 100 billion.

3.2.1.1 Ageas's 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. By underwriting the UN PRI (UN Principles of Responsible Investment) the Company formally commits to the incorporation of environmental, social and governance factors as a fundamental cornerstone of its investment decisions.

The framework has been gradually rolled out across the organisation. And in line with the stronger ambition set by the Group in the context of sustainability, Ageas continues to strengthen this framework.

The main pillars are the following:

1 Exclusion of sensitive sectors

For the consolidated entities, Ageas has exclusion criteria in place that apply to all investments, except for historical bond positions which are allowed to mature.
Specifically with respect to the environmental aspects, the most sensitive industries have been excluded in all funds, traditional and sustainable:

- Exclusion of investments in coal related activities such as mining and electricity generation.
  This basic principle has been applied to Guaranteed Business or Unit-Linked Business since 2019 and Ageas has reiterated its full commitment to be fully divested by 2030 with divestment programmes on going:
  - in its Unit-Linked business, direct divestment of all residual equities and corporate bonds positions in 2019;
  - in Guaranteed Business direct divestment of all equities' positions in 2018 with limited residual corporate bonds that are in run off. In certain very specific situations, positions are retained for technical reasons e.g., cash flow matching.
- Exclusion of companies active in unconventional oil & gas i.e. arctic drilling, shale oil and gas, oil sands since 2021 in traditional funds. This was already in place in sustainable funds.
- Exclusions are managed via an exclusion list for internally managed assets and for externally managed assets via mandates. Revenue thresholds have been lowered from 25% to 10% in traditional funds and from 10% to 5% in sustainable funds:
  - threshold of 10% revenue for mining and for power generation in traditional funds
  - threshold of 5% revenue for mining and for power generation in sustainable funds
  - threshold of 10% revenue for unconventional oil & gas extraction in traditional funds
  - threshold of 5% revenue for unconventional oil & gas extraction in sustainable funds
- Additional restrictive criteria are in place for investments in conventional energy and electric utilities industries specifically for investment products with a sustainability focus.

1 *https://headless-api.ageas.com/sites/default/files/2021-11/Responsible%20Investment%20Framework%20-%20Update%20October%202021.pdf*

2 Integration of ESG related aspects in decision making

- The integration of sustainability (ESG) factors has become mainstream in the investment decision-making process across all asset classes. For the entities where most assets are managed internally, a proprietary ESG integration approach is in place. If most of the assets are outsourced to third party asset managers, signatories of the UN PRI are privileged. For infrastructure investments, the Equator principles are embedded in the analysis.
- As such, environmental factors like renewable energy use, reduction programme of greenhouse gas, existence of an environmental policy, the measurement of carbon footprint and also forward-looking qualitative information on the climate strategy of companies, including a commitment to SBTi, are taken into account in all investment decisions based on information from an external provider of ESG data or from other sources.

3 Engagement and voting towards invested companies

- Through engagement, Ageas aims to raise awareness of ESG issues in general and of climate related topics in particular and encourage issuers to improve their policies. It allows Ageas to enhance the profile of its portfolio and to reach its long-term investment objectives. 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 favouring good business practices in terms of ESG;
  - To tackle societal and/or environmental issues such as climate change.
- The focus lies mainly on climate-related issues in the energy and electric utility sectors and in major investment positions.
- In 2021 AG executed 6 direct engagements, close to 50 through collective engagement via Climate Action 100+ and a few more via its external asset managers. The engagement policy will be gradually rolled out within all other consolidated entities beyond AG in the course of 2022.
- In addition to this engagement led approach, voting is another powerful tool for active ownership. Ageas is guided by its Responsible Investment Framework to exercise its voting right and incite more commitment to sustainable objectives. The focus lies mainly on major investment files. Ageas will support the transition to a low carbon economy, and initiatives to increase disclosures related to climate-related issues. As such Ageas supports sound and well-considered proposals. 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.

3.2.1.2 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. Within Impact24, Ageas expressed even more explicitly its ambition to play an active role in the transition towards a more sustainable world with a target of EUR 10 billion invested by the end of 2024 in sustainable solutions. By the end of 2021, this commitment was almost entirely achieved with EUR 9.9 billion already invested in assets related to sustainable cities, local economies, and climate change.

Sustainable investments

As part of its increased ambition, clear criteria have been defined to identify sustainable assets:

- Sustainable infrastructure such as renewable energy projects financed via infrastructure loans or funds;
- Use-of-proceeds bonds that are aligned with ICMA principles (International Capital Markets Association) such as green bonds, social bonds and sustainable bonds;
- Loans to issuers active in a sustainable area such as social housing, education, care homes;
- Companies active in the renewable energy sector or other sustainable areas qualified as such by Sustainalytics (e.g., green transportation, resources efficiency, etc.) or companies with EU taxonomy aligned revenues;
- Sustainable real estate i.e., buildings with a certification, certified real estate funds or sustainable infrastructure such as schools and nursing homes;
- Sustainable funds i.e., funds classified as Article 9 under the SFDR regulation.

A relevant part of these sustainable assets can be considered as green assets given their positive contribution to the energy transition. By the end of 2021, green assets amounted to EUR 3 billion (out of the 9.9 billion):

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

During 2021, more than EUR 1 billion was invested in sustainable investments of which more than EUR 600 million investments in infrastructure. New investments in renewable energy include solar photovoltaic parks in Spain, a pan European portfolio of onshore wind farms (Belgium, Germany, Spain, Portugal, and France), onshore wind in Portugal and a concentrated solar power plant in Spain. Digital infrastructure such as fibre optic is also a growing sector where Ageas has been regularly active in 2021.

Within its sustainable investments, Ageas identified its "taxonomy aligned activities" related to the new EU taxonomy regulation. Based on available information provided by Ageas's external data provider on taxonomy aligned activities, this amount is added in a separate line to the sustainable investments. Currently this is a best estimate for a limited number of companies in which Ageas has invested, not an assessment on the full portfolio as the regulation only requires companies to disclose their aligned activities over 2022 (so externally reported early 2023). More accurate and reliable data will become available over time, and it is expected that this amount will grow with increasing information, knowledge and companies transitioning to aligned activities[2].

Sustainable products

AG offers a broad and increasingly large range of sustainable products including pension products, long terms savings and unit linked products for retail and institutional clients. Most of these products have the external certification Towards Sustainability label.

AG aims to further increase the certified products and is currently the only insurer in the market to be able to offer fully certified Branch 21 products. In addition, the assets of environmentally friendly thematic funds such as AG Life Climate change and AG Life World Aqua, two SFDR article 9 funds continue to increase. In 2021, the volume of sustainable savings has continued to grow thanks to a strong interest from clients, mainly in the unit-linked business, bringing the total funds to EUR 12.8 billion, an increase of 15% compared to 2020.

3.2.1.3 Journey towards a carbon net zero portfolio

Ageas formally committed to support the net zero greenhouse gas emission target set by 2050 in the European Green deal.

The roadmap to achieve this ambition is currently being elaborated and builds on all the engagements explained in previous chapters. By applying the Responsible Investment Framework, Ageas excludes the heaviest polluters from its universe, invests in sustainable solutions such as renewable energy, supports the transition to a low carbon economy via the integration of ESG factors in the investment decision process and creates impact by engaging and voting in these companies where GHG impact is still high.

At the same time, Ageas is further investing and developing its metrics to increase insights into how concentrations of climate-related risks and opportunities potentially impact its financing activities while trying to leverage to the maximum reliable data. As AG operates as a centre of expertise, a pilot is being conducted to evaluate if it is appropriate to commit to SBTi if feasibility of target setting in this period is confirmed. The pilot considers the 3 methodologies: SDA (Sectoral Decarbonisation Approach), temperature rating and SBT coverage. The SDA methodology is being tested for the Transport and Energy sector; temperature rating is applied where data are available and the SBTi coverage of its portfolio has been mapped. Alongside this, a project to measure the carbon footprint of the infrastructure has been launched with the support of an external provider.

As part of its commitment to climate change, AG has been a member of Climate Action 100+ since 2020; in 2021, Ageas and AG became signatories of the CDP, an initiative which urges companies, cities, and governments to measure and publish climate related data and to implement strategies to tackle the environmental issues linked to climate change.

3.2.1.4 A specific category of investments: AG Real Estate and Interparking

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

As at the end of 2021 around EUR 6.1 billion has been invested in real estate or 6.1% 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.

2 *See AR 2021 section 4.6 EU taxonomy.*

The **Ageas Real Estate** portfolio covers different types of property: offices, warehouses, shopping centres, 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.[3] 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:

- Telemonitoring of real estate offices across four dimensions: electricity, gas, water, and CO2 to drive consumption down;
- Analysis and development of assets thanks to technical alterations (new boilers, solar panels, etc.);
- 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 its 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 This effort was continued in 2021, with the expectation of most certificates being issued in the first half of 2022, aiming for minimum level of “very good”.

Amongst the projects with high impact, AG RE has contributed to the Schools of Tomorrow construction of 182 projects in Flanders over the past ten years, including 8 passive projects, with a total surface area of 710,000 m² and accommodating no less than 133,000 students. 168 modern and energy-efficient school projects (more than 600,000 m²) are already in use. Based on available data, the new constructions result in gas and water savings of 60% and more compared to older buildings. For electricity, savings are around 20%, because of the integration of new technologies offsetting part of the savings.

Another example, publicly announced in 2021, concerns the installation of the largest photovoltaic roof on a logistics building at its 92,000 m² HAVLOG platform in Le Havre in France, designed to reduce the building’s carbon footprint and supply the electricity needs of the inhabitants of the two municipalities in which it is located (18,500 inhabitants). AG Real Estate is certainly no stranger to this type of initiative having last year also invested in a solar roof through a joint venture with Heylen Warehouses (Belgium). Covering an extraordinary 12.6 hectares, this installation has the capacity to power up the equivalent of 4,500 households and saves almost 12,000 tonnes of CO2 emissions each year. All solar panels installed cover now 342,000 m² producing 71,5 MWp.

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 decarbonised district in France. It also announced in 2021 the acquisition of the CCN trainway building in Brussels, aiming to contribute to the renovation of the Brussels North region.

Interparking operates 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 next to major public transport hubs, for example the metro, tram, bus lines, train stations or airports, combining several modes of transport.

Amongst the main initiatives are:

- Promotion of different transport means through among others the P-card+;
- The testing and roll out of a filtering ventilation/ionisation system, the so called “Lungs of the city”, neutralizing up to 70% of particles, 40% of fine particles and 20% of ultrafine particles. To date, a total of 57 systems have been deployed in the group. An additional order for 75 units was placed at the end of 2021;
- 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;
- Promotion of use of bikes with dedicated spaces and charging stations for e-bikes and an innovative logistic solution to distribute city bikes in Brussels using an electric truck shuttle.

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

Interparking also concluded the first green credit line in Belgium in 2018 with payment conditions dependent on the achievement of environmental commitments. The company signed a new green 5-year Interest Rate Swap in 2021 with BNP Paribas Fortis including the following environmental commitments:

- Keep "CO2 Neutral" certification, undertaken by an independent and certified body in all countries in which Interparking group operates;
- Increase the number of Electrical Vehicle (EV) spaces by +300 compared to the number of EV parking spaces the previous year.

Interparking lived up to and surpassed this expectation in the first year of this agreement as the number of EV spaces increased from just over 1,000 to nearly 1,600 in 2021. As for its “CO2 Neutral” certification, Interparking continues to be CO2 neutral since 2015.

3.2.2 Products & Services

Whereas Ageas will continue to consider the potential implications of climate change on its **underwriting business**, the focus will be more on the opportunity side. A review of the underwriting policy is on the agenda for this year.

In most of Ageas’s businesses, there is already 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 secure customers for the forces of nature causing damage like glass breakage etc… This was confirmed by a recent internal analysis linked to the new taxonomy regulation applying to climate adaptation for the insurance sector. An analysis of the terms and conditions of Non-Life policies was performed to validate climate peril coverage. For every line of business, implicit and explicit climate peril coverage was taken into account and considered as eligible, minus the GWP related to explicitly excluded insurance activities (e.g., insurance of storage of fossil fuels). Around EUR 4.0 billion of our GWP (92%) as at the end of 2021 qualifies for eligibility under EU taxonomy on a total amount of EUR 4.3 billion (consolidated entities at 100%).

The ambition by the end of 2024 to have at least 25% of its GWP deriving from products and services that incentivise customers to transition towards a more sustainable world is a catalyst for product innovation. A number of new initiatives and new product features are already being developed, supporting the energy transition.
Hereafter, some examples of products being launched by our local business operations with the aim to meet specific challenges with a climate related element:

- In Belgium, AG Insurance launched in 2020 a Crop Insurance policy 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, heavy rain/hail or floodings vs drought, make this type of coverage much more relevant for the agricultural industry;
- Also in Belgium, AG is supporting the transition to a greener car park announcing in 2021 a partnership with Optimile, a start-up company based in Ghent (Belgium) and SoSimply to offer global solutions. Optimile’s cloud-based platform allows companies to easily integrate electric vehicle charging into global mobility offerings to their customers and employees. Ageas’s subsidiary SoSimply, a home repair provider, installs loading stations’ hardware at the office or at home, improving the driver’s access to charging facilities;
- In the UK, the use of ‘Green parts’ in motor repairs has been extremely well received by customers with around 20-25% of repairs done using recycled parts. And in Belgium, the Eco score, a quality label for environmentally friendly vehicle repair in the automotive sector is being developed with the support of AG;
- In Portugal, a pilot was set up with employees to develop a service aiming first of all to promote literacy on the importance of more energy efficient solutions in the medium-long term, to support and advise on the right choice of equipment for each property and to offer a partnership with a supplier that guarantees the most appropriate solution at a competitive price. As a first result, a partnership with a supplier was concluded offering employees a discount when substituting windows into more energy efficient ones.

The further development of our offer towards more sustainable solutions is part of the budget cycle inviting all businesses to define clear action plans. Next to this, the Product Approval Policy has been reviewed taking into account all ESG dimensions with the aim to develop and update offers with sustainability included by design.

When assessing the **risks deriving from climate change** related to its underwriting risks, the most direct risk is linked to **physical climate change** and can be found within the Non-Life underwriting business, more specifically in Household and to a lesser extent 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 2021 figures, inflows for Household represent 27 % of total consolidated Non-Life inflows (EUR 1.3 million).

Firstly, the impact of weather-related events is embedded in the underwriting assessments, as Non-Life insurance policies are reviewed annually in terms of coverage, conditions and price and the company has the possibility 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. This is focused on the 12-month insurance cycle rather than the longer-term climate change horizon. As for the latter, a risk assessment has been made based on the PRA climate change scenarios and the outcome is included in section 4.

Ageas reports periodically on the financial impact of so-called adverse weather events and for 2021, the impact amounts EUR 160 million on the net result.

As Ageas is not present in underwriting of industrial risks in corporate business, **transition risks** related to Non-Life underwriting are considered as rather low. However, one could expect changing behaviours regarding mobility which could change the products that customers want, leading potentially to a shift away from car ownership. This change could imply a transition risk as the Motor portfolio is substantial for Ageas (EUR 1,754 billion being 38% of total consolidated Non-Life inflows). Next to this evolution, climate change can lead to economic uncertainty and governmental policy changes which could result in deterioration of renewal and retention.

As for litigation **risk**, to date there has not been a lot of focus in the insurance industry on how claims based on climate change-related litigation could evolve and how to assess the liability.

With increases in the installation of solar panels attached to residential and commercial roof space, incidence of fire risk and associated claims for instance could increase and a further assessment of the risk and the portfolio is needed in light of this. Another example is for instance the deterioration of the construction of houses caused by extreme droughts.

In chapter 4, we include the first analysis on the potential negative impact of climate change on Ageas's insurance liabilities based on forward looking scenarios.

Going forward, Ageas will extend climate change risk assessment and scenario analysis that currently focuses on physical and transition risks to include litigation, in particular litigation impacts on underwriting and direct litigation against the Boards of insurers and their Directors and Officers (D&O).

3.2.3 Operations

In 2021, Ageas formalised a Group-wide environmental policy with the explicit commitment to develop a long-term process of continuous improvement to enhance environmental protection, and as such, to minimise the negative environmental footprint whilst maximising environmental opportunities.

Ageas aims to reduce the emissions arising directly from its own business activities to the extent economically feasible and targets to be carbon neutral for its measured scope by 2024.

Ageas continued its CO_2 emission measurement based on international GHG protocol and including scope 1, scope 2 and part of scope 3 sources of emission. It includes all consolidated businesses, the corporate headquarters in Brussels plus the regional office in Hongkong and the subsidiaries AG Real Estate and Interparking. The scope of the measurement has been expanded in 2021 by adding IT equipment and France into the scope, an increase in the overall emissions by more than 2,800 tons CO_2e.

The most important contributors to Ageas's carbon footprint are in scope 1 car fleet (45%) and in scope 3 commuting (22%); due to the exceptional circumstances in 2020 and 2021 business travel fell significantly and now only represents 2% (compared to 14% in 2019). Business travel follows the organisational structure of the group with strong ties in Europe and Asia, whereby in the latter region the activities are managed out of the regional office in Hong Kong and management follow up requires frequent visits. The new category "IT" comes in at a weight of 14%.

To structurally reduce its CO2 emissions, Ageas took a number of initiatives starting in 2020 that will result in a lower emission and environmental footprint groupwide. The main initiatives are:

- A progressive review of the lease car policies across the Group aimed at promoting hybrid and electric cars to its employees;
- An adapted organisational and working environment named 'Sm@rter Together" whereby employees are actively encouraged to work more of the regular working hours from home. It should be noted that the CO2e calculation takes into account the effect of the emissions of a home office;
- A reviewed travel policy which aims to structurally reduce travel. For instance, Ageas representatives on local Boards of our Asian joint ventures will participate in one on two local Board meetings virtually;
- Move to green electricity;
- Moves to new buildings with BREAAM certificate in Portugal and Belgium.

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

Having set the climate neutral ambition for operations as one of the targets of Impact24, Ageas targets a further reduction of its CO2 emissions for 2022 by 30% compared to 2019. While keeping the focus on reducing as much as possible the measured CO2 emissions, AG, Interparking[4] and UK are concretely engaged in offsetting the remaining emissions; the other participating entities all agreed to do so before the end of 2022. This reduction target is again one of the components of the management bonus for 2022.

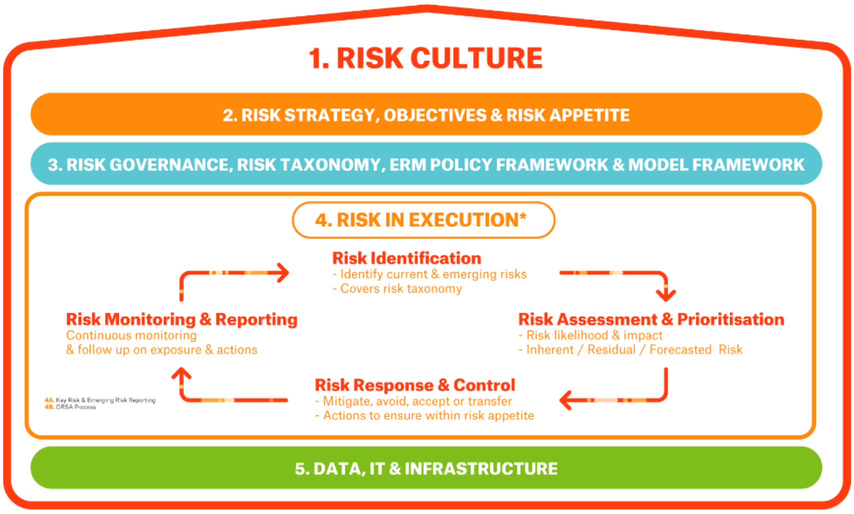
4 Interparking obtained its CO2 neutral label since 2015 and AG in 2018.

4 Risk Management

4.1 Enterprise Risk Management

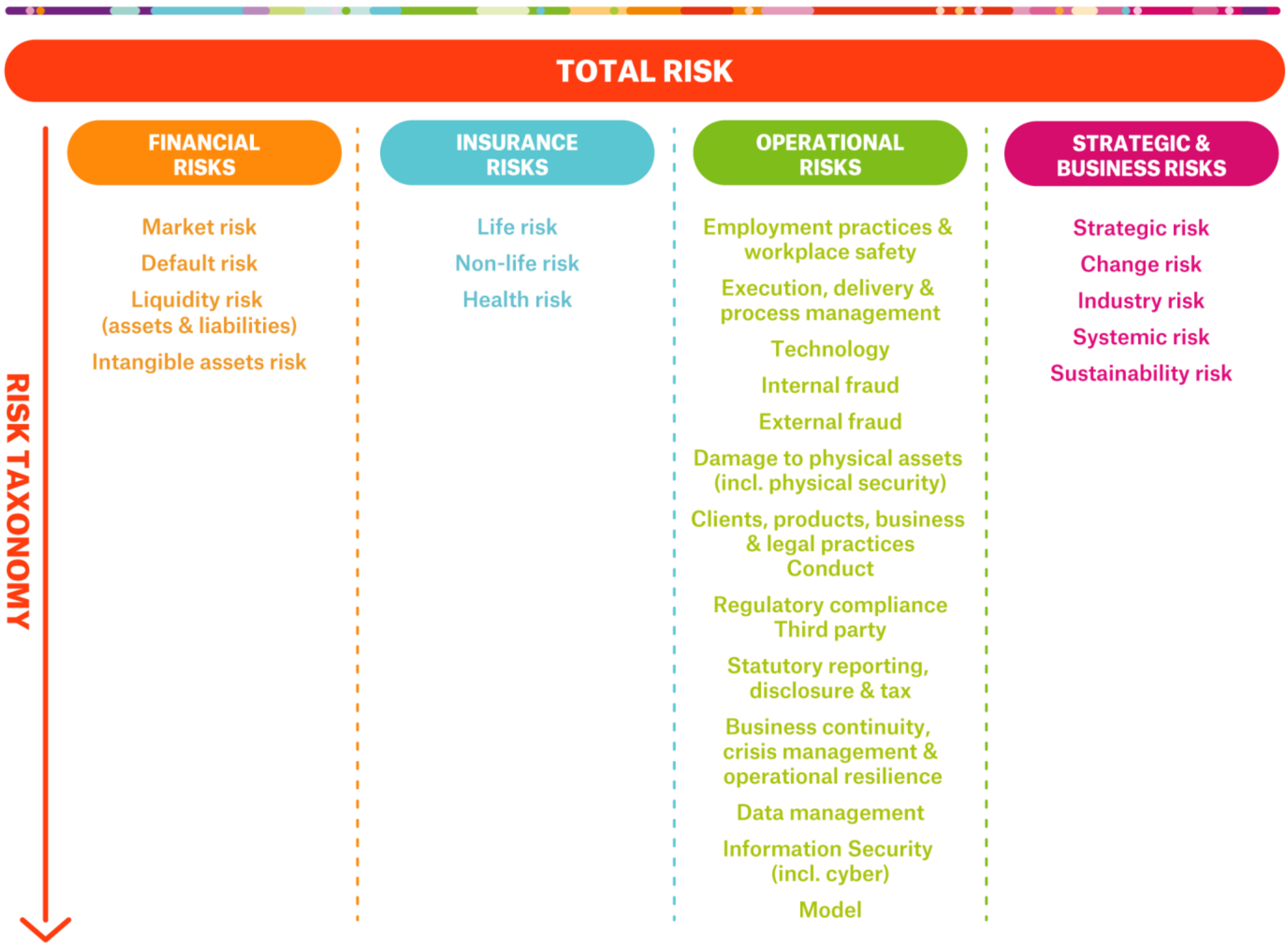
Ageas has implemented and embedded an *Enterprise Risk Management ("ERM")* framework taking inspiration from COSO ERM and Internal Control frameworks. Ageas's ERM framework can be defined as the process of systematically and comprehensively identifying critical risks, assessing their impact, and implementing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

The scheme below depicts the ERM framework implemented across the Group:



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.

To ensure a consistent and comprehensive approach to risk identification, Ageas has defined a risk taxonomy encompassing the key risks that can impact the Group. The risk taxonomy (below) is aligned with Solvency II risk categories, which facilitates the alignment of internal and external reporting.



The risk in execution cycle (shown in the ERM framework visual) and the Risk taxonomy are fundamental to our Key Risk Reporting (KRR) and Emerging Risk Reporting (ERR) processes.

4.1.1 Key Risk Reporting (KRR)

KRR consists of a systematic approach to identify and mitigate key (existing) risks that threaten the realisation of Ageas's business and strategic objectives. The process considers all types of risks in our risk taxonomy with a view to identifying key risks, analysing risk causes and deploying appropriate risk response strategies. During this process, identified risks are assessed and managed using Ageas's risk rating methodology. Likelihood and impact criteria (financial and non-financial) are used to determine a level of concern, which acts as a guide when actions need to be taken. Each region (set of OpCos and/or Joint Ventures with common regional oversight) and/or OpCo re-evaluates key risks on at least a quarterly basis, and the most significant risks are also monitored and reported on at Group level. The key outputs of the process are documented in a quarterly Group Top Risk Report.

Within the traditional *insurance related risks*, Catastrophe risk is identified and related to claims generated by catastrophic events, natural disasters such as storms, floods, earthquakes, freezes, and tsunamis where a lot of victims are involved or with collateral impact such as pollution or business interruption. The mitigation of the catastrophe risk is conducted through pricing & underwriting and reinsurance.

On a quarterly basis Ageas calculates its capital requirements for Non-Life 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 Nat Cat events. Additionally, for OpCos exposures to Nat Cat (& Reinsurance), this risk is assessed through the ORSA process (Own Risk and Solvency assessment) on an annual basis. Where relevant, the impact of adverse weather events is assessed on Opco level or Group-wide depending on the year.

A first assessment of the long-term impact of the different scenarios of climate change has been incorporated in the 2021 ORSA exercise (see later in this section).

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

4.1.2 Emerging Risk Reporting (including sustainability risks)

Ageas has also implemented an Emerging Risk Process. This is a risk identification exercise to determine possible threats / risks that stem from emerging trends / opportunities for the business that, by their nature, are uncertain and difficult to quantify.

The Horizon Scan report (see section 2), Regional / OpCo emerging risk radars and reports together with numerous external sources (insurance industry reports, forums, peer reports…) provide key inputs into the Emerging Risk Reporting Process.

Business relevant emerging risks are categorised using PESTLE methodology (Political, Economic, Social, Technological, Legal, Environmental), and are assessed and managed using Ageas's emerging risk rating methodology where proximity and impact criteria are used to guide the most appropriate course of action. Regions / OpCos compile local emerging risk reports on an annual basis which feed into a Group Emerging Risk Report. The annual Group Emerging Risk Report is presented at risk governing bodies including the Board of Directors. Actions and emerging risk evolutions are then followed up on a quarterly basis within the Group Top Risk Report.

It should be noted that some of these emerging risks are also reported as key risks. The (currently) existing impacts of these risks are managed through the KRR process, whilst the emerging / future anticipated risk impacts are followed up through the emerging risk reporting process.

Sustainability was part of the top (high proximity, major impact) Emerging Risks for Ageas as at the end of 2021:

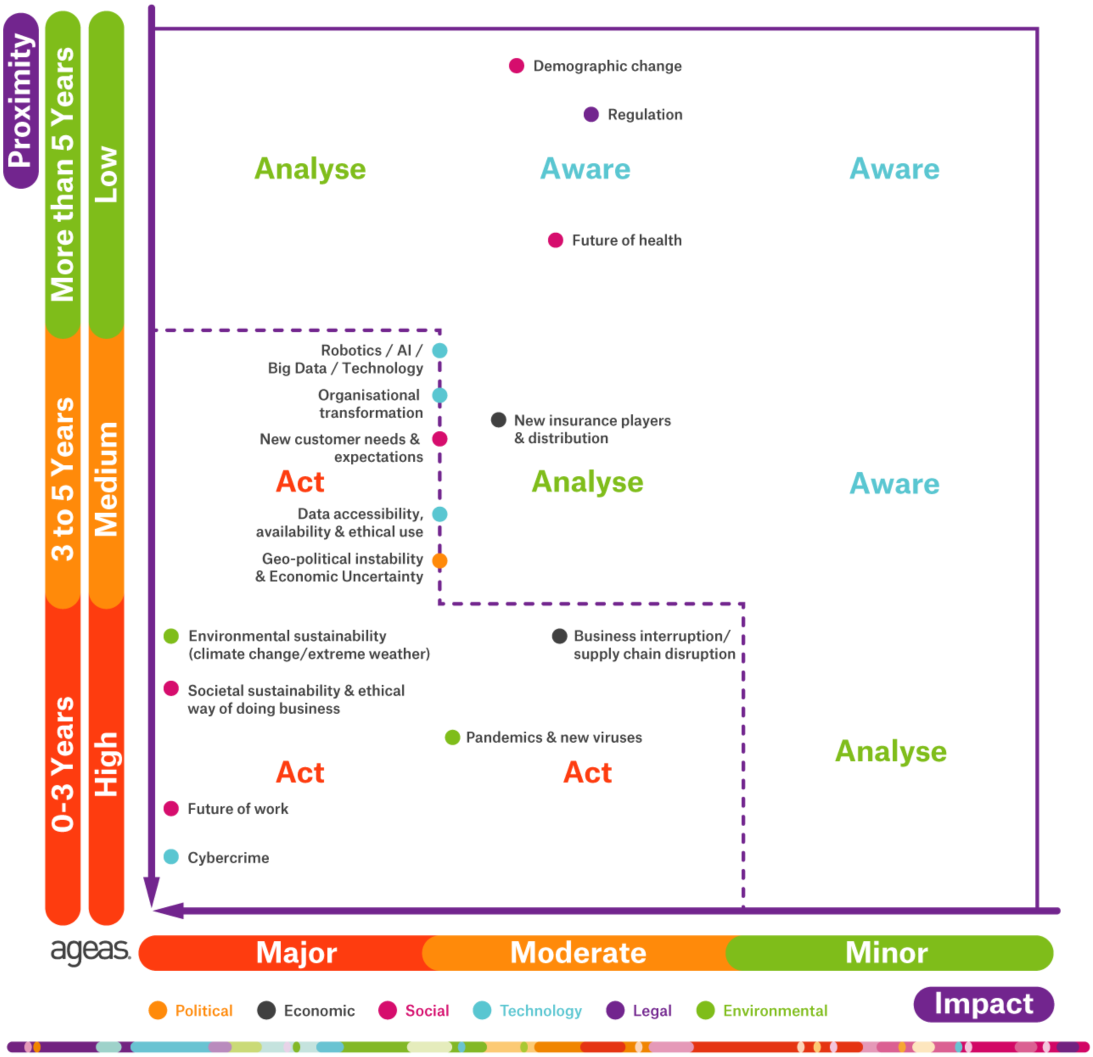
- Societal sustainability and ethical way of doing business
- Environmental sustainability (climate change / extreme weather)

Human activities change the earth's climate and are presently driving climate change through global warming. Extreme weather includes unexpected, unusual, unpredictable, severe, or unseasonal weather. Often, extreme events are based on a location's recorded weather history and defined as lying in the most unusual ten percent.

The ability of the global insurance industry to manage society's risks is being threatened by climate change: more frequent extreme weather events are driving up uninsured losses and making certain assets uninsurable. More natural catastrophes are expected which can impact, for example, Fire & Household business lines but also profitability of the sector, with disaster-related costs becoming unsustainable. Furthermore, as the physical effects of climate change are contributing to more frequent and extreme global weather events, this will in turn have a direct impact on re/insurance, whereby reinsurers are likely to change their risk appetite.

Ageas also performed a scenario programme as part of the ORSA 2021 exercise, and the approach and resulting actions are further detailed in this section.

The Group Emerging Risk Radar below reflects the emerging risks most relevant to business activities that have been identified as part of the 2021 Emerging Risk Process:



4.2 Climate scenario modelling

In 2021, Ageas undertook its first Group-wide quantitative climate risk assessment. The goal was to better understand and manage short-, medium-, and long-term risks from climate change, and how these will affect the business model. Ageas performed this climate change stress testing as part of its Own Risk and Solvency Assessment process (ORSA).

The analysis was broken down into three areas:

- A long-term climate related stress-test on investment assets;
- An assessment on how climate risks could impact insurance liabilities;
- A dedicated deep dive on the impact of climate change on natural catastrophe risks.

4.2.1 Climate related stress-test on investment assets

The 2021 Biennial Exploratory Scenario (BeS) defined by the UK's Prudential Regulatory Authority (PRA) served as the inspiration for a Group-wide stress test that was organised for the operating entities in Belgium, the UK, Portugal and France.
Impacts of three hypothetical climate scenarios were considered over a **30-year time horizon:**

- **Early Action:** the transition to a net-zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon leading to a drop in global carbon dioxide emissions to net-zero around 2050. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels. Some sectors are more adversely affected by the transition than others, but the overall impact on GDP growth is muted, particularly in the latter half of the scenario once a significant portion of the required transition has occurred and the productivity benefits of green technology investments begin to be realized.
- **Late Action**: the transition is delayed until 2031, at which point there is a sudden increase in the intensity of climate policy, leading to a successful reduction of greenhouse gas emissions to net-zero around 2050, but the transition required to achieve that is abrupt and therefore disorderly. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels. The more compressed nature of the reduction in emissions results in material short-term macroeconomic disruption. This affects the whole economy but is particularly concentrated in carbon-intensive sectors.
- The **No Additional Action scenario**. In this scenario, no new climate policies are introduced beyond those already implemented prior to 2021. The PRA has calibrated that scenario based on the physical risks that might be expected to materialise in the period from 2050 to 2080 if no further policy action were taken. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C relative to pre-industrial levels by the end of the scenario. This leads to chronic changes in precipitation, ecosystems and sea-level. There is also a rise in the frequency and severity of extreme weather events such as heatwaves, droughts, wildfires, tropical cyclones and flooding. There are permanent impacts on living and working conditions, buildings and infrastructure. Changes in physical hazards are unevenly distributed with tropical and subtropical regions affected more severely. Many of the impacts from physical risks are expected to become more severe later in the 21st century and some will become irreversible. So, the headwinds facing the economy would be expected to increase further into the future.

The BeS scenario specification builds upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios, which aim to provide central banks and supervisors with a common starting point for analysing climate risks under different future pathways. The Bank of England has expanded on the NGFS scenarios by including additional risk transmission channels and including additional variables (working with climate scientists, academics and industry experts). As a result, the BeS scenarios are not identical to those produced by the NGFS, but they are consistent across many variables.

Both the Early Action & Late Action scenarios correspond with the NGFS Zero 2050 scenario, with the main difference being the suddenness of the transition shock, leading to additional economic dislocation in the Late Action scenario. The NGFS assumptions driving transitions risks were derived using the REMIND-MAgPIE 2.1-4.2 Integrated Assessment Model[5]. Both scenarios roughly correspond to the RCP 2.6° pathway.

The No Additional Action corresponds to the NGFS Current Policy scenario, with the caveat that most of the physical risks manifesting beyond the 2050 horizon are brought forward, in order to include them in the stress test horizon. The underlying assumptions were obtained by considering the GCAM 5.3 Integrated Assessment Model[6] at the 90th percentile, contrasting with the 50th percentile for the Early & Late Action scenarios. This scenario roughly corresponds to the RCP 6.0° pathway.

5 *Framework coupling the impact of climate change to the energy-economy model REMIND and to the agricultural production model MAgPIE,*

6 *Is a "High-Resolution" IA Model, integrating representations of multiple human and natural Earth systems*

Considering these three scenarios allowed us to assess the financial impact via two primary channels:

- ***Physical risks***: associated with an increase in claims and losses due to climatic events (such as floods, droughts, storms), and changes in climatic trends (such as changing weather conditions or sea level rise). Physical risks can be broken down into two categories:
  - **Acute** physical risks: those which arise from certain events, especially weather-related events (e.g., floods, storms);
  - **Chronic** physical risks: those which arise from longer-term shifts in climate patterns (e.g., temperature changes, rising sea levels, changing soil moisture).
- ***Transition risks*** are related to asset value losses and increased operating costs resulting from disruptions and shifts associated with a (sudden) transition from a carbon-intensive to a low-carbon economy.

With these scenarios, Ageas also considers EIOPA's recommendations published in April 2021 in their *Opinion on the supervision of the use of climate change risk scenarios in ORSA*, where insurance companies are recommended to identify material climate change risks and identify the materiality of the exposures to the risks through a combination of qualitative and quantitative analysis.

Given that climate related risks will materialise over the long term, the assessment was performed up to 2050 by considering 6 reference years being 2026, 2031, 2035, 2040, 2045 and 2050.

For an insurance group like Ageas, the primary transition risk lies on the asset side of the balance sheet via depressed asset values as a result of the shift towards a low-carbon economy. Physical risk can materialize and can have important effects through macro-economic effects. In order to have a first measurement point, this assessment was done without considering any additional mitigating actions, whereas shifting to a more sustainable business model is a key part of Ageas' strategy:

- The Early Action scenario (A) has relatively limited impact, because timely action is taken which makes the transition relatively smooth and painless. The most carbon-dependent sectors are touched by transition measures, but by their timeliness these measures allow for adaptation by those companies most impacted, hence reducing the transition risk while the physical risk remains limited.
- The Late Action scenario (B) has a much more important impact because the transition in 2031 is rather brusque and chaotic. Companies in the sectors which are most touched have very little time to adapt and suffer clearly. Recovery after the transition is relatively slow and incomplete creating some transition risks for the portfolio. for specific sectors. Additionally, macro-economic disturbances due to physical risks materializing further impacting the valuation of assets & liabilities.
- The No Additional Action scenario (C) leads over time to quite important impacts, and as expected, is the most severe scenario which generates a significant impact on the asset portfolio with the additional emergence of physical risks leading to substantial macro-economic dislocations, with further negative impacts on asset prices.

4.2.2 First climate assessment on insurance liabilities

Climate change related risks are also relevant for Ageas's insurance liabilities. Since the characteristics of the insurance business varies between countries, this impact assessment was a local exercise. The Group's local companies compiled an overview of the main impacts that they identified in their insurance portfolios, and a first quantification will serve as a starting point for deeper analysis in the coming years.

4.2.3 Deep-dive on natural catastrophic risks

A particular topic is the effect of climate change on natural catastrophes, which are highly relevant for Ageas's businesses underwriting Property & Casualty insurance. To support the process of developing models on Climate Change as well as internal risk assessment, Ageas also decided to collaborate with external partners, considered to be leaders of climate change understanding in the insurance sector, to perform a detailed quantitative analysis focusing on Flood and Windstorm in the UK and Belgium. Further analysis on Wildfire in Portugal and Subsidence in Belgium are also foreseen. This will further support the Group's strategy to make climate related risks a central part of how we do our risk management.

4.2.4 Mitigation actions and next steps

A range of mitigation actions have been identified on the short and medium term and are considered in Ageas's risk management strategy, for both assets and liabilities:

- Within Impact24, clear target setting related to Investments;
- The adherence to a Responsible Investment Framework;
- Update of the Investment Policy to include specific reference to climate risk identification, mitigation and monitoring;
- Judiciously choosing the sectors in which to invest. Given the fact that the sectors most resilient to physical risks are not necessarily the same as the sectors most resilient to transition risks, an arbitrage is to be operated in this choice;
- Within each sector, judiciously favouring the most advanced and prepared companies ("best in class") and avoiding or divesting the companies that have no credible strategic answer to climate change. Engage with companies to put climate change on their strategic agenda;
- Reinsurance consideration to absorb claims cost for natural catastrophes. Natural catastrophe risks (particularly those arising from Flood and Storms) are already monitored on a regular basis at local level to ensure that Cat models and reinsurance mitigation remain appropriate to our risk profile;
- Short-term climate-related physical risk is heavily mitigated by the short-dated duration of liabilities, allowing for flexible risk selection and pricing accordingly;
- External partnerships: engagement with external firms considered to be leaders of climate change understanding in the insurance sector;
- 'New way of working' for employees, allowing employees to work flexibly and remotely (limits the potential for natural catastrophes to compromise operations).

The 2021 exercise highlighted the importance of further developing Ageas's know-how and capabilities with regards to climate risk assessments. Ageas aims to continuously improve its risk management processes in this area. Climate risk assessments will become a recurring exercise at Ageas, and several improvement points have been identified, which will be tackled in future exercises.

5 Metrics and Targets

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

5.1 Investments

Several aspects related to climate change are currently already measured. It should be taken into account that in the main investment funds, metrics such as average ESG score or carbon footprint are highly dependent on the geographical allocation (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 all entities.

Carbon intensity is measured at AG for the equity portfolio and at Ageas UK for the corporate bond portfolio and based on data of an external data provider, compared to a benchmark. In the other countries, developments of such measurement are ongoing, preparing the foundations for reduction target setting.

Metric	Scope	2021
Carbon intensity (tCO2e/mln USD)	AG Equity portfolio	113,3 (benchmark 145,4)
Carbon intensity (tCO2e/mln USD)	Ageas UK Corporate bonds	82 (benchmark 85)

Metric	Scope	2021	2020
		In EUR million	
Transition to low-carbon economy	Renewable energy (including solar panels, winds farms	575	420
	Green mobility (including train, metro, tramways, etc)	426	457
	Green buildings	665	Not included
	Green bonds and other green investments	707	340
	Taxonomy aligned activities (*)	696	Not included
Total	**Environment**	**3,068**	**1,217**

** listed companies, based on revenues (source: data from an external ESG data provider).*

Investment Targets	Status in 2021
100% of our investments in equities, government bonds, corporate bonds, infrastructure and loans subject to ESG analysis	>95%
100% divestment of coal related investments by 2030	Target on track
0% of new investments in coal, unconventional oil & gas	Fully realised

Electricity, gas and CO2e emissions reduction are measured in almost 80% owned office buildings of AG Real Estate since 2016	
CO2e	Reduction of 17.5%
Gaz	Reduction of 15.8%
Electricity	Reduction of 24.2%

5.2 Our operations

Ageas has been measuring the CO_2 emissions of its own operations since 2018 based on international GHG protocol and including scope 1, scope 2 and part of scope 3 sources of emission. It includes all consolidated entities, the corporate headquarters in Brussels plus the regional office in Hong Kong and the subsidiaries AG Real Estate and Interparking. The scope of the measurement has been enlarged in 2021 by adding France and IT equipment and storage into the scope, an increase in the overall emissions by more than 2,800 tons CO_2e, mainly IT related. The table hereafter reports the absolute and relative carbon emissions in tons CO_2e for the most significant categories of emission for 2021 compared to 2020 and 2019, the latter being the last full year before Covid-19.

The calculations for 2019 resulted in an almost stable level of CO_2 emissions of nearly 30,000 tons CO_2e. 2020 delivered a significant reduction largely reflecting exceptional circumstances due to Covid-19, which is confirmed in 2021: less travel, use of the office buildings and commuting resulted in a total emission level of 17,912 tons CO_2e, including scope enlargement.

Ageas carbon footprint in tCOe

Scope		2021 Net total (tCO2e)	2021 Relative share	2020** Net total (tCO2e)	2020** Relative share	2019 Net total (tCO2e)	2019 Relative share
Scope 1	Direct energy - gaz & heavy fuels	2028	11%	1,810	11%	2,394	8%
	Refrigerants	181	1%	266	2%	531	2%
	Owned vehicles	8,108	45%	7,474	45%	9,850	33%
	Total scope 1	**10,317**	**57%**	**9,550**	**57%**	**12,775**	**42%**
Scope 2	Electricity – net*	479	3%	1,180	7%	2,575	9%
	Total scope 2	**479**	**3%**	**1,180**	**7%**	**2,575**	**9%**
Scope 3	Home - work commuting	3,998	22%	5,235	31%	10,167	34%
	Business travel	273	2%	559	3%	4,333	14%
	Purchased good and services						
	Paper	205	1%	180	1%	168	1%
	IT	2,583	14%	Not included		Not included	
	Waste	57	0%	76	0%	265	1%
	Total scope 3	**7,116**	**40%**	**6,050**	**36%**	**15,518**	**49%**
TOTAL tonnes CO2e gross		**17,912**		**16,780**		**30,283**	
Carbon offsetting (AG Insurance Belgium and Interparking)		10,600		8,551		10,272	
TOTAL tonnes CO2e net		**7,312**		**8,229**		**20,011**	
Tonnes CO2e per FTE		1.8		1.6		2.8	

*** including district heating ** restatement of 2020 figures based on data gathering improvements*

The relative share of emission related to electricity remains limited as green electricity already counts today for more than 85% of the total electricity consumption, an increase of more than 25% compared to 2019:

Electricity in detail (tCO2e)	2021	2020	2019
Electricity - gross	3,931	5,005	6.581
CO2e avoided by green electricity	3,452	3,825	4.006
Electricity - net	479	1,180	2.575

6 Conclusion

As the urgency of the climate emergency grows, the world needs to transition to a low-carbon economy, and the global financial system needs to stop fossil fuel financing, set realistic and meaningful net zero commitments and actively support the transition towards new energy sources. At Ageas, we are committed to operating as a responsible investor through a mix of decarbonisation policies and engagement, supplemented by financing of climate and green solutions.

We are committed to act as a responsible insurer. The assessment of the climate-related impacts on the insurance business is a complex activity and the methodologies for the effective reporting on these aspects are still evolving. Ageas therefore considers the ORSA exercise as a starting point on a journey that over time will see progressive refinement of the analysis process and further disclosures.

Ageas intends to keep improving on its initiatives and reporting by further building its understanding of the risks and opportunities arising from climate change including a better understanding of the litigation risks.

Given that the Group is focused more on retail and SME, the real challenge for Ageas is to grasp the opportunities that climate change brings with it. Within Impact24, product innovation takes a central place with a clear ambition to support Ageas's 40 million customers to transition to a more sustainable and decarbonised world.