

Investment for a sustainable recovery in Belgium



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ABSTRACT

This article is based on the intervention of Wim Vermeir, Chief Investment Officer of AG Insurance – Ageas during the panel discussion at the EIB – National Bank of Belgium Webinar “Investment for a sustainable recovery in Belgium” on 30 April 2021.

1. How important is the insurance industry as investor in Belgium?

The Belgian insurance sector has a total investment portfolio of around **300 billion** (of which 75 billion for AG). This is more or less the same amount as the total money on Belgian saving accounts and much more than the assets of the Belgian pension funds (35 billion).

Insurers are typically **long-term** investors as they invest in line with the long-term nature of the insurance products they offer (e.g. pension products).

Given the low and sometimes even zero yield on the financial markets, insurers have increased their direct investments in the **real economy**, e.g. real estate, infrastructure, and direct loans.

2. What are top main investment priorities for Belgium and has this changed due to the pandemic?

In September 2018, the government under prime minister Michel did launch the “*National Pact for Strategic Investments*”, with 5 priorities: Health Care, Digitalization, Energy, Mobility and Education.



The pandemic has confirmed and accelerated these priorities.

The focus of Europe on the **Green and Digital Transformation** is thus certainly justified, but we should not forget the need for more investments in (i) **Health Care and Education** and (ii) **Sustainable Cities** to accommodate our new work/life organization.

3. Climate change is a major long-term risk for economies and corporates. How is a long-term investor as AG taking this into account?

AG is most directly confronted with this climate change in its **real estate** portfolio (7 billion) where – to preserve the long-term quality of our investments – our buildings have to respect the highest environmental and energy efficiency standards.

In our mortgage portfolio (5 billion), the part of green **mortgages** is rising. Same observation for the **social housing** financing (4 billion), where we see that the environmental aspects become key in every new development.

This is also reflected in our **infrastructure** portfolio (2.5 billion) where we focus on the green transition with renewable energy (0.5 billion) and recently also more on the digital transition with investments in fibre networks.

Lastly, AG applies a strict sustainable investment framework on its **total portfolio**, including bonds and equities based on exclusion, integration, and engagement:

- **Exclusion:** of amongst other investments in coal.
- **Integration:** in every investment decision, not only the financials are analysed but also the environmental, social and governance aspects.
- **Engagement:** we engage with companies we invest in to reinforce their sustainability strategy.

The conclusion is that climate risk, and environmental, social and governance aspects in general have become an essential part of our investment process.