

Second-Party Opinion

Crelan Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Crelan Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 9 and 11.



PROJECT EVALUATION AND SELECTION Crelan Group's Asset Liabilities Management Risk Modelling Team will be responsible for evaluating and selecting eligible assets in line with the eligibility criteria under the Framework. Crelan Group's Green Bond Committee will review and approve the eligible assets. The Green Bond Committee will also monitor potential environmental and social risks associated with the eligible assets and ensure that such risks are mitigated. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Crelan Group's Balance Sheet Management Team and Treasury Department will be responsible for the management of proceeds on a portfolio basis. Crelan Group intends to fully allocate the proceeds within 24 months of issuance. Pending full allocation, the proceeds will be invested in cash or cash equivalents in line with Crelan Group's general investment policy or used to repay existing debts. Crelan Group has confirmed that unallocated proceeds will not be invested in GHG-intensive or other controversial activities. This is in line with market practice.



REPORTING Crelan Group intends to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until the maturity of the bonds. Allocation reporting will include, where possible, the amount of net proceeds allocated to eligible loans by category, the amount of unallocated proceeds, the share of financing versus refinancing and the share of eligible loans that are aligned with the EU Taxonomy. Sustainalytics views Crelan Group's allocation and impact reporting as aligned with market practice.

Second-Party
Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



Evaluation Date March 9, 2023

Issuer Location Brussels, Belgium

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Introduction

Crelan Group (“Crelan” or the “Bank”) is a co-operative bank headquartered in Brussels, Belgium. The Bank provides banking and insurance services to individuals, the self-employed and small and medium enterprises. As of 2022, the Bank has 1,738 employees and EUR 47.8 billion of outstanding loans.

Crelan has developed the Crelan Green Bond Framework dated March 2023 (the “Framework”), under which it intends to issue green bonds and commercial papers and use the proceeds to finance and refinance, in whole or in part, existing and future loans that are provided to finance green buildings and clean transportation projects. The Framework defines eligibility criteria in two areas:

1. Green Buildings
2. Clean Transportation

Crelan engaged Sustainalytics to review the Crelan Green Bond Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ The Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Crelan’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Crelan’s representatives have confirmed that: (1) they understand it is the sole responsibility of Crelan to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Crelan.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Crelan is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Crelan Green Bond Framework is available on Crelan’s website at: <https://www.crelan.be/nl/particulieren/investor-relations>.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Crelan has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Crelan Green Bond Framework

Sustainalytics is of the opinion that the Crelan Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Green Buildings and Clean Transportation, are aligned with those recognized by the GBP.
 - Crelan has not defined a look-back period since it has communicated to Sustainalytics that it will not refinance opex under the Framework.
 - Under the Green Buildings category, Crelan may finance or refinance loans for buildings or renovations in accordance with the following criteria:
 - Buildings that: i) receive an energy performance certificate (EPC) rating of A or above; or ii) belong to the top 15% of the national or regional building stock based on primary energy demand.
 - Buildings with energy performance at least 10% lower than local nearly zero-energy building (NZEB) requirements.⁴
 - Building renovations that lead to at least 30% energy improvement compared to pre-renovation levels.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
 - Under the Clean Transportation category, the Bank may finance or refinance loans provided for the acquisition of: i) fully electric vehicles; or ii) hybrid vehicles with a tailpipe emission intensity at or lower than 50 gCO₂/km. Sustainalytics considers the expenditure under this category to be aligned with market practice and notes that Crelan has not communicated which test procedures will be used for vehicles complying with the threshold of 50 gCO₂/km. Different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intent to replicate real-driving conditions (such as WLTP) or are based on theoretical driving profile (such as NEDC).⁵ Hence, Sustainalytics further encourages Crelan, where feasible, to report on the test procedure used to determine the emissions intensity of the vehicles to be financed.
- Project Evaluation and Selection:
 - Crelan has established a Green Bond Committee, which consists of representatives from the Bank's Treasury Team, Asset Liabilities Management Risk Modelling Team, Sustainability Team and representatives from other business units. Crelan's Asset Liabilities Management Risk Modelling Team will be responsible for evaluating and selecting eligible assets in line with the eligibility criteria under the Framework. The Green Bond Committee will review and approve the eligible assets.
 - The Green Bond Committee will monitor the potential environmental and social risks associated with the financed assets and projects and ensure that such risks are properly mitigated.

⁴ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁵ The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of CO₂ emissions.

- Based on cross-functional oversight for project evaluation and selection and the presence of a risk management procedure, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Crelan's Balance Sheet Management Team and Treasury Department will manage the allocation of proceeds on a portfolio basis. The proceeds will be tracked using an internal reporting system.
 - The Bank intends to fully allocate the proceeds to eligible loans within 24 months of issuance. Pending full allocation, the Bank will invest the proceeds in cash or cash equivalents in line with its general investment policy or use the proceeds to repay existing debts. Crelan has confirmed that the unallocated proceeds will not be invested in GHG-intensive or other controversial activities.
 - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Crelan intends to report on the allocation of proceeds and corresponding impact on its website on an annual basis until the maturity of the bonds.
 - Where possible, allocation reporting will include the amount of net proceeds allocated to eligible loans by category, the amount of unallocated proceeds, the share of financing versus refinancing and the share of eligible loans that are aligned with the EU Taxonomy.
 - In addition, the Bank commits to reporting on relevant impact metrics. Impact metrics may include GHG emissions avoided, tailpipe CO₂ emissions avoided, weighted average carbon emissions of cars and the estimated reduction in fuel consumption.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Crelan Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Crelan

Contribution to Crelan's sustainability strategy

Sustainalytics is of the opinion that Crelan demonstrates a commitment to sustainability by providing sustainable financing products and services and focusing on environmentally sustainable investments.⁶

In 2018, Crelan published its first sustainability report, announcing the establishment of sustainability-related initiatives and the Bank's focus on financing energy-efficiency projects.⁷ Since then, Crelan has developed a variety of sustainable financing solutions for its customers, one of which is eco-energy financing, an instalment loan for investments in energy-efficiency improvements, such as the installation of solar panels, heat pumps, thermostatic valves and switches, as well as the insulation of roofs, walls and floors.⁸ Crelan also provides renovation loans for the overall upgrade of homes and buildings.⁹ Additionally, the Bank supports the purchase of green cars by providing buyers with subsidized pricing on electric or hybrid cars.¹⁰ Regarding sustainable investments, Crelan has developed a range of funds, such as the Crelan Sustainable Fund, which received the Febelfin sustainability label.¹¹ The label is granted to financial products that meet a series of sustainability standards and that are socially and environmentally responsible.¹² Crelan also commits to transitioning the majority of its funds to comply with articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR), aiming to enhance its sustainable financing practices and provide better

⁶ Crelan, "Annual Report", (2021), at: <https://www.crelan.be/sites/default/files/documents/Consolidated%20Mangement%20Report%202021.pdf>

⁷ Crelan, "Sustainability Report 2018", at: <https://www.crelan.be/sites/default/files/2019-04/duurzaamheidsverslag.pdf>

⁸ Crelan, "Eco Energy Financing", at: <https://www.crelan.be/nl/particulieren/product/eco-energiefinanciering>

⁹ Crelan, "Renovation loan", at: <https://www.crelan.be/nl/particulieren/product/renovatielening>

¹⁰ Crelan, "Crelan Green Bond Framework", (2023), at: <https://www.crelan.be/nl/particulieren/investor-relations>

¹¹ Crelan, "Annual Report", (2021), at: <https://www.crelan.be/sites/default/files/documents/Consolidated%20Mangement%20Report%202021.pdf>

¹² Febelfin, "A quality standard for sustainable and socially responsible financial products", (2019), at: https://www.febelfin.be/sites/default/files/2019-02/quality_standard_-_sustainable_financial_products.pdf

transparency on sustainability for investors. In 2022, 70% of the Bank's distributed funds were aligned with articles 8 and 9 of the SFDR.^{13,14}

Sustainalytics is of the opinion that the Crelan Green Bond Framework is aligned with the Bank's overall sustainability initiatives. By financing green buildings and clean transportation projects in Belgium, the Framework will contribute to Crelan's objective to foster sustainable financing. Additionally, Sustainalytics encourages the Bank to develop quantifiable, time-bound sustainable financing targets and to report on progress to further strengthen its sustainability practices.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the financing instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues related to land use; emissions, effluents and waste related to building construction and renovation; occupational health and safety of construction workers; stakeholder participation; and business ethics and responsible lending. Sustainalytics acknowledges that Crelan plays a limited role in the projects to be financed under the Framework but notes that Crelan is exposed to environmental and social risks associated with the loans it may finance.

Sustainalytics is of the opinion that Crelan is able to manage and mitigate potential risks through the implementation of the following:

- The construction of green buildings financed under the Framework complies with the requirements of the Environmental Impact Assessment Directive 2014/52/EU (the "EIA Directive").¹⁵ The directive requires projects in the EU and that are likely to have a significant impact on the environment to be adequately assessed before approval. It also requires measures to avoid, prevent, reduce and offset significant negative effects on the environment, especially those on species and habitats.¹⁶
- The EIA Directive, which identifies land use as a consideration when carrying out land-intensive projects, also requires: i) land use-related impact to be identified, described and assessed with an environmental impact assessment; and ii) large-scale projects to limit impact on land and soil, including organic matter, erosion, compaction and sealing.¹⁷
- Regarding emissions, waste and effluents risks associated with building construction, the projects financed under the Framework will comply with Belgian and local laws and regulations. In the Flemish Region, construction and demolition (C&D) waste is regulated under the Materials Decree of 2012 on the management of material cycles and waste (Materialendecreet), as well as Vlarema, which outlines guidelines on the collection, transport and reporting of waste.^{18,19} In the Brussels-Capital region, C&D waste is handled under the EU Directive 2008/98/CE.²⁰ In the Walloon Region, C&D waste is handled by the Decree on Waste of 27 June 1996.²¹
- Regarding occupational health and safety (OHS) risks, the OSH Law of 1996 regulates the health and safety of employees at work across Belgium in accordance with the EU Directive 89/391/EEC.^{22,23}
- Regarding responsible lending practices, the Bank has developed a general credit policy with an exclusion list for supporting responsible lending practices, such as the exclusion of illegal activities,

¹³ Eurosif, "SFDR", at: <https://www.eurosif.org/policies/sfdr/>

¹⁴ Crelan, "Green Bond Framework", (2023), at: <https://www.crelan.be/nl/particulieren/investor-relations>

¹⁵ European Parliament, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=EN>

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Government of Flanders, "Materials Decree", (2011), at: <https://navigator.emis.vito.be/htmlServlet?wold=41707&woLang=en&version=2017-04-13&lang=nl>

¹⁹ Government of Flanders, "Vlarema", (2012), at: <https://navigator.emis.vito.be/detail?wold=43991>

²⁰ European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098#:~:text=This%20Directive%20lays%20down%20measures,the%20efficiency%20of%20such%20use.>

²¹ Government of Wallonia, "June 27, 1996 - Decree on waste", at: <http://environnement.wallonie.be/legis/dechets/degen019.htm>

²² Government of Belgium, "Act of 4 August 1996 on well-being of workers in the performance of their work", (1996), at: <https://employment.belgium.be/sites/default/files/content/documents/Welzijn%20op%20het%20werk/EN/Act%20of%204%20August%201996%20on%20well-being%20of%20workers%20in%20the%20performance%20of%20their%20work.pdf>

²³ Council of the European Union, "Framework Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A31989L0391>

money laundering and over-indebtedness.^{24,25} Additionally, Crelan has internal policies and codes of conduct in place to ensure compliance with legal and regulatory provisions, as well as a compliance charter and policy for reporting fraud and wrongdoing.²⁶

- Sustainalytics notes that Crelan's financing will take place in Belgium, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance, legislation and institutional capacity to mitigate the environmental and social risks associated with projects intended to be financed under the Framework.²⁷

Sustainalytics notes some of the Bank's internal policies and processes to assess and mitigate potential risks are currently under development and encourages Crelan to provide full disclosure regarding such policies and processes.

Section 3: Impact of Use of Proceeds

The two use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of financing green buildings in Belgium

In the EU, the building sector is the largest energy consumer, responsible for 40% of the EU's total energy consumption and 36% of total GHG emissions in 2021.²⁸ Decarbonizing the building sector plays an important role to meet the EU's commitment to reduce GHG emissions by 55% below 1990 levels by 2030 and to achieve climate neutrality by 2050 under the 2030 Climate Target Plan.²⁹ To achieve the 2030 and 2050 goals, the European Commission requires all EU member states to have NZEB requirements for all new buildings as of 2021³⁰ and to establish a long-term strategy to decarbonize the building stock by 2050, with a roadmap of clear milestones for 2030 and 2040.³¹

In Belgium, the building sector accounted for 26.4% of the country's total GHG emissions in 2020,^{32,33} and 32% of the country's final energy consumption in 2019.³⁴ Belgium has committed to reducing CO₂ emissions by 35% by 2030 compared to 2005 levels and achieving carbon neutrality by 2050.³⁵ The Belgian government aims to achieve complete decarbonization of the building sector by 2050 through retrofits and energy-efficient solutions, such as smart technologies and a carbon-free energy mix.³⁶ In this sense, regional governments in Belgium followed the EU requirements under the European Performance of Buildings Directive and implemented measures to improve buildings' energy performance, insulation, indoor air quality and thermal comfort.³⁷ As part of these efforts, in 2020, the governments in the Flanders and Brussels regions have set a threshold of 100 kWh/m² per year for residential buildings' primary energy consumption.^{38,39} In 2020, The

²⁴ Crelan, "Risk Disclosure Report", (2021), at: <https://www.crelan.be/sites/default/files/documents/Risk%20Disclosure%20Report%202021.pdf>

²⁵ Crelan, "Sustainability Report", (2021), at:

https://www.crelan.be/sites/default/files/documents/Crelan_Duurzaamheidsverslag_2021_FR_04%20spread.pdf

²⁶ Crelan, "Risk Disclosure Report", (2021), at: <https://www.crelan.be/sites/default/files/documents/Risk%20Disclosure%20Report%202021.pdf>

²⁷ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/#:~:text=Designated%20Countries%20are%20those%20countries,country's%20performance%20in%20these%20areas>

²⁸ European Commission, "Factsheet – Energy performance of buildings", (2021), at:

https://ec.europa.eu/commission/presscorner/detail/en/fs_21_6691_n

²⁹ European Commission, "A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives", (2020), at: https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

³⁰ Buildings that meet one of the certification levels specified under the Framework meet the requirements for a nearly zero-emission building (NZEB).

³¹ European Commission, "Directive (EU) 2018/844 of the European Parliament and of the Council", (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3A0J.L_.2018.156.01.0075.01.ENG

³² Government of Belgium, "Vision and strategic workstreams for a decarbonised Belgium by 2050", (2020), at:

<https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

³³ IEA, "Belgium 2022: Energy Policy Review", (2022), at: https://iea.blob.core.windows.net/assets/638cb377-ca57-4c16-847d-ea4d96218d35/Belgium2022_EnergyPolicyReview.pdf

³⁴ Ibid.

³⁵ Government of Belgium, "The national burden sharing", at: <https://klimaat.be/klimaatbeleid/belgisch/nationaal/lastenverdeling>

³⁶ Government of Belgium, "Vision and strategic workstreams for a decarbonised Belgium by 2050", (2020), at:

<https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

³⁷ Ibid.

³⁸ European Commission, "Strategy to reduce the environmental impact of existing buildings in the brussels capital region by 2030-2050", (2020), at:

https://energy.ec.europa.eu/system/files/2020-06/be_brussels_2020_ltrs_official_translation_en_0.pdf

³⁹ European Commission, "Belgian Integrated National Energy and Climate Plan 2021-2030", at: https://energy.ec.europa.eu/system/files/2020-09/be_final_necp_parta_en_0.pdf

Government of Wallonia has set a threshold of 85 kWh/m² per year.^{40,41} Currently, an estimated 80% of Belgium’s building stock was built before the establishment of energy-efficiency standards,⁴² while the annual renovation rate was lower than 1%, which falls short of the 2.5-3% projected rate needed to reach climate neutrality by 2050.^{43,44}

Given the above context, Sustainalytics is of the opinion that Crelan’s financing of green buildings is expected to contribute to emissions reduction in Belgium’s building sector and will further support Belgium and the EU in meeting their 2030 targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Crelan Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDGs	SDG targets
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Conclusion

Crelan has developed the Crelan Green Bond Framework, under which it may issue green bonds and commercial papers and use the proceeds to finance or refinance projects related to green buildings and clean transportation. Sustainalytics considers that the projects funded with proceeds from these financial instruments are expected to deliver positive environmental impact.

The Crelan Green Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Crelan Green Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 9 and 11. Additionally, Sustainalytics is of the opinion that Crelan has measures in place to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Crelan Group is well positioned to issue green bonds and commercial papers and that the Crelan Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

⁴⁰ European Commission, “The Walloon long-term building renovation strategy”, (2020), at: https://energy.ec.europa.eu/system/files/2021-08/be_wal_2020_ltrs_en_version_0.pdf

⁴¹ Concerted Action Energy Performance of Buildings, “Country Outputs”, (2018-2022), at: <https://epbd-ca.eu/database-of-outputs>

⁴² Housing Europe, “Recovery and Resilience Plan Belgium”, at: <https://www.housingeurope.eu/file/1081/download>

⁴³ Government of Belgium, “Scenarios for a climate neutral Belgium by 2050”, (2021), at: <https://climat.be/doc/climate-neutral-belgium-by-2050-report.pdf>

⁴⁴ European Parliament, “Report on maximizing the energy efficiency potential of the EU building stock”, (2020), at: <https://oeil.secure.europarl.europa.eu/oeil/popups/printficheglobal.pdf?id=713195&l=en>

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Crelan Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Crelan Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 9, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9 and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Crelan Group's Asset Liabilities Management Risk Modelling Team will be responsible for evaluating and selecting eligible assets in line with the eligibility criteria under the Framework. Crelan Group's Green Bond Committee will review and approve the eligible assets. The Green Bond Committee will also monitor potential environmental and social risks associated with the eligible assets and ensure that such risks are mitigated. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Crelan Group's Balance Sheet Management team and Treasury department will be responsible for the management of proceeds on a portfolio basis. Crelan Group intends to fully allocate the proceeds within 24 months of issuance. Pending full allocation, the proceeds will be invested in cash or cash equivalents in line with Crelan Group's general investment policy, or used to repay existing debts. Crelan Group has confirmed that the unallocated proceeds will not be invested in GHG intensive or other controversial activities. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Other (please specify): The share of financing versus refinancing and the share of eligible loans that are aligned with the EU Taxonomy. |

4. REPORTING

Overall comment on section (if applicable):

Crelan Group intends to report on the allocation of proceeds and the corresponding impact on its website on an annual basis until the maturity of the bonds. Allocation reporting will include, where possible, the amount of net proceeds allocated to eligible loans by category, the amount of unallocated proceeds, the share of financing versus refinancing and the share of eligible loans that are aligned with the EU Taxonomy. Sustainalytics views Crelan Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|---|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
|---|--|

- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): The unallocated amount, the share of financing versus refinancing, the share of eligible loans that are aligned with the EU Taxonomy

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Tailpipe CO₂ emissions avoided, weighted average carbon emissions of cars and estimated reduction in fuel consumption.

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): Information published in Crelan Group's Green Bond Allocation Report and Impact Report
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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