Green Bonds

Asset Selection Methodology

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crelan

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1. INTRODUCTION

Crelan has established a Green Bond Framework ("GBF") as an overarching tool under which it can issue Green Bonds to finance and/or refinance green loans with a positive impact on the environment. The Green Bond Framework is fully complementary with Crelan's sustainability strategy and aims to support the transition to a low carbon economy.

The Green Bond Framework has been developed in alignment with the International Capital Markets Association ("ICMA") Green Bond Principles, June 2025 ("GBP")[1], which are voluntary guidelines outlining best practices when issuing Green Bond Instruments. Crelan closely monitors new regulatory developments related to Green Bonds and will update the Green Bond Framework when deemed necessary.

One of the key elements in the Green Bond Framework is the selection of appropriate eligible Green Projects to be financed by the Green Bonds. The next sections outline Crelan Group's criteria for selecting Green Assets, consistent with the Use of Proceeds in the Green Bond Framework.

Changes in the Eligible criteria vs. the Green Bond Framework in its previous 2023 version will not affect the treatment of Eligible Assets retroactively. In other words, Eligible Assets selected under the previous version of the Green Bond Framework that went successfully through the selection and validation steps will not be affected by the changes in this Framework and will remain in the Green Portfolio until maturity or sale of the asset. The changes presented in this updated version of the Framework will only apply to the future Green Bond issuances of Crelan after the date of publication of this Framework.

2. GREEN ASSET CRITERIA

As a significant part of greenhouse gas emissions stem from housing, banks play an essential role in the reduction of these emissions by providing funding to households. The loans associated with housing have the objective to promote the acquisition and construction of, and renovation towards energy-efficient buildings, contributing to the transition toward a more sustainable real estate sector. Therefore, Crelan will use the net proceeds of the Green Bonds to finance or refinance new or existing loans within green building.

It should be noted that the current version of the Green Bond Framework does not include a category related to sustainable agriculture. Crelan will first focus on defining criteria for sustainable agriculture and ensuring that it has all relevant data in place. In a future update of the Framework, Crelan may include a category related to sustainable agriculture.

Additionally, while this document focuses on green building, it is important to note that Crelan's Green Bond Framework also includes loans for clean transportation as eligible assets. Although

[1] Green Bond Principles, ICMA: https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Green-Bond-Principles-GBP-June-2025.pdf

these are not part of the current asset allocation methodology, they may be considered in future updates, following an increase in data quality.

2.1. ELIGIBLE GREEN ASSETS

The table below sets out the criteria for the following eligible green building:

Eligible Green Assets	Eligibility Criteria	Eligibility and Contribution
Loans for the acquisition and ownership of buildings	*Deed date before 2020:* • *Top 15% buil*dings, defined as buildings with an Energy Performance Certificate ≤150 kWh/m²/year *Deed date from 2020[2]:* • E-level standard -10%[3]	**Eligibility to the EU Taxonomy** – Climate Change Mitigation Activity 7.7. Acquisition and ownership of new buildings **Indicative UN SDGs** 
Loans for the construction of new buildings	*Deed date between 2013 and 2019:* • All buildings in Flanders, Brussels/Wallonia are part of the Top 15% in terms of energy performance *Deed date from 2020[2]:* • E-level standard -10%[3]	**Eligibility to the EU Taxonomy** – Climate Change Mitigation Activity 7.1. Construction of new buildings **Indicative UN SDGs** 

[2] The substantial contribution criteria of the EU Taxonomy differentiate between buildings built before 1st January 2021 and after 1st January 2021. In this proposal, the assumption is taken that on average, the building year of a financed building is equal to the deed date of the mortgage + 1 year. Therefore, the split is made here between deed date < 2020 and >= 2020.

[3] The "Net-Zero Energy Building (NZEB)" - 10% (where NZEB is a requirement introduced by the Energy Performance of Buildings Directive EU/31/2010 (revised in 2018)) can be interpreted as equal to the "E-level standard" - 10% (where E-level is a score part of regional EPB regulations). Please see footnote 8 in page 6 for further detail.

Loans for the renovation of buildings	• Renovation resulting in at least 30% reduction in the Primary Energy Demand (PED) • Examples of green renovations: boiler replacement, boiler installed on solar energy, solar panels, installation of heat pumps and of geothermal energy production equipment, double window glazing, roof/ wall/ floor insulation, installation of thermostatic valves, thermostatic switches, energy audit.	**EU Taxonomy** – Climate Change Mitigation Substantial Contribution Criteria for Activity 7.2. Renovation of existing buildings **Indicative UN SDGs** 

Table 1 – Eligible Green Assets

Crelan excludes mortgage loans associated with properties situated in high-risk flood zones, as identified through publicly available data sources[4]. This exclusion is inspired by the Do No Significant Harm (DNSH) criteria under the EU Taxonomy for activity 7.7 (acquisition and ownership of buildings), which requires that climate-related physical risks—such as flooding—are identified and mitigated. By excluding properties in flood-prone areas, Crelan proactively addresses these risks and contributes to the climate resilience of its green mortgage portfolio.

2.2. ELIGIBILITY CRITERIA

As set out in Section 0, Crelan has defined several criteria for the selection of eligible loans under the Green Bond Framework. One of the criteria applied is the following:

> *"Top 15% buildings, defined as buildings with an Energy Performance Certificate ≤150 kWh/m²/year"*

In Belgium, the regulation of building energy performance is managed at the regional level, with distinct frameworks in place for Flanders, Wallonia, and the Brussels-Capital Region. This decentralization leads to variations in how energy performance standards are applied across the country.

[4] For Wallonia: https://geoportail.wallonie.be/home.html; for Flanders: https://www.vlaanderen.be/datavindplaats/catalogus; for Brussels: https://geodata.leefmilieu.brussels/

To identify the top 15% most energy-efficient buildings, Crelan refers to a guidance[5] established by Febelfin/UPC BVK[6], which sets the threshold for Primary Energy Demand at a maximum of 159 kWh/m²/year. Crelan anticipates gradual tightening of this threshold as the housing stock gradually improves its energy efficiency. To anticipate this tightening, it has set its own threshold at 150 kWh/m²/y. It is the only adjustment of the Febelfin/UPC BVK's definition.

This approach is aligned with the broader regulatory trajectory set by the European Union. The Energy Performance of Buildings Directive (EPBD), first adopted in 2002 and most recently updated in 2024 (EU/2024/1275), requires Member States to define national pathways to reduce the average primary energy use of residential buildings by 16% by 2030 and by 20–22% by 2035, using 2020 as the baseline. Crelan's methodology supports these EU objectives by promoting investments in energy-efficient buildings.

The following section describes the methodology to determine which residential dwellings within the regions of Flanders, Wallonia and Brussels fall within the top 15% of sustainable regional building stock and for which the corresponding mortgages can thus be considered as eligible assets under the Green Bond Framework.

It should be noted that this methodology was determined in the second half of 2025 based on information available at that time. The Green Bond Committee of Crelan intends to regularly review this methodology[7] and adjust the definition of the top 15% most energy-efficient buildings when deemed necessary.

2.3. FEBELFIN/UPC BVK'S DEFINITION ON "ENERGY EFFICIENT" MORTGAGES

Febelfin/ UPC BVK has developed a methodology to define energy-efficient mortgages. This methodology interprets the applications of the EU Taxonomy's criteria for Substantial Contribution to Climate Change Mitigation (CCM) to the Belgian Financial Market. This interpretation is based on the primary energy demand and EPC (Energy Performance Certificate) values of buildings, with a key threshold set at ≤159 kWh/m²/year, representing the top 15% most energy-efficient buildings in Belgium. As mentioned above, Crelan anticipates gradual tightening of this threshold as the housing stock improves its energy efficiency. To anticipate this tightening, it has set its own threshold at 150 kWh/m²/y. It is the only adjustment of the Febelfin/UPC BVK's definition.

The substantial contribution criteria of the EU Taxonomy distinguish between buildings constructed before and after 31 December 2020. Febelfin/UPC BVK's methodology assumes that the construction year of a financed building corresponds to the mortgage deed date plus one year.

[5] Proposal Belgian financial sector: Definition 'Energy Efficient' mortgage (for EEM label) (Febelfin/UPC BVK).

[6] The Belgian financial sector, through Febelfin and UPC/BVK, has worked out a uniform definition of "energy efficient mortgage".

[7] See Crelan's Green Bond Framework chapter 3.2 for more info on the Green Bond Committee.

Based on this assumption, the classification is split between mortgage deed dates before 2020 and those from 2020 onwards.

To operationalize the EU Taxonomy's requirement that new buildings meet the "NZEB-10%" threshold (i.e. 10% more energy efficient than the Nearly Zero-Energy Building standard), Febelfin/UPC BVK introduced a proxy based on the E-level[8] performance of buildings in Flanders. Due to the lack of direct access to regional EPC databases, particularly in Brussels and Wallonia, Febelfin/UPC BVK relied on available data from Flanders, where it found that approximately 95% of new buildings met the NZEB-10% threshold. As a conservative measure, a 10% haircut is applied, meaning only 90% of the loan amount is considered eligible under the green mortgage definition when using this proxy. This approach is applied uniformly across Belgium for both new and existing buildings.

1. New Buildings

For buildings with a **deed date before 2020**, the full credit amount is considered in scope, as the building is part of the top 15% in terms of energy performance.

For buildings with a **deed date from 2020 onwards**, only 90% of the outstanding credit is considered in scope. This reflects the application of the NZEB-10% proxy approach, as explained in the introduction, which is based on energy performance data from Flanders and applied nationally for consistency.

Additional criteria:

- No EPC certificate is required.
- A default value of 100 kWh/m^2/year is assumed for buildings constructed from 2017 onwards, based on NBB (National Bank of Belgium) guidelines[9].
- The deed date of the mortgage file is the determining factor for whether a new building qualifies as energy efficient.
- Regional deed date thresholds for new buildings in Flanders: ≥ 2013, and in Brussels & Wallonia: ≥ 2012, but aligned to 2013.

Febelfin/UPC BVK proposes using the mortgage deed date as a proxy to determine eligibility for energy-efficient classification.

Assumption used across all three regions:

[8] As of January 1, 2021, all new buildings in Flanders must meet the nearly zero-energy building (NZEB) standard, which requires a maximum EPC E-level of 30. The EPC measures the energy efficiency of residential properties using a label scale ranging from red F (very poor, E-level above 500) to dark green A+ (excellent, E-level of 0 or below). Belgium has progressively tightened its regional energy standards: in Flanders, the legal E-level limit was reduced from 35 in 2020 to 30 in 2021; in Wallonia, the threshold dropped from 65 in 2020 to 45 in 2021.

[9] Source in French: https://www.nbb.be/fr/activites/supervision-financiere-et-resolution/aspects-transversaux-et-internationaux/toutes-1084 Source in Dutch: https://www.nbb.be/nl/activiteiten/financieel-toezicht-en-afwikkeling/transversale-en-internationale-aspecten/alle-1095

- Building year = Mortgage deed year + 1 year = Building permit year + 2 years

Flanders

Building permits requested from 2012 onwards must comply with a maximum E-level of E70 and a maximum net energy consumption of 70 kWh/m2y[10]. These requirements are stricter than the top 15% threshold of 159 kWh/m^2/year.

➔ Mortgage deed year must be ≥ 2013

Wallonia

Building permits requested from 2011 onwards must comply with a maximum net energy consumption of 130 kWh/m^2/year[11]. Although slightly less strict than Flanders, this still meets the top 15% criteria. For consistency across regions:

➔ Mortgage deed year must be ≥ 2013

Brussels-Capital Region

Building permits requested from 2011 onwards must comply with a maximum E-level of E70[12]. These standards match those in Flanders and are stricter than the top 15% benchmark.

➔ Mortgage deed year must be ≥ 2013

2. Existing Buildings (Purchase, Renovation, or Mixed Use)

For buildings with a **deed date before 2020**, the full credit amount is considered in scope if the building's EPC value places it within the top 15% of the most energy-efficient buildings.

For buildings with a **deed date from 2020 onwards**, only 90% of the outstanding credit is considered in scope. This reflects the application of the NZEB-10% proxy approach, as explained in the introduction, which is based on energy performance data from Flanders and applied nationally for consistency.

Additional criteria:

[10] Source: https://www.vlaanderen.be/epb-pedia/epb-plichtig-toepassing-en-eisen/epb-eisentabellen-per-aanvraagjaar

[11] Source: https://energie.wallonie.be/servlet/Repository/210604-evolution-peb-2010-2021_v6.0.pdf?ID=54490

[12] Source: https://document.environnement.brussels/opac_css/elecfile/GIDS_VademecumTravauxPEB_2008-2014_NL

- An official EPC certificate must be provided by the client or retrieved from the local EPC database.
- The classification does not differentiate between houses and apartments.

3. Renovation Projects

For renovation mortgages, the full credit amount is considered in scope if the renovation leads to a minimum 30% reduction in Primary Energy Demand (PED). This reduction must be calculated using EPC values before and after the renovation, based on numerical indicators in kWh/m^2/year. A renovation mortgage is considered "Energy Efficient" if the EPC value improves at least 30% within 3 years. The 3-year term begins to run from the deed date.

Additional criteria:

- The PED reduction is based on estimated energy consumption values, not CO_2 emissions.

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