

# Crelan Group (ISIN: BE0002989706)

Financial Institutions | Retail & Consumer Banks | **Belgium** | ESG Framework and Instrument Rating

ESG Rating Type	ESG Rating <sup>a</sup>	Score	Analysis Type
Entity	2	63	Full Entity
Instrument	2	72	Integrated Debt
Framework	2	81	Green

<sup>a</sup> ESG Rating of 1-5, where 1 is the strongest. Date ESG Rating and score assigned: 1 July 2025.

Note: For Framework, analysis types can be green, social, sustainability, sustainability-linked, conventional, or other.

## Credentials



Transition



ICMA



EU Taxonomy Alignment

See Key Terms appendix for definitions of Transition, ICMA and EU Taxonomy Alignment.

## Key Debt Details

Instrument	Issue Date	Currency	Amount	Coupon	Maturity Date	Type <sup>a</sup>
Bond	23 Jan 2024	EUR	750 mn	5.25%	23 Jan 2032	Green

<sup>a</sup> As defined by issuer. Note: Issued by Crelan SA. ISIN: BE0002989706.

Source: ICE Data Services

## Business Activity Overlap with Use of Proceeds

100%

Note: Share of the entity's total business activities that can use proceeds from the instrument above. Based on net total operating income as of end-2024.

## Contact - Analytical

Ashnika Goyal

+44 20 3530 1184

[ashnika.goyal@sustainablefitch.com](mailto:ashnika.goyal@sustainablefitch.com)

## Contact - Media

Tahmina Pinnington-Mannan

+44 20 3530 1128

[tahmina.pinnington-mannan@thefitchgroup.com](mailto:tahmina.pinnington-mannan@thefitchgroup.com)

## ESG Rating Drivers

- Sustainable Fitch has affirmed Crelan Group's (Crelan) ESG Framework Rating for the analysed bond at '2'. This reflects that all the allocated projects under the green buildings use of proceeds (UoP) are aligned with the EU taxonomy substantial contribution criteria (SCC) for climate change mitigation, thus contributing to the economy decarbonisation.
- The internal committee overseeing the project evaluation and selection process demonstrates appropriate checks and balances. We positively view the sustainability team's involvement in proceeds tracking, as it indicates the process includes relevant expertise.
- The rating is constrained by the lack of detail on the share of proceeds dedicated to new projects, as we consider new projects to bring additionality to the bond compared to refinancing projects.

Source: Sustainable Fitch

## The Transaction - Highlights

- Crelan is a leading Belgian cooperative banking group, comprising CrelanCo, Crelan SA, Europabank and, since June 2024, AXA Banque.
- The group's green bond framework, released in March 2023, is complementary to its sustainability strategy and aims to create positive environmental impact. It is aligned with the EU's sustainability objective of issuing green bonds to support environmental initiatives. Crelan may expand it to include sustainable agriculture in future updates.
- This is the group's second green bond under this framework; the latest green bond allocation and impact report, from September 2024, indicates proceeds were fully allocated to one of the two green UoP categories defined in the framework, that is green buildings. This report confirms that all the projects are based in Belgium.
- The allocation is done on a portfolio basis, with the allocated projects from this bond's proceeds making up 14% of the total eligible green loan portfolio.
- The estimated annual energy consumption for the group's eligible green buildings portfolio is 309 million kWh, corresponding to an energy intensity of 111kWh/sqm. The portfolio's annual emissions were 72,600tCO<sub>2</sub>, representing a reduction of 170,00tCO<sub>2</sub> (70%) compared to a reference group of average buildings.
- The bond is aligned with the ICMA Green Bond Principles.

Source: Sustainable Fitch, Crelan green bond framework 2023, green bond allocation and impact report 2024

## Framework Analysis

### Use of Proceeds – Eligible Projects

ESG Rating: 1

Company Material	Fitch's view
<b>Green buildings</b>	
<ul style="list-style-type: none"> <li>This UoP covers the financing of loans for buildings: <ul style="list-style-type: none"> <li>with an energy performance certificate (EPC) rating of at least A;</li> <li>that belong to the top 15% of the national or regional building stock based on operational primary energy demand and shown by adequate evidence; or</li> <li>that have an energy performance at least 10% lower than the local threshold set in the nearly zero-energy building requirements.</li> </ul> </li> <li>The proceeds can also be used for renovation loans that are 100% used for green renovations, such as: <ul style="list-style-type: none"> <li>boiler replacement;</li> <li>boilers installed on solar energy;</li> <li>solar panels;</li> <li>installation of heat pumps;</li> <li>installation of geothermal energy production equipment;</li> <li>double window glazing;</li> <li>roof, wall and floor insulation;</li> <li>installation of thermostatic valves;</li> <li>thermostatic switches; and</li> <li>energy audits.</li> </ul> </li> <li>Renovations also include activities leading to energy improvements of at least 30%.</li> </ul>	<ul style="list-style-type: none"> <li>This UoP category has a positive environmental impact as funding projects related to green buildings is a key step for the climate transition and will help improve energy efficiency while reducing the emissions associated with the real estate sector.</li> <li>According to the International Energy Agency, buildings account for 30% of global final energy consumption and 26% of global energy-related emissions. In this context, financing energy-efficient buildings represents a significant opportunity to reduce GHG emissions and support the transition to a low-carbon economy.</li> <li>Crelan has allocated all of the EUR600 million of bond proceeds to its green buildings portfolio, which consists primarily of residential buildings (97% of the total area) that meet the top 15% energy efficiency criteria in Belgium's regional building stock. The portfolio includes properties across three Belgian regions: Flanders (59% by area), Wallonia (37%) and Brussels (4%).</li> <li>The EU taxonomy SCC for the construction and acquisition of buildings require buildings built before 31 December 2020 to either have an EPC rating A or to be within the top 15% of the national building stock based on operational primary energy demand.</li> <li>Belgium has a decentralised approach to energy performance regulation, so the group has an asset selection methodology that clearly determines the composition of the top 15% of regional stock for Belgium, thus confirming that all the allocated projects meet the eligibility criteria.</li> <li>Residential buildings in Flanders with an EPC rating A qualify as being in the top 15%; while buildings in the Wallonia and Brussels regions need EPC ratings A or B to qualify.</li> <li>The allocated projects meet the EU taxonomy SCC, so we consider the UoP category to be aligned with the SCC.</li> </ul>

### Use of Proceeds – Eligible Projects

ESG Rating: 1

Company Material	Fitch's view
	<ul style="list-style-type: none"> <li>We expect this UoP category to contribute to: <ul style="list-style-type: none"> <li>UN Sustainable Development Goal (SDG) 7.3 (by 2030, double the global rate of improvement in energy efficiency);</li> <li>SDG 11.3 (by 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries); and</li> <li>SDG 13.2 (integrate climate change measures into national policies, strategies and planning).</li> </ul> </li> <li>This UoP category is aligned to the ICMA Green Bond Principles.</li> </ul>
Source: Crelan green bond framework 2023, green bond allocation and impact report 2024, other company material	Source: Sustainable Fitch

### Use of Proceeds – Other Information

ESG Rating: 4

Company Material	Fitch's view
<ul style="list-style-type: none"> <li>The group will allocate an amount equivalent to the net proceeds of the green bond issuance to finance or refinance, in whole or in part, new or existing loans within the list of eligible categories, together forming the eligible green assets.</li> <li>All eligible loans will only be granted for assets located in Belgium.</li> </ul>	<ul style="list-style-type: none"> <li>The green bond allocation and impact report from September 2024 does not give any details on the origination year of the projects or the vintage year of the loans that proceeds were allocated to; so the proportion of the allocation dedicated to financing or refinancing is not available.</li> <li>This limits our visibility on the additionality this bond may bring, as financing allows funds to be used to directly enable incremental change and support the transition to a more sustainable economy.</li> <li>The framework does not mention any lookback period. A lookback period ensures that all the proceeds are allocated to projects originated within a specified, relatively recent timeframe, making the environmental impact more relevant and measurable.</li> <li>No specific exclusion criteria are set out within the green bond framework, although the eligible assets are assessed against the exclusion criteria within Crelan's sustainable investment policy to</li> </ul>

## Framework Analysis

### Use of Proceeds – Other Information

ESG Rating: 4

Company Material	Fitch's view
	ensure they remain in line with the group-level requirements. More specific exclusion criteria related to the specific UoP would enhance its ESG profile.
Source: Crelan green bond framework 2023, green bond allocation and impact report 2024, other company material	Source: Sustainable Fitch

### Evaluation and Selection

ESG Rating: 1

Company Material	Fitch's view
<ul style="list-style-type: none"> <li>Crelan will ensure that all underlying eligible green assets comply with local laws, regulations, and relevant environmental and social requirements, as well as the bank's own financial risk management and corporate social responsibility governance.</li> <li>Crelan has established a green bond committee comprising representatives of the treasury team, the asset and liability management risk modelling team and the sustainability team, as well as representatives from other business units when needed.</li> <li>The selection process starts with the asset and liability management risk modelling team, which pre-selects assets based on the eligibility criteria outlined in the framework and then presents them to rest of the committee.</li> <li>The committee meets quarterly and is responsible for reviewing the allocation of proceeds, verifying compliance with eligibility criteria, and ensuring that environmental and social risks are properly managed.</li> <li>The committee also determines if updates to allocations are needed due to changes in compliance; oversees the reallocation of proceeds if necessary; and ensures that all actions remain in line with the framework.</li> <li>Additionally, the committee monitors for potential ESG controversies and adapts the framework to comply with evolving sustainable</li> </ul>	<ul style="list-style-type: none"> <li>The group's green bond framework clearly outlines the eligibility criteria and the project evaluation and selection process, which we view positively. It provides details on the due diligence carried out on assets before they are deemed eligible and allocated proceeds.</li> <li>It is positive from an ESG perspective that the green bond committee includes representatives from various departments. The involvement of a diverse range of expertise in the selection process ensures a thorough evaluation and maintains robust checks and balances.</li> <li>The rating positively reflects the multi-layered internal control structure among the teams responsible for reviewing and approving green assets.</li> <li>The participation of sustainability experts in the internal green bond committee responsible for asset selection and evaluation further enhances confidence in the ESG credentials of the eligible assets.</li> </ul>

### Evaluation and Selection

ESG Rating: 1

Company Material	Fitch's view
finance regulations. <ul style="list-style-type: none"> <li>Crelan also incorporates the do no significant harm principles and minimum social safeguards from the EU taxonomy, considering national and local regulations during the selection and evaluation of eligible assets.</li> </ul>	
Source: Crelan green bond framework 2023, green bond allocation and impact report 2024, other company material	Source: Sustainable Fitch

### Management of Proceeds

ESG Rating: 3

Company Material	Fitch's view
<ul style="list-style-type: none"> <li>Crelan will allocate the proceeds to finance its eligible green loan portfolio, following specific UoP criteria and a defined selection and evaluation process.</li> <li>The management of proceeds will be conducted on a portfolio and aggregated basis, with the goal of matching or exceeding the outstanding green bond balance with eligible allocations over time. Crelan aims to fully allocate the net proceeds from each issuance within two years.</li> <li>Until full allocation is achieved, unallocated proceeds may be temporarily held in cash or cash equivalents according to Crelan's investment policy, or used to repay existing borrowings, but will not be invested in GHG-intensive or controversial activities.</li> <li>If an asset is divested from or no longer meets eligibility criteria, Crelan will make reasonable efforts to reallocate the funds to other eligible projects. Principal and interest payments to bondholders will be made from Crelan's general account and are not linked to the performance of the underlying eligible projects.</li> </ul>	<ul style="list-style-type: none"> <li>The use of an internal system for the management of proceeds is suitable and in line with the standard market practice.</li> <li>Crelan invests unallocated proceeds in accordance with the group's discretion and in line with its liquidity guidelines. The policy of not investing unallocated proceeds in GHG-intensive or controversial activities further strengthens the environmental integrity of the proceeds from the issuances.</li> <li>Additionally, the process for reallocating funds if assets become ineligible, and the separation of bondholder payments from project performance, contribute to prudent risk management and investor confidence.</li> </ul>
Source: Crelan green bond framework 2023, green bond allocation and impact report 2024, other company material	Source: Sustainable Fitch

## Framework Analysis

### Report And Transparency

ESG Rating: 2

Company Material	Fitch's view
<ul style="list-style-type: none"> <li>• Crelan has committed to providing investors with regular updates on both the allocation and impact of its green bond proceeds. Annually, and until maturity, it will publish an allocation report on its website.</li> <li>• This report will detail the amount of net proceeds allocated to eligible projects by category, the proportion of assets aligned with the EU taxonomy, the outstanding unallocated proceeds, and the share of financing versus refinancing within the eligible green loan portfolio. The first allocation report will be available within one year of the initial green bond issuance.</li> <li>• In addition, Crelan will publish an annual green bond impact report, which will present aggregated environmental impact metrics related to the eligible projects. The report will also disclose any material controversies associated with the financed loans and explain the methodology and assumptions used to calculate environmental benefits.</li> <li>• The impact reporting will follow ICMA's recommended practices, ensuring transparency and comparability for investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Crelan includes adequate information in its annual allocation and impact reports, also including the impact of the proceeds in the latest report as of September 2024, demonstrating transparency and alignment with the ICMA Green Bond Principles.</li> <li>• The group's framework includes a commitment to provide the allocation and impact report until full maturity, which meets market best practice.</li> <li>• All available allocation- and impact-related information as of the date of analysis has been disclosed for the group's eligible green buildings portfolio. The disclosure includes a detailed breakdown by building type and geographic location, as well as the total size in square metres and the share of its footprint.</li> <li>• This level of detail provides a high level of granularity, but transparency could be increased by presenting data specifically for the projects to which proceeds have been allocated. This additional layer of reporting would offer investors clearer insights into the direct allocation and environmental impact of the green bond proceeds.</li> <li>• Crelan has obtained a limited assurance review after full allocation that confirms that all proceeds were allocated in line with the framework's criteria.</li> <li>• It also has an external review for the assessment of the green buildings portfolio, which confirms the credibility of the impact metrics associated with the green buildings portfolio.</li> </ul>
Source: Crelan green bond framework 2023, green bond allocation and impact report 2024, other company material	Source: Sustainable Fitch

## Framework Analysis

### Relevant UN Sustainable Development Goals - Instrument

7.3 By 2030, double the global rate of improvement in energy efficiency



11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries



13.2 Integrate climate change measures into national policies, strategies and planning



Source: Sustainable Fitch, UN

Note: Sustainable Fitch evaluates the relevant UN Sustainable Development Goals at the instrument level by considering direct contributions from the use of proceeds.

## Framework Analysis

### Alignment with EU Taxonomy

EU Environmental Objectives: climate change mitigation (EO1); climate change adaptation (EO2); sustainable use and protection of water and marine resources (EO3); transition to a circular economy, waste prevention and recycling (EO4); pollution prevention and control (EO5); protection of healthy ecosystems (EO6)

Use of Proceeds	Green buildings					
Contribution To EU Environmental Objectives	EO1	EO2	EO3	EO4	EO5	EO6
	Yes	No	No	No	No	No
<b>Substantial Contribution Criteria (SCC)</b>	<ul style="list-style-type: none"> <li>Yes. <ul style="list-style-type: none"> <li>The eligible projects are fully aligned with the SCC. There is one applicable environmental objective, EO1.</li> <li>This UoP category is mapped to EU taxonomy activity 7.7 “acquisition and ownership of buildings” based on the allocated projects.</li> <li>Proceeds within this UoP category were used to finance green building projects in Belgium, all of which fall within the top 15% of the respective regional stock in terms of primary energy demand.</li> <li>This condition directly meets the SCC for this activity, so the UoP category is fully aligned with the EU taxonomy SCC.</li> </ul> </li> </ul>					
<b>Do No Significant Harm (DNSH)</b>	<ul style="list-style-type: none"> <li>No. <ul style="list-style-type: none"> <li>The group has not provided enough information for us to verify compliance with the generic DNSH criteria for EO2 for this activity, which require Crelan to conduct a climate risk and vulnerability assessment following specific steps as stated in the taxonomy document, to assess the materiality of the physical climate risks for the economic activity.</li> <li>It also requires an assessment of adaptation solutions that can reduce the identified physical climate risk.</li> </ul> </li> </ul>					
<b>Minimum Safeguard</b>	<ul style="list-style-type: none"> <li>No. <ul style="list-style-type: none"> <li>We have not assessed compliance with the minimum safeguard criteria because we could not confirm compliance with the DNSH criteria.</li> </ul> </li> </ul>					

Source: Sustainable Fitch

## Appendix A: Principles and Guidelines

Labelled Instrument: Green Bond

### Four Pillars

1) Use of Proceeds	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

### Independent External Review Provider

Second-party opinion	Yes
Verification	Yes
Certification	No
Scoring/Rating	No
Other	n.a.

## 1) Use of Proceeds (UoP) - based on expected or actual instrument allocation

### Use of Proceeds (UoP)

Renewable energy	No
Energy efficiency	No
Pollution prevention and control	No
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	No
Sustainable water and wastewater management	No
Climate change adaptation	No
Eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	No
Other	n.a.

## 2) Project Evaluation & Selection

### Evaluation & Selection

Credentials on the issuer's green and/or social objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for Green, Social or Sustainability Bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

#### Evaluation & Selection/Responsibility & Accountability

Evaluation/selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

### 3) Management of Proceeds

#### Tracking of Proceeds

Green, social, or sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

#### Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocations to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

### 4) Reporting

#### UoP Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

#### UoP Reporting/Information Reported

Allocated amounts	Yes
Green, social or sustainability bond financed share of total investment	No
Other	n.a.

#### UoP Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	n.a.

#### Impact Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

#### Impact Reporting/Information Reported (exp. ex-post)

GHG emissions/savings	Yes
Energy savings	No
Decrease in water use	No
Other ESG indicators	

#### Impact Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	n.a.



#### Means of Disclosure

Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.
Notes: n.a. – not applicable.	
Source: Sustainable Fitch	

## Appendix B: Debt Record

### Use of Proceeds – Eligible Projects

Use of Proceeds	NACE Section-Level Code
Green buildings	F41.20, D35.12

Source: Sustainable Fitch

## Appendix C: Key Terms

Term	Definition
<b>Debt Types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Term</b>	<b>Definition</b>
<b>Standards</b>	
Transition	A term applied to green, social, sustainable or sustainability-linked instruments, only when the purpose of the debt instrument is to enable the issuer to achieve a climate change-related strategy according to Fitch criteria or methodology.

Term	Definition
ICMA	International Capital Market Association. The “ICMA” credential on page 1 refers to alignment with ICMA’s Principles and Guidelines: a series of principles and guidelines for green, social, sustainability and sustainability-linked (or KPI-linked) instruments.
EU Taxonomy Alignment	Sustainable Fitch follows a series of steps to determine a green instrument’s alignment with the EU taxonomy. First, we determine if eligible projects within each UoP category are eligible under an EU taxonomy category. Then we determine if all eligible projects under the UoP align with the relevant substantial contribution criteria (SCC), do no significant harm criteria (DNSH) and minimum safeguard (MS) criteria as established by the taxonomy. The taxonomy alignment metric indicates the percentage of UoP categories that are fully aligned with all three pillars of the taxonomy. In line with EU guidance, we do not assess any remaining steps if we could not confirm the previous step, eg we do not assess DNSH and MS alignment if we could not confirm alignment with the SCC.
<b>Other Terms</b>	
ESG debt	Green, social, sustainability and sustainability-linked types of debt.
Short term	Within five years.
Long term	At least six years away.
Entity’s business activity overlap with use of proceeds	The share of the entity’s total business activities that can use proceeds from the debt instrument in question.
NACE	An industry standard classification system for economic activities in the EU, based on the United Nations’ International Standard Industrial Classification of All Economic Activities (ISIC).
Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group	

## Appendix D: Methodology and ESG Rating Definitions

Fitch's ESG Ratings are designed to indicate an entity's Environmental, Social and Governance (ESG) performance and commitment, as well as its integration of ESG considerations into its business, strategy and management, with a focus on actions and outcomes rather than purely on policies and broader commitments.

There are three ratings: the ESG Entity Rating (ESG ER), ESG Instrument Rating (ESG IR) and, for debt instruments linked to ESG key performance indicators (KPIs) and/or use of proceeds, the ESG Framework Rating (ESG FR). ESG Ratings are on a scale from one to five, where one represents full alignment with ESG best practice. Behind each rating sit scores of zero to 100, as well as sub-scores for even greater granularity.

Sustainable Fitch's analysts assess all the business activities of an entity and more than 40 additional headline factors, covering all three ESG pillars. For debt instruments, they assess use of proceeds and more than 20 additional headline factors.

Fitch provides individual datasets with grades and commentary through a feed. The score and sub-score database allows direct comparison of entities and instruments, on a full ESG basis or on selected fields.

ESG ERs consider the issuer's strategy, how it relates to sustainability, and how sustainability is embedded in the issuer's business, including ESG policies, procedures, and outcomes. The entity is broken down into constituent business units, with NACE codes, for a granular assessment of E and S factors. Fitch assesses G aspects at the company level.

ESG FRs consider any type of bond, with varying analysis if there is a defined use of proceeds, KPI-linked coupon, or conventional bond. The rating aims to identify the strength of the bond framework on a standalone basis, separate to the entity, regardless of any self-assigned descriptions. Fitch analysts categorise bonds as Green, Social or Sustainability (GSS) types independently, based on their view of the main area covered by the use of proceeds, rather than automatically using the entity's categorisation. They will also determine if the bond should be classed as a transition bond and if it aligns with the EU Green Bond Standard and ICMA principles. Analysis considerations include the use of proceeds and sustainability-linked targets that form the primary purpose of the instrument, and the structure and effectiveness of the framework being used to further that purpose.

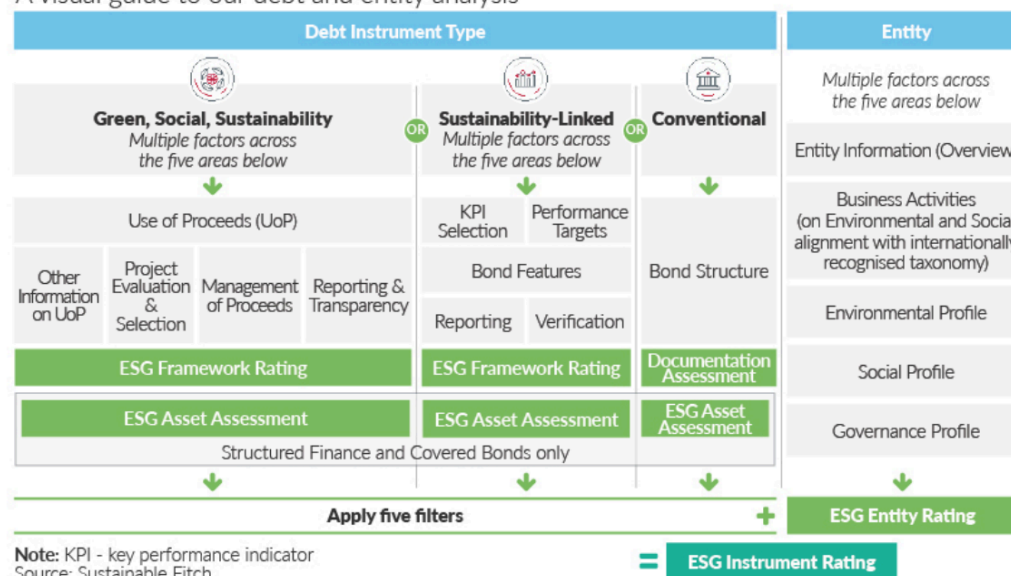
ESG IRs consider different types of debt instruments in the context of the issuing entity, enabling absolute ESG credentials comparisons for similar types of instruments issued by different types of entities, different types of instruments issued by different issuers, as well as different types of instruments issued by a single entity.

## Analytical Process

Analysis considers all available relevant information (ESG and financial), including the entity's ESG report. Fitch's ESG Rating Reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed.

## Fitch's ESG Rating Process

A visual guide to our debt and entity analysis



An important part of the analysis is the assessment of the E and S aspects of the use of proceeds and business activities. In considering those aspects, the rating framework is inspired by major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects). Once the analyst has completed the model, with commentary for the related ESG Ratings, it is submitted to the approval committee, which reviews the model for accuracy and consistency. ESG Ratings are monitored annually or more frequently if new information becomes available.

## Use Cases

Sustainable Fitch's ESG Ratings can help inform decisions related to:

- Investment strategy
- Asset allocation and portfolio construction
- Benchmarking and index construction
- Risk management and stress testing
- Identification of transition bonds
- Disclosure and reporting.

## Rating Scale and Definitions

	ESG Entity	ESG Instrument	ESG Framework
1	ESG ER of '1' indicates that the entity analysed evidences an excellent ESG profile. Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '1' indicates that the debt instrument in the context of the ultimate issuing entity evidences an excellent ESG profile. Entity is excellent both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is excellent in terms of framework structure and proceeds destination.	ESG FR of '1' indicates that the framework for the instrument evidences an excellent ESG profile. Framework structure is excellent in terms of alignment with ambitious best practises and proceeds are dedicated to excellent environmental and/or social activities/projects according to taxonomies of reference.
2	ESG ER of '2' indicates that the entity analysed evidences a good ESG profile. Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '2' indicates that the debt instrument in the context of the ultimate issuing entity evidences a good ESG profile. Entity is good both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is good in terms of framework structure and proceeds destination.	ESG FR of '2' indicates that the framework for the instrument evidences a good ESG profile. Framework structure is good in terms of alignment with ambitious best practises and proceeds are dedicated to good environmental and/or social activities/projects according to taxonomies of reference.
3	ESG ER of '3' indicates that the entity analysed evidences an average ESG profile. Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '3' indicates that the debt instrument in the context of the ultimate issuing entity evidences an average ESG profile. Entity is average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is average in terms of framework structure and proceeds destination.	ESG FR of '3' indicates that the framework for the instrument evidences an average ESG profile. Framework structure is average in terms of alignment with ambitious best practises and proceeds are dedicated to average environmental and/or social activities/projects according to taxonomies of reference.
4	ESG ER of '4' indicates that the entity analysed evidences a subaverage ESG profile. Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '4' indicates that the debt instrument in the context of the ultimate issuing entity evidences a sub-average ESG profile. Entity is sub-average both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is sub-average in terms of framework structure and proceeds destination.	ESG FR of '4' indicates that the framework for the instrument evidences a sub-average ESG profile. Framework structure is sub-average in terms of alignment with ambitious best practises and proceeds are dedicated to subaverage environmental and/or social activities/projects according to taxonomies of reference.
5	ESG ER of '5' indicates that the entity analysed evidences a poor ESG profile. Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management.	ESG IR of '5' indicates that the debt instrument in the context of the ultimate issuing entity evidences a poor ESG profile. Entity is poor both in terms of alignment of the activities with taxonomies of reference and integration of ESG considerations into the business, strategy and management. Instrument is poor in terms of framework structure and proceeds destination.	ESG FR of '5' indicates that the framework for the instrument evidences a poor ESG profile. Framework structure is poor in terms of alignment with ambitious best practises and proceeds are dedicated to poor environmental and/or social activities/projects according to taxonomies of reference.

Source: Sustainable Fitch

## Solicitation

Status	Solicited
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