

# Crelan

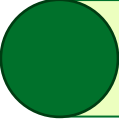
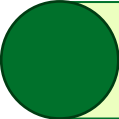
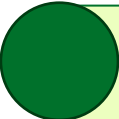
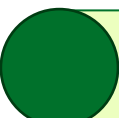
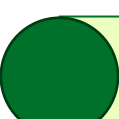
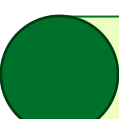
**ESG Investor Presentation**

**Last update: January 21, 2025**



# The Crelan Group

Crelan is a 100% Belgian retail bank with 100% cooperative roots

 <b>Cooperative</b>	<b>283,629</b> <i>Cooperative Shareholders</i>	As of 31 December 2023, the cooperative capital of CrelanCo was held by more than 283k cooperative shareholders
 <b>Retail bank</b>	<b>1,798,373</b> <i>Customers</i>	Active in retail banking. Mortgages represent 70% of Assets and Client deposits 79% of Liabilities
 <b>In Belgium</b>	<b>1,713 / 4,454</b> <i>Employees</i>	Commercially active only in Belgium, with more than 1700 internal employees and more than 4400 employees in independent Crelan agencies.
 <b>Local</b>	<b>792</b> <i>Branches</i>	Extensive network of independent agents with strong presence in mid to small-sized cities and rural areas
 <b>Agricultural roots</b>	<b>2,011</b> <i>Loans to Agriculture [mn]</i>	Crelan's cooperative dates back to the 1960s and finds its origin in the Belgian agricultural and horticultural sector
 <b>#5</b>	<b>37,730</b> <i>Mortgages [mn]</i>	Crelan ranks fifth among Belgian retail banks by total assets

Note: Reference for Crelan Group as of 31/12/2023

# ESG: Vision & Ambition

As Belgium's leading cooperative bank with a strong commitment to long term sustainability, we want to engage in the three parts of ESG.

We want customers and cooperative shareholders to consciously choose our bank because of:



Environment

Our conscious choice for **ecological transition**. We want to make that choice as a **bank**, but we also want to support and guide our **customers** in the three segments in this transition



Social

Our social engagement, commitment to society and the important role we play in the evolution towards a **more social economy**. Crelan is distinct from other banks because of its **truly authentic cooperative character**, which is translated into the bank's cooperative strategy



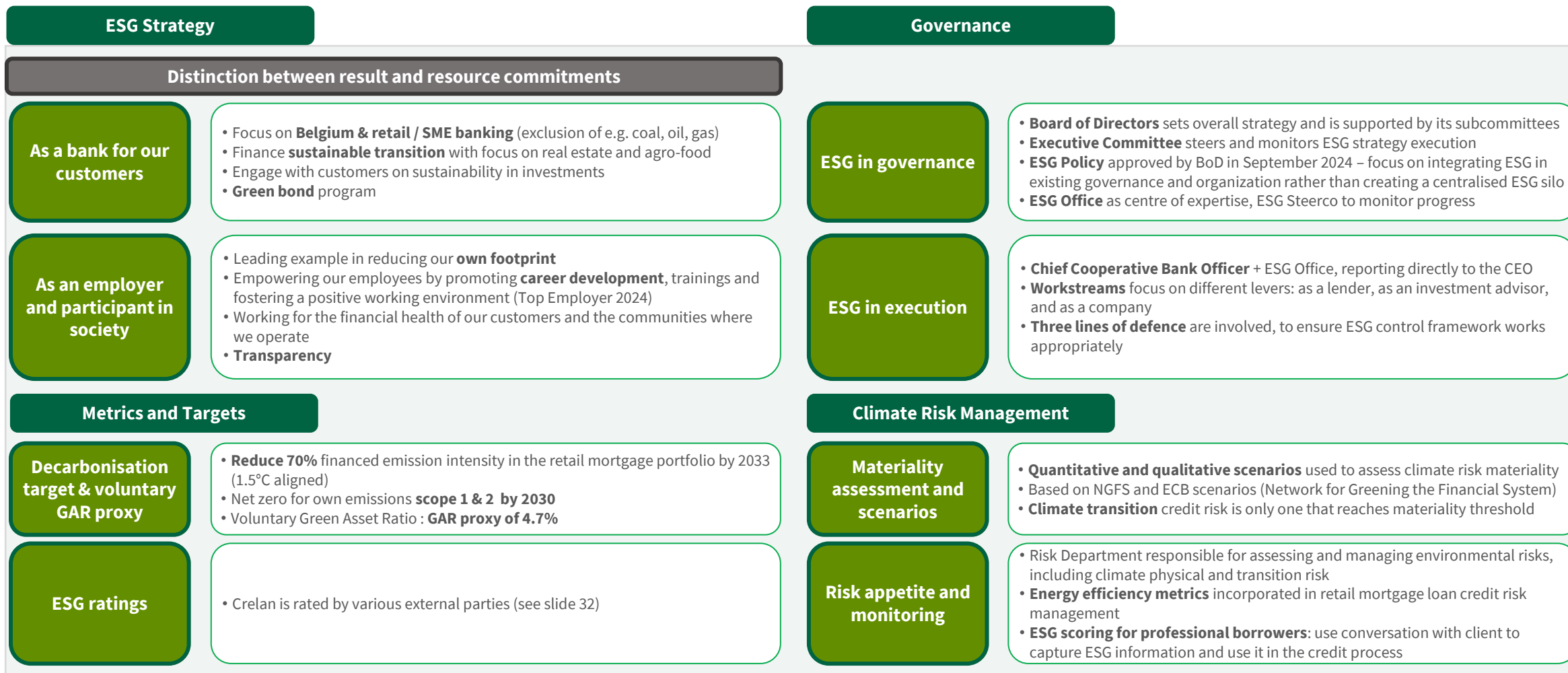
Governance

Our fair governance, business ethics and **transparent communication** to all our stakeholders



# ESG is at the heart of Crelan's agenda

At Crelan, we aim to make a difference to both society and the environment in which we operate



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# 1. ESG Strategy

# We bank for the community with cooperative principles as the basis

Creating value for and proximity with the community leads to a sustainable mindset

Crelan commits to **apply cooperative principles** (\*) in its daily banking services, in its governance and in its relations towards the customers, cooperators and the broader **society**:

- **Voluntary and open membership**
  - All individual customers can become CrelanCo shareholder
  - Crelan commits to increase the number of cooperators
- **Democratic member control**
  - Members are invited to the annual general assembly where they are informed about financial and non-financial results and activities
  - They can vote on director mandates for CrelanCo, dividend distribution ...
  - CrelanCo has 10 directors in Crelan NV's BoD. CrelanCo commits to further integrate democratic principles in its decision making
- **Member economic participation, CrelanCo commits to a sustainable profit distribution between three areas**
  - Dividend to cooperative shareholders
  - Investment in Crelan's financial resilience and growth
  - Distribution to society through support of research and donations / sponsorship of national and local community initiatives
- **Autonomy and independence**
  - CrelanCo is a Belgian Bank, 100% owned by cooperative shareholders
  - Crelan Group's strategic and business choices take into account local concerns and needs, focus on the long term and ensure that the interests of the bank, its employees, its customers and its members are secured
- **Education, training and information**
  - Crelan commits to engage with all stakeholders to bring the cooperative mindset to life, Crelan commits to strengthen inclusive education, financial and cooperative education
- **Cooperation among cooperatives**
  - Crelan commits to promote and strengthen cooperative entrepreneurship by collaborating with other cooperatives, and by supporting communities and associations
- **Concern for community**
  - Crelan commits to create proximity and engagement by being close to customers through our large network of independent agencies
  - Crelan realizes its social commitment through its CrelanCo Foundation initiative
  - Crelan also aims to respect its environment ("E") and aims to achieve equitable social outcomes ("S") when performing its business responsibly ("G")



(\*) Cooperative principles as defined by the International Cooperative Alliance

# ESG and Sustainability priorities set using materiality assessments

We considered both outside-in and inside-out perspectives

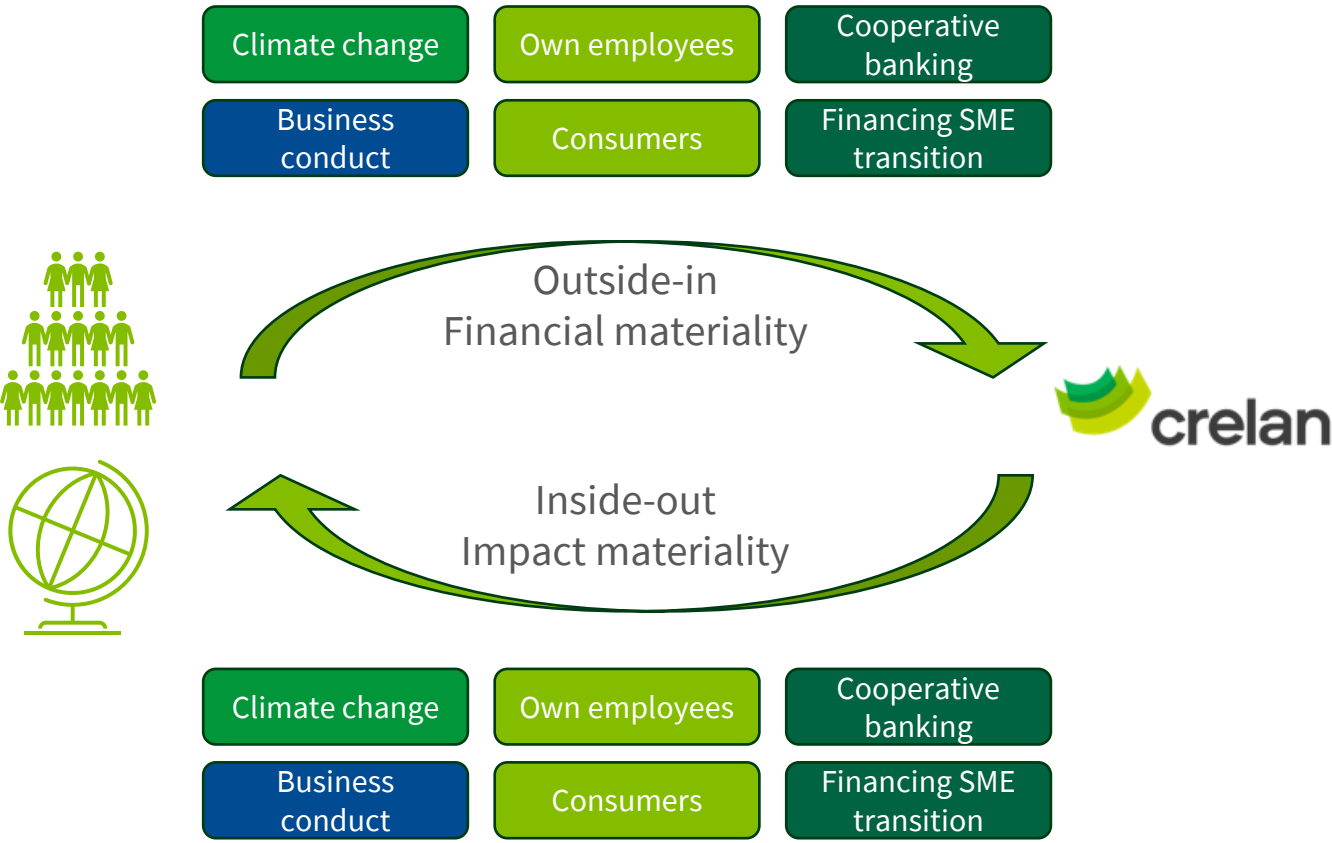
Double materiality assessment

**Process and purpose**

- Sustainability is a vast subject. For a company to define an ESG strategy, it needs to understand
  - which sustainability topics have a material impact on its financial situation (financial materiality), and
  - on which sustainability topics the company has a material impact (impact materiality)
- The sustainability strategy should then define how a company intends to optimize both the financial and impact materiality on those topics where it is most material.
- In preparation for the reporting in line with the EU’s Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards (ESRS), we performed a double materiality assessment

**Outcome exercise Q1:24**

- The illustration on the right is a summary – the bottom-up exercise considered Crelan’s different time horizons and different levers for action : **as a company, as a lender, as an investment adviser**
- 4 out of the 6 material topics can be linked with the different ESRS** (European Sustainability Reporting Standards) : climate change → E1, own employees → S1, consumers → S4, business conduct → G1 , the other 2 are company-specific topics





# ESG Strategy across all Pillars of Business and Operations

We operate via different levers



## Result Commitment

- Where we are (mostly) in control of what is necessary to reach a goal, we commit to a certain result
- Example: our Scope 1 & 2 carbon footprint. We choose our office building, energy sources and transportation policy
- These commitments in the strategy are indicated in the following slides with the “arrow in the target” symbol on the left



## Resource Commitment

- Where we (mostly) depend on other actors in society to reach a goal, we commit to dedicating our resources to do our part
- Example: the carbon footprint of the retail mortgage portfolio. Our customers decide what they buy, government policy can force. Crelan dedicates resources to informing customers and offering the right products at the right price for house owners to execute their decision
- These commitments in the strategy are indicated in the following slides with the “man striving to improve” symbol on the left

### Pillar 1 - Crelan as a company

This perspective covers how it treats its employees, how its activities (office building, mobility, services and goods providers ...) create impact. The topics of own workforce, cooperative banking, business conduct and consumers/end-users are very material for this lever, as it is about how Crelan does its business, treats its employees, its agents and customers. From a climate perspective, this lever is less material than others – yet Crelan wants to be a role model for its clients and other stakeholders

### Pillar 2 - Crelan as a lender

Crelan provides financing to private individuals, independent professionals and SMEs in Belgium. It decides how to inform customers on the assets or activities that require financing and Crelan decides whether and at what conditions it provides that financing. Crelan also bears the consequences of non-performing loans linked to ESG issues, and has to manage those risks

### Pillar 3 - Crelan as an investment advisor

Crelan supports customers in their investment choices, and how to integrate ESG factors in them. Crelan informs clients on how ESG factors impact their investments' value, and how their investments create ESG impact. Crelan also understands customers' ESG preferences and advises products accordingly


### Pillar 4 - Crelan as an institutional counterparty

Another lever of Crelan is its relationship with institutional parties, which covers regulatory and supervisory topics and where the focus is on compliance with regulation. In addition, Crelan has developed a Green Bond Framework (GBF) that makes optimal use of sustainable finance solutions to collect capital from institutional investors


# Climate change is a major shift for both ourselves and society

We target both mitigation and adaptation using our 4 pillars

## What is our approach?

 We **commit to reducing our own environmental footprint and remain a resilient bank** that continues to support the Belgian economy.

- We reduce the **environmental impact from our own operations** to take our responsibility in society and be a role model for our clients, employees and other stakeholders. This means minimizing and greening energy used by our office buildings and company cars, committing to be net zero by 2030
- We **integrate the consequences of climate change in our risk management**. More info in section 3 of this presentation (as from slide 24)

 We **commit to working with our clients and society towards a Paris Agreement-aligned trajectory**:

- We **provide our clients with information** on the impact of climate change on their business, real estate and mobility investment decisions. This information aims to **stimulate customers to reduce vulnerability to climate change in the short and long-term**
- We **offer the right products at the right price** from a credit and invest perspective, to also benefit from increased demand
- For our residential real estate portfolio, **we've set a target for net zero scope 3 emissions intensity by 2050 with interim 2033 targets**

Climate change

## How have we progressed?

### Result Commitments

- Calculated **CO<sub>2</sub> footprint** for scope 1 (2562t), scope 2 (407t) and set **carbon reduction targets**. Net zero for scope 1 & 2 by 2030
- Launched sessions with Climate Fresk in 2024 for senior management and employees directly working on ESG topics, with the intention to roll it out further across the organization, with the goal to increase **internal awareness on climate change** and its consequences
- Launched a **new building strategy** and **new company car policy**
- Published a **voluntary proxy for Green Asset Ratio** of 4.7% (details on slide 23)

### Resource Commitments



- Calculated **CO<sub>2</sub> footprint for majority of scope 3** (retail mortgage loan book – 1.3 Mt CO<sub>2</sub>e) and set **carbon reduction targets** for retail mortgage loan portfolio, -70% of CO<sub>2</sub> intensity by 2033, towards zero by 2050. (More on these targets in section 3 from slide 20)
- Launched a **partnership with Settle**, a platform agents can use to simulate with clients what the **cost of retrofitting** is, including the availability of government support (pilot in April 2024, full roll-out as from January 2025)
- **Require extra budgetary capacity** for **retrofitting** for borrowers purchasing a home with poor energy efficiency
- Developed **green credit products** (green car loan (13.1% of car loan production in 2023); renovation loan for energy efficiency (54% of production in 2023 real estate instalment loans) – both at reduced rates)
- Launched a partnership with ILVO (Instituut voor Landbouw, Visserij en voedingsonderzoek) to push forward knowledge and research related to agriculture and climate (538 subscribers to newsletter on agriculture and climate September 2023)
- Offer **investment products** that aim to capture opportunities from the climate transition and made sure asset managers consider climate change in their strategies
- Issued 2 green bonds under an ICMA-based **green bond framework**



# Our employees are our most valuable asset

We aim to be an employer of choice

## What is our approach?

-  Crelan **commits to treating its employees fairly via a strong policy and control framework**
  - Crelan has a **fair remuneration policy**, with the necessary controls in place that no unjust divergencies exist
  - Training & development policy** with necessary controls to follow up compliance
  - Diversity & inclusion policy**, with mandatory inclusive leadership training for people managers
-  Crelan **wants to be an employer of choice**
  - Foster **social dialogue**
  - Pay attention to a **healthy work-life balance** contributing to both physical and mental health
  - Invest in internal and external training and development** for our employees to develop sustainable careers
  - Hire for diversity**, consciously creating a workforce with different perspectives (e.g. in terms of gender, language, educational background, age, experience, ...)

## How have we progressed?

- Recognized as a **Top-Employer** for the 9th time in 2024 (\*)
- Invested **4.5 training days per FTE** in 2023 (focus on digital skills, compliance & security, leadership development)
- Integrated **ESG KPIs** in the variable **remuneration** framework
- The **gender pay gap** is monitored and action is taken if no objective reasons justify any gap
- Updated our **diversity & inclusion policy** with targets of minimum 33% women in both the BoD (25% end-2023) and the senior management layer (24% end-2023) by 2030
  - Current workforce consists of 51% women and 49% men, with 14 nationalities
- Updated the Collective Labour Agreement with the “**right to disconnect**”
- Inclusion and feeling of belonging is tracked via regular **Pulse surveys**
- HR offers **active career management**, which includes promoting internal mobility
- We launched an **Employee Assistance Programme** in early 2024 called Care4U. Staff members and (live-in) family members can rely on professional support from clinical psychologists and specialist consultants 7 days a week and 24 hours a day, free of charge

Own employees

(\*)Source: [https://www.top-employers.com/fr/search-top-employers/?\\_employer\\_search=crelan&\\_employer\\_country=belgium](https://www.top-employers.com/fr/search-top-employers/?_employer_search=crelan&_employer_country=belgium)

# Our cooperative banking DNA drives our social impact

It is also our unique selling proposition in the Belgian banking market

## What is our approach?



### Cooperative **governance**

- Strengthen the application of the cooperative principles (see slide 7), with a particular focus on concern for community, education and democratic **cooperator participation** in decision making
- Enhance cooperative entrepreneurship through **collaboration with other cooperatives**



### Cooperative **engagement**: aims to improve the local communities we operate in, focusing on **education, social inclusion and ecology**

- Strengthen cooperative **culture and awareness** at the agencies, headquarters, clients and external stakeholders
- **(re)investing profits, skills and knowledge from the bank** in the local communities through our CrelanCo Foundation



### Create a strong cooperative **value proposition** which aims to grow the cooperative and increase our positive impact in the community

- that creates **proximity & engagement** with the cooperative bank
- embedded in a strong & transparent **communication**
- that offers **attractive** services, products & benefits











## How have we progressed?

- Created a **cooperative bank office** with 5 FTEs and headed by a Chief Cooperative Bank Officer, dedicated to driving the cooperative mindset and actions with internal and external stakeholders. Created a new internal participative governance: launched a Cooperative Bank Steering Committee, Cooperative Bank Check-in with agents, cooperative communication workstreams
- Created a **new participative and decentralized governance** for the CrelanCo Foundation, created a medium-term partnership with a national charity
- Organized **surveys** among cooperators and agents (about benefits, events, selection of charity...)
- CrelanCo Foundation has **injected EUR 86,200 in the Belgian society** in 2023 and aims to increase this to EUR 400,000 in 2024
- CrelanCo paid a **4.25% dividend** in 2024, based on the result of 2023
- CrelanCo members receive discounts on certain banking products
- Created CrelanCo Member letters, CrelanCo Connect events, awareness events, participation events to **strengthen cooperator activation**
- Created **new CrelanCo Deals platform with new benefits** for cooperators and the opportunity for cooperators to offer their own products and services

# Ethical business conduct is crucial to maintain our license to operate

We do what is right and we are transparent about what we do

## What is our approach?

-  We operate with **strict discipline** regarding **regulatory compliance**
-  We **communicate transparently** to all our stakeholders, both internally and externally
-  We align our remuneration policy with both our financial and non-financial targets to align actions with our objective for long-term value creation
-  We have strict policies and processes in place to comply with **anti-money laundering, anti-corruption and anti-bribery** legislation
-  We carefully manage **conflicts of interest**
-  We are a **responsible taxpayer**
-  We have easily accessible **whistleblower channels** in place where all internal and external stakeholders can, in full confidence, raise issues that are then treated with care and within an appropriate time frame
-  We require **service & goods providers** to adhere to the **same ethical standards** as our own
-  We strictly monitor our operations and policies to mitigate the business risk represented by a mismatch between actions and communication
-  We exclude harmful activities from our own activities and banking services







## How have we progressed?

- **Regulatory watch** process is part of the Capital & Funding Committee (see slide 18), where new regulations are followed up and responsible owners report on progress towards compliance
- Effective compliance team supported by skilled professionals and comprehensive tools
- We have created a **climate report** on FY2023 and improved the **sustainability report** to increase transparency towards external stakeholders. We are preparing for a first CSRD report in 2025 on FY2024 (see DMA on slide 8)
- Awareness sessions on greenwashing risk launched from October 2024
- Integrated ESG requirements in the Procurement Policy
- We exclude unethical and unsustainable businesses from our credit and investment policy (see annexes 1&2 – update will be approved by end-2024 by BoD)
- We publish our **integrity, whistleblower and conflicts of interest policies** on our website, summarizing our approach in terms of various ethical behaviour
- A significant amount of **training** for employees is focused on compliance topics

# We make safe banking services accessible for all consumers and SMEs in Belgium

Financial inclusion is key for a more equitable society

## What is our approach?

-  We want to preserve **broad access to financial services** through digital channels and local agencies
-  We want to accompany society in a just transition, ensuring less privileged maintain fair access to banking products
-  We avoid overly complex products and services, ensure the **client understands** the offered product/service and its price, and ensures the product/service is suitable for the client
-  The set-up of its distribution network (independent, exclusive agents) is oriented towards the creation of long-term relationships with its customers. This results in agents taking the time to **inform our customers and manage their financial health**
-  We **inform** customers on how ESG topics may impact their **investments** and vice versa. We **understand their preferences** and recommend products accordingly
-  We are vigilant in terms of **data and cyber security** – breaches of which can cause serious negative impact on clients, other third parties and Crelan itself

## How have we progressed?

- We have announced, after the merger with AXA Bank Belgium to stay physically present in Belgian communities with around 450 local agencies by 2027, which will be among the densest networks in Belgium (\*)
- We offer a short list of plain vanilla banking products, as well as distribute simple insurance and investment products from our partners. Still, this covers the main financial services that a typical family or small business needs
- By 2027, we aim to have 100% of our investment products on offer under the SFDR classification of art. 8 or 9
- We have rolled out an extensive cyber security platform. It offers short training sessions around anti-phishing and GDPR as well as alerts on recent cyber events in the world
- We continuously inform customers around data security and cyber risks
- As part of staff safety, mainly in the branches, Crelan developed various procedures and consolidated them into a safety code
- Provided an average of 35 training hours per employee in 2023





Consumers

(\*) Febelfin reported 3.243 agencies in Belgium in 2023. (<https://febelfin.be/nl/cijfers/year:2023>)

# We support SMEs in their transition to maintain long term value for them and us

We are a partner for our business clients by providing financing and insights

## What is our approach?

-  We **engage** with our SME business customers on sustainability and ESG related topics. We discuss opportunities, risks and impact. We understand their perspective and share ours
-  We **finance transition initiatives** within the boundaries of our credit (acceptance) policy
-  We use partnerships to **bring expertise** to our SME business customers around sustainability and ESG
-  We have **two focus areas**:
  - Transition of the **agro-food** sector
  - **Energy efficiency** in real estate

## How have we progressed?

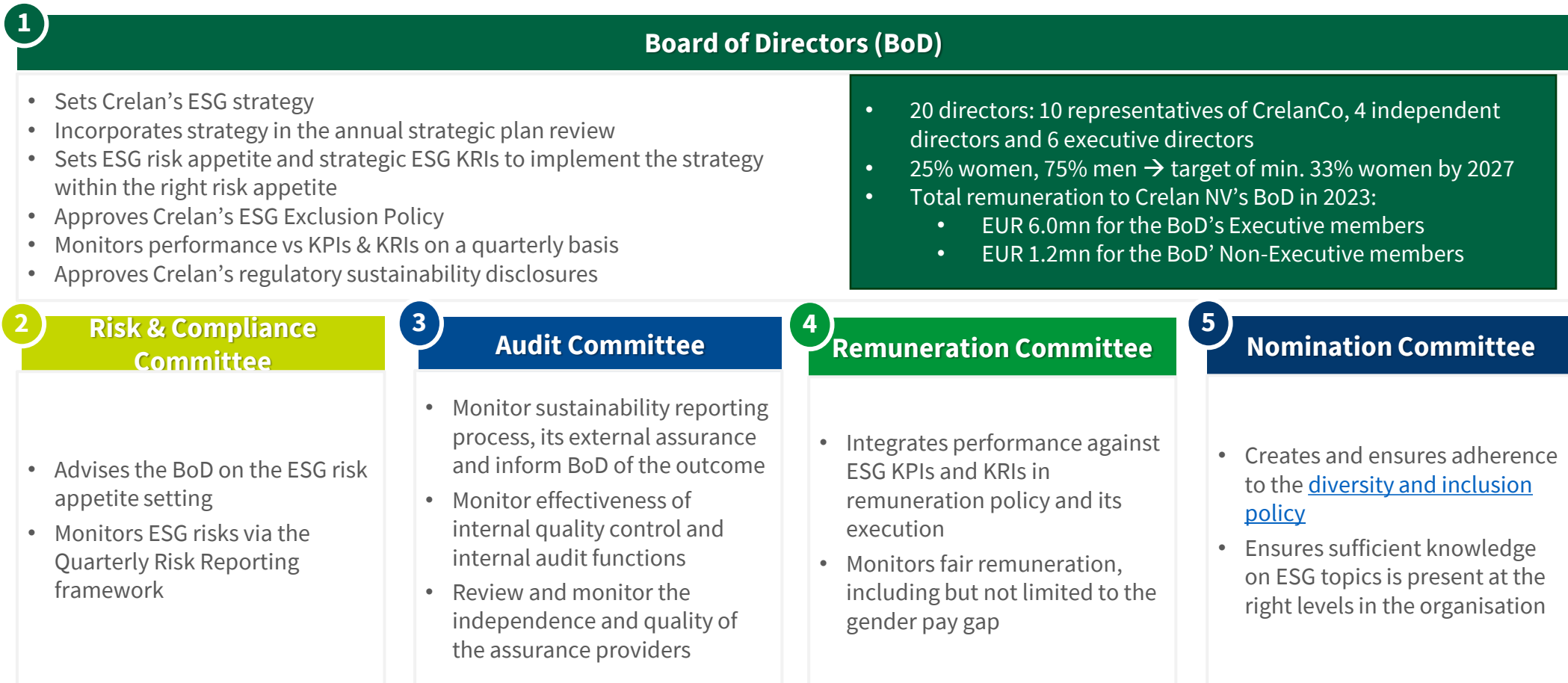
- In 2024, Crelan launched its **own ESG-scoring** for business customers, with a focus on large customers. The score is first and foremost a tool for **engagement** through conversation with businesses. It will also serve as an indicator in the **credit cycle** (from acceptance through pricing and monitoring), as we gain more experience and refine the scoring mechanism
- Crelan actively **participates in working groups** with the Belgian banking sector to streamline the capturing of ESG data from Belgian SMEs
- Crelan has **strategic partnerships** with: ILVO (Instituut voor Landbouw-, Visserij- en Voedingsonderzoek), the University of Ghent, University of Liege Gembloux Agro Bio Tech to promote scientific research projects on innovation and sustainability in the agricultural sector and understand supply chains.
- Furthermore, Crelan supports organisations such as FWA (Fédération Wallonne de l'Agriculture), FJA (Federation des Jeunes Agriculteurs) and ABS (Algemeen Boeren Syndicaat) who play an important role in representing the voice of farmers and horticulturists to the competent authorities
- The Setle tool discussed in the climate change section (slide 10) can also be used for a significant part of real estate owned by our business customers

## 2. Governance



# ESG is built into Crelan's governance structure

The Board of Directors sets the strategy and tracks execution



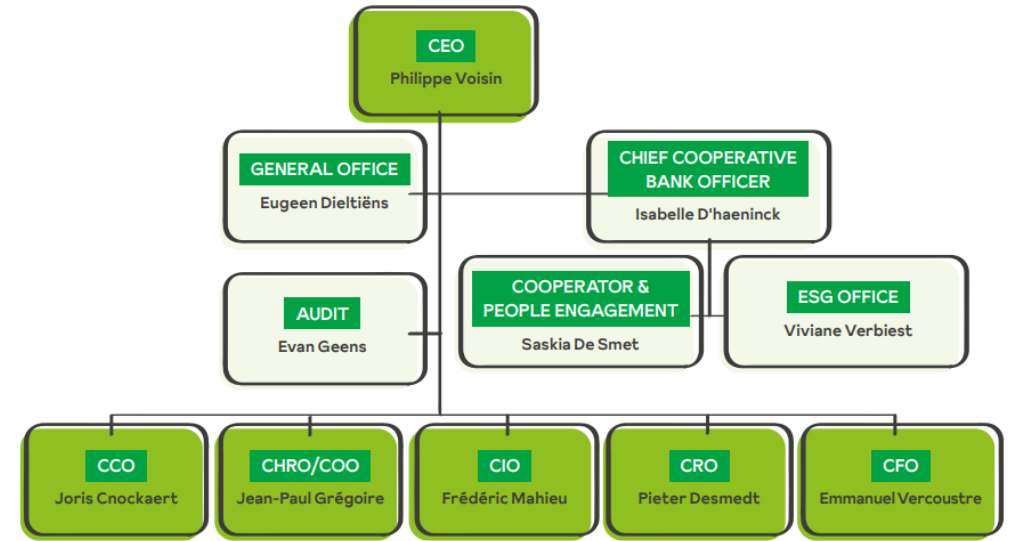
# ESG is integrated in the ExCo and its subcommittees

Integration of existing governance with ESG Office and Steerco as center of expertise



## ESG Steerco

- Created in September 2023
- Monitors overall execution of ESG Strategy
- Incorporates Crelan Circle members from all relevant departments
- Reports progress to ExCo via ESG Office



# Creilan's progress against the EU Sustainable Finance Action Plan







The EU Sustainable Finance Action Plan lays out a clear sustainability framework

Initiative	Description	Status @ Creilan
<b>Sustainable Finance Disclosure Regulation</b>	Sets out how financial market participants have to disclose sustainability information to allow investors to properly assess how sustainability risks are integrated in the investment decision process	<ul style="list-style-type: none"> <li>Implemented</li> </ul>
<b>MiFID Sustainability Preferences</b>	Requires firms to integrate customers' sustainability preferences in their investment advisory services and product governance	<ul style="list-style-type: none"> <li>Implemented</li> </ul>
<b>EBA Loan Origination and Monitoring</b>	Requirements to incorporate ESG factors and associated risks in their credit risk appetite and risk management policies and procedures	<ul style="list-style-type: none"> <li>Implemented</li> </ul>
<b>EU Taxonomy</b>	A classification system that defines criteria for economic activities to be environmentally sustainable. It also requires disclosures from companies on their level of alignment with the criteria. It identifies 6 environmental objectives: (i) climate change mitigation, (ii) climate change adaptation, (iii) sustainable use and protection of water and marine resources, (iv) transition to a circular economy, (v) pollution prevention and control, (vi) protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> <li>Reporting for environmental objectives 1 &amp; 2</li> <li>Preparing for reporting on environmental objectives 3-6</li> <li>Reviewing if and how loan criteria need to be adjusted to meet the criteria</li> </ul>
<b>Corporate Sustainability Reporting Directive</b>	Modernizes and strengthens the rules concerning the social and environmental information that companies have to report	<ul style="list-style-type: none"> <li>Preparation for first reporting on FY2024 ongoing</li> </ul>
<b>ECB expectations on climate-related and environmental ("C&amp;E") risks</b>	ECB's expectations to consider C&E risks when formulating and implementing their business strategy and governance and risk management frameworks, as well as to become more transparent by enhancing their C&E disclosures	<ul style="list-style-type: none"> <li>Aiming to meet expectations by end-2024</li> </ul>
<b>EBA Guidelines on ESG Risk</b>	Requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy	<ul style="list-style-type: none"> <li>Awaiting final publication, anticipating implementation</li> </ul>
<b>Corporate Sustainability Due Diligence Directive</b>	Require companies to identify and address adverse human rights and environmental impacts of their actions, in their own operations and their value chains	<ul style="list-style-type: none"> <li>Compliance expected from 2029</li> <li>Monitoring application guidance for FSI sector</li> </ul>
<b>EU Green Bond Standard</b>	Voluntary standard for green bonds, referring to the criteria of the EU Taxonomy and recommending best practices for transparency	<ul style="list-style-type: none"> <li>Monitored, but not applied (voluntary standard)</li> </ul>

# 3. Metrics and Targets

# Our targets, KPIs and KRIs to steer action on material ESG topics

KPIs & KRIs are reviewed on an annual basis, and are used in variable remuneration

Material topic	Metric	Type	Target year	Target (KPI) / Limit (KRI)	Status 2023
<b>Climate Change</b>	GHG scope 1&2	KPI	 2030	Net zero GHG emissions	3,881 Tonnes of CO <sub>2</sub>
<b>Climate Change</b>	Residential real estate portfolio emissions intensity	KPI	 2033	21 kgCO <sub>2</sub> e/m <sup>2</sup> /y (1.5°C aligned)	70kgCO <sub>2</sub> e/m <sup>2</sup> /y
<b>Climate Change</b>	Low energy performance of real estate exposure	KRI	N/A	Alert level of 5% of newly granted loans in high risk class	4%
<b>Own Employees</b> <b>Cooperative Banking</b>	Take awareness initiatives on ESG for employees, agents and cooperators	KPI	 2024	Organise at least one ESG initiative for employees and one for agents & cooperators	In progress
<b>Business Conduct</b>	Exclusion policy own investment portfolio in line with the Norwegian state pension fund	KPI	 2024	100% alignment	100% Aligned
<b>Consumers</b>	Percentage of the number of funds available that are Art.8 or 9 (SFDR)	KPI	 2027	100%	87.2%
<b>Financing SME Transition</b>	ESG scoring	KPI	 2026	Full integration in credit & risk policies	In progress

# Scope 3: Focus on financed emissions target for mortgage loans

We firmly take our responsibility, but we cannot reach the target by ourselves

## Retail real estate emissions intensity and target

We calculated a **baseline** for the three entities (Crelan, AXA Bank Belgium, Europabank) and arrived at a portfolio emissions intensity for the group of **70 kgCO<sub>2</sub>e/m<sup>2</sup>/y** on 31/12/2023, using the methodology from the Partnership for Carbon Accounting Financials (“PCAF”).

We use **CRREM’s 1.5°C scenario** for residential single family carbon intensity as a **target** given our commitment to align ourselves with the Paris Agreement. We adhere to UNEP FI’s target-setting guidelines.

**We assume our responsibility** as a bank to act towards this target. We inform clients **proactively** with **financial arguments** around impact of energy expenses on disposable income, highlight existing and potential future policy action and the impact of energy efficiency on real estate values. We aim for well-founded **quantification** of these arguments (see partnership with Setle) to present objective information to our customers. We also ensure we provide the **right products at the right prices** to orient our portfolio towards low carbon intensity, while maintaining our **social role** to provide Belgians to purchase homes as a foundation for their long-term financial health.

We also highlight that **our impact alone**, together with other mortgage lenders, **will not be sufficient to reach the target**: this will require policy action, public funding and technological innovation in broader society.

### 2023 Baseline (calculated in line with PCAF methodology)

Retail mortgage financing	EUR 37.8 bn (80% of loan portfolio)
Financed emissions	1.3 Mt CO <sub>2</sub> e
Portfolio emissions intensity	70 kgCO <sub>2</sub> e/m <sup>2</sup> /y

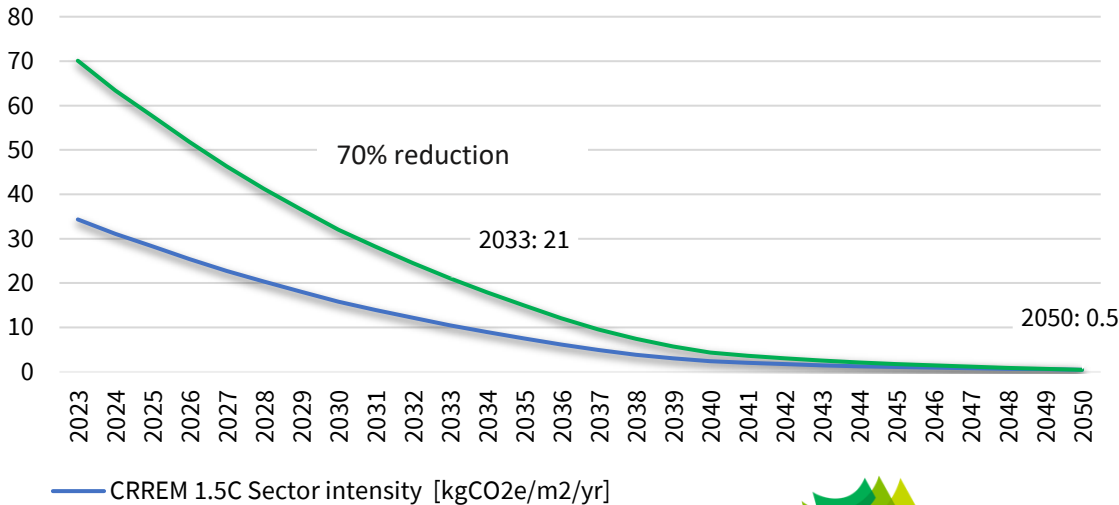
### 2033 intermediate target

Portfolio emissions intensity	21 kgCO <sub>2</sub> e/m <sup>2</sup> /y
% reduction (vs. baseline)	70%

### 2050 target

Portfolio emissions intensity	0.5 kgCO <sub>2</sub> e/m <sup>2</sup> /y
% reduction (vs. baseline)	99%

CRREM Europe | Belgium | Residential, Single Family Carbon Intensity (1.5 °C)



# EU Taxonomy reporting : Green Asset Selection Methodology

## EU Taxonomy reporting

For end-2023, we reported

- An official Green Asset Ratio of 0% due to insufficient data quality and uncertainty around the regulatory interpretation
- **\*Voluntary reporting based on green asset pool** for green bond framework, published in the 2023 Climate Report

For the voluntary reporting, we focused on retail mortgage loans, our largest portfolio

We applied the following criteria:

- **Technical screening criterion (TSC)** (climate change mitigation section 7.7): in the Green Asset Selection Methodology of its Green Bond Framework, Crelan has laid out its methodology (based on public data) for defining the top-15% most energy efficient residential properties in Belgium. Out of this pool, Crelan has removed the loans for which the first drawing was made after 01/01/2022 as a proxy for the EU Taxonomy cut-off date based on the building permit grant date of 01/01/2021
- **Do no significant harm:** Crelan excludes loans which are linked to assets in high flood risk areas, based on public data sources, in line with Pillar 3 reporting
- **Minimum social safeguards:** we do not apply this to retail mortgage loans

For future reporting, we follow any clarifications on regulatory interpretation as provided by the EU Frequently Asked Questions (FAQs). In addition, we are working to improve data availability and quality. Without evolutions in these matters, Crelan has not set any target levels for official and/or voluntary proxy for the Green Asset Ratio. This will be reviewed in the future

Voluntary reporting	31/12/2023
Total green asset pool (EUR mn)	3,401
Exclusion of loans with first drawing date from 01/01/2022 (EUR mn)	-717
Proxy for loans meeting substantial contribution criteria (EUR mn)*	2,684
Exclusion of loans linked to high flood risk (EUR mn)	-145
Proxy for alignment (EUR mn)	2,540
Total retail mortgage loans (EUR mn)	37,782
Proxy for alignment / total retail mortgage loans (%)	6.7%
Denominator Green Asset Ratio (EUR mn)	53,978
Proxy for alignment / total EU Taxonomy eligible loans (%)	4.7%

\*While the assets of the Green Bond Program meet the "Substantial Contribution" criteria, alignment with the EU Taxonomy also requires demonstrating compliance with the Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) criteria  
While we believe these conditions will largely be met, proving full compliance is particularly challenging for a retail portfolio  
Therefore, Crelan has decided not to report the loans as "Aligned with EU Taxonomy"  
Crelan has hence decided to report a voluntary GAR as depicted on the slide next to the official GAR  
For further details, please refer to our 2023 Climate Report, specifically pages 56 and onward

# 4. Climate Risk Management



# Climate risk is integrated in overall risk management

From materiality to risk appetite and risk monitoring and reporting

## Identification

- In line with regulatory and supervisory guidance as well as market best practice, we **distinguish between transition climate risk and physical climate risk**

## Assessment

- We performed both **quantitative and qualitative** assessments, for **different time horizons**
- The conclusion is that the following risks are **material**:
  - **Transition credit risk for retail mortgages**
  - **Transition credit risk for professional loans** (other than agriculture)
- The outcome of the materiality assessment is reviewed on an annual basis by the Risk & Compliance Committee

## Management

- We have set a risk appetite for the two material risks:
  - Sets a limit in terms of % of new production volume of retail mortgages loans which combine a **low EPC value** with a high loan to value and/or a high debt service-to-income ratio
- In addition, while developing and fully integrating the **ESG Scorecards** (see on slide 15 above), the bank maintains exposure limits for professional customers as well
- Finally, even if physical risk for retail mortgages did not reach the materiality threshold, a risk appetite statement has also been developed around **flood risk**: no more than a % of the mortgage loan portfolio should be located in a high-risk flood zone

## Risk appetite & Reporting

- We have a reporting framework in place to monitor internally and report externally on the risk indicators
- The **Quarterly Risk Report** informs the ExCo, RCC, BoD and ECB on the status of key risk indicators
- The **2023 Climate Report** and the **future CSRD-compliant report** disclose publicly Crelan's exposure to and management of climate risks, opportunities and impacts
- The **Pillar 3 report** contains both qualitative and quantitative information on the exposure to and management of climate risk

# Climate Risk Materiality Assessment Methodology

We identified potentially material climate-related risks and assessed these either quantitatively or qualitatively

- The exercise applies **4 distinct time horizons** in line with CSRD, adding even **more granularity in the long-term** bucket: 1Y (short), 1-5Y (short-to-mid), 5-10Y (mid-to-long) and > 10Y (long term)
- A quantitative approach is conceptualised: starting from **NGFS 2022 climate scenario (current policies and delayed transition) and the ECB's short-term scenarios (accelerated transition and late-push)** for different C&E risk drivers, for each driver an impact is calculated. The impact is compared to a materiality threshold which is set as a **% of our CET1**, and a **% of LCR buffer**
- A qualitative approach is also used on which the **severity / frequency matrix** is applied to derive an impact amount which is then compared to the materiality thresholds

C&E risk driver	Risk affected	Portfolio affected	Narrative (stress scenario)
Transition	Credit risk	Retail mortgages	Increase in energy prices, investment acceleration
		Agriculture	
		Other professional	
		Consumer loans (LOA)	
	Market risk	Corporate portfolio	Stress on corporate portfolio
		Sovereign portfolio	Widening spreads (sovereign portfolio)
		Covered bond portfolio	Stress on covered bond portfolio
	Liquidity risk	Retail mortgages	Not enough eligible assets under GBP
		Retail mortgages	No Green Bond Framework
		Retail mortgages	New regulation impacting the eligibility of assets as HQLA
		Retail mortgages	Not enough value for covered assets under CBP
		Retail mortgages	Collateral eligibility requirements changed by the central bank
	Operational risk	All portfolios	Increased scrutiny and timing pressure with actual fines.
		External	Greenwashing by vendors / providers
Agriculture		Reputational impact of nitrogen-intensive financing on client & talent	
Physical	Credit risk	Retail mortgages	Floodings
		Agriculture	Floodings
		Other professional	Floodings
		Consumer loans (LOA)	Floodings
		Retail mortgages	Drought
		Agriculture	Drought
		Other professional	Drought
		Consumer loans (LOA)	Drought
		Retail mortgages	Other (storms/heat wave/wildfire)
		Agriculture	Other (storms/heat wave/wildfire)
		Other professional	Other (storms/heat wave/wildfire)
		Consumer loans (LOA)	Other (storms/heat wave/wildfire)
	Market risk	Corporate portfolio	Stress on corporate portfolio
		Sovereign portfolio	Widening spreads (sovereign portfolio)
		Covered bond portfolio	Stress on covered bond portfolio
	Liquidity risk	Retail and wholesale deposits	Drawdown of funds due to flooding
		Retail mortgages	Not enough eligible assets under GBP
	Operational risk	All portfolio	Physical risk events affecting operational resilience
		Hacking event	Hacking event

Climate change

	Considered immaterial
	Qualitative assessment
	Quantitative assessment



# 5. Green Bond Issuances

# Overview of Crelan's Green Bond Framework

A Green Bond Framework aligned with market practices such as the Green Bond Principles (ICMA)

✓ The Green Bond Framework has been established as an overarching platform under which Crelan intends to issue **Green Bonds**, which may include bonds (public or private placements) and commercial paper in various formats

✓ This Framework has been developed in alignment with the **International Capital Markets Association (“ICMA”) Green Bond Principles, 2021**



Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting

✓ The proceeds of Green Bond issuance will be used to finance or refinance in whole or in part, new or existing loans within the list of following eligible categories:

- **Green Buildings**
- **Clean Transportation**

✓ The proceeds of the Green Bonds will contribute to the following EU environmental objective: **Climate Change Mitigation**







✓ As much as possible, Crelan has taken into account **the definition of “Sustainable Investment” as defined under SFDR** article 2, point 17 to select these eligible assets and update this Green Bond Framework 

✓ It has obtained a **Second Party Opinion** provided by Sustainalytics  **SUSTAINALYTICS**

✓ Crelan has issued 2 green SNP bonds for a total of EUR 1.35 bn (September 2023 and January 2024) versus an eligible asset pool of EUR 4.28 bn (as of June 2024)

# Green Bond Framework – Use of Proceeds

Crelan intends to allocate an amount equal to the net proceeds of any Green Bond issuance to finance or refinance in whole or in part, new or existing loans within the list of eligible categories. Eligible loans will exclusively be granted to borrowers within Belgium. All the eligible assets are located in Belgium

Eligible Green Assets	Description	EU Environmental Objectives	SDG Alignment
 <p><b>Green Buildings</b></p>	<ul style="list-style-type: none"> <li>Loans for buildings with <b>EPC label <math>\geq</math> “A” or belonging to the top 15% of the national stock or regional building stock</b> expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence; or</li> <li><b>Energy performance of at least 10% lower</b> than the local threshold set for nearly zero building (<b>NZEB</b>) requirements</li> <li>Renovation loans which are <b>used 100% for green renovations</b>; and activities leading to <b>energy improvements of at least 30%</b></li> </ul>	<p>✓ Climate Change Mitigation</p>	 
 <p><b>Clean Transportation</b></p>	<ul style="list-style-type: none"> <li>Loans financing the <b>acquisition</b> of the following types of vehicles:               <ul style="list-style-type: none"> <li><b>Fully electric vehicles</b></li> <li><b>Hybrid vehicles</b> for which the associated tailpipe has been demonstrated by adequate evidence and range below 50gCO<sub>2</sub>eq/km *</li> </ul> </li> </ul>	<p>✓ Climate Change Mitigation</p>	 

# Green Bond Allocation and Impact Report - 2024

Outstanding Green Bonds are fully allocated to Eligible Loan Portfolio

## Allocation Reporting

Eligible Green Loan Portfolio				Outstanding Green Bonds					
Asset type		Volume (million)	in %	Instrument (ISIN)	Issuance Date	Maturity Date	Amount (million)	% allocated	
Green Housing	Mortgage Loans	EPC ≥ A	NA	NA	BE0002936178	19-Sep-23	28-Feb-30	€600	100.0%
		Top 15%	€4,278	100%	BE0002989706	23-Jan-24	23-Jan-32	€750	100.0%
		of which Flanders	€2,522	59%					
		of which Wallonia	€1,604	37%					
	of which Brussels	€153	4%						
Renovation Loans		NA	NA						
		NA	NA						
<b>Total (EUR million)</b>		<b>€4,278</b>	<b>100%</b>	<b>Total (EUR million)</b>		<b>€1,350</b>	<b>100%</b>		

% of Eligible Green Loan Portfolio allocated	31.56%
% of Net Proceeds of Green Bonds allocated to Eligible Green Loan Portfolio	100%
% of Unallocated proceeds from the Green Bonds issuance(s)	0.00%

## Impact Reporting

GHG Emission Crelan Green Buildings Portfolio (tonnes CO <sub>2</sub> )	GHG Emission reference (tonnes CO <sub>2</sub> )	GHG Emission reduction (tonnes CO <sub>2</sub> )
72,558	242,275	169,717

Table 6: CO<sub>2</sub>-emission Crelan Green Buildings Portfolio compared to Reference

CO<sub>2</sub> emissions Crelan Green Buildings Portfolio compared to Reference

The total CO<sub>2</sub> emissions of the Crelan Green Building Portfolio is **72,558 tonnes of CO<sub>2</sub> per year**. The Reference CO<sub>2</sub> emissions is 242,275 tonnes of CO<sub>2</sub> per year

Therefore, the Crelan Green Buildings Portfolio is estimated to emit **169,717 tonnes of CO<sub>2</sub> less than the Reference Group, which is a reduction of 70%**

Please see the detailed allocation and impact report for more impact metrics on energy consumption and energy intensity for the portfolio

## Highlights

All buildings in the Crelan Green Buildings Portfolio meet the EU Taxonomy Substantial Contribution to Climate Change Mitigation by meeting the eligibility criteria stipulated in the Crelan Green Bonds Asset Selection Methodology (June 2023)

- **100%** of the eligible portfolio located in **Belgium**
- **100%** of **Net proceeds** of Green Bonds have been **allocated to the Eligible Green Loan Portfolio (green housing)**
- **31.6%** of the Eligible Green Loan Portfolio has been allocated
  - 14.0% for green bond BE0002936178, maturing 28/02/2030
  - 17.5% for green bond BE0002989706, maturing 23/01/2032
- **0.00%** of Unallocated proceeds from the Green Bonds Issuances
- Please find more details in the Green Bonds Allocation and Impact Report (2024) - [Link](#)







# 6. ESG Ratings

# ESG Rating

We engage with ESG rating agencies to improve our coverage and improve our scores

## Unsolicited ratings

Contrary to credit ratings, most ESG Ratings are unsolicited. Crelan hence cannot apply for specific ESG Ratings.

Agency	ESG Rating & Score	Highlight
		<ul style="list-style-type: none"> <li>• “Low Risk” category with a score of 19.6</li> <li>• Sustainalytics is a major ESG Rating provider</li> <li>• Improvement seems possible with additional disclosures</li> </ul>
		<ul style="list-style-type: none"> <li>• Crelan SA as entity rated 3 with a score of 48</li> <li>• Green Bonds rated 3 with a score of 56</li> <li>• Green Bond framework rated 2 with a score of 81</li> </ul>
<p style="text-align: center;">Entity Rating      Green Bond Rating</p> <p style="text-align: center;">Green Bond Framework Rating</p>		



# 7. Contact

# Feel free to reach out for further info

## Investor relations

<https://www.crelan.be/fr/corporate/investor-relations>

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# 8. Appendix

# 1. Important Crelan Reports and Policies

- Integrity (link [NL](#) - [FR](#))
  - Prevention of money laundering, en terrorism financing
  - Sanction compliance
  - Fiscal fraud prevention
  - Duty of care
  - Market abuse
  - Bribery and corruption
  - Anti-discrimination
  - Privacy and duty of discretion
- Whistleblower (link [NL](#) – [FR](#))
- Conflicts of interest (link [NL](#) – [FR](#))
- Remuneration (link [EN](#) p. 100-103)
- Diversity & Inclusion (link [NL](#) [FR](#))
- Exclusion – credits (slides 37 & 38)
- Investment (slide 39)
- Reports:
  - Annual Report (link [EN](#))
  - Climate Report 2023 (link [EN](#))
  - Sustainability Report 2023 (link [EN](#))

# 2.Exclusion policy for lending

Crelan refuses to lend to companies with the below activities

- **Sex industry**
  - Prostitution and/or pornography related activities
- **Weapons**
  - Companies involved in the use, production, development, maintenance, testing, storage or trade of controversial weapons
  - Companies whose share of turnover comes from the production of conventional weapons  $\geq 25\%$
  - Companies whose share of turnover comes from the production of important parts or services for companies producing conventional weapons  $\geq 25\%$
  - Companies that supply military goods to countries subject to a United Nations arms embargo or a relevant multilateral arms embargo
- **Gambling industry**
  - Companies whose share of turnover from gambling activities or products is greater than or equal to 5%, except for the National Lottery of Belgium
- **Tobacco industry**
  - Companies that produce tobacco or tobacco-based products
  - Companies that produce e-cigarettes
  - Companies that generate their turnover from the wholesale of tobacco and/or e-cigarettes
  - Companies that generate  $\geq 25\%$  of turnover from supporting the tobacco and/or e-cigarette industry
- **Endangered species**
  - Companies or activities that trade in endangered species that fall under the CITES Agreement and/or the IUCN Red List of Threatened Species
- **Oil & Gas**
  - Companies that extract oil and gas
  - Companies that generate  $\geq 5\%$  of turnover from the wholesale and/or retail trade of unconventional oil and/or gas
  - Companies that generate  $\geq 5\%$  of turnover from supporting the unconventional oil and gas industry
  - Companies involved in the exploration and development of new oil and gas fields
- **Coal**
  - Companies active in (thermal) coal mining
  - Companies that generate  $\geq 5\%$  of turnover from the wholesale and/or retail sale of (thermal) coal
  - Companies that generate  $\geq 5\%$  of turnover from supporting the (thermal) coal industry
  - Companies involved in the development of new coal-fired power stations
  - Companies whose turnover from generating electricity from coal is  $\geq 10\%$
- **The environment**
  - Companies that are in violation of environmental legislation or do not comply with standards and norms

# 3. Credit policy – sound lending practice

Crelan considers the following principles in its credit granting process

- The following non-exhaustive commitments encouraging sustainability are included:
  - Borrowers are expected to operate in full transparency;
  - No lending to minors;
  - Not encouraging excessive debt;
  - Avoid financing complex tax structures;
  - Check identity of borrowers and origin of own funds;
  - Require guarantees in Belgium;
  - Require minimum profitability;
  - No takeover of files "in default" with another bank

# 4. Investment policy

## Harmful activities are excluded from the own investment book

- As part of its liquidity management, Crelan maintains an investment portfolio. Through procedures and observing an exclusion list, the bank ensures that these funds are invested correctly and sustainably
  - In the first instance, the Balance Sheet Management department screens the investments it makes in respect of internal investment requirements such as the creditworthiness of the counterparty, the investment horizon, pre-set limits, ... Because the bank's financial portfolio is mainly held as part of liquidity management, Crelan invests primarily in bonds with a robust credit profile and high level of liquidity
  - The bank's portfolio therefore **consists largely of government bonds** issued by Eurozone countries. These democratically elected governments have incurred debts in the past to invest in education, social security and health care, among other things. Through loans to the government, Crelan contributes to the financing of projects within these areas
  - Only well-known **companies** from mainly Europe and the United States, whose activities are known to the general public, are eligible for investments in corporate bonds
- The Balance Sheet Management department uses an **independently approved ESG rating agency to select investments with the best ESG scoring and an exclusion list** of issuers from which no financial instruments may be purchased. This list is **based on the exclusion list of the Norwegian "Government Pension Fund Global"** (GPFG)
- The exclusion list of the GPFG is supplemented by issuers whose values or production methods do not fit within the ethical values that Crelan wishes to espouse. Issues that are particularly important to Crelan are:
  - **1. Respect for human rights:** excluded from our investments are companies that breach the ILO or OECD guidelines in relation to labour and human rights such as child labour, forced labour, hindering trade union formation, discrimination, ...
  - **2. Respect for fellow human beings:** excluded from our investments are companies that have links with the production of weapons, gambling, pornography, illegal activities, flagrant corruption or money laundering, misleading stakeholders, ...
  - **3. Respect for the environment and health:** companies linked to the tobacco sector, non-certified palm oil, illegal deforestation, companies that generate significant revenue from coal, ...

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