

GREEN FINANCING FRAMEWORK

APRIL 2023

We're here for you. **ethias**

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1. INTRODUCTION

Ethias is a leading insurer in Belgium. While our legal form has evolved over time, we remain true to our values and our mission to simplify insurance by providing innovative products and services. We are proud of our 2,000 employees who represent the proximity partners our 1,200,000 clients can rely on. Our values are the foundation of our identity, our culture and our personality. In a nutshell, they constitute the DNA of Ethias. Our values are expressed in daily life (when welcoming our clients, settling a claim, providing advice on prevention, etc.). They are also materialized when implementing our dynamic policy of Corporate Social Responsibility (CSR), listening to the concerns of our policyholders and private individuals as well as public bodies. Our mission is our *raison d'être*. In a clear and concise way, it presents what we do and how we stand out. It gives meaning to all our actions and makes us work together in the same direction. Our mission is as follows:

Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.

Our vision for the future revolves around 3 pillars, viz. digital, direct and reinforced partnership with public authorities, linked to a constant drive for innovation at the client's service.

2. OUR SUSTAINABILITY STRATEGY

Integrating sustainability into the company's strategy means, first and foremost, taking a 360-degree view and accepting that our thinking and decisions must take into account considerations for our stakeholders: clients, employees, shareholders, suppliers and society.

Ethias' Sustainability strategy is based on a stronger governance, built with a team of passionate employees, whose primary mission is to integrate sustainability criteria in all areas of the company's activities. Ethias is clearly not starting from scratch when it comes to sustainability: Corporate Social Responsibility (or CSR) has always been part of its DNA! A joint Ethics Committee was set up for this purpose in 2003. Over the years, Ethias has enhanced its profile for its social commitment thanks to many successful initiatives and actions.

Our new Sustainability strategy is built around the three main pillars known as ESG. For each of these pillars, we involved our employees to set up a concrete action plan aimed at:

- further reducing Ethias' ecological footprint through ever more ambitious environmental management and even more sustainable investments;
- creating a modern governance that allows employees to actively participate in new forms of collaboration on sustainability projects;
- above all, remaining people-oriented by being continuously present alongside those who need assistance, clients or not (poverty, inclusion, health, assistance, prevention, diversity).

Our new strategy is in line with the United Nations' Sustainable Development Goals (SDGs). We believe that we can make the greater difference by aiming at these goals. The goals are eradicating poverty, promoting health for all, creating more sustainable cities and communities, and fighting climate change. Other issues are also tackled, such as concrete commitments on ending hunger, access to reliable, sustainable and affordable energy services, and promoting more sustainable consumption and production methods.



2.1 UN PRI



In 2020, Ethias became a signatory of the UN PRI (United Nations Principles for Responsible Investments¹). This organization, through its Principles, is the leading advocate of responsible investment worldwide.

By signing the Principles for Responsible Investment, Ethias has publicly committed to take into account the importance of the environment, society and good governance, as well as the United Nations principles, in its investment choices. This is the logical continuation of Ethias' CSR policy.

UN PRI will carry out recurrent analyses of Ethias' investment policy, which in turn will provide full transparency, through a detailed report, on its investment policy, as well as on the progress made in complying with the UN PRI principles. The six Principles for Responsible Investment propose a range of possible actions to integrate ESG aspects into investment activities:

¹ <https://www.unpri.org/>

1. Ethias will incorporate ESG issues into investment analysis and decision-making processes;
2. As an active owner, Ethias will incorporate ESG issues into our ownership policies and practices;
3. Ethias will seek appropriate disclosure on ESG issues by the entities in which it invests;
4. Ethias will promote acceptance and implementation of the Principles within the investment industry;
5. Ethias will work together to enhance its effectiveness in implementing the Principles;
6. Ethias will report on its activities and progress towards implementing the Principles.

In short, Ethias is a responsible investor who defines and adopts a committed responsible investment strategy, who manages its investments with a long-term perspective on behalf of its policyholders and shareholders, who directly holds a majority of its investments, thus allowing for a stronger integration of its responsible investment strategy and who ensures, in the context of the delegation of asset management, that the designated management companies share the same values.

2.2 General framework of the sustainable and responsible investment policy

As a long-term investor, Ethias supports the development of a sustainable economy by generating stable returns for its various stakeholders while limiting and diversifying risk. This approach to managing sustainability risks in a controlled manner is likely to result in a positive performance.

Ethias' Sustainable and Responsible Investment Policy² applies to all assets under management, i.e. to all geographical areas and all asset classes. Ethias' investments incorporate this long-term vision based on prudence, sustainability and responsibility. The integration of Environmental, Social and Governance (ESG) criteria into the investment policy is an essential vector of Ethias' values. This integration, articulated around 3 general principles, reflects its commitments and is an inherent component of the governance of its investment strategy.

Values

To apply its values in its investment activities, Ethias relies on a sustainable and responsible investment policy in order to:

- secure the commitments made to policyholders, in particular to offer an optimised performance over time;
- become a long-term investor and responsible shareholder;
- contribute to the development of the economy by providing public and private actors in all sectors of activity with the stability necessary for their growth projects.

4 guiding conditions

As a signatory of the United Nations Global Compact³ and the Principles for Responsible Investment (PRI), Ethias is convinced that taking ESG criteria into account when evaluating an investment contributes to value creation and optimises the risk/return trade-off over time. Hence, Ethias deploys a responsible investment strategy. The four conditions that guide the integration of ESG criteria are the following:

- respect human and civil rights as defined in the Universal Declaration of Human Rights;
- respect the principles of the International Labour Organisation (ILO), including respect for freedom of association and the right to collective bargaining, the elimination of forced and child labour and discrimination;
- promote environmental protection, energy and ecological transition, initiatives to reduce or adapt to climate change; and,
- contribute to the fight against corruption.

Integration

The Sustainable and Responsible Investment Policy is drafted by the Asset Management department together with Ethias' Corporate Social Responsibility team and the Risk Management department. It is defined within the investment policy approved by the General Management and the Board of Directors. Hereby, Ethias shall: translate principles #1 and #2 into operational terms by providing the necessary human and financial resources, and report publicly each year on the approach implemented and the progress made.

² https://www.ethias.be/content/dam/ethias-investors/INVESTORS/PDF/rapports-ethias/2021_10_15_PIDR_EN.pdf

³ <https://unglobalcompact.org/>

2.3 Responsible investment policy and shareholder activism

Because becoming an increasingly sustainable investor requires both discipline and an integrated approach, Ethias reviewed all its investment processes in 2021, resulting in the adoption of a new Sustainable and Responsible Investment Policy and new investment governance. Ethias went one step further by signing concrete commitments to materialise its ambition to decarbonise the investment portfolio, lobby the biggest polluters and commit to protecting biodiversity.

Ethias has published the new version of its Sustainable and Responsible Investment Policy, in which it reaffirms its commitment to the Paris Climate Agreement and sets the objective of achieving a carbon neutral investment portfolio by 2050 at the latest. In addition, in each asset class, the proposed investments must meet strict Environmental, Social and Governance criteria (so-called "ESG" criteria).

We integrate ESG analysis into our investment processes and promote sustainable and responsible investments in our selection process. In 2021, we acquired an ESG database and set up an ESG research partnership with HEC – Université Liège⁴, which allows us to further develop our investment selection criteria, including climate impact. Furthermore, we also place a high priority on working with managers who are signatories to the United Nations Principles for Responsible Investment (UN PRI). In addition to this requirement, Ethias uses sustainable investment criteria in its management mandates.

Lastly, we are concerned about the potential impact of investments on the financing of the energy transition and the creation of a fairer society. This role as responsible investor comes with a long-term responsibility, particularly in the management of legal and supplementary pensions and in supporting the economy. By taking ESG factors into account in its investment decisions, Ethias seeks above all to have an impact, whether social or environmental, in favour of the regions, companies and sectors in which it invests. Therefore, being a sustainably committed investor also means taking responsibility for our investment choices and their monitoring, as well as actively contributing to initiatives that bring together actors of change in these areas. As an active shareholder, Ethias has updated and published both a voting policy and an engagement policy.

2.4 How our dynamic CSR approach guides our societal actions

Health crises, digital divides, social inequalities, urgent climate issues... These are new threats that are challenging the much-needed solidarity to build a responsible and sustainable society of the future. Human and ethical values are too often disregarded, even though they are our sole and unique way of existing. That is why, at Ethias, we put people and the communities they live in at the heart of everything we do. We have always applied CSR (Corporate Social Responsibility) to all our businesses. Ethias uses it as a management tool that allows the company to align its activities with its values: human, commitment, enthusiasm and customer satisfaction. Through its CSR approach, Ethias assesses the progress made within the social, societal and environmental fields. For the sake of a better, fairer, greener, more equal and united world, Ethias positions itself as a:

- Trustworthy insurer
- Sustainable company
- Responsible investor

With that in mind, Ethias has followed a rigorous, moral and transparent approach for many years for managing its financial assets. Our Ethical Investment Code⁵ arises directly from this commitment to social responsibility, as well as the implication of Ethias in road accident prevention, its support for social initiatives, its investments in social economy and the refusal of exclusion, regardless of the insured's age, health or degree of disability.

⁴ https://www.hec.uliege.be/cms/c_7098604/en/hec

⁵ Ethical Investment Code

2.4.1 SOCIAL INITIATIVES

Our social responsibility action plan is inspired by the United Nations Sustainable Development Goals and over the years, we have gained profile for our social commitment thanks to many successful initiatives and actions. Some key initiatives which we are proud to support include but are not limited to:

Ethias Youth Solidarity Awards



With a budget of 450,000 euros, Ethias encourages the Public Social Welfare Centres (PSWCs) to fight against youth poverty. Ethias wants to help fight financial insecurity of young people and has therefore launched the first edition of the Ethias Youth Solidarity Awards. All Belgian PSWCs were invited to submit a project to fight poverty amongst the young. These projects can be about cultural participation, access to education, budget support, etc. Three out of ten young Belgians (30%) have already experienced poverty, more than a quarter of young Belgians (27%) have even asked help from an SWC and more than three in ten (33%) regularly experience less pleasure in life because of financial worries. These are just some of the alarming figures that emerge from a survey of 1,000 young people aged between 16 and 30 about their financial situation. The independent research institute Indiville carried out the study at the request of Ethias.

Floods

Ethias demonstrated its social commitment during and after the floods of 2021. Every affected person, whether insured by Ethias or not, could go to mobile crisis centres for advice and assistance. The solidarity barbecues organised by the Amicale were dedicated to the affected population and volunteers. Ethias also provided financial support to “Panier Solidaire”, a non-profit organisation that distributes food packages. Flora, the 100% digital subsidiary of Ethias, turned a container into a meeting centre in Chaudfontaine. Finally, Ethias also provided support through digital means: App4you. Our digital solidarity platform was relaunched to appeal to everyone’s solidarity.

Social housing

Ethias is a partner of more than 30 social housing companies in Flanders (including “Woonhaven Antwerpen”, the largest social housing company in Flanders) and offers its insurance products (Home, Family and optional Theft cover) at a rate adapted to this target group of tenants.

2.4.2 SOCIALLY RESPONSIBLE DIRECT INVESTMENTS

Ethias invests in socially-oriented structures, such as social economy funds (Netwerk Rentevrij, Carolidaire) or funds for scientific research. In doing so, it holds financial participations in various fields that are important for strengthening solidarity: social loan companies, housing companies, microfinance organisations, support for various associations and alternative finance organisations. We reserve a large part of our investments for sectors that are, as the crises of the last two years have shown, the foundations of our society. These include:

- Social housing corporations
- Hospitals and nursing homes in the real estate sector
- Scientific research (university funds, spin-offs)
- Qbic Feeder Fund
- ICC (UGent)
- ICAB (VUB)
- Gimv Health & Care Fund

2.5 ESG Risk Management

Being convinced that the integration of Environmental, Social and Governance (ESG) criteria in the evaluation of an investment contributes to value creation and optimises the risk/return trade-off over time, Ethias adopts a Sustainable and Responsible Investment strategy within the various asset classes. This strategy aims at generating performance through the controlled management of sustainability risks while relying on extra-financial expertise. In terms of ESG approach, the proposed guidelines are included each year in the Ethias investment strategy. These guidelines are validated by the Executive Committee and the Board of Directors after presentation to the Audit and Risk Committee.

Sustainability risk is defined as an Environmental, Social or Governance (ESG) event or condition that, if it occurs, could have a material adverse effect, actual or potential, on the value of an investment. Ethias has identified the main sustainability risks on which it focuses its efforts and resources in order to deploy its responsible investment strategy. This is implemented operationally through the shareholder engagement policy, the exclusion policy and the selection of investments based on ESG criteria.

Sustainability risk	Selection of investments based on ESG criteria			Exclusion Policy	Shareholder engagement policy (votes & dialogue)
	Equities	Bonds	Real estate		
Climate change	✓	✓	✓	✓	✓
Loss of biodiversity	✓	✓	✓	✓	✓
Discharges to water	✓	✓	✓		
Hazardous waste	✓	✓	✓		
Poor governance	✓	✓	✓	✓	✓
Non-respect of Human Rights	✓	✓	✓	✓	
Tax evasion	✓	✓	✓	✓	
Corruption	✓	✓	✓	✓	
Terrorist financing and money laundering	✓	✓	✓	✓	
Non-compliance with labour law	✓	✓	✓	✓	
Lack of diversity	✓	✓			✓
Harm to health or safety of persons	✓	✓	✓	✓	

The prioritisation of negative impacts depends on the type of assets and sectors of activity. Regarding climate change risk, the goal of Ethias' Sustainable and Responsible Investment Policy is to reduce exposure to climate risks, both physical and transitional. More specifically, Ethias is committed to the fight against climate change through achieving carbon neutrality in its investment portfolio by 2050 at the latest. The shareholder engagement policy, the exclusion policy and the selection of investments based on ESG criteria provide for the monitoring of specific negative impact indicators as explained in detail in the relevant document.

3. RATIONALE FOR ISSUANCE

Under this Green Financing Framework, Ethias and its subsidiaries may issue Green Financing Instruments. Ethias believes that these instruments are effective tools to support our efforts to be part of the solution, and reinforce our commitment towards a sustainable future.

By issuing Green Financing Instruments, Ethias intends to align its funding strategy with its overall mission, strategy and business objectives. In addition, Ethias aims to contribute to the development of the ESG financing market and to the growth of sustainable and impact investing.

4. ALIGNMENT WITH VOLUNTARY MARKET STANDARDS

4.1 Green Financing Framework

The Ethias Green Financing Framework⁶ has been established to support the future issuance of Green (‘Use of Proceeds’) Financing Instruments, including Green Bonds, private placements, loans and credit facilities. It follows the Green Loan Principles (‘GLP’)⁷ and the Green Bond Principles (‘GBP’) 2021 (with June 2022 Appendix)⁸ as published and administered by the International Capital Markets Association (‘ICMA’), which provide guidance in the form of four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Ethias also follows the key recommendations of the Principles with regards to External Review. For any Green Financing (Use of Proceeds) Instrument issued by Ethias, these four core components will be applied subject to and in accordance with this Green Financing Framework.

This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and classification systems, including for example developing taxonomies and Green Bond or Loan standards. Ethias will obtain an updated Second Party Opinion in the event this Framework is significantly updated.

⁶ The Ethias Green Financing Framework will be published on Ethias’ webpage section investor relations.


⁷ Green Loan Principles, (GLPs) 2023, as published by the LMA/LSTA/APLMA: Note that if multiple-tranche loans/credit facilities are raised under this framework, Ethias commits to ensuring that the proceeds from all tranches will be directed towards eligible green projects as specified in this Framework.

⁸ The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)

4.1.1 USE OF PROCEEDS

Ethias will allocate an amount equal to the net proceeds of any Green Financing instrument issuance to Eligible Green Projects.

The proceeds will be used to finance and/or re-finance, in whole or in part, investments in new and/or existing assets falling within the Eligible Green Project Categories below.

Eligible Green Project Category	Eligibility Criteria
Renewable Energy 	<p>Renewable energy projects based on any of the following renewable energy technologies as specified below:</p> <ul style="list-style-type: none">• Wind Energy• Solar Photovoltaic (PV) Energy• Ocean Energy⁹• Hydro Energy¹⁰, that complies with one of the following criteria:<ul style="list-style-type: none">- The electricity generation facility is a run-of-river plant and does not have an artificial reservoir;- The power density of the electricity generation facility is above 10 W/m²;- The life-cycle Greenhouse Gas (GHG) emissions from the generation of electricity from hydropower are lower than 50g CO₂e/kWh.• Pumped storage facilities which meet one of the following criteria:¹¹<ul style="list-style-type: none">- (i) the facility is demonstrably purposefully built in conjunction with intermittent renewables;- (ii) the facility is contributing to a grid which already has a share of intermittent renewables deployment of at least 20%, or has credible evidence of programmes in place that increase the share of intermittent renewables to this level within the next 10 years <i>and</i> the facility can credibly demonstrate that the pumped storage will not be charged with an off-peak grid intensity that is higher than the intensity of the electricity that it will displace when it is discharged.• ‘Green’ hydrogen: i.e. hydrogen which is produced via electrolysis, and solely using any of the renewable energy technologies specified above.

⁹ Ocean Energy projects which involve fossil fuel-based backup are only deemed eligible where such back-up is used solely for the purposes of monitoring, operating and maintenance of equipment, operation of resilience or protection measures, and restart capabilities only.

¹⁰ Excluding large hydropower plants (having an energy capacity >1000 MW). Thresholds based on eligibility criteria established by the Climate Bonds Initiative “Hydropower Criteria for the Climate Bonds Standard & Certification Scheme” March 2021, Version 1.0: <https://www.climatebonds.net/files/files/Hydropower-Criteria-doc-March-2021-release3.pdf>

¹¹ <https://www.climatebonds.net/files/files/Hydropower-Criteria-doc-March-2021-release3.pdf>

Green Buildings



New buildings¹²

Investments and expenditures relating to 'Green buildings', either residential or commercial real estate, that meet either criteria 1 or 2 below:

1. Construction of new buildings with an energy performance classification that is at least 10% lower than the primary energy demand resulting from the current national building regulation in accordance with NZEB requirements.¹³
2. Construction of new buildings that have one of the following recognised environmental performance certificates and as minimum, demonstrating or expected to demonstrate compliance with:
 - a. Energy Performance Certificate (EPC) class A; or
 - b. BREEM (minimum certification level "Excellent"); or
 - c. DGNB¹⁴ (minimum certification level "Gold"); or
 - d. WELL¹⁵ (minimum certification level Gold), where the WELL certification is also accompanied by one of a, b, or c above.

Existing buildings

Ownership or acquisition of buildings, either residential or commercial real estate built before 2021, that meet either criteria listed at 2 above, or 1, 2 or 3 below, and if over 290 kW, also criterion 4 below, subject to data availability:

1. An Energy Performance Certificate (EPC) class A; or
2. An energy performance level which places the building in the top 15% of the national existing stock per building type (i.e. distinguishes between residential and non-residential buildings) in terms of operational Primary Energy Demand; or
3. Buildings holding an environmental certificate (in line with 2 above in the 'New buildings' section) and as minimum, certification demonstrating compliance with EPC Class A.¹⁶; or
4. A large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW) efficiently operated through energy performance monitoring and assessment.¹⁷

Property upgrades

Property upgrades, of either residential or commercial real estate, that meet one of the following criteria:

- The renovation is compliant with applicable national regulations for major renovations. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive;¹⁸
- The renovation achieves energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.

¹² Eligible investments in this category will be limited to projects located in Belgium, other EU countries and the United Kingdom.

¹³ NZEB means "nearly zero-emission building", a building that has a very high energy performance regulated in the Energy Performance of Buildings Directive (EPBD), thus Member States have the responsibility to define their national building code in line with NZEB. In Belgium, NZEB requirements for energy performance is in accordance with energy class 'A'.

¹⁴ <https://www.dgnb.de/>

¹⁵ <https://www.wellcertified.com/>

¹⁶ Ethias promotes the use of green certifications as a holistic approach to sustainability in real estate, including environmental and social criteria beyond energy use. By incorporating a minimum EPC class of 'A', we ensure a baseline of strong energy performance in the property.

¹⁷ This can be demonstrated, for example, through an Energy Performance Certificate or a building automation and control system

¹⁸ As set out in the applicable national and regional building regulations for 'major renovation' implementing EU Directive 2010/31/EU

Clean
Transportation



Passenger and public transport

- Public passenger transport (e.g., metro, tram, bus, train, ferries), passenger cars and commercial vehicles, or mopeds and motorbikes with zero tailpipe emissions (e.g., hydrogen fuel cell, electric); or
- Low-carbon vehicles (passenger cars and commercial vehicles) with tailpipe emissions intensity lower than 50g CO₂/km (WLTP)¹⁹ until 2025.

Freight²⁰

- Rail, road or water transport vehicles with zero direct tailpipe CO₂ emissions (e.g. hydrogen fuel cell, electric); or Heavy-duty vehicles, where tailpipe emissions do not exceed 25g CO₂/tonne kilometer²¹

Infrastructure

- Infrastructure²² that is required for zero direct emissions transport (e.g., electric charging points and associated electricity grid connection upgrades, hydrogen fuelling stations or bicycle paths);
- Infrastructure and installations that are dedicated to urban and suburban public passenger transport with zero tailpipe emissions (e.g., hydrogen fuel cell, electric), including associated signalling systems for metro, tram and rail systems.

Energy
Efficiency



Energy efficiency projects²³ utilising renewable sources or alternatively combined sources with life-cycle emissions below 100g CO₂e/kWh²⁴, as calculated on a rolling 5-year timeframe, including:

- Energy transfer: transmission infrastructure, including smart grid solutions which facilitate an increase in the delivery of renewable energy to the grid system, and/or improve the energy efficiency of the grid;
- Energy storage - construction and operation of facilities that store electricity or thermal energy and return it at a later point in time, in the form of electricity, heat or cooling.

Energy efficiency technologies²⁵

- Development, manufacture and/or installation of energy efficiency technologies and products such as energy efficient appliances²⁶ and smart meters;
- Energy efficient machinery in industrial or manufacturing processes, products/appliances that are more energy efficient, and meters that help track/monitor energy efficiency;
- Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of Industrial/utility processes (i.e. reduction of heat losses and/or increased waste heat recovery²⁷).

District heating/cooling

- Construction and operation of district heating/cooling pipelines and associated infrastructure using at least 50% renewable energy, or 50% waste heat, or 75% cogenerated heat²⁸, or 50% of a combination of such energy and heat.

19 Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP), is the relevant CO₂ measuring tool being used from January 2020

20 Excluding systems and infrastructure used primarily for the transportation of fossil fuels, or fossil fuels blended with alternative fuels. In all cases, the share of fossil fuel freight in freight rail transportation shall not be more than 25% in mass, and for freight water transportation, not more than 50% in mass).

21 Derived from CBI Standard: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_Apr2021.pdf

22 Excludes any financing that leads to an expansion of general car parking capacity

23 Note: Energy Efficiency projects which benefit 'hard to abate' industry sectors, including Oil & Gas, Chemicals, Steel, Cement, Aluminium, Aviation and Shipping' are not eligible under this category.

24 As specified under the EU Taxonomy: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en#regulation

25 Excluding projects that improve the energy efficiency of fossil fuel production and/or distribution if the investee project developer itself does not have a credible 'Paris aligned' 1.5-degree business strategy.

26 Efficient appliances defined as those meeting the top two classes of the relevant EU Energy Label scheme.

27 Note: the waste heat recovery category includes 'riothermy' technology – rithermy involves extracting residual heat or cold from sewage water to heat or cool buildings.

28 Where co-generation involves combustion of gas, only projects utilising biogas (where the biogas meets the relevant EU Taxonomy technical screening criteria for biogas) will be eligible.

Eligible Green Project Category	Eligibility Criteria
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Pollution Prevention and Control



Sustainable waste management

- Recycling²⁹;
- Biogas³⁰ production from organic waste material sourced from agricultural and brewing industries only³¹;
- Non-recyclable municipal waste for incineration.

Environmentally sustainable management of living natural resources and land use



Reforestation and afforestation projects meeting the requirements of:

- The Forest Stewardship Council³² (FSC) certification scheme; or,
- The Programme for the Endorsement of Forest Certification³³ (PEFC) scheme; and,
- Meet the requirements of any applicable Government or national guidance relating to establishment of sustainable forests.

Sustainable land and natural resources use, and biodiversity conservation projects meeting any of the following criteria:

- Conservation of terrestrial and aquatic biodiversity, including the protection of coastal, marine and watershed environments;
- Sustainable management of living natural resources and land use, including rehabilitation, restoration and conservation of ecosystems from a degraded state;
- Sustainable aquaculture that does not impact critical habitats and ecosystems (e.g. mangroves, wetlands, wild and endemic species) through the release of waste, contaminated water and nutrients, usage of pharmaceuticals and pesticides above safe limits and negative ecological interactions, and that is certified to the Marine Stewardship Council or Aquaculture Stewardship Council standard;
- Sustainable fisheries and aquaculture that do not deplete endangered fish stocks, and hold certifications under the Marine Stewardship Council (MSC) for fisheries, or the Aquaculture Stewardship Council (ASC) for aquaculture.

Exclusions

Ethias has established an Exclusion Policy³⁴ which will be applied in its entirety in the process of selecting potentially eligible green projects. Full details are included in the policy, key sectors excluded or otherwise restricted under the policy are summarised here below for convenience:

- Weapons
- Thermal Coal
- Tobacco
- Power Generation from non-renewable energy sources, including nuclear

In addition to the Exclusion Policy, projects directly connected to the fossil-fuel based energy sector will not be eligible for consideration.

29 In the case of e-waste recycling, only recycling facilities which achieve an acceptable level of environmental and social risk mitigation will be considered eligible.

30 Where the biogas produced meets the EU Taxonomy technical screening criteria for manufacture of biogas.

31 This category is based on biomethanation (anaerobic digestion) technology, using waste materials derived from crop and dairy farming and brewing industries only.

32 <https://fsc.org/en>

33 <https://www.pefc.org/>

34 [https://www.ethias.be/content/dam/ethias-investors/INVESTORS/PDF/rapports ethias/2021_12_Exclusion_Policy_ENG.pdf](https://www.ethias.be/content/dam/ethias-investors/INVESTORS/PDF/rapports%20ethias/2021_12_Exclusion_Policy_ENG.pdf)

4.1.2 PROCESS FOR PROJECT EVALUATION & SELECTION

Ethias has established an internal committee (referred to as the ‘Sustainable & Responsible Investment Management Meeting’ - ‘SRIMM’) comprised of cross-divisional stakeholders, including representatives from Asset Management, Risk Management, Legal, Life Insurance, Sustainability and Corporate Finance. The Head of Asset Management chairs this committee.

Review of eligible projects and assets will be conducted by the SRIMM, who will meet periodically to review and confirm eligibility of projects and assets for funding via matching allocation of proceeds from Green Financing Instruments.

Investment opportunities are subject to a formal due diligence procedure. Any issues raised during the due diligence process are escalated to (i) the relevant management team meeting (REIMM – Real Estate Investment Management Meeting, or AIMM – Alternative Investment Management Meeting) and (ii) the SRIMM. The REIMM and AIMM require approval of the SRIMM before proceeding with the relevant investment. The due diligence process will inform the decision as to whether the prospective investment is eligible for the purposes of allocation against any Green Financing Instrument issued in accordance with the Framework.

4.1.3 MANAGEMENT OF PROCEEDS

An amount equal to the proceeds of any Green Financing Instrument will be managed by Ethias based on a portfolio approach. Ethias will allocate an amount equivalent to the proceeds from the instrument to an Eligible Project Portfolio, selected in accordance with the Eligibility Criteria and Process for Project Evaluation and Selection as presented above.

Ethias will strive, over time, to achieve a level of allocation for the Eligible Project Portfolio which, after adjustments for intervening circumstances, matches or exceeds the balance of net proceeds from its outstanding Green Financing Instruments. Additional Eligible Projects will be added to Ethias Eligible Project Portfolio to the extent required to ensure that the net proceeds from outstanding Green Financing Instruments are allocated to Eligible Projects. Ethias will prioritize financing of new projects or assets that meet the relevant criteria and will aim, on a best-efforts basis, to allocate all proceeds within 2 years following the issuance. Loans and investments that qualify under the relevant criteria which are made up to 1 year prior to the issuance are also eligible for ‘refinancing’ under this Framework.

Pending full allocation, any unallocated proceeds will be utilized, managed or held by Ethias on a temporary basis, at its own discretion, in cash and/or Government Treasury securities. Any temporary holding arrangements will be subject at all times to the provisions of the Ethias Exclusion Policy³⁵.

The SRIMM will act as the relevant internal decision-making body responsible for the management of proceeds, and a ‘green project tracking tool’ will be established to monitor the allocation of proceeds.

4.1.4 REPORTING

Ethias will report annually and until full allocation (or on a timely basis upon material changes) on the allocation of proceeds and on the impact of our Green Financing Instruments, as further set out below. The reporting will be made publicly available on our website and will cover allocation and impact reporting for each project category.

Allocation Reporting³⁶

To the extent possible, Ethias will provide information concerning:

- The number of Eligible Projects;
- The total amount of proceeds allocated to Eligible Projects;
- The balance of any ‘unallocated’ proceeds;
- The amount and/or the percentage of ‘new’ financing versus ‘refinancing’.

Impact Reporting

On a best-efforts basis, and subject to availability of data required to be provided by investee entities, and confidentiality considerations, Ethias intends to provide impact reporting in alignment with the ICMA Harmonised Framework for Impact Reporting Handbook³⁷, June 2022.

35 https://www.ethias.be/content/dam/ethias-investors/INVESTORS/PDF/rapports-ethias/2021_12_Exclusion_Policy_ENG.pdf

36 Note: in the event of any Green Loans (in the form of Revolving Credit Facilities) arranged under this Framework, Ethias will maintain records of relevant allocations until the final maturity of the Facilities.

37 https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf

5. EXTERNAL REVIEW

5.1 Second Party Opinion



Ethias has obtained a Second Party Opinion from Sustainalytics to evaluate the Ethias Green Financing Framework, its transparency and governance, as well as its alignment with the relevant voluntary market standards. The Second Party Opinion is available on our website at www.ethias.be.

5.2 Verification

Ethias intends to commission a limited assurance report or a compliance review after full allocation of any Green Financing Instrument, with the intention of confirming that the net proceeds have been allocated in accordance with the Use of Proceeds specified in this Green Financing Framework.

6. DISCLAIMER

The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice.

Ethias does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Framework represents current Ethias policy and intent, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.

This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell Ethias Green Financing Instruments, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of Ethias, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

Any decision to purchase any Ethias Green Financing Instruments should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such Green Financing Instruments.

Prospective investors are required to make their own independent investment decisions. No representation is made as to the suitability of any Ethias Green Financing Instruments to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Ethias Green Financing Instruments should determine for itself the relevance of the information contained or referred to in this Framework or the relevant Green Instrument documentation for such Ethias Green Financing Instruments regarding the use of proceeds and its purchase of Ethias Green Financing Instruments should be based upon such investigation as it deems necessary.

Ethias has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with Ethias Green Financing Instruments. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any Ethias Green Financing Instruments if Ethias fails to adhere to this Framework, whether by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on use of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives.

In addition, each environmentally focused potential purchaser of Ethias Green Financing Instruments should be aware that eligible projects may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of Ethias Green Financing Instruments or any other person might otherwise have in respect of this Framework or any Ethias Green Financing Instruments as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.

The Green Financing elements of this Framework contain certain forward-looking statements that reflect Ethias management's current views with respect to future events and financial and operational performance of Ethias. These forward-looking statements are based on Ethias current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Ethias to control or estimate precisely. You are cautioned not to place undue reliance on the forward-looking statements (as well as information and opinions) contained herein, which are made only as of the date of this document and are subject to change without notice. Ethias does not undertake any obligation or responsibility to release any updates or revisions to any forward-looking statements and/or information to reflect events or circumstances after the date of publication of this Framework. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. This Framework contains certain statements which may constitute "forward-looking statements". These statements are not guarantees or predictions of future performance and are subject to risks and uncertainties. As a result, actual results or developments may differ from those expressed in the statements contained in this Framework.