

Credendo's policy regarding public support for the energy transition from fossil fuels to clean energy

- > On 4 November 2021, during the COP26 summit in Glasgow, Belgium undertook to align its international public support towards the clean energy transition. It has pledged to end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.
- > On 24 November 2021, Belgium also joined the Export Finance for Future (E3F) coalition, in which the participating countries have set for themselves the goal of stimulating export finance for climate-friendly and sustainable projects, and limiting export finance for fossil fuels. The member states of the E3F coalition have agreed to set up a common interpretation of the COP26 declaration.
- > Credendo is committed to implementing the climate policy and goals set out at the Paris Climate Conference. This means that achieving net-zero greenhouse gas emissions by 2050 will be the norm and a condition for both our investment strategy and our financial and insurance products for export financing. We will formulate a policy for export financing files that, in cooperation with our traditional client base, will gradually reduce greenhouse gas emissions within the projects we support and quickly facilitate investments in climate-friendly technology and projects.
- > Credendo takes note of and supports the goals outlined in the Conclusions of the Council of the European Union of 15 March 2022 on the role of officially supported export credits in building a strong industrial Europe, while ensuring the transition to low greenhouse gas emissions. We will therefore adjust our export credit policy in accordance with the goals set out in the EU climate pact for export finance.
- > To achieve these goals, it will, of course, be necessary to maintain a policy over the longer term in close cooperation with our clients, but also with the Belgian government, our shareholder, and our industry peers. Without a level playing field, at the very least within the EU and, if possible, within OECD countries, these goals will be harder to achieve.
- > Credendo's support policy will be gradually adjusted from time to time depending on the phase-out and incentive measures that are necessary in accordance with developments in climate policy at Belgian and/or EU level.
- > Credendo – Export Credit Agency works under state guarantee and therefore gladly subscribes to the COP26 statement. The text that follows articulates how Credendo – Export Credit Agency will adjust its policy in concrete terms from 1 January 2023 to respond to the goals set out in the COP26 statement. The policy can be reviewed depending on the position taken by other member states of the E3F coalition. Such review would need to be validated by the Belgian government.

1. Financing and insurance policy

1.1. Incentives for transition to clean energy

- > First of all, Credendo promotes the transition to clean energy and supports transactions aimed at limiting greenhouse gas emissions by granting incentives for transactions that qualify for the "Credendo Green Package", as approved at the meeting of the Board of Directors of December 2021 and further refined at the meeting of the Board of Directors of March 2022. These mainly concern lower thresholds for the Belgian content of a transaction, a higher covered percentage, expansion to include domestic transactions with export potential, higher participation in financial guarantees, more funds for the self-financing of transactions, with an increase in the maximum amounts and an extension of the repayment periods, as well as active, positive communication about green projects.
- > For Credendo, "green projects" are those that contribute directly or indirectly to a reduction in greenhouse gases in the atmosphere, to reduced vulnerability of human or natural systems to climate change, or to a sustainable environment (e.g. through waste minimisation, the circular

economy, drinking water projects, etc.). To qualify for these incentives, such projects must also comply with the principle of “doing no significant harm” and respect principles of good governance.

1.2. Conditions for providing support to the international fossil fuel energy sector

- > The above commitment implies that, from 1 January 2023, Credendo – Export Credit Agency will only provide export support in exceptional circumstances for projects within the international fossil fuel energy sector, including exploration, production, transportation, storage, refining and distribution of coal, crude oil and natural gas, and unabated power generation.
- > In the case of thermal coal, Credendo – Export Credit Agency had already decided to end support from 1 November 2021 for:
 - new coal-fired power plants (or parts of such plants) without operational installations for carbon capture, utilisation and storage or similar technologies (CCUS), and
 - the supply of equipment to existing coal-fired power plants, unless the equipment supplied is intended to reduce air and water pollution or CO₂ emissions and does not extend the useful life or capacity of the plant, or unless it is a question of a modification with a view to installing CCUS.
- > From 1 January 2023 Credendo – Export Credit Agency’s cover policy will be adapted as follows:
 - Applications relating to the exploration and operation of new coal mines, new oil fields or new gas fields will no longer qualify for cover.
 - Applications relating to the expansion of existing coal mines will no longer qualify for cover.
 - Applications relating to oil fields that have already started production or oil fields whose development has already been approved may still be covered. Oil fields whose operating commitment dates from after 2021 will no longer qualify for cover.
 - Applications relating to existing gas fields or gas fields that are already being developed may still be covered. Gas fields whose operating commitment dates from after 2021 will no longer qualify for cover.
 - Applications relating to new coal-fired or oil-fired power plants without CCUS will no longer qualify for cover, while those relating to gas-fired power plants will still qualify for cover until 2025.
 - Applications relating to oil and gas installations equipped with CCUS may qualify for cover if the reduction in CO₂ emissions due to CCUS is significant enough.

Other applications for activities in the fossil fuel energy sector that may still be covered are:

- Applications relating to maintenance or other services intended to ensure the continued safe and healthy operation of such an installation or such infrastructure.
- Applications for projects that will lead to better energy or emissions efficiency, as well as improvements in social or environmental spheres.
- Applications for projects relating to carbon capture, utilisation and storage or similar technologies (CCUS).
- Applications for services that are important to ensure that such installations can be shut down or decommissioned safely.

In the interests of the process of transitioning to clean energy, which will take several decades, cover for midstream and downstream projects relating to oil and gas fields that have already started production, oil fields whose development has already been approved and gas fields already being developed before 2022 will remain possible under certain cumulative conditions, in particular if the applicant for the export support can demonstrate that:

- the project is compatible with a 1.5°C warming limit and the goals of the Paris Agreement (Net Zero by 2050);
- realisation of the project in question will facilitate and promote, or at the very least not delay, the transition to clean energy for the country concerned;
- the risk of the project resulting in a stranded asset has been thoroughly assessed and sufficiently mitigated;
- international ESG (Environmental, Social and Governance) standards are respected.

Associated infrastructure that mainly relates to fossil fuels (e.g. storage facilities, ports, roads, etc.) will also only qualify for cover if these conditions are met.

Applications for standalone oil or gas generators will qualify for cover in a humanitarian context, in particular if they are the only means of supplying power to areas where no grid connection is available or where mains power is unreliable.

Activities or sectors that use fossil fuels for production, but do not form part of the energy sector themselves, including, but not limited to, heavy industry (the steel sector, cement sector, petrochemical sector, etc.) or the transport sector, fall outside the scope of this policy and therefore qualify for cover. The same applies to electricity grids and heating or cooling distribution systems (water or air).

Applications for transactions that have only indirect and limited links to the fossil fuel energy sector are not targeted and will continue to qualify for cover. One example here is the dredging of a multifunctional port that is also used for the transport of fossil fuels, but not as its main function (less than 50%), meaning that other sectors can also benefit from increasing the depth of the port in question.

The same reasoning also applies to other infrastructure works, such as the construction or improvement of a road network that will not be used exclusively for the fossil fuel energy sector.

If a certain application for cover is not explicitly excluded under the current policy, but in Credendo's opinion is incompatible with the spirit of this policy, or if it cannot be adequately demonstrated that the defined conditions have been met, Credendo reserves the right to refuse to grant export support for the application in question for this reason.

- > Existing and current policies in the fossil fuel energy sector that were issued before 1 January 2023 will not need to be terminated. A promise of insurance (a promise is valid for 6 months and can be extended) granted before July 2022 is also a commitment on the part of Credendo and must be interpreted in the same way, even if the policy would only be issued after 2022. It will also remain possible to extend such a promise. A promise issued after 1 July 2022, the date on which this new policy will be communicated publicly, may be extended no more than twice after 1 January 2023, by a further 6 months in each case.

2. Financial investment policy

Credendo – Export Credit Agency's 2022-2024 strategic plan, as approved by the meeting of the Board of Directors of November 2021, explicitly referred to sustainability as a requirement that should permeate all parts of the strategy as an objective.

As far as financial investment policy is concerned, it was stated that this policy must be ESG-compliant by the end of 2022. The financial investment policy mainly relates to investment in shares and bonds. Within this context the EU taxonomy could serve as an important guide and this project is currently being developed. This policy no longer allows for investments in fossil fuels, but it should be borne in mind that many companies that were heavily involved in the fossil fuel energy sector in the past are transitioning into companies that are active in the field of clean energy.

3. Carbon footprint of own operations

For some time now Credendo has been pursuing a policy aimed at reducing the carbon footprint of its own operations linked to its offices. This carbon footprint has been measured since 2010 and Credendo has managed to reduce its emissions by a third over this period. In 2019 Credendo was awarded the "CO₂-neutral label" by CO₂logic, a certificate validated by Vinçotte. Credendo will continue to strive to further reduce its CO₂ emissions and retain the "CO₂-neutral label".

11 July 2022