

# Sustainability Report

**KBC Group**

2024 Methodologies  
Explained



# Methodologies explained

We use various methodologies to monitor and report the climate-related impact on and of our portfolios. The majority of these methodologies are explained and discussed in detail in the mandatory Sustainability Statement, which is integrated into our Annual Report. This is the case for our climate target progress measurement for our lending portfolio, PCAF (Partnership for Carbon Accounting Financials) and the Trucost data and methodology used for our investment portfolios. In this report, we elaborate on:

- PACTA (Paris Agreement Capital Transition Assessment)
- EU Taxonomy voluntary reporting for mortgages.



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We adopt a variety of methodologies to track and disclose the climate-related impact of our portfolios. The choice of the selected methodologies is based on a combination of relevance and applicability to our business activities, as well as data availability. We use the outcomes to monitor and steer our portfolios in climate-related areas. They are also used to set targets, where relevant, and to meet reporting requirements from regulators and supervisory bodies.

This section provides an overview of the methodologies adopted for portfolio assessment and potential target setting for our lending, insurance and investment portfolios. We also indicate where additional information on these methodologies can be found.

Our climate target progress measurement for our lending portfolio	<a href="#">KBC Group Annual Report: 'Sustainability Statement'</a>
PCAF	<a href="#">KBC Group Annual Report: 'Sustainability Statement'</a>
PACTA	<a href="#">Methodologies Explained: 'PACTA'</a>
Trucost data and methodology used for our investment portfolios	<a href="#">KBC Group Annual Report: 'Sustainability Statement'</a>
EU Taxonomy voluntary reporting for mortgages	<a href="#">Methodologies Explained: 'Voluntary EU Taxonomy reporting for mortgages'</a>



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## PACTA

KBC has been using PACTA since 2019 to understand and assess its indirect impact on the climate. With the publication of our [Climate Report](#), we took a further step in climate target setting. As a method, PACTA is a good fit with our overall target-setting approach, helping us to calculate and set climate targets for our cement and steel lending portfolios. For the energy sector, the PACTA results will continue to help us understand certain portfolio evolutions. This appendix gives a concise overview of the results of our 2024 PACTA analysis. Please refer to the dedicated [PACTA website](#) for a comprehensive overview of the sector scope and application approach of PACTA.

### Portfolio overview

In this year's analysis, KBC Group's granted exposure calculated in the scope of PACTA amounted to 4.0% (5 963 million euros) of the total industrial loan book compared to 4.4% (6 393 million euros) reported last year. The decrease is most notably due to a substantially lower exposure to one counterparty in the maritime transportation sector.<sup>1</sup> The results of the exercise confirm that KBC Group's corporate industrial loan portfolio is exposed to a limited degree to companies that contribute the most to global CO<sub>2</sub> emissions, in line with the existing activity scope of PACTA. **This finding is consistent with the general risk appetite of KBC Group, as the loan books do not include large, single-name exposures to activities that contribute the most to global CO<sub>2</sub> emissions.**

For the fossil fuels, power, cement and steel sectors, all relevant PACTA results are included or considered in the sector parts of the '[Climate Targets](#)' section of the [Sustainability Report](#). Also, where relevant, PACTA results are used in our White Paper analyses. As respects car manufacturing, aviation and maritime transportation sectors, no climate targets are currently set by KBC. The sections below give a brief overview of the key take-aways of the PACTA analysis.

Table 7.1: Overview of the sector activities within the scope of PACTA – Reported figures per 30 September 2024

Sector	Granted exposure (in m euros) <sup>1</sup>	In % of KBC total industrial loan portfolio	Granted exposure (in m euros) matched to physical assets <sup>2</sup>
Power	3 810	2.5%	2 249
Maritime transportation	893	0.6%	469
Steel	768	0.5%	723
Fossil fuels	183	0.1%	170
Heavy-duty vehicles (HDVs)	61	0.04%	45
Cement	134	0.09%	127
Light-duty vehicles (LDVs)	48	0.03%	48
Aviation	66	0.04%	26
<b>TOTAL</b>	<b>5 963</b>	<b>4.0%</b>	<b>3 856</b>

<sup>1</sup> Identified exposure to the subject sub-sector is based on PACTA's specific methodological scope and may consequently differ from sector exposures mentioned in the Sustainability Report. The PACTA scopes for sectors that are relevant for KBC are: electricity generation (for power), oil and gas extraction (for fossil fuels), raw material producers (for steel and cement), vehicle manufacturers (for HDVs and LDVs), owners/operators (maritime transportation) and operators (aviation). Subsequently activities in these sectors' supply chains other than those mentioned are not in scope for this analysis.

<sup>2</sup> Identified exposure for which relevant and specific physical-asset level PACTA information was available.

<sup>1</sup> Only exposure to ship owners and operators is in scope.



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Table 7.2: Overview of the reference scenarios used in the PACTA analysis

Scenario description <sup>1</sup>	Sector coverage
<p><b>STEPS – CO<sub>2</sub> Intensity IEA JRC ISF Steel Cement Aviation and STEPS – IEA JRC ISF Auto Fossil Fuel Power:</b> This Stated Policies Scenario (STEPS) is designed to provide a sense of the prevailing direction of energy system progression, based on a detailed review of the current policy landscape. It looks in detail at what governments are actually doing to reach their targets and objectives across the energy economy. Aspirational energy or climate targets are not automatically assumed to be met. STEPS is now associated with a temperature rise of 2.4 °C in 2100 (with a 50% probability). The slight but steady decline in demand from the late 2020s keeps the oil price in check. Natural gas demand first plateaus and then decreases after 2030. Low-emissions electricity generation overall increases from 39% of total electricity generation today to 57% by 2030 in the STEPS. By 2030, the share of oil in road transport energy demand drops from 92% today to 88%. Production of steel increases by 10% in 2030, while cement production increases by 8%.</p>	<p>Steel, Cement, Aviation, Power, Oil &amp; Gas, Light-duty Vehicles (LDVs)</p>
<p><b>NZE 2050 – CO<sub>2</sub> Intensity IEA JRC ISF Steel Cement Aviation and NZE 2050 – IEA JRC ISF Auto Fossil Fuel Power:</b> This normative 2050 Net-zero Emission (NZE) scenario portrays a pathway for the energy sector to help limit the global temperature rise to 1.5°C above pre-industrial levels in 2100 (with at least a 50% probability), with limited overshoot. The NZE scenario has been fully updated. It also meets the key energy-related UN Sustainable Development Goals (SDGs). In it, universal access to reliable, modern energy services is reached by 2030 and major improvements in air quality are secured. In the NZE scenario, oil and gas prices quickly fall to the costs of the marginal project required to meet falling demand, which is around USD 40/barrel for oil in 2030, before declining further to USD 25/barrel in 2050. Demand for gas declines by nearly 20% by 2030 in the face of very large clean energy investments and efficiency gains. Low-emissions electricity generation increases overall from 39% of total electricity generation today to 71%. Global energy and demand declines by 15% per person. More widespread deployment of measures promoting material efficiency leads steel and cement to peak within the next 15 years. Stronger measures to minimise emissions reduce the activity in aviation by 20% and car stocks by 15% compared to the STEPS (see more on STEPS below) in 2050. By 2030, the share of oil in road transport energy demand drops from 92% today to 78%. In the NZE scenario, the share of oil in energy demand in shipping falls to 80% by 2030.</p>	<p>Steel, Cement, Aviation, Power, Oil &amp; Gas, LDVs</p>
<p><b>1.5°C – CO<sub>2</sub> Intensity IEA JRC ISF Steel Cement Aviation and 1.5°C – IEA JRC ISF Auto Fossil Fuel Power:</b> This scenario was developed by the Joint Research Centre, which is the European Commission's science service in support of policy making and is published as part of the JRC's annual Global Energy and Climate Outlook (GECO). It is designed to limit global temperature increase over the century to 1.5°C at the end of the century and limit overshoot of 1.5°C in the intervening decades. In this scenario, the global carbon budget (accumulated net CO<sub>2</sub> emissions) from 2020 until the year when net-zero CO<sub>2</sub> emissions are reached is of approximately 530 GtCO<sub>2</sub>. Along with non-CO<sub>2</sub> emissions and air pollutant emissions projections, this results in an approximately 77% probability of not exceeding the 1.5°C temperature limit in 2100.</p>	<p>Steel, Cement, Aviation, Power, Oil &amp; Gas, Heavy-duty Vehicles (HDVs)</p>
<p><b>NDC – IEA JRC ISF Auto Fossil Fuel Power:</b> This scenario represents the Nationally Determined Contribution (NDC) targets, including countries' Long-Term Strategies (LTS) for low greenhouse gas emission development. This scenario assumes that the objectives in the NDCs (including conditional objectives) are reached in their relevant target year (2030 in most cases). To this end, carbon values and other regulatory instruments are put in place on top of the existing, legislative measures of the reference scenario to reach sector-specific or economy-wide targets. Beyond 2030, the objectives of the countries' LTS, where they exist, will be pursued. If the country has not announced an LTS, it is assumed that no additional decarbonisation effort will be made, and that carbon values, if any, will be kept constant at their 2030 level. This scenario includes the net-zero targets announced by many countries.</p>	<p>HDVs</p>
<p><b>Reference – CO<sub>2</sub> Intensity IEA JRC ISF Steel Cement Aviation and Reference – IEA JRC ISF Auto Fossil Fuel Power:</b> This scenario corresponds to a world in which existing policies related to energy supply and demand policies and targets, as well as legislated greenhouse gas policies and targets that are backed by supporting energy-sector policies, are enacted. No additional policies are considered compared to what had been legislated as of June 2023. Exogenous macroeconomic projections (gross domestic product and population), with endogenously calculated energy prices and technological development specific to the POLES-JRC model, are combined with the effect of enacted policies resulting in projections of the energy system and greenhouse gas emissions.</p>	<p>Power, Oil &amp; Gas, HDVs</p>

<sup>1</sup> Paris-aligned scenarios are shaded in the table. For all sectors – except for HDVs – these scenarios integrate the latest decarbonization pathway updates. For more information about the scenarios, see the 'Methodology and Documents' section of the dedicated [PACTA webpage](#). For more information on the IEA scenarios, see [World Energy Outlook 2023 – Analysis – IEA](#). For more information on the JRC GECO scenarios, see [JRC Publications Repository – Global Energy and Climate Outlook 2023](#).



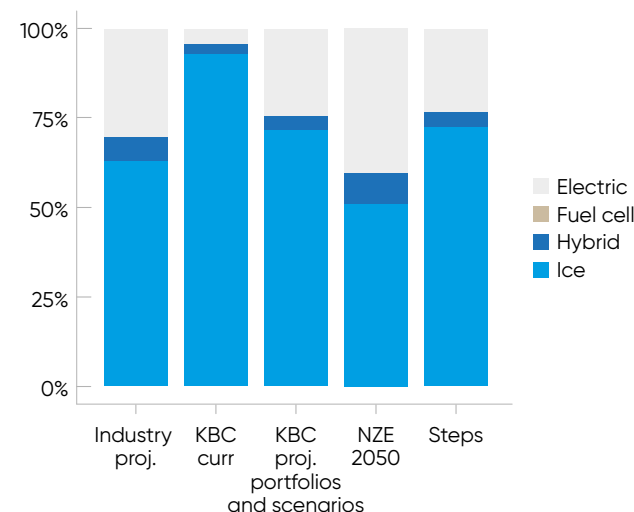
## Vehicle manufacturers

### Light-duty Vehicle (LDV) manufacturers

- Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards LDV manufacturers aligns reasonably well only with the STEPS scenario pathway, while the 'NZE 2050' projected distribution mix is not reached.
- KBC Group's total granted exposure to the LDV manufacturers segment (i.e. the PACTA scope within the LDV sector) is 48 million euros – less than the 60 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it is safe to conclude that KBC is only minimally (0.03%) exposed to this important climate-relevant activity.
- All nine corporates (six last year) in KBC Group's loan portfolio could be matched to PACTA's physical asset-level database. This means that 100% (48 million euros) of the granted exposure to the LDV manufacturer segment could be matched to the physical asset-level database.
- The PACTA model combines asset-level data from car manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset level data comprises company information about current production capacity as well as new production capacity up to 2029, distributed across annual production volumes of LDV drivetrain technologies (Internal Combustion Engine (ICE), hybrid, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.1) outlines our portfolio's current and projected relative financial exposure to the different drivetrain technologies. When comparing current and projected drivetrain technology mixes, we observe that the share of electric vehicles in our loan portfolio increases. At the same time the share of ICE vehicles in our loan portfolio reduces. Although KBC's projected drop in the share of ICE vehicles does not fully align with the 'NZE 2050' prescribed climate scenario path, the projected increase in the share of electric vehicles moves in the right direction.

Graph 7.1: LDV sector results – technology mix (Source: KBC, RMI and Asset Impact)

2029 Industry-projected portfolio, KBC current portfolio, 2029 KBC-projected portfolio and two 2029 scenario targets (NZE 2050 and STEPS). Technology mix for all except 'Industry projection' weighted by loan size per 30 September 2024.





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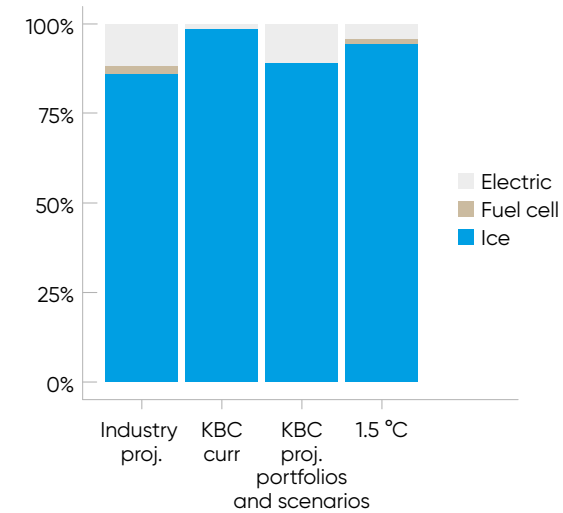
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### Heavy-duty vehicle (HDV) manufacturers

- Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards HDV manufacturers is fully aligned with the '1.5°C' scenario pathway.
- KBC Group's total granted exposure to the HDV manufacturers segment (i.e. the PACTA scope within the HDV sector) is 65 million euros,<sup>2</sup> compared to the 189 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it is safe to conclude that KBC is only minimally (0.04%) exposed to this important climate-relevant activity.
- Thirteen corporates (seven last year) in KBC Group's loan portfolio could be matched to the physical asset-level database. KBC Group's total exposure to these corporates represents 75% (49 million euros) of KBC Group's HDV manufacturers sector exposure within the PACTA scope. Of the matched exposure, 43% is concentrated to a single company group, which means that the results below are particularly influenced by that group's investment plans.
- The PACTA model combines asset-level data from HDV manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset-level data comprises company information about current production capacity and new production capacity up to 2029, distributed across annual production volumes of HDV drivetrain technologies ICE, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.2) outlines our portfolio's current and projected relative financial exposure to various drivetrain technologies. From this, we observe a substantial increase of the share of electric vehicles in our loan portfolio. This projection, as well as the relative drop in the share of ICE vehicles, compare favourably with the '1.5°C' scenario path.

**Graph 7.2: HDV sector results – technology mix (Source: KBC, RMI and Asset Impact)**

2029 Industry-projected portfolio, KBC current portfolio, 2029 KBC-projected portfolio and one 2029 '1.5°C scenario' target. The technology mix for all except 'Industry projection' is weighted by loan size per 30 September 2024.



<sup>2</sup> Note that the total granted exposure of the PACTA analysis for the HDV sector is 4.1 million euros higher than reported in Table 7.1. This surplus exposure is also part of the PACTA analysis for the LDV sector and reported within LDV in Table 7.1. The reason for this is the fact that the underlying exposure is towards two company groups whose activities and production are in scope of both the PACTA LDV and HDV sector. Since the loans have been granted to the top holding companies whereas the operational activities are situated at a subsidiary level, it is not possible to correctly allocate the exposure across these two sectors.



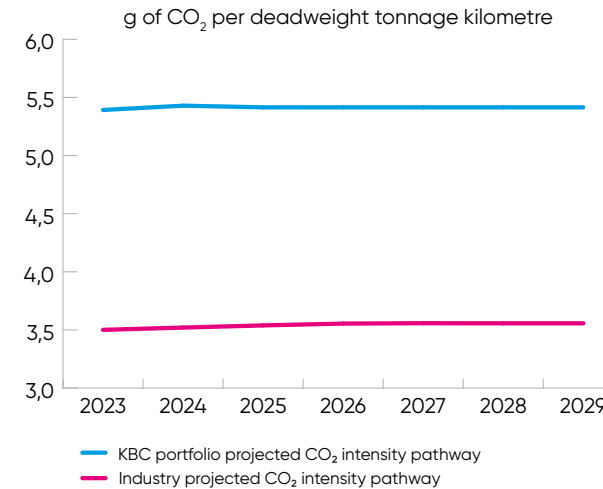
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## Maritime transportation

- KBC Group's total granted exposure towards the ship owner/operator sector<sup>3</sup> is 893 million euros. When comparing this figure to KBC Group's overall industrial loan book, it can be concluded that KBC is not significantly (0.6%) exposed to this important climate-relevant activity.
- Twenty-three corporates (compared to thirteen last year) in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 53% (469 million euros) of KBC Group's maritime transportation exposure in scope of PACTA.
- A total of 60% (282 million euros) of the matched exposure is concentrated to two company groups, which means that the results below are particularly influenced by these groups' investment plans.
- The PACTA model combines physical asset-level data (i.e. the CO<sub>2</sub> intensity per deadweight tonnage kilometre up to 2029 of maritime transportation operators and owners) with our loan portfolio data. The result of this is a loan portfolio weighted emission intensity per deadweight tonnage kilometre.
- Companies in the ship owner/operator sector are currently likely to be constrained by similar technologies, and we engage with the largest clients in our portfolio on technology pathways. For this reason, the 'Industry-projected CO<sub>2</sub>-intensity pathway' and the 'KBC portfolio-projected CO<sub>2</sub>-intensity pathway' are almost horizontal lines on Graph 7.3. Compared to last year, KBC's financed emission intensity dropped from 6.1 to 5.4 g of CO<sub>2</sub> per deadweight tonnage kilometre<sup>4</sup>.

Graph 7.3: Maritime transportation sector results – emission intensities, weighted by loan size (data per end September 2024) for KBC's pathway (Source: KBC, RMI and Asset Impact)

Industry-projected portfolio and KBC-projected portfolio (weighted by loan size)



<sup>3</sup> i.e. the PACTA scope within the shipping sector since vessel parts suppliers and ship manufacturers are out of scope of PACTA.

<sup>4</sup> Production and emission information for the maritime transportation sector were overestimated in KBC's 2023 Sustainability Report. KBC's financed emission intensity in this sector was ca. 6.1 g of CO<sub>2</sub> per deadweight tonnage kilometre, rather than the previously reported 10 g of CO<sub>2</sub> per deadweight tonnage kilometre. Likewise, the industry benchmark was ca. 3.5 g of CO<sub>2</sub> per deadweight tonnage kilometre rather than the previously reported 13 g of CO<sub>2</sub> per deadweight tonnage kilometre. This implies, contrary to what was concluded last year, that KBC's financed emission intensity for the ship owner/operator sector is higher than that of the industry average in Asset Impact's universe for this sector.



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## Aviation

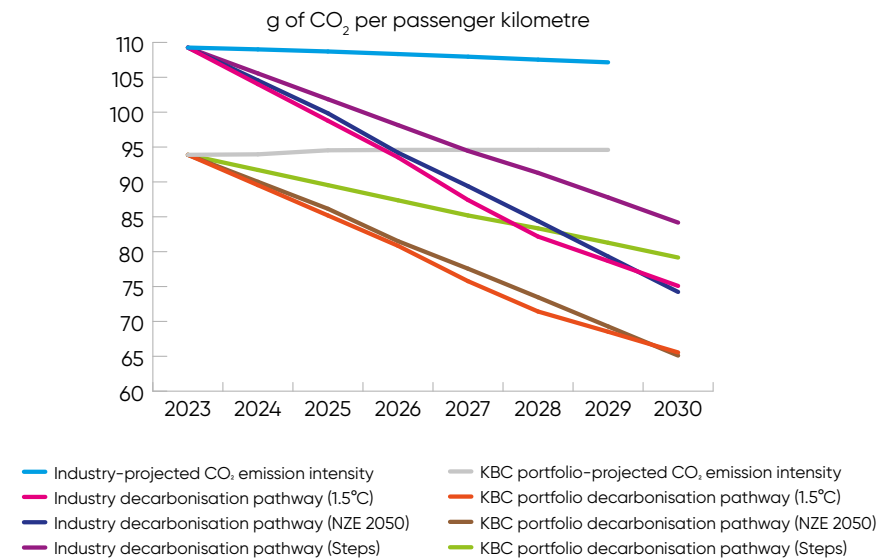
- Within the restricted scope of PACTA, and in observance of the below described limitations in our analysis, we can infer that KBC's corresponding current emission intensity is below the current and projected industry emission intensity. Given the level of technological constraints, both KBC's projected portfolio as well as the industry's projected portfolio are not aligned with either a '1.5°C' pathway, a 'NZE 2050' pathway or a STEPS pathway.
- Since companies in the Aviation operator segment are currently likely to be constrained by similar technologies, the 'Industry-projected, CO<sub>2</sub>-intensity pathway' and the 'KBC portfolio-projected CO<sub>2</sub>-intensity pathway' hardly show any evolution in Graph 7.4 over the next few years.
- KBC Group's total granted exposure towards the Aviation operator segment<sup>5</sup> is 66 million euros, compared to the 48 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it can be concluded that KBC is only minimally (0.04%) exposed to this important climate-relevant activity.
- Eleven corporates (compared to four last year) in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 40% (26 million euros) of KBC Group's aviation exposure in scope of PACTA, therefore the results may not be representative for the whole Aviation sector exposures of KBC Group.
- The PACTA model combines physical asset-level data (i.e. the emission intensity of aviation operators per passenger kilometre up to 2029) with our loan portfolio data. The result of this is a loan portfolio-weighted emission intensity per passenger kilometre.
- As the KBC portfolio's current CO<sub>2</sub> intensity is somewhat below that of the industry (similar to last year's results), the pathway that the companies in KBC's loan portfolio need to follow is less steep than the industry average in the climate risk scenario used.

Note that this year's KBC portfolio emission intensity of 93.9 g of CO<sub>2</sub> per passenger kilometre is marginally higher than the 93.3 portfolio emission intensity reported last year.

- However, as mentioned above, the matching rate in this sector is relatively low, as only 40% of the sector exposure could be matched to company physical asset-level data. Consequently, the presented results may not be representative for the whole aviation sector exposure of KBC Group.

**Graph 7.4: Aviation sector results – emission intensities, weighted by loan size (data per 30 September 2024) for KBC projections (Source: KBC, RMI and Asset Impact)**

Industry-projected portfolio, 1.5°C pathways, NZE 2050 pathways, STEPS pathways and KBC-projected portfolio (weighted by loan size)



<sup>5</sup> i.e. the PACTA scope within the aviation sector, since aircraft parts suppliers, aircraft manufacturers and aircraft owners are out of scope of PACTA.



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## Voluntary EU Taxonomy reporting for mortgages

We offer loans for assets and activities that fully meet the criteria of the EU Taxonomy. When these are offered to corporate clients covered by the Corporate Sustainability Reporting Directive (CSRD) or households, we include them in our Green Asset Ratio (GAR). We refer to this type of reporting as 'Mandatory EU Taxonomy reporting.' This includes the EU taxonomy reporting volumes based on turnover KPI published by the CSRD companies. For further information on our mandatory reporting, we refer to the part on ['Our contribution to environmental objectives' in our Sustainability Report](#) and the [KBC Group Annual Report](#).

We also offer loans that fully meet the criteria of the EU Taxonomy to corporate clients that have no CSRD obligations. We refer to this as 'Voluntary EU Taxonomy reporting.'

Our 'Voluntary EU Taxonomy reporting' also includes mortgage loans for which we do not have access to all the required data for every individual file. We consequently estimated the share of our mortgage portfolio that complies with the EU Taxonomy alignment criteria, based on reliable proxies and statistical evidence. We developed a methodology for this voluntary EU Taxonomy reporting for our Belgian and Bulgarian mortgage portfolios. In the future we will be looking at developing similar methodologies in our other core countries.

In both countries, the methodology is based on two elements:

- **Substantial contribution criteria:** For the substantial contribution criteria we follow the rules as specified in the EU Taxonomy.
- **Do No Significant Harm (DNSH) criteria:** For general DNSH criteria regarding climate change adaptation, we focus on the flood risk of the houses in our mortgage portfolio. More specifically, we exclude all mortgages to houses located in flood-prone areas. This focus was established based upon an internal physical and transition risk analysis that was performed by sector, risk, sustainability and insurance experts. The aim of the analysis was to assess the materiality of different risk drivers (amongst other climate-related hazards). We identified water-related risks as the most material climate-related risk for the Belgian and Bulgarian real estate sectors.



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## Belgium

In Belgium, we have limited data available for the houses in our historic mortgage portfolio. We therefore developed a methodology that allows us to estimate which share of our mortgage portfolio can be reported under ‘Voluntary EU Taxonomy Reporting’.

The methodology is based on Febelfin’s definition of energy-efficient mortgages. This definition is agreed upon by the Belgian bank sector and is in line with our Green Bond framework, which is publicly available and verified by an SPO (Second Party Opinion). In addition, we determined extra conservative criteria to prevent an overestimation of the numbers we report. The selection criteria are specified in detail in Table 7.3. The methodology is based on the following elements:

- **Substantial contribution criteria:** We used rules of thumb developed by Febelfin to check the substantial contribution criteria for our Belgian mortgage portfolio. In practical terms, Febelfin has developed guidelines that allow us to use the deed date of the mortgage to determine whether a building was built before or after 31 December 2020. The PED (Primary Energy Demand) value used in the methodology was analysed and agreed upon by all Belgian banks. Furthermore, we apply a ‘haircut’ of 10% to our new building mortgage portfolio to account for buildings with older building permits or buildings that do not meet the criterion of being 10% more efficient than the NZEB (Nearly Zero-Energy Building) standard.
- **DNSH criteria:** We used publicly available flood map data for the Flanders region, to determine whether the houses in our mortgage portfolio are in flood-prone regions.

Table 7.3: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Belgium

	Substantial contribution criteria <sup>1</sup>		DNSH criteria
	Buildings built before 31 December 2020	Buildings built after 31 December 2020	
New building mortgage	First drawdown of mortgage after 1/1/2016, but before 31/12/2022. It is assumed that these mortgages finance a new building with sufficiently strict building norms so that the energy efficiency is in the top 15% building stock of Belgium + 'Haircut' of 10% applied to buildings with an older building permit	First drawdown of mortgage after 31/12/2022 + 'Haircut' of 10% applied due to the fact that <10% of new buildings registered do not meet NZEB -10% standard <sup>2</sup>	Exclude all mortgages for which an average building lies in a flood prone area. Flood maps used: Flanders: 2023 official flood map <sup>3</sup>
Mortgage for purchase (+ renovation)	Include mortgages with a PED <= 159 kWh/m <sup>2</sup> year <sup>4</sup> and with a deed date before 1/1/2022. This category implies that the building permit was most likely requested before 1/1/2021	Deed date after 1/1/2022 (if before that date, then it is most likely a building with a building permit requested before 1 January 2021) + PED value <= 47 kWh/m <sup>2</sup> year. This PED value is an approximation equivalent to the NZEB -10% standard	

<sup>1</sup> The date of 31/12/2020 mentioned in the EU taxonomy is interpreted as the building permit request date. It is assumed that on average: building permit request date + 2 years equals deed date + 1 year equals first drawdown year/first occupying year.

<sup>2</sup> Source: <https://opendata.vlaanderen.be/dataset/overzicht-resultaten-epb-aangiftes>

<sup>3</sup> Source: <http://www.waterinfo.be/informatieplicht>

<sup>4</sup> The PED value of 159 kWh/m<sup>2</sup> year has been calculated and agreed upon by all Belgian banks as the top-15% PED quantile in Belgium.



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## Bulgaria

In Bulgaria, the methodology we used to determine whether a mortgage loan can be reported under 'Voluntary EU Taxonomy Reporting' is based on the EU Taxonomy (2020/852) requirements. The selection criteria for our Bulgarian portfolio are provided in detail in Table 7.4. Our assessment in Bulgaria also consisted of:

- **Substantial contribution criteria:** In Bulgaria, we have access to asset-specific data on the energy performance of the houses in our portfolio. Hence, we were able to define a benchmark that we could use to determine whether the houses in our portfolio fulfilled the criteria specified by the EU Taxonomy. For this, we used data from the Bulgarian Agency for Sustainable Development and Eurointegration (ASDE).
- **DNSH criteria:** We used publicly available flood map data from ASDE to determine whether the houses in our mortgage portfolio are in flood-prone regions.

Table 7.4: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Bulgaria

Substantial contribution criteria		DNSH criteria
Buildings with a construction date before 31 December 2020	Buildings with a construction date after 31 December 2020	Exclude all mortgages with high flood risks. <a href="#">The map</a> <sup>3</sup> used is published by the Bulgarian Agency for Sustainable Development and Eurointegration (ASDE).
Single family residential building: Energy performance certificate class A or max 105.4 kWh/m <sup>2</sup> energy consumption (EPmax) <sup>1</sup>	Single family residential building: 1) Energy performance certificate class A 2) Energy consumption (EPmax) ≤ 74.7 kWh/m <sup>2</sup>	
Multifamily residential building: Energy performance certificate class A OR max 142 kWh/m <sup>2</sup> energy consumption (EPmax) <sup>1</sup>	Multifamily residential building: 1) Energy performance certificate class A; 2) Energy consumption (EPmax) ≤ 81 kWh/m <sup>2</sup>	

<sup>1</sup> The building is within the top 15% of the national building stock expressed as operational Primary Energy Demand (PED). The threshold performance is calculated based on information published by ASDE.  
<sup>2</sup> The PED is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The threshold performance is calculated based on information published by ASDE.  
<sup>3</sup> Flood map used: [https://bsdi.asde-bg.org/floods\\_en.php](https://bsdi.asde-bg.org/floods_en.php)