



**GREEN
FINANCING
FRAMEWORK**

approved by the Board of Directors
of Fluvius System Operator cv
on 23 September 2020

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1. Introduction

Fluvis System Operator cv (“Fluvis”) is a prominent multi-utility company based in the Flemish Region of Belgium. It has operations in several grid-based utility services: (1) the distribution of electricity, (2) the distribution of natural gas, (3) public lighting, (4) sewerage, (5) cable television infrastructure (CATV), (6) fibre-to-the-home (FTTH) grids, as well as a number of activities related to one or more of the activities mentioned before.

Fluvis was formed through the merger of Eandis System Operator and Infracore in July 2018. The company is 100% owned by the municipalities in the Flemish Region.

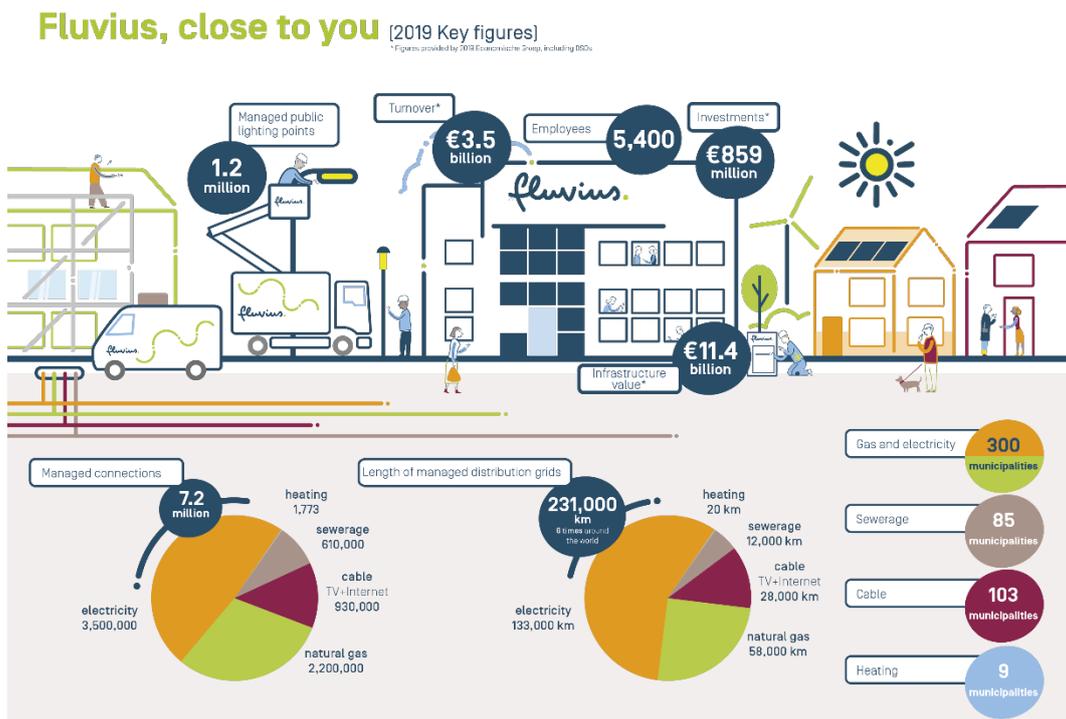


Figure 1: Key figures

Fluvis offers its services in all 300 Flemish cities and municipalities. It manages¹ 133.668 km of electricity grids, 58.091 km of gas grids, 11.712 km of sewerage infrastructure and 27.793 km of CATV grids. It services a total of approximately 7,3 million connections. For public lighting, 1,2 million lighting points are serviced.

Fluvis is Flanders’ largest utility company. The company is strategically important to the Flemish Region (Aa2) and its general policy aim of realising Europe’s climate and energy objectives.

¹ Figures as per 31 December 2019



Figure 2: operational area of Fluvius System Operator

On 30 June 2020, Fluvius employed 5.419 people, of which 4.631 contract-based employees at Fluvius System Operator and 788 statutory employees at Fluvius OV.

The corporate structure of the Fluvius Economic Group is the following:



Figure 3: corporate structure of the Fluvius Economic Group

Fluvius’s strengths are the following:

- it is the largest Flemish multi-utility, covering the entire Flemish Region
- its shareholders are 100% public entities, i.e. all 300 Flemish cities and municipalities
- it shows a low risk business profile across all activities
- it has a robust capital structure, strong liquidity position and stable cash flows due to tariff regulation or long-term contractual agreements for its core activities

- the company has a highly experienced management and staff
- Fluvius strategically focuses on operational excellence, synergies and sustainability.

2. Fluvius’s strategy and commitment on CSR and sustainability

Fluvius System Operator’s commitment on CSR and sustainability is laid down in its **CSR Charter**. It was approved by the Board of Directors on 4 December 2019. This document can be consulted online here: <https://over.fluvius.be/sites/fluvius/files/2019-12/9010106-mvo-charter-2019-en.pdf>

Fluvius takes on the role of the **preferred partner of the Flemish local authorities** in their sustainability efforts, especially in the field of the energy transition and energy efficiency. Fluvius supports the local authorities in their own initiatives to reach the Flemish climate objectives and the targets set in the Covenant of Mayors².

Based on the principle of leading by example, Fluvius has set itself a number of clear sustainability targets, brought together in its **“Vision 2050 – the Flemish energy grids of the future”** policy document. The overriding ambition is to reach climate-neutrality by 2050, irrespective of the different energy disciplines in which the company is involved (electricity grids, district heating grids, gas grids, public lighting).

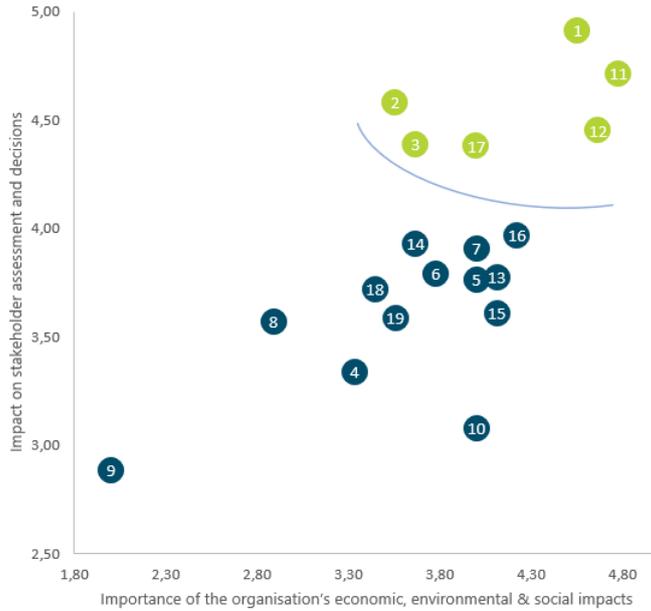
The document “Vision 2050 is supported by detailed policy sheets.

Fluvius’s **environmental policy** aims at (i) full compliance with the legislative norms and obligations, (ii) the maximum implementation of circularity, (iii) green mobility where feasible, (iv) the reduction of the carbon footprint of our own activities. A long-term Environmental Plan 2021-2025 will make these policy objectives concrete. Annual action plans will implement the LT Environmental plan.

Fluvius has carried out an extensive **materiality and urgency analysis**, based on a stakeholder consultation and internal discussions. The stakeholders consulted in this exercise were a.o.: employees, representatives of the Fluvius shareholders, investors, interest groups, suppliers and energy suppliers. This materiality analysis was finalised at the end of 2018³. The result of this exercise is summarized in the graphs below. First, the materiality matrix as it is derived from the results of the stakeholder consultation:

² <https://www.covenantofmayors.eu/>

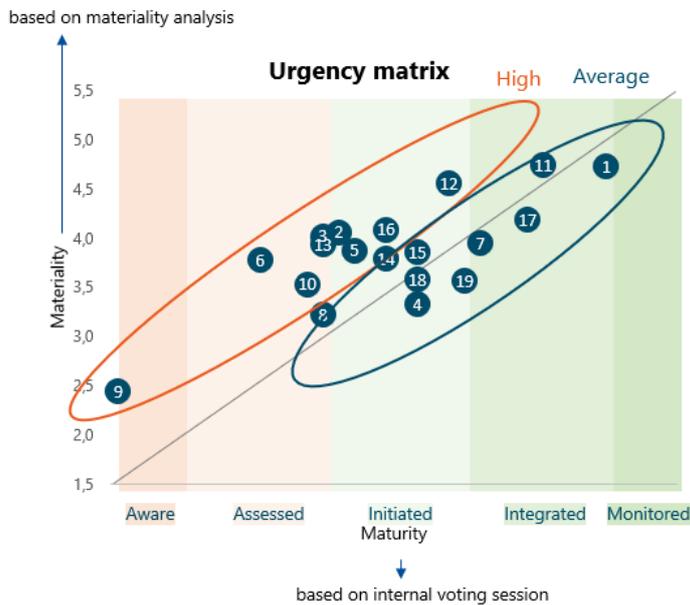
³ The survey with the employees was repeated in July/August 2020 (1250 participants)



1	Grid reliability
2	Customer satisfaction
3	Data privacy
4	Combatting energy poverty
5	Cooperation and partnerships
6	Knowledge sharing
7	Rational use of energy by end consumers
8	CO ₂ footprint own activities
9	Local biodiversity
10	Circular waste management
11	Safety of end consumers and local residents
12	Socially acceptable tariffs
13	Integral (waste)water management
14	Corporate governance
15	Sustainable procurement
16	Active less hindrance policy
17	Employees' safety
18	Employees' wellbeing
19	Training and development

The 6 items indicated in green were scored as the most material topics out the list of 19 material topics.

Taking into account the internal scoring of the process maturity for each of the 19 material topics identified, the urgency was charted as follows:



1	Grid reliability
2	Customer satisfaction
3	Data privacy
4	Combatting energy poverty
5	Cooperation and partnerships
6	Knowledge sharing
7	Rational use of energy by end consumers
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All material topics, but especially the 6 most material ones, identified during this analysis have been linked to the UN Sustainable Development Goals (SDGs)⁴:

⁴ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

1	Grid reliability	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
2	Customer satisfaction	8 DECENT WORK AND ECONOMIC GROWTH
3	Data privacy	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
11	Safety of end consumers and local residents	11 SUSTAINABLE CITIES AND COMMUNITIES
12	Socially acceptable tariffs	7 AFFORDABLE AND CLEAN ENERGY
17	Employees' safety	8 DECENT WORK AND ECONOMIC GROWTH

For the implementation process, the company's **CSR Roadmap** indicates the priorities between the relevant SDGs and the detailed targets to be pursued.

Fluvius has been screened and scored on its CSR and sustainability policies and performance by a number of dedicated **ESG rating** agencies. Benchmarking reports from Vigeo Eiris, Sustainalytics, ISS ESG and Ecovadis can be consulted at these companies.

Fluvius has been awarded the 'Prime' status with an overall rating of C+ and a performance score of 51,59 by ISS ESG (September 2019) and received a silver CSR rating at Ecovadis (November 2019).



3. Rationale for Fluvius's green financing

Fluvius has decided to develop a Green Financing Framework to align its financial policy with the overall strategy of the company, and in particular with its CSR strategy.

In setting up this Green Financing Framework, the company aims at highlighting its important contribution to sustainable solutions for the Flemish Region at large, and its energy sector in particular. Fluvius's ultimate purpose is to safeguard reliable, efficient, sustainable and affordable utility services for the Flemish people and economy.

In Fluvius's view, Green Financing Instruments (as described below) are efficient tools in the transition towards a low carbon economy and a more decentralised energy system. As such, those instruments will support the company in implementing its sustainability strategy.

Fluvius will ensure that the selected projects to be financed through instruments issued under this Green Financing Framework will especially contribute to either one of the following environmental objectives:

- (a) climate change mitigation, e.g. by financing solutions for increased energy efficiency or demonstrable energy savings;
- (b) climate change adaptation, e.g. by financing solutions for tackling floodings and prolonged periods of drought;
- (c) sustainable use and protection of water and marine resources, e.g. by financing projects for building new or updating existing sewerage networks;

while, at the same time, respecting the principle of "Do No Significant Harm" and complying with generally accepted minimum safeguards.

4. Green Financing Framework

Fluvius' Green Financing Framework (the "Framework") covers the following types of green financing for Fluvius, hereafter called 'Green Finance Instrument(s)':

- Green Bonds, to be issued by Fluvius System Operator on behalf of its shareholders being energy distribution system operators and/or sewerage operators and/or CATV infrastructure operators;
- Green Loans, to be contracted either by Fluvius System Operator's shareholders or by Fluvius System Operator itself;
- Refinancing of financial instruments with the proceeds of a Green Financial Instrument, as long as an amount equal to the net proceeds of the new Green Financial Instrument is earmarked to fund Eligible Green projects;
- Or any other types of green funding instruments.

For each of the Green Finance Instruments, (i) the use of proceeds, (ii) the evaluation and selection of projects, (iii) the management of proceeds, (iv) the reporting on allocation and impact, (v) and the external review will be carried out according to this Green Financing Framework, as it might be amended from time to time, according to best market practices.

This Green Financing Framework is in line with:

- the Green Bond Principles, as issued by the International Capital Market Association (ICMA) and last updated in June 2018,
- to the extent possible, the EU Green Bond Standard, as proposed by the EU Technical Expert Group on Sustainable Finance in March 2020, and
- the Green Loan Principles from the Loan Market Association (LMA), last updated in May 2020.

i. Use of proceeds

Fluvius intends to allocate an amount equal to the net proceeds of each issue of a Green Financing Instrument under this Green Financing Framework to a portfolio of new and/or existing Eligible Green Projects falling within one of the following Eligible Green Categories.

Eligible Green Category	Details	Relevant SDGs
Energy efficiency	<p>Investments and/or expenditures in projects that contribute to the reduction of electricity grid losses, and decrease direct emissions from distribution infrastructure, including:</p> <ul style="list-style-type: none"> • Installation of power control devices allowing higher distribution and balancing efficiency, • installation of digital metering, including smart grids and smart meters, • retrofit of electricity networks to reduce energy losses and improve resilience and energy efficiency of the grid, leading to energy savings in the electricity grid of at least 30% <p>Investments and/or expenditures in power grid stabilisation, making best use of excess electricity and ensuring effective utilisation of peak electricity generation</p>	
	<p>Installation of LED technology for public lighting</p>	
	<p>Investments and/or expenditures in energy efficiency building projects, leading to energy savings of at least 30% (compared to a baseline before renovations)</p>	
Water infrastructure	<ul style="list-style-type: none"> • Construction or expansion of the sewerage grid in order to transport wastewater to centralized wastewater treatment plants 	
District heating	<p>Investments and/or expenditures for the construction and operation of pipelines and associated infrastructure for the distribution of heat, supporting a transition to a net-zero emissions economy, including:</p> <ul style="list-style-type: none"> • design, construction and operations of district heating grids using at least 50% renewable energy, or 50% waste heat, or 75% cogenerated heat, or 50% of a combination of such energy and heat. 	
Clean transport	<ul style="list-style-type: none"> • investments and/or expenditures for the installation of EV charging infrastructure and electric grid infrastructure that support sustainable mobility and the use of zero-emission vehicles • Electrification of the Fluvius fleet, including the purchase of electric or other vehicles with a maximum emission intensity of 50 gram CO₂e/km 	

<p>Renewable energy</p>	<p>Investments and/or expenditures in projects that increase the share of low carbon electricity generation below the threshold of 100 gCO₂e/kWh, or that support the integration of renewable energy into the power grid, including:</p> <ul style="list-style-type: none"> • Direct connection, or expansion of existing direct connection of renewable energy production units (including solar, wind or low carbon electricity generation units below the threshold of 100 gCO₂e/kWh) to the distribution grid • Construction, installation, operation and/or maintenance of distribution infrastructure, including: <ul style="list-style-type: none"> ○ transformers ○ medium-voltage and low-voltage distribution systems • Development of energy communities • Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources, such as: <ul style="list-style-type: none"> ○ sensors (including meteorological sensors for forecasting renewable energy production), ○ control tools (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed) 	
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All Eligible Green Projects are located in the Flemish Region.

ii. Evaluation and selection of projects

a. Fluvius investment decision process and ESG policy

Fluvius’s ESG policy is prepared, elaborated and coordinated by the Fluvius **CSR Board**. The CSR Board can decide on a number of specifically defined ESG topics. This Board also delivers its substantiated advice to the company’s **Management Committee** which takes a decision on the matter insofar that it is within the statutory delegation of powers of day-to-day management. For those matters that go beyond the decision-making powers of the Management Committee, the **Board of Directors** has the power to decide.

b. Green Finance Committee for the evaluation and selection of Eligible Green Projects under this Framework

The evaluation and selection of projects to be financed under this Framework by Green Financing Instruments is carried out by a dedicated Green Finance Committee, consisting of senior representatives of the Fluvius Departments of Finance, Administration and Asset Management. The Green Finance Committee is chaired by the company’s CFO. The selection of projects as proposed by the Green Finance Committee is validated by the Management Committee.

The Green Finance Committee convenes on a semi-annual basis and whenever the need arises.

The project teams report the necessary information to the Green Finance Committee, which is responsible to review and validate the Eligible Green Projects that meet the eligibility criteria described in section 4.i. "Use of Proceeds" of this Green Financing Framework.

In particular, the role of the Green Finance Committee will be to:

- review, select, validate and monitor the eligible investments and expenditures towards the Eligible Green Projects,
- identify the impact metrics that best describe the environmental benefits of the Eligible Green Projects,
- draft, verify and validate annual reporting to investors,
- monitor on-going evolutions related to the Sustainable Capital Markets in terms of disclosure/reporting and update the Framework accordingly, when needed, in order to be in line with market practises, and
- review the Framework to reflect any potential changes about use of proceeds, selection of Eligible Green Projects, management of proceeds or reporting, and more broadly on the latest Company's sustainability strategies and initiatives.

Selected projects may include planned projects, projects in execution or completed projects for which financing was used not earlier than 36 months prior to the issuance of the relevant Green Financing Instrument.

iii. Management of proceeds

The process for the management of proceeds is handled by Fluvius's Corporate Finance team.

An amount equal to the net proceeds from the Green Financing Instruments will be deposited in Fluvius's general account. An amount equal to the net proceeds will be earmarked for allocation to Eligible Green Projects, in accordance with this Green Financing Framework. All relevant information regarding (i) the amount of net proceeds from the Green Financing Instruments, and (ii) the investments made towards Eligible Green Projects, will be monitored and kept in Fluvius's accounting systems. Fluvius will manage the proceeds of its Green Financing Instruments on a portfolio basis.

Fluvius intends to allocate the full amount of proceeds within the next 24 months following the issuance of Green Financing Instruments. As long as net proceeds from the issuance of a Green Financing Instrument remain unallocated, Fluvius will hold and/or invest the allocated proceeds, at its own discretion, in its treasury liquidity portfolio, in cash or in other short-term instruments.

If for any reasons, a project is no longer eligible, or in case of any major controversy affecting a project in the portfolio of Eligible Green Projects, the Green Finance Committee will substitute such projects with other Eligible Green Projects for an amount at least equal to such projects, as soon as an appropriate substitution option has been identified.

iv. Reporting

a. Allocation

For each Green Financing Instrument issued by Fluvius or its shareholders under this Green Financing Framework, Fluvius will report annually on the allocation of its net proceeds during the lifetime of outstanding Green Financing Instruments on a project by project basis.

The allocation report will present details on:

- the year of investment,
- the aggregate amounts of investments and expenses allocated to Eligible Green Projects, along with examples and description of emblematic Eligible Green Projects
- the balance of unallocated proceeds (if any) invested in cash, the cash pooling system within the Fluvius Economic Group and/or cash equivalents, and
- the proportion of new financing and refinancing.

The allocation report will be reviewed by an independent third party and published on Fluvius's website: <https://over.fluvius.be/en/thema/investor-relations>

b. Impact

Where feasible, Fluvius will report on an annual basis on a number of environmental impact metrics directly associated with the projects funded by the proceeds of a Green Financing Instrument issued under this Green Financing Framework, during the lifetime of outstanding Green Financing Instruments..

The issuer will align its reporting, to the extent possible, to market practices and the latest principles available, such as set out in the Harmonized Framework for Impact Reporting, as issued by ICMA (June 2019).

The actual metrics reported on will depend upon the nature of the relevant projects, e.g.:

<i>Project category</i>	<i>Metrics⁵</i>
Energy efficiency	<ul style="list-style-type: none"> • energy saved (kWh) • digital meters installed (number of) • public lighting points switched to led (number of) • GHG emissions avoided (tCO₂e)
Water infrastructure	<ul style="list-style-type: none"> • sewerage grid constructed (km) • new connections to sewerage grid (number of) • volume of wastewater collected (m³)
District heating	<ul style="list-style-type: none"> • grid length (km) • supply of heat generated (GJ) • GHG emissions avoided (tCO₂e)
Clean transport	<ul style="list-style-type: none"> • EV charging points installed (number of) • e-vehicles purchased for Fluvius fleet (number of) • e-vehicles purchased for municipal fleets (number of) • CO₂ emissions avoided (tonnes)
Renewable energy	<ul style="list-style-type: none"> • renewable generation projects connected to the distribution grid (number of projects) • renewable generation capacity connected to the distribution grid (MW)

⁵ Where feasible, Fluvius will disclose the methodology and/or assumptions used in the calculation of the quantitative metrics.

In order to take into account future changes and best practices in the markets for financing instruments, Fluvius intends to continuously monitor these developments and, where appropriate, amend its Green Financing Framework accordingly.

v. External review

a. Second party opinion

Fluvius will ensure that a second party opinion (SPO) provider reviews its Green Financing Framework and the company's overall CSR and sustainability strategy and performance. This provider will certify alignment with the applicable green principles, such as the Green Bond Principles (GBP) developed by the International Capital Markets Association (ICMA), the Green Loan Principles (GLP) developed by the Loan Market Association (LMA), as well as the Green Bond Standards as proposed by the European Commission.

The SPO report will be made available on Fluvius's website:

<https://over.fluvius.be/en/thema/investor-relations>

b. Annual assurance

Starting one year after issuance and until the maturity date of the relevant Green Financing Instrument Fluvius will request on an annual basis external assurance on the allocation and impact of the Green Financing Instrument issued under this Green Financing Framework.

5. Disclaimer

This document has been prepared by and is the sole responsibility of Fluvius System Operator cv. It has not been verified independently or approved by a regulatory authority.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would infringe on local law or regulation.

In this document, the term 'Fluvius' refers either to Fluvius System Operator cv or to the consolidated group (i.e. Fluvius System Operator cv + its consolidated subsidiaries). The term 'Fluvius Economic Group' refers to Fluvius (consolidated group) + 11 intermunicipal companies⁶ that are Fluvius's sole shareholders, and Fluvius OV (which is the special vehicle that employs Fluvius's statutory employees). The Fluvius Economic Group is not a legal entity, but for reporting purposes the Fluvius Economic Group can be considered as if it were a single entity.

Forward-looking statements in this document do not guarantee future performance. Actual results may differ materially from such forward-looking statements as a result of uncertainties or risks, many of which are out of control of Fluvius System Operator cv, its subsidiaries and shareholders. Forward-looking statements speak only as at the date of this document. The information in this document is subject to amendment, revision and updating.

⁶ Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas

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