



Green Financing Framework

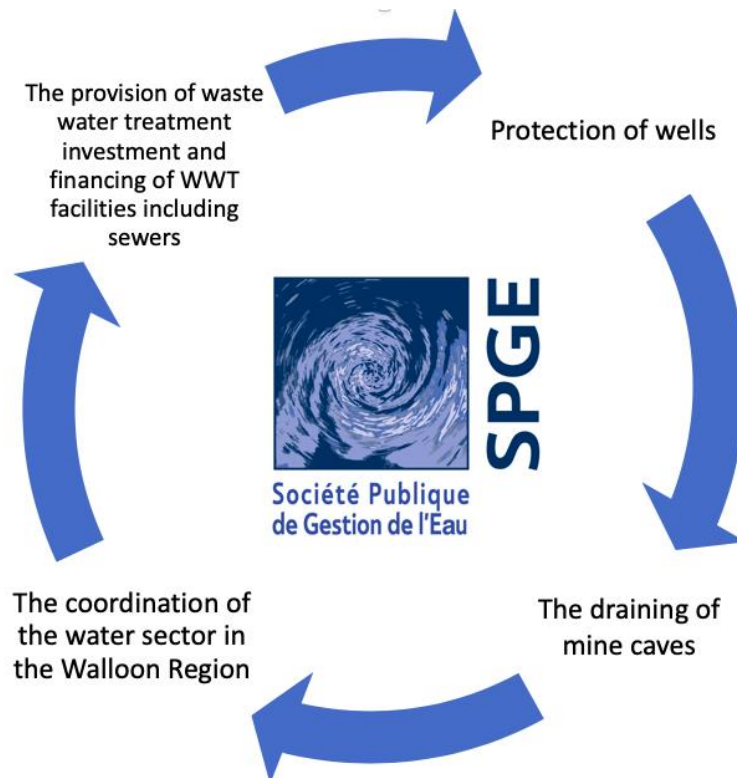
Background

About SPGE – Introduction

Société Publique de Gestion de l'Eau (SPGE, « Public Company for Water Management ») is a Belgian public limited company that has been created by the Walloon Region in 1999 in order to become the key player in carrying out one of the region's compulsory public service responsibilities, namely outsourcing the waste water treatment (WWT) responsibilities.

Today, SPGE is positioned as a central body for the coordination and financing of waste water treatment in the Walloon Region. Together with other water collaborators, it primarily deals with wastewater sanitation (from the sewer to the water treatment plant) and catchment protection.

More specifically, SPGE is entrusted with four primary responsibilities:



Since its establishment in 1999, SPGE invested more than € 4 billion in water sanitation of Walloon households' wastewaters as of 31 December 2018. SPGE currently holds:

- 439 water treatment plants ;
- pumping stations ;
- 6.500 stormwater overflows.

All in all, it has about 3.500 kilometers of network, including existing collectors (2.600 km) and collectors that are to be installed (900 km).

Finally, the equipment rate reaches 92.7% (compared to 41% before 1999) in the Walloon Region.

Legal context

In the context of the mission given by the Walloon Government throughout different management contracts, SPGE elaborates investment programs in order to meet the challenges regarding waste water treatment. The first driver of those programs was the need to build adequate infrastructures (“**logic of means**”).

According to the obligations stemming from the Council Directive 91/271/CEE concerning urban waste water treatment, “logic of means” is imposed on the European Union Member States as to the sanitation of conurbations exceeding 2,000 PE¹.

Additionally, a “**logic of results**” stems from the European Parliament and Council Directive 2000/60/EC that establishes a framework for community action in the field of water policy, inciting Member States to identify and choose the most appropriate, cost-effective actions in order to bring clean raw water to the highest standards.

¹ Population Equivalent



Our vision



Sustainable Development: SPGE promotes long-term development that does not compromise future generations' interests. The company also promotes an equilibrium between the economic, social and environmental interests. It attaches great importance and gives a prominent place to research in order to persevere towards an ever-increasing sustainable development.

Work in Partnership: SPGE's skills and expertise are renowned in its sector of activities. As the water sector's coordinator in Wallonia, SPGE enrolls in a relationship of trust and collaboration with all of its partners and stakeholders.

Corporate Social Responsibility: SPGE voluntarily takes primary responsibility for its activities' impact on our society. For this reason, its global management is embedded in a continuous improvement process. It also takes exportation of its know-how and expertise to heart, in a view to support and sustain collaborative projects dealing with development.

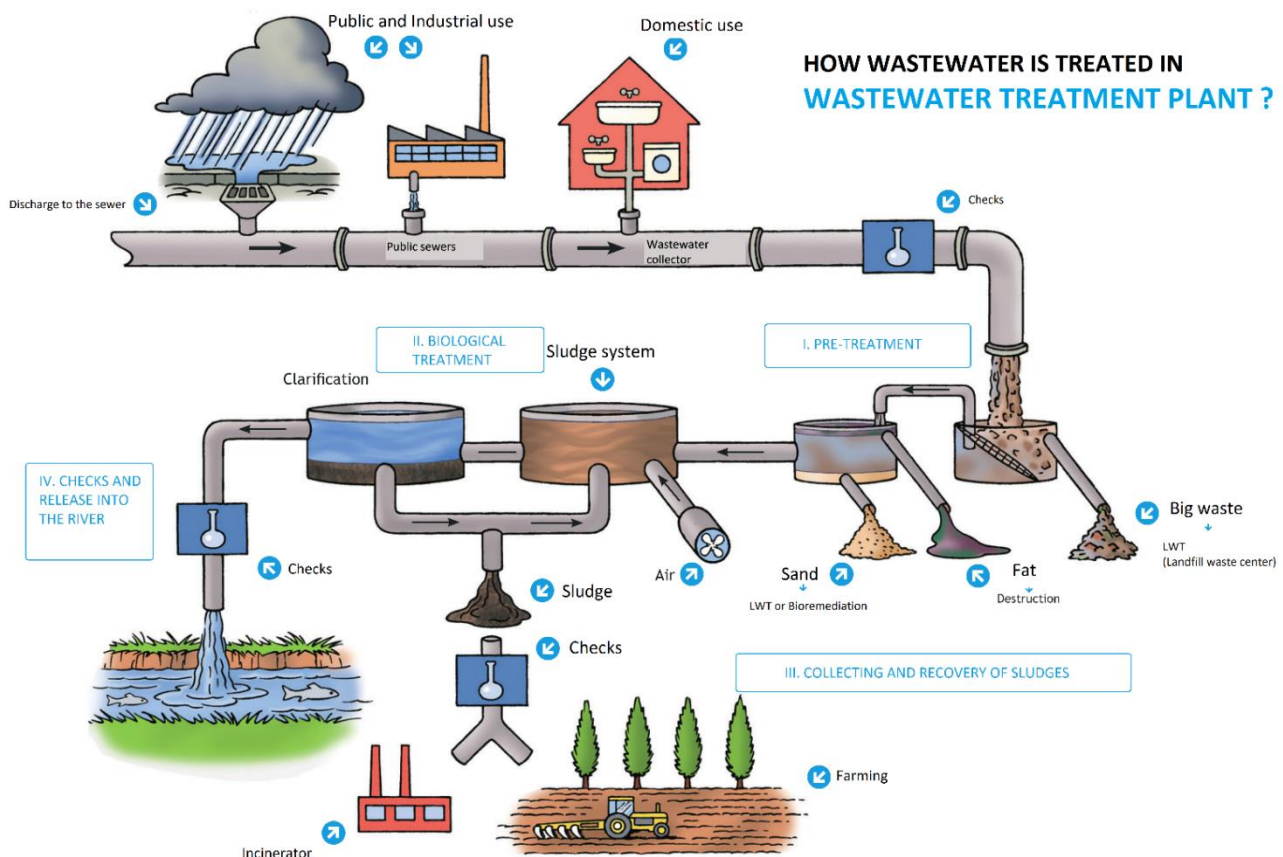


Solidarity: Water is an invaluable resource to which all the citizens are entitled. SPGE is proud to uphold the principle of solidarity as implemented by the Water Code (pooling of CVA² and social fund).

Ethics: SPGE operates its activities in a fully open and transparent manner, in compliance with all the applicable regulations.

Sustainable water - Waste water treatment

With the rapidly growing global population, combined with climate change stressing water resources, there is a need to find sustainable solutions to protect our environment and resources. SPGE has the mission to protect our rivers by recycling used water from industrial and domestic use, and safely return it to the environment.



This requires vast amount of equipment and sewer pipes while ensuring the assets operates effectively.

² Sanitation True-Cost (« Coût Vérité Assainissement »). It represents the fee paid by the walloon citizen to SPGE for treating its used water.



Green Financing Framework

This Green Financing Framework is aligned with the International Market Capital Association (ICMA)'s Green Bond Principles ("GBP")³ and the Loan Market Association (LMA)'s Green Loan Principles ("GLP")⁴ which comprise four key components:

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

1. Use of proceeds

SPGE will use the Green Financing Framework to raise funds in order to meet its investments requirements and its legal and environmental obligations.

An amount equal to the net proceeds will be allocated to Eligible Green Projects in the area of i) wastewater management (sewers, collectors and waste water treatment plants); ii) clean transportation; and iii) renewable energy, contributing to two main environmental objectives: protection of water resources and climate change mitigation.

Each Eligible Green Projects can be identified and tracked individually.

If, for any reason, a project was no longer eligible or faced a major controversy, the Green Financing Committee will reallocate the equivalent amount to other Eligible Green Projects which meet the eligibility criteria of the framework, within 12 months following the decision of reallocation.

Such reallocation will be disclosed in the following annual report.

Although most of SPGE's projects could be eligible, when it comes to existing projects, SPGE will aim to refinance Eligible Green Projects that have been completed in the last 36 months. Those existing projects shall not be representing more than 50%.

Eligible Green Projects may fall within one or several of the following categories:

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁴ https://www.lma.eu.com/documents-guidelines/documents?itemid=502&search_str=loan principles#



i) WASTEWATER MANAGEMENT

Sewers

The sanitation network starts at the connection of the house to the municipal sewage network. Sewers are designed primarily for sewage disposal. In Wallonia, the sewer system is often responsible for evacuating rainwater from roofs and roads. In this case, we speak of a "unitary drainage network". When sewage and rainwater are collected separately, it is referred to as a "separative sewage system". In this case, it is also necessary that inside the houses the water is separated and connected to the right networks.



Wastewater collector

A collector takes the sewage from several sewer systems to the waste water treatment plant. In the case of combined sewers (wastewater and rainwater), a flow control device (storm weir) is installed in such a way that only a fixed flow lead to the treatment plant. Excess flow (overflow) is discharged into a nearby watercourse. The system computes automatically so that the pollution present in this water is highly diluted and that this discharge can be supported by the aquatic environment. In some cases, these excess flows are stored for subsequent treatment in basins called "first rain" or are treated directly in specific purification systems (rainwater treatment).



Pumping stations

In the sewer system, the water usually flows in a gravitational way. When the land does not have enough natural slope or if an obstacle overcomes, pumping stations and pressure pipes are installed to transport the wastewater to the treatment plant. A well-designed sanitation network has only the bare minimum of pumping facilities, this limit the energy consumption required.



Wastewater treatment plant

The treatment plant is the most visible part of the sanitation system. Wastewater is treated there, usually through a natural biological process. At the end of the treatment, the purified water is clean enough to be discharged into a watercourse. In Wallonia, sewage treatment plants never produce drinking water.



ii) CLEAN TRANSPORTATION

SPGE holds in his fleet company cars and cars used for the maintenance of the treatment plants and stations. The last category is subject to be renewed in electric vehicles (emitting less than 50g CO₂eq/km).

iii) RENEWABLE ENERGY

SPGE equips a part of its treatment plants with installation of solar PV.

Eligible Green Projects may include the following type of expenditures:







- new capital expenditures;
- refurbishments of existing assets not older than 36 months;
- operating expenditures such as the purchase of electrical vehicles or renewable energy installations.



Contribution to the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (“SDGs”) will require a significant resource mobilization worldwide from both public and private sectors. Sustainable debt instruments can contribute to channeling and scaling-up necessary investments and the Green Finance Market has begun to adapt in response to the SDGs.

In accordance with the “*High-Level mapping to the Sustainable Development Goals*” published by the ICMA in June 2018, SPGE presents hereunder the targeted SDGs:

Eligible Categories	UN SDGs identified	UN SDGs targets
Waste water management		3.9 - By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
		6.3 - By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Clean transportation		11.6 - By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
		UN SDG 13 consists in taking urgent action to combat climate change and its impacts. Companies promoting clean transportation can contribute to reducing GHG emissions through these projects.
Renewable energy		7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix.
		UN SDG 13 consists in taking urgent action to combat climate change and its impacts. Companies promoting renewable energies can contribute to reducing GHG emissions through these projects.



2. Process for Project Evaluation and Selection (Eligibility Criteria)

All SPGE's investments are defined in an investment program build in collaboration with authorized sanitation organizations (OAA).

Assets and expenditures selection are driven by (in order of priority):

1. European Directives
2. Water Code
3. Management Contract with the Walloon Region
4. Profitability criteria's (e.g. cost-effective, environmental criteria (wastewater quality))

This program is approved by the Board of Director and the Board of Managers, and then ratified by the Secretary of State for Environment.

As part of the governance of its Green Financing Framework, SPGE has created a Green Financing Committee (GFC) to review and validate the selection of Eligible Green Projects.

The Green Financing Committee is constituted of representatives from:

- The Treasury team,
- The CSR team and
- Relevant Project teams

All decision taken by the Green Financing Committee will be submitted to the Board of Directors.

The Committee meeting will take place at least on an annual basis, and in case a major controversy raised.



3. Management of Proceeds

The net proceeds from SPGE's Green Financial Instruments will be deposited in SPGE's general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects in accordance with SPGE's Green Financing Framework.

The Treasury team will communicate to the Head of Investments the amount to be allocated to Eligible Green Projects. The Head of Investments will submit selected investments to the Committee who will review and validate the Eligible Green Projects as per the eligibility criteria of this Framework.

All information regarding the issuance of Green Financial Instruments and Eligible Green Projects (re)financed will be recorded in SPGE's internal database and monitored by the Investment Department.

The balance of the tracked proceeds should be periodically adjusted on a semi-annual basis by the Treasury Team, in order to match allocations to Eligible Green Projects (re)financed during this period.

Pending allocation or reallocation of the net proceeds, as the case may be, SPGE will invest the balance of the net proceeds at its own discretion in cash and/or cash equivalents, and/or short term liquid marketable instruments, as per the company's investment management policy. SPGE commits not to finance GHG intensive activities, controversial activities or activities facing material ESG issues.

SPGE intends to allocate the full amount of proceeds within the next 36 months following the issuance of the Green Financing Instrument.



4. Reporting

SPGE will provide investors an annual reporting called “Green Financing Report”.

This report will contain several information regarding the financed projects, the total amount of proceed allocated and some details regarding their environmental impact.

The Green Financing Report will be available on SPGE’s website and updated every year.

Allocation Reporting

For each Eligible Green Project, SPGE will report the following parameters:

1. The list of Eligible Green Projects (re)financed, including a brief description
2. The aggregated amount of (re)allocation of net proceeds to Eligible Green Projects at category level
3. The proportion of financing vs refinancing
4. The balance of the unallocated proceeds and their future allocation (if any)
5. The relevant impact metrics as described below.

Impact Reporting

SPGE has identified several impact indicators which will be attached to each project financed by the net proceeds of the sustainability bonds. At an early stage of the projects, an estimated impact can be communicated, however the final impact will be adjusted only once the asset will be fully operational.

For illustration, below is an exhaustive list of reporting indicators used by SPGE:

Categories	Examples of indicators
Wastewater treatment plants	- Increase of water treated (m ³ /day) - Increase of DCO removed (kg/m ³ water treated) - Reduction of kWh used for water treatment (kWh/m ³) - Annual gross amount of sludge that is treated (tones of dry solids per year)
Renewable Energy	Annual CO2 emissions avoided (tCO2 eq/year)
Clean transportation	Renewable energy capacity installed in MWh



The calculation methodology used to compute the benefits of Eligible Green Projects will be publicly disclosed on SPGE’s annual reporting.

External Review

Second Party Opinion Provider

The Green Financing Framework of SPGE has been reviewed by Vigeo Eiris which confirmed this Framework is in line with the International Market Capital Association (ICMA)’s Green Bond Principles (“GBP”)⁵ and the Loan Market Association (LMA)’s Green Loan Principles (“GLP”)⁶. The Second Party Opinion is available on SPGE’s website: www.spge.be

External verification

A limited assurance provided by an independent auditor will be performed, covering the allocation of funds, the compliance in all material aspects, of:

- the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria and
- the impact reporting, annually and until the Bond’s full allocation and in case of any material change.

⁵ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁶ https://www.lma.eu.com/documents-guidelines/documents?itemid=502&search_str=loan principles#



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