

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF SPGE'S "GREEN FINANCING FRAMEWORK"

November 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of the Green Bonds/Loans² (the "Operations") to be issued by SPGE (the "Issuer") in compliance with the Green Financing Framework (the "Framework") created by the Issuer to govern its issuances.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the ICMA's Green Bond Principles ("GBP") and the Loan Market Association's Green Loan Principles ("GLP") voluntary guidelines, edited in 2018.

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed the Issuer's ESG strategy, its management of potential stakeholders-related ESG controversies and its involvement in controversial activities³.
- 2) **Issuances:** we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Operations potential contribution to sustainability and its alignment with the four core components of the GBP and GLP 2018.

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with Issuer's managers, held via a telecommunications system.

We carried out our due diligence assessment from October 8th, 2019 to November 27th, 2019. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Green Financing Framework of SPGE is aligned with the four core components of the GBP & GLP 2018.

We express a reasonable assurance⁴ (our highest level of assurance) on the SPGE's commitments and on the contribution of the contemplated Operations to sustainability.

1) Issuer (see Part I):

- ▶ As of November 2019, we reach a reasonable level of assurance on SPGE's capacity to integrate relevant ESG factors in its strategy, and to account on them. We reach a reasonable assurance on SPGE's capacity to integrate relevant environmental and social factors in its strategy. We reach a reasonable assurance on SPGE's performance in the Governance pillar.
- ▶ As of today, the review conducted by Vigeo Eiris did not reveal any ESG controversy against SPGE over the last three years.
- ▶ The Issuer is not involved in any of the 15 controversial activities⁴ screened under our methodology.

¹ This opinion is to be considered as the "Second Party Opinion" described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org) and in the Green Loan Principles voluntary guidelines (December 2018 Edition) from the Loan Market Association (LMA)

² The "Green Bonds/Loans" are to be considered as the Bonds/Loans to be potentially issued, subject to the discretion of the Issuer. The name "Green Bond/Loan" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

⁴ Definition of Vigeo Eiris' scales of assessment are detailed in the Methodology section

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Operations within a formalised Green Financing Framework which covers the four core components of the GBP/GLP 2018 (the last updated version was provided to Vigeo Eiris on November 27th, 2019). The Issuer has committed to make this document publicly accessible on SPGE's website before the issuance date, in line with good market practices.

We are of the opinion that the contemplated Operations are coherent with SPGE's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments.

Use of Proceeds

- ▶ The net proceeds of the Operations will exclusively finance or refinance, in part or in full, projects falling under three Green Project Categories ("Eligible Categories"), namely: Wastewater management, Clean transportation and Renewable energy. We consider the Eligible Categories to be clearly defined.
- ▶ The Eligible Categories are intended to contribute to two main environmental objectives (protection of water resources and climate change mitigation). These objectives are formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, as feasible, quantify the expected environmental benefits of the Operations within its annual Green Bond Reports (ex-post). An area for improvement consists in quantifying ex-ante these environmental benefits for each Eligible Category.
- ▶ In addition, the Eligible Categories are likely to contribute to five of the United Nations' Sustainable Development Goals ("SDGs"), namely : Goal 3. Good Health and Well-being, Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 11. Sustainable cities and communities and Goal 13. Climate action.
- ▶ The Issuer has transparently communicated on the estimated share of refinancing, which will not exceed 50%. The issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from the Operations' issuance date will be applied to the CAPEX but there is no specified limit for OPEX nor for R&D expenditures. An area for improvement consists in specifying the lookback period for OPEX and R&D expenditures too.

Process for Projects Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (as defined within the frame of the Management Contract with the Walloon Region 2017-2022), relevant to the environmental objectives defined for the Eligible Categories.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects is considered good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.
- ▶ The selected reporting indicators on the allocation of proceeds and environmental benefits are relevant.

SPGE has committed that its Framework will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Operations, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website⁵, at the date of issuance.
- An annual verification: an external verification performed by a third-party auditor, covering the allocation of proceeds, the compliance in all material aspects, of (i) the actual allocation of proceeds to the Eligible Green Assets and their alignment with the eligibility criteria and (ii) the impact reporting, annually and until the Bond's full allocation and in case of any material change.

This Second Party Opinion is based on the review of the Framework and information provided by the Issuer, according to our exclusive assessment methodology and to the GBP and GLP guidelines (2018)

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for SPGE. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the assets to be financed by the Bond. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication are at the discretion of the Issuer, submitted to Vigeo Eiris approval.

⁵ <http://www.spge.be>

DETAILED RESULTS

Part I. ISSUER

Société Publique de Gestion de l'Eau (SPGE) is a public limited company set up by the Walloon Region in 1999. In the context of the mission given by the Walloon Government throughout different management contracts, SPGE elaborates investment programs. Its main mission is the coordination and the financing of the water sector in Wallonia. Together with the other water collaborators, SPGE primarily deals with wastewater sanitation (from the sewer to the water treatment plant) and water catchment protection. However, it is not responsible for the production, distribution and billing of water to customers, which is the responsibility of the producers and distributors.

Level of SPGE's ESG strategy

As of November 2019, we reach a reasonable level of assurance on SPGE's capacity to integrate relevant ESG factors in its strategy, and to account on them. We reach a reasonable assurance on SPGE's capacity to integrate relevant environmental and social factors in its strategy. We reach a reasonable assurance on SPGE's performance in the Governance pillar.

Domain	Comments	Opinion
Environment	We reach a reasonable assurance on SPGE's capacity to integrate relevant environmental factors in its strategy. Indeed, SPGE manages the coordination and financing of the water sector in Wallonia, in consultation with the other partners involved. In particular, it is responsible for the protection of drinking water resources and the purification of wastewater (from sewer to wastewater treatment plant).	Reasonable
	In terms of energy consumption and associated emissions, and in the frame of the Management Contract with the Walloon Region, SPGE has an objective to decrease its energy consumption by 2% per year per cubic meter of treated water by 2021, with a baseline of 0.73kwh/m ³ of treated water in 2015. The company has also implemented a pilot project to install photovoltaic panels on its wastewater treatment plants and plans to expand this to its other plants.	Moderate
	In the Walloon Region, each new groundwater catchment has to get a permit from the Administration to be used. With this, the quantity withdrawn from each groundwater body can be controlled and the region's administration also conducts a monitoring to follow the level in the water table. In 2019, SPGE has launched a call for proposals on projects regarding quantity preservation.	Weak
Social	We reach a reasonable assurance on SPGE's capacity to integrate relevant social factors in its strategy. SPGE commits to ensure employees' health and safety, both on the physical aspects and in terms of stress management and promotion of well-being. The Issuer also commits to promote career development, notably through skills identification and through a formal training plan.	Reasonable
	Regarding the issue of the promotion of access to water and sanitation in developing countries, SPGE has several partnerships in place to transfer its knowledge in the field of wastewater treatment, including notably in Tunisia, Mali, Burkina Faso. In addition, regarding the prevention of water poverty of vulnerable populations, the SPGE participates in the functioning of the social fund, a financial mechanism based on the participation of water distributors, Public Social Action Centres and SPGE. This mechanism is funded on the basis of a contribution from consumers and enables to support the payment of water bills of consumers in payment difficulty.	Moderate
		Weak
Governance	We reach a reasonable assurance on SPGE's performance in the Governance pillar. SPGE has committed to operate its activities in a fully open and transparent manner, in compliance with all the applicable regulations. This commitment covers notably fraud and conflicts of interest.	Reasonable
	On the issues of Corporate Governance, the Board is composed by a majority of independent directors (70%) and 20% of the Board is composed of women. The roles of Chairman and CEO are separated, and the Chairman is considered independent. Regular meetings of the Board are held (once a month). The majority of the Audit committee is considered independent and is responsible for overseeing internal audit and internal controls and overseeing the work of the external auditor, but it is unclear whether it nominates the statutory auditor, oversees its work and approves the type of audit and non-audit services provided and fees paid to the external auditor. On the issue of executive remuneration, the majority of the Remuneration Committee is considered independent. SPGE is transparent on the elements of executive remuneration, which has remained stable. In addition, SPGE does not provide severance payment to its executives.	Moderate
		Weak

Management of stakeholders-related ESG controversies

As of today, the review conducted by Vigeo Eiris did not reveal any ESG controversy against SPGE over the last three years.

Involvement in controversial activities

As of today, the Issuer is not involved in any of the 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCES

Coherence of the issuances

Context note: The main sustainable development priorities of the drinking water supply and sanitation services sector are the protection of water resources and the control and reduction of local pollutions. A study by the European Environmental Agency has found that 60 per cent of lakes, rivers, estuaries and coastal waters studied are highly polluted with chemicals and other pollutants⁶. In 2018, Greenpeace conducted analysis in rivers and canals from ten European countries and found that a Belgian water stream is the most polluted, with pesticide concentration at 94 milligrams per litre⁷.

Water utilities have the potential to drive significant positive changes towards sustainable development and environmental protection at the forefront. By reducing water losses and respecting effluents quality, by protecting biodiversity, by promoting a responsible use of water and by minimizing local pollutions, companies could ensure the social and environmental sustainability of their activities.

We are of the opinion that the contemplated Operations are coherent with SPGE's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments.

SPGE acknowledges its role in providing solutions to protect water resources and the environment by recycling wastewater from industrial and domestic use, and return it safely to the environment. SPGE manages the coordination and financing of the water sector in Wallonia and is responsible for the protection of drinking water resources and the purification of wastewater (from sewer to wastewater treatment plant). The production and distribution of water to the Region's population is conducted by the distributors which are responsible for managing the assets owned by SPGE, to distribute water and to charge the consumers.

SPGE reports to promote long-term development that does not compromise future generations' interests and gives a prominent place to research in order to persevere towards an ever-increasing sustainable development.

The European Parliament and Council Directive 2000/60/EC established a framework for Community action in the field of water policy. In order to implement this directive and achieve a "good status of the water mass", the Walloon Government has signed Management Contracts with SPGE since 2006 and the last contract covers the period 2017-2022. The general strategic orientation of the contract and associated missions include to ensure the control of discharges of wastewater, to encourage practices aimed at protecting aquatic resources, to reduce discharges, emissions and losses of priority substances and eliminate discharges of hazardous substances into water; to preserve and restore aquatic environments, to take into account the impacts of climate change, to enhance and protect strategic groundwater resources and to control the price of water and contribute equitably to the sustainable financing of water management.

To do so, the Management Contract defines SPGE's following environmental objectives:

- Reach between 20% and 40% of surface water bodies with one or more physico-chemical parameters (nitrogen, phosphorus and carbon) improved by 2021;
- Reach a level between 90% and 100% of CAPEX (regarding sanitation, draining, protection) planned or under construction compared to the amount of CAPEX provided by the Investment Programme;
- Reach a compliance rate of water discharges after treatment in the water treatment plants of more than 95% in 2021 (baseline of 90% in 2015);
- Reach a 40% equipment rate of individual purification systems in priority areas by 2021;
- Reach a global indicator of 63% of resource protection (protection of catchments and diffuse pollution), with a baseline in 2016 of 30%;
- Reduce energy consumption (in Kwh/m³ of treated water) by 2% per year, with a baseline of 0.73 Kwh/m³ in 2015.

In addition, the Walloon Government adopted the "Energy Pact" in 2017, which includes a "carbon-free" mobility, with the overall objective of gradually eliminating internal combustion engines. In 2025, 20% of new registrations will be zero-emission (50% in 2030). Within this pact, public authorities and transport companies are required to exclusively purchase zero-emission vehicles by 2025. Therefore, this applies to SPGE, which has indeed implemented its own clean transportation policy.

By issuing Bonds and Loans intended to finance and refinance expenses in the area of wastewater management, the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of sustainable development.

⁶ "European waters - Assessment of status and pressures 2018" – European Environment Agency

⁷ "Le cours d'eau "le plus pollué d'Europe" coule en Flandre, selon Greenpeace" – RTBF – 11/04/2019

Use of Proceeds

The net proceeds of the Operations will exclusively finance or refinance, in part or in full, projects falling under three Green Project Categories (“Eligible Categories”), namely: Wastewater management, Clean transportation and Renewable energy. We consider the Eligible Categories to be clearly defined.

The Eligible Categories are intended to contribute to two main environmental objectives (protection of water resources and climate change mitigation). These objectives are formalized in the Framework and considered clearly defined and relevant.

The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, as feasible, quantify the expected environmental benefits of the Operations within its annual Green Bond Reports (ex-post). An area for improvement consists in quantifying ex-ante these environmental benefits for each Eligible Category.







The Issuer has transparently communicated on the estimated share of refinancing, which will not exceed 50%. The issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from the Operations’ issuance date will be applied to the CAPEX but there is no specified limit for OPEX nor for R&D expenditures. An area for improvement consists in specifying the lookback period for OPEX and R&D expenditures too.

The Issuer reports that around 95% of the Operations’ proceeds will be allocated to the first category of Eligible Projects, namely wastewater management.

All of these Projects will be located in the Walloon Region.

SPGE's Framework			Vigeo Eiris' Analysis
Eligible Category	Definition and Eligibility Criteria	Objectives and benefits	
Wastewater management	<p>Investment expenditures, operating expenditures and R&D in the Walloon Region, for projects either in progress or to be started:</p> <ul style="list-style-type: none"> ▪ Sewers ▪ Wastewater collectors ▪ Pumping stations ▪ Wastewater treatment plants <p>These investments are all planned as part of the Management Contract 2017-20122 signed between SPGE and the Walloon Region.</p> <p>Examples of projects:</p> <ul style="list-style-type: none"> • Rehabilitation of the Waremme wastewater treatment plant • Transformation of the Cerisiers wastewater treatment plant into a pumping station <p>NB: non-collective sanitation is not in the scope of the Green Financing Framework.</p>	<p>Protection of water resources</p> <p><i>Increase water treated</i></p> <p><i>Reduce risk of water pollution</i></p> <p><i>Reduction of energy used for water treatment</i></p>	<p>The definition of this category is clear.</p> <p>The intended environmental objective is defined and relevant.</p> <p>The expected benefits are defined and have been assessed.</p>
Clean transportation	<p>Purchase of electric cars (emitting less than 50g CO2eq/km) to be used for the maintenance of the treatment plants and stations in the Walloon Region.</p>	<p>Climate change mitigation</p> <p><i>Avoidance of GHG emissions</i></p>	<p>The definition of this category is clear.</p> <p>The intended environmental objective is defined and relevant.</p> <p>The expected benefit is defined and has been assessed.</p>
Renewable energy	<p>Installation of Photovoltaic solar panels on SPGE's treatment plants that are EMAS certified in the Walloon Region.</p>	<p>Climate change mitigation</p> <p><i>Avoidance of GHG emissions</i></p>	<p>The definition of this category is clear.</p> <p>The intended environmental objective is defined and relevant.</p> <p>The expected benefit is defined and has been assessed.</p>

In addition, the Eligible Categories are likely to contribute to five of the United Nations' Sustainable Development Goals ("SDGs"), namely : Goal 3. Good Health and Well-being, Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 11. Sustainable cities and communities and Goal 13. Climate action.

Eligible Categories	UN SDGs identified	UN SDGs targets
Wastewater 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.

Process for Projects Evaluation and Selection

The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is clearly defined.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined roles and responsibilities.

Firstly, investments are defined as part of an investment program built in collaboration with authorized sanitation organizations (*Organisme d'Assainissement Agréé*, or OAA). Projects are proposed based on the following selection criteria:

1. European Directives
2. Water Code
3. Management Contract with the Walloon Region
4. Profitability criteria.

The Investment department will propose to the Board of Directors a panel of investments that, according to the level of priority as described above, have to be made. The investment program is approved by the Board of Directors and the Board of Managers. Finally, it is ratified by the Secretary of State for Environment.

SPGE has put in place a Green Financing Committee to review and validate the selection of Eligible Projects. The Green Financing Committee is constituted of:

- The company's Chief Financial Officer
- Representatives from the Treasury team
- Representatives from the CSR team
- Representatives from the relevant Project teams.

The Committee is responsible for:

- Reviewing the Eligible Projects as defined in the Framework and notably that environmental criteria are included in the Projects proposed;
- Validating the effective disbursed amounts of Eligible Expenditures at the end of each fiscal year for annual reporting to the investors;
- Defining and updating the Green Financing Framework - as and when necessary - according to the market standard and best market practices to reflect any major changes with regards to the sustainability strategies and initiatives of SPGE;
- Deciding for new issuances under the Framework.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The Committee will meet at least on an annual basis, and in case of major controversy raised.
- The traceability of the decisions appears to be ensured, through meeting minutes that will be prepared for each meeting of the Green Financing Committee.
- The issuer commits to have an external review to verify the compliance of the selected Green Projects with the eligibility criteria and process defined in the Framework.

The process relies on explicit eligibility criteria (as defined within the frame of the Management Contract with the Walloon Region 2017-2022), relevant to the environmental objectives defined for the Eligible Categories.

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework.

The identification and management of the environmental and social risks associated with the Eligible Projects are considered good.

- "Wastewater management" projects will represent around 95% of the Operations' proceeds. A focus has therefore been made here on the environmental and social risks associated with this category.
- Within the frame of the Eligible Projects, SPGE is only responsible for the construction, rehabilitation and expansion of wastewater treatment assets. In addition, SPGE owns the wastewater treatment assets and has signed 20-year service contracts with seven *intercommunales*⁸, which are responsible for managing the assets and the associated environmental and social risks.
- In the Walloon Region, SPGE owns the water catchments' assets and manages their protection, however catchment protection projects will not be financed under this Framework. In addition, all the activities linked to production, distribution, storage and client relations fall under the water producers' and distributors' responsibilities.

⁸ An "*intercommunale*" is an association of at least two municipalities that decide to manage a matter of common interest together. For example, the management of wastewater.

Environmental risks

- **An Environmental Management System** (EMAS certification) has been implemented for more than 95% of SPGE's wastewater treatment plants and all plants planned to be financed by the Operations will be EMAS certified. This certification imposes notably to monitor and identify the environmental impacts of the company's activities and to implement a systematic approach to setting environmental objectives, achieving them and making them public once they have been achieved. The certification covers the following core indicators: energy efficiency, material efficiency, waste, biodiversity and emissions. Regular external audits are conducted in the scope of the certification. Regarding the photovoltaic panels, SPGE commits to only install them on EMAS certified wastewater treatment plants⁹.
- SPGE has delegated the management of the wastewater management plants to the intercommunales, in the frame of the service contracts. These plants have received the EMAS certification, which requires the formalization of intervention procedures for **risks linked to pollution prevention and control**, and this is the responsibility of the intercommunales. Internal and external audits are conducted on this issue by the intercommunales or external bodies and the results are shared and discussed with SPGE. In addition, following studies conducted since 2013, SPGE is implementing measures to avoid pollution caused by combined sewer overflows. These include separation of clean rainwater in networks and storm-water basins upstream of the wastewater treatment plants. This allows to store the first flushes of rainwater that cannot be treated directly by the wastewater treatment plant and thus avoiding combined sewer overflows.
- The **protection of water resources** appears to be good. The core aim of the Operations is to finance projects protecting rivers and waterways by recycling used water from industrial and domestic use. To do so, environmental indicators on the levels of organic, nitrogenous and phosphorus matters are integrated into the service contracts signed between SPGE and the intercommunales, in order to estimate the improvement of the water quality of waterways. In addition, within the scope of their activities, the intercommunales are also responsible for programs linked to measurement, sampling and analysis of water and sludge. SPGE will require from the intercommunales to report on pre-defined environmental indicators and will consolidate these to include in the Green Bond reports (including *cubic meters of water treated per day*, *number of kg of COD eliminated by cubic meter treated* and *kWh used by cubic meter treated*).
- The **management of risks linked to waste disposal**, appears to be limited. As part of the service contracts signed, the intercommunales are responsible for the treatment, disposal, recovery, landfilling and incineration of sludges. However, there is no evidence that environmental processes and thresholds have been set to manage waste in the most environmentally advanced way. SPGE is also working on Research & Development linked to sludge recovery, with an aim to generate electricity to power the wastewater treatment plants. SPGE confirms that it will recycle photovoltaic panels and batteries at their end-of-life, in line with the regulations that will be in place at that time.
- The management **of energy consumption and efficiency of the wastewater treatment plants** appears to be partially addressed. Despite an indicator on *kWh used by cubic meter of water treated* being disclosed in the impact reporting of the Green Bonds reports, intercommunales are not required by SPGE to improve the energy use and efficiency of plants.
- **The management of risks linked to biodiversity** appears to be good and are included in the EMAS certification. In case of modifications in the sub-watershed sanitation plan, SPGE reports that an Environmental Impact Assessment is conducted, covering risks related to biodiversity. In addition, each permit request for wastewater treatment plant has to include an environmental impact assessment notice including environmental and social factors (covering population and human health, biodiversity, land, soil, subsoil, water, air, noise, vibration, mobility, energy and climate, tangible assets, cultural heritage and landscape).

⁹ The installation of photovoltaic panels is regulated by the law in the Walloon Region. If the panels are installed on the wastewater treatment plants, SPGE does not need to apply for a permit. However, if they are planned to be installed on the ground owned by the Company, a permit issued by the Walloon Region is required.

Social Risks

- The management of **health and safety risks** appears to be good. This falls under the intercommunes' responsibility as they are managing the assets. This aspect is covered by the service contracts and the technical specifications signed between SPGE and the intercommunes and applies to wastewater treatment plant construction as well as the installation of photovoltaic panels. In addition, a safety journal is kept, and safety coordinators are in place on the construction sites. Finally, evaluation notices are filled to assess whether the measures have been taken to evaluate, reduce or eliminate risks at the source. However, there are no audits covering health and safety measures implemented by the intercommunes.
- Regarding **Social Impact Assessments**, SPGE reports that before the construction of new wastewater treatment plant, the application for a planning permit is submitted to the citizens of the municipality. In addition, a public inquiry is also organised by the municipality and consists in presenting the project, explaining its impacts and providing the opportunity to citizens to express their concerns. In some cases, the municipality with the intercommune can organise visits to other wastewater treatment plants so that the citizens can be aware of factors such as noise and/or odours. Finally, it is up to the municipality whether or not it agrees to grant the permit to the intercommune after the procedure described above has been conducted.

Management of proceeds

The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- The net proceeds of the Operations will be deposited on SPGE's general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Projects in accordance with SPGE's Green Financing Framework.
- SPGE intends to allocate the full amount of proceeds within the next 36 months following the issuance of the Green Financing Instrument.
- The Treasury team will give the order to allocate an amount equivalent to the net proceeds to Eligible Projects and the Head of Investments will allocate them.
- Pending allocation or reallocation of the net proceeds, SPGE will invest the balance of the net proceeds in cash and/or cash equivalents, and/or short term liquid marketable instruments, as per the company's investment management policy. In addition, SPGE commits not to finance GHG intensive activities, controversial activities or activities facing material ESG issues as part of its marketable instruments.
- In case projects are no longer eligible (postponement or replacement), SPGE intends to replace the no longer Eligible Project within 12 months.

Traceability and verification of both tracking method and allocation of the proceeds are ensured throughout the process :

- The Head of Investments will be in charge of monitoring the allocation of proceeds. Twice a year, the Treasury team will ensure that the scope has not been changed and will track the different disbursements (total budgeted amount vs invoiced amount) for each project.
- The proceeds will be appropriately tracked using 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.

An area for improvement consists in having an independent third party verifying the Eligible Project Portfolio's outstanding amount once a year and until full allocation and verifying the tracking method of proceeds.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in internal documentation. An area for improvement consists in formalizing these processes in the Framework.

The process is structured and based on relevant internal expertise and involves relevant departments of the Issuer:

- The Company's monitoring system (through an internal database) will be used to monitor the financial aspects of the projects.
- SPGE will require from the intercommunales responsible for each project to report on environmental indicators pre-defined by SPGE.
- The Investment department will be responsible for monitoring and consolidating the environmental data associated to the Eligible Projects.
- The Investment department, CSR Department and Treasury team will be responsible for creating the Green Financing Reports.

The Issuer commits to report, at least for the investors, in case of material developments relating to the Operations and to the Eligible projects, including in case of ESG controversies or projects modification.

SPGE has committed to report annually and until the maturity of the Operations, through the annual reports which will be made publicly accessible on SPGE's website¹⁰.

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: the selected reporting indicators are relevant.

Reporting indicators	
-	The list of Eligible Projects (re)financed, including a brief description
-	The aggregated amount of (re)allocated net proceeds to Eligible Projects
-	The proportion of financing vs refinancing (%)
-	The balance of the unallocated proceeds and the projects they will be allocated to

- Environmental benefits: the selected reporting indicators are relevant.

Eligible Categories	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Wastewater management	<ul style="list-style-type: none"> - Increase in water treated (m³/day) - Annual gross amount of sludge that is treated (tonnes of dry solids per year) 	<ul style="list-style-type: none"> - Increase of DCO removed (kg/m³ water treated) - Reduction of kWh used for water treatment (kWh/m³)
Clean transportation		<ul style="list-style-type: none"> - Annual CO₂ emissions avoided (tCO₂ eq/year)
Renewable energy	<ul style="list-style-type: none"> - Renewable energy capacity installed (MWh) 	

The Issuer has committed that the key methodologies and assumptions used to calculate the benefits of Eligible Projects will be publicly disclosed in SPGE's annual reporting¹⁰.

An area for improvement consists in reporting on the share of co-financing for the Eligible Projects, in order to report transparently on the share of environmental benefits attributable to the proceeds of the Operations.

¹⁰ <http://www.spge.be>

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on our generic Waste & Water Utilities' ESG assessment frameworks and on specific issues considering the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Direction of Sustainable Finance). A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Ethics, and all the consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The ESG performance of the Issuer has not been assessed following the complete process of rating and benchmark developed by Vigeo Eiris. In this SPO, the assessment has been limited to the integration of ESG factors in the Issuer's commitments and strategy, i.e. the content, visibility and ownership of its ESG policies.

Level of the Issuer's ESG performance

The assessment of the Issuer's ESG performance has focused only on the Leadership items (visibility, exhaustiveness, ownership) from Vigeo Eiris' ESG rating methodology.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as they are public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP and GLP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based on material issues considered in Vigeo Eiris' ESG assessment methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Milan, Hong Kong, Casablanca, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com