

Second-Party Opinion

Belfius Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Belfius Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Real Estate, and Waste and Water Management – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, and 11.



PROJECT EVALUATION / SELECTION Belfius' Green Bond Committee (the "Committee"), comprised of the Head of the Corporate Social Responsibility (CSR) Department, Head of Long-Term Funding, Head of Structured Finance and representatives from its commercial business lines, will be responsible for overseeing the project evaluation and selection process. The Committee will meet quarterly to review and approve green projects in line with the Framework's eligibility criteria. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Belfius will manage net proceeds using a portfolio approach in which it will strive to maintain a level of allocation that matches or exceeds the balance of net proceeds of outstanding bonds. Belfius' Structured Finance team will be responsible for overseeing this process. Belfius has confirmed to Sustainalytics that it intends to allocate proceeds immediately after issuance. Pending allocation, Belfius may invest unallocated proceeds within the treasury portfolios, in money market products, cash or equivalent according to the Belfius' general internal policies. Sustainalytics considers this process to be aligned with market practice.



REPORTING Belfius intends to report on allocation of proceeds on its website on an annual basis, as long as Green Bonds are outstanding. The allocation reporting will include the total amount of green bonds issues, the amount in the Green Portfolio along with a breakdown by eligible category, and the balance of unallocated proceeds. In addition, Belfius is committed to reporting on relevant impact metrics. Sustainalytics views Belfius' allocation and impact reporting as aligned with market practice.

Evaluation Date	May 07, 2021
Issuer Location	Brussel, Belgium

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Introduction

Belfius (or the “Issuer”) is an integrated bank-insurer, founded in 1962 with headquarters in Brussels, Belgium. Belfius offers personal banking, insurance, loans, real estate financing, asset management, private equity, savings accounts, credit cards, and investment advisory services to individuals, corporate, institutions, and local authorities in Belgium.

Belfius has developed the Belfius Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to contribute to a low-carbon economy in Belgium. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Real Estate
5. Waste and Water Management

Belfius engaged Sustainalytics to review the Belfius Green Bond Framework, dated May 2021, and to provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Belfius’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Belfius representatives have confirmed (1) they understand it is the sole responsibility of Belfius to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Belfius.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Belfius Green Bond Framework is available on Belfius’ website at: <https://www.belfius.be/about-us/en/investors/debt-issuance>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Belfius has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Belfius Green Bond Framework

Sustainalytics is of the opinion that the Belfius Green Bond Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Belfius's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Real Estate, Waste and Water Management – are aligned with those recognized by the GBP. Sustainalytics notes that the eligible projects and assets are mainly located in Belgium.
 - As part of the Renewable Energy category, Belfius may invest in the development, construction, operation, and distribution of renewable energy from wind, solar photovoltaic power, hydropower, geothermal, and biomass sources. Sustainalytics notes the following:
 - Hydropower projects are limited to those with lifecycle GHG emissions <100gCO₂/kWh or power density >5W/m². For all new hydropower projects regardless of the emissions threshold, an environmental and social impact assessment will be carried out by a credible external body. Sustainalytics views this as in line with market practice.
 - Geothermal facilities are limited to those with direct emissions <100g CO₂ per kWh.
 - Belfius has confirmed to Sustainalytics that biomass projects are limited to those with direct emissions threshold <100g CO₂ per kWh. Sustainalytics considers this threshold to be in line with market practice, and further notes that the feedstock will be procured from waste material such as forest residues or municipal solid waste.
 - Within the Energy Efficiency category, Belfius may invest in energy efficiency projects such as smart grid solutions, energy efficient lighting (e.g. LED), and energy storage⁴ that are not primarily powered by fossil fuels. Sustainalytics encourages Belfius to report on estimated or achieved energy efficiency, on a portfolio basis, where feasible.
 - As part of the Clean Transportation category, Belfius may invest in low-carbon vehicles, and electric or zero direct emission public transportation systems including subways, trains, trams, buses, and bicycles as well as associated infrastructure.
 - The Framework specifies that hybrid passenger vehicles will be considered eligible only if the emissions intensity is <50g CO₂/p-km. Sustainalytics considers this to be aligned with market practice.
 - Sustainalytics notes that investments in rolling stock where the purpose is fossil fuel transportation is excluded under the Framework.
 - Under the Green Real Estate category, Belfius intends to finance and/or refinance loans, mortgage loans to commercial and residential buildings as well as energy efficiency renovations according to the following eligibility criteria:
 - Commercial buildings that receive or expected to receive recognized third-party certification levels, namely BREEAM (“Very Good” or above) or an equivalent level of

⁴ Belfius has confirmed to Sustainalytics that in case of investing in power-to-hydrogen storage, the production will be through water electrolysis

certification. Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages Belfius to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important one) to fulfill the requirements for BREEAM Excellent in that category. For Sustainalytics' assessment of this building certification scheme, please refer to Appendix 1.

- Commercial buildings that fall within the top 15% most energy-efficient buildings in the region based on absolute emissions performance or primary energy demand, which Sustainalytics considers to be consistent with market practice. Belfius has confirmed to Sustainalytics that the 15% of most energy efficient buildings will be identified through a methodology that is currently in development. Sustainalytics encourages Belfius to provide further disclosure on this methodology.
- Residential buildings that fall within the top 15% most energy-efficient buildings in Flanders⁵ and Wallonia⁶ based on the local building code, building year or EPC certificate. Sustainalytics considers the proxies and selected indicators used by Belfius in determining the top 15% most energy-efficient residential buildings for the respective region as aligned with market practice.
- Renovation of commercial and residential buildings that result in at least 30% energy efficiency improvement over baseline. Sustainalytics views the use of a defined energy efficiency improvement threshold as aligned with market practice for building refurbishments.
- Under the Waste and Water Management category, Belfius intends to invest in water and wastewater treatment facilities/management systems and associated infrastructure that aim to increase water-saving efficiency, water quality, and recycling. Belfius has confirmed to Sustainalytics that treatment of wastewater from fossil fuel operations are excluded.
- Project Evaluation and Selection
 - Belfius' internal process for project evaluation and selection will be overseen by the Green Bond Committee (the "Committee"), comprised of the Head of the Corporate Social Responsibility ("CSR") Department, Head of Long-Term Funding, Head of Structured Finance and representatives from its commercial business lines. The Committee will meet quarterly to review and approve eligible green projects that have been pre-selected by Belfius' commercial business lines or Structured Finance team, in line with the Framework's eligibility criteria.
 - Based on the establishment of a formal committee, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The net proceeds of the Green Bonds will be deposited to a portfolio of eligible green assets, also known as the "Green Portfolio". Belfius' Structured Finance team will be responsible for overseeing this process. Allocated green assets will be labelled by Belfius in its internal information systems. The Committee will verify the availability of sufficient green assets in the Green Portfolio to match the outstanding Green Bonds on a quarterly basis. Sustainalytics notes that Belfius intends to allocate all proceeds immediately after issuance. Pending allocation, Belfius may invest unallocated proceeds within its treasury portfolios, in money market products, cash or equivalent according to the Belfius' general internal policies.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Belfius intends to report on the allocation of proceeds on its website on an annual basis as long as Green Bonds are outstanding. Allocation reporting will include the total amount of green bonds issues, the amount in the Green Portfolio along with a breakdown by eligible category, and the balance of unallocated proceeds. One year after issuance of its inaugural green bond, and until maturity, an independent auditor will verify Belfius' allocation of proceeds to its Green Portfolio.

⁵ In Flanders, Belfius intends to finance residential mortgage loans for dwellings with an EPC label A or dwellings that were constructed after 2012.

⁶ In Wallonia, Belfius intends to finance residential mortgage for dwellings with an Ew-level of maximum 80 and Espec-level of maximum 130.

- In addition, Belfius is committed to reporting on relevant impact indicators such as avoided CO₂ emissions (tCO₂/year), number of electric vehicles financed, average age or EPC level of dwellings finance, and treated wastewater (m³/year). For a complete list of impact indicators, please refer to Appendix 2: Green Bond/ Green Bond Programme External Review Form.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Belfius Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Belfius

Contribution of framework to Belfius' sustainability strategy⁷

Sustainalytics is of the opinion that Belfius demonstrates a commitment to sustainability with a focus on contributing to a sustainable Belgian society and economy through sustainable finance. Recognizing the importance of accelerating the transition to a low-carbon economy, Belfius introduced ten sustainability commitments⁸ towards 2025-2030. These commitments include embedding ESG criteria in its core activities and decision-making processes, as well as committing to actively working towards a sustainable balance sheet and increasing the share of green and social assets in its portfolio.

By 2025, Belfius aims to allocate 30% of new, long-term loan production towards socially or environmentally impactful projects⁸ and is committed to alignment with the EU Taxonomy⁹ and the EU Green Bond Standard¹⁰. At the end of 2020, the total amount invested by Belfius in renewable energy was approximately EUR 1.6 billion.¹¹ Furthermore, in 2019, as part of Belfius' extended contract with the European Investment Bank ("EIB"), Belfius committed to funding a portfolio of EUR 75 million in energy efficiency and renewable energy projects by the end of 2021.¹¹ Since 2014, Belfius has been working together with the EIB to advance smart cities, climate action, and circular economy, altogether financing 189 projects with an investment of over EUR 1.4 billion.¹¹ Furthermore, Belfius offers its investors a range of sustainable investments based on different sustainable themes aligned with the SDGs. For example, the objective of Belfius Equities Climate¹² fund is to be aligned with a well-below 2 degrees scenario by 2025, with the end goal of being carbon neutral. In addition to Belfius' commitment to increasingly investing in green and social assets, in 2020 the Issuer strengthened its policies on sector limitations to reflect its divesting strategy from sensitive economic sectors and businesses.¹³ To that effect, Belfius refrains from financing any companies or projects actively involved in coal extraction or linked to fossil fuels for energy production.

Sustainalytics is of the opinion that the Belfius Green Bond Framework is aligned with Belfius' overall sustainability strategy and initiatives, and will further support Belfius' action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include community

⁷ Belfius Bank, "2020 Annual Report", at: https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf

⁸ Belfius, "Our Sustainability Strategy", at: <https://www.belfius.be/about-us/en/belfius-community/sustainable-strategy>

⁹ European Commission, "EU Taxonomy for sustainable activities", at: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

¹⁰ European Commission, "EU Green Bond Standard", at: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-green-bond-standard_en

¹¹ Belfius Bank, "2020 Annual Report", at: https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf

¹² Belfius Bank, "Belfius Equities Climate", at: <https://www.belfius.be/retail/fr/produits/epargner-investir/investir/fonds-sicav/fiche-fonds/index.aspx?id=BE6314674712>

¹³ Belfius Bank, "Sector Limitation Policy", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/SectorLimitationPolicy-EN.pdf>

relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, and effluents, and waste generated in construction.

Sustainalytics is of the opinion that Belfius is able to manage and/or mitigate potential risks through implementation of the following:

- Belfius is a member of many international initiatives that promote the sustainable development agenda. Belfius became a signatory to the UN Global Compact Principles in 2020 indicating Belfius' commitment to environmental and social responsibility, and respect for human rights.¹⁴ In 2020 Belfius also became a signatory to the UNEP Financial Initiative's Principles for Responsible Banking¹⁵ and Principles for Sustainable Insurance¹⁶ and in 2019 to the UN Principles for Responsible Investment through Belfius Investment Partners.
- To further avoid potential ESG risks connected to Belfius' investment and insurance activities, Belfius applies an exclusionary criterion to its activities and implements sector-based restrictions outlined in the Belfius Transition Acceleration Policy.¹⁷ The sectors identified by Belfius include tobacco, gambling, weapons, energy, mining, palm oil and soy and agricultural commodities. Belfius implemented the sector-based restrictions to internal processes including the Credit Risk Acceptance guidelines, the Money Market guidelines, the decision-making processes of Belfius Lease, the validation processes of Belfius Auto Lease, and the insurance policies of Belfius Insurance.¹⁸
- Belfius Insurance integrates ESG considerations into its investment process by conducting ESG screening as part of its fundamental analysis.¹⁹ Moreover, Belfius engages external ESG screening providers before finalizing its investment and conducts periodic ESG screenings once the investment has been made.

Notably, the projects financed under the Framework are mainly situated in Belgium which is recognized as a Designated Country under the Equator Principles, indicating robust environmental and social governance legislation systems and institutional capacity.²⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Belfius has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. In the section below, Sustainalytics has focused on the importance of energy efficient buildings and clean transportation in the local context.

Importance of green buildings in the EU and in Belgium

As part of the European Green Deal, the EU aims to be climate-neutral by 2050.²¹ In order to achieve this target, by 2030 the EU must reduce GHG emissions by 55% compared to 1990 levels and to improve energy efficiency by 32.5%.²² As of 2018, the EU's building sector accounted for approximately 40% of total energy consumption and 36% of CO₂ emissions, making it the single largest energy consuming sector. In light of the above, the building sector can play an important role in achieving the EU's short-term and long-term climate goals.²³ As 97% of the EU's building stock is energy inefficient,²⁴ there is a demonstrated need for the

¹⁴ UN Global Compact, "Belfius Bank and Insurance", at: <https://www.unglobalcompact.org/what-is-gc/participants/139652>

¹⁵ UNEP Financial Initiative, "Belfius Bank and Insurance", at: <https://www.unepfi.org/member/belfius-bank-insurance/>

¹⁶ UNEP Financial Initiative, "Belfius Bank and Insurance", at: <https://www.unepfi.org/psi/belfius-insurance/>

¹⁷ Belfius Bank, "Transition Acceleration Policy", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/SectorLimitationPolicy-EN.pdf>

¹⁸ Belfius Bank, "2020 Annual Report", at: https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/bel_RA2020_eng.pdf

¹⁹ Belfius Bank, "integrating sustainability risks into Belfius Insurance's investment process", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Sustainability-Risk-in-Investment-EN.pdf>

²⁰ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

²¹ European Commission, "European Climate Law", (2020), at: https://ec.europa.eu/clima/policies/eu-climate-action/law_en

²² EU, Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009, at: <https://eur-lex.europa.eu/eli/dir/2009/28/oj>

²³ European Commission, "EU Science Hub: Buildings", at: <https://ec.europa.eu/jrc/en/energy-efficiency/buildings>

²⁴ European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.htm

construction of buildings that integrate higher climate and energy requirements, such as the ones financed by Belfius under this Framework. Since approximately 94% of current building stock will still be standing by 2050,²⁴ renovations have a significant role in the decarbonization of the EU's building stock; renovation of existing buildings could reduce the total energy consumption and CO₂ emissions by approximately 5% to 6%.²⁵ Currently, the renovation speed is slow²⁶ with only 1% of the building stock undergoing energy efficient renovations each year. In order to achieve a carbon neutral building stock in the EU, it is suggested that the speed of renovation must triple.²⁷

In the case of Belgium, the building sector accounted for around 18.3% of the country's total GHG emissions in 2017.²⁸ The main driver of emissions of Belgium's building stock is the residential sector accounting for 73% of buildings emissions while commercial buildings are responsible for 27% of the overall building sector emissions. The Belgian Government aims for complete decarbonisation of the building sector by 2050 through the implementation of energy-efficient solutions and a carbon-free energy mix.²⁸ As part of Belgium's 2050 vision for its building sector, the Government targets an average energy performance factor of maximum 100 kWh/m² by 2050 for residential buildings and non-residential buildings.²⁹

Sustainalytics is of the opinion that by financing the development as well as the renovation of both commercial and residential buildings under the Green Real Estate category, Belfius could help to reduce the environmental footprint of Belgium's building sector, as well as assisting Belgium and the EU in meeting its short and long-term climate targets.

Importance of clean transportation in achieving a low-carbon economy the EU and in Belgium

The transport sector in the EU is responsible for approximately 25% of all GHG emissions, and this figure is expected to grow in the coming years.³⁰ According to national projections, GHG emissions from the transport sector will only see a minor decrease from current levels by 2030 and will remain higher than 1990 levels.³¹ While there has been a steady GHG reduction trend in the EU's other sectors over the last years, transportation is expected to be the only major economic sector in which emissions are substantially higher than they were in 1990.³² In light of the importance of reducing transport sector emissions, the European Green Deal seeks a 90% reduction in transport sector emissions by 2050.³³

The transport sector is the second-largest emitter of GHG emissions in Belgium accounting for around 23% of the country's emissions with road transport being responsible for 56% of sector emissions.³⁴ Under current policies, emissions from the transport sector are expected to increase 35% by 2030 compared to 1990 levels, however, with additional policies and increased focus on the transport sector, emissions could be reduced by 7% compared to the 1990 baseline.³⁵ Investing in more environmentally friendly modes of transport, public transport or active modes such as cycling will be important in keeping demand under control and overall reducing transport sector emissions in Belgium.

Given the above, Sustainalytics is of the opinion that Belfius' investments in low-carbon public transportation, electric vehicles and associated infrastructure is expected to contribute to the greening of Belgium's transport sector and provide significant GHG emissions reductions.

²⁵ European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019), at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

²⁶ European Parliament, "Report on maximizing the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.htm

²⁷ European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/1_final_report.pdf

²⁸ The Belgian federal website, "Vision and strategic workstreams for a decarbonised Belgium by 2050", at: <https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

²⁹ The Belgian federal website, "Vision and strategic workstreams for a decarbonised Belgium by 2050", at: <https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

³⁰ European Environmental Agency, "Annual European Union greenhouse gas inventory 1990–2018 and inventory report 2020 Submission to the UNFCCC Secretariat", (2020), at: <https://www.eea.europa.eu/publications/european-union-greenhouse-gas-inventory-2020>

³¹ European Energy Agency, "Greenhouse gas emissions from transport in Europe", (2020), at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

³² European Energy Agency, "Greenhouse gas emissions from transport in Europe", (2020), at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

³³ European Commission, "Sustainable Transport", at: https://ec.europa.eu/transport/themes/sustainable_en

³⁴ Climat.be, "Vision and strategic workstreams for a decarbonized Belgium by 2050", at: <https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

³⁵ Ibid.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Belfius Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Green Real Estate	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Waste and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

Conclusion

Belfius has developed the Belfius Green Bond Framework under which it may issue green bonds and allocate the use of proceeds to finance projects expected to contribute to a low-carbon economy in Belgium. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Belfius Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Belfius Green Bond Framework is aligned with the overall sustainability strategy of Belfius and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, and 11. Additionally, Sustainalytics is of the opinion that Belfius has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Belfius is well-positioned to issue green bonds and that the Belfius Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Belfius
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Belfius Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 4, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds –Renewable Energy, Energy Efficiency, Clean Transportation, Green Real Estate, and Waste and Water Management – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Belfius' Green Bond Committee (the "Committee"), comprised of the Head of the Corporate Social Responsibility (CSR) Department, Head of Long-Term Funding, Head of Structured Finance and representatives from its commercial business lines, will be responsible for overseeing the project evaluation and selection process. The Committee will meet quarterly to review and approve green projects in line with the Framework's eligibility criteria. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Belfius will manage net proceeds using a portfolio approach in which it will strive to maintain a level of allocation that matches or exceeds the balance of net proceeds of outstanding bonds. Belfius' Structured Finance team will be responsible for overseeing this process. Belfius has confirmed to Sustainalytics that it intends to allocate proceeds immediately after issuance. Pending allocation, Belfius may invest unallocated proceeds within the treasury portfolios, in money market products, cash or equivalent according to the Belfius' general internal policies. Sustainalytics considers this process to be aligned with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Belfius intends to report on allocation of proceeds on its website on an annual basis, as long as Green Bonds are outstanding. The allocation reporting will include the total amount of green bonds issues, the amount in the Green Portfolio along with a breakdown by eligible category, and the balance of unallocated proceeds. In addition, Belfius is committed to reporting on relevant impact metrics. Sustainalytics views Belfius' allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment

Other (please specify):

Frequency:

- Annual Semi-annual

Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Other ESG indicators (please specify):

Eligible Category	Potential Output indicators	Potential Impact indicators
Renewable Energy	Installed capacity (MW) Expected energy production (MWh/year)	Avoided CO ₂ emissions (tCO ₂ /year)
Energy Efficiency	Energy savings (MWh/year) Breakdown of energy efficiency projects by types of technology (%)	Avoided CO ₂ emissions (tCO ₂ /year)
Clean Transportation	Number of passengers carried annually Tons of freight transported annually Numbers of electric vehicles financed Number of built or renovated kilometers	Avoided CO ₂ emissions (tCO ₂ /year)
Green Real Estate	Breakdown of commercial Green Buildings financed by type of certification (%) Average age or EPC level of dwellings financed	Avoided CO ₂ emissions (tCO ₂ /year)
Waste & Water Management	Breakdown of waste & water management projects by types of technology (%)	Treated wastewater (m ³ /year) Treated waste (m ³ /year)

Frequency

- Annual Semi-annual

Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): a limited assurance report will be provided by an independent auditor on the allocation of green bond proceeds

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.belfius.be/about-us/en/investors/debt-issuance>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another

benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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