

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Asset Pool

Fluvius System Operator CV
22 November 2020

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles, Green Loan Principles, Draft Model of EU Green Bond Standard, Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020 version)
Scope of verification	<ul style="list-style-type: none">• Fluvius Green Financing Framework (as of 09.2020)• Sample of Fluvius Green Bond portfolio (as of 11.11.2020.)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid as long as no new assets are added to the asset pool and no new project categories are added to the Green Financing Framework.

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SCOPE OF WORK

Fluvius System Operator CV (“Fluvius” or “the Issuer”) commissioned ISS ESG to assist with its Green Financing Framework by assessing three core elements to determine the sustainability quality of the bond:

1. Fluvius’ sustainability performance, according to the ISS ESG Corporate Rating.
2. Fluvius’ Green Financing Framework – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) and the Loan Market Association’s (LMA) Green Loan Principles (GLPs), and on a best effort basis against the Draft Model of EU Green Bond Standard¹ (EU GBS).
3. The asset pool – whether the projects align with the Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex² (EU Taxonomy) on a best effort basis.³

¹ Usability Guide EU Green Bond Standard (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teggreen-bond-standard-usability-guide_en.pdf

² Taxonomy Report: Technical Annex (March 2020)

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

³ ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for a sample of four project categories.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
Part 1: Issuer sustainability performance	<p>The issuer itself shows a medium sustainability performance and has been given a rating of 'C+' which classifies it as 'Prime' by the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 14th out of 49 companies within the Network Operators sector as of 22.11.2020. This equates to a high relative performance, with a Decile Rank⁵ of 3.</p>	<p>Status: <i>PRIME</i></p> <p>Rating: <i>C+</i></p> <p>Decile Rank: 3</p>
Part 2: Performance against the draft of EU GBS	<p>The issuer has defined a formal concept for its Green Financing Framework regarding strategy and rationale, process for selection of Green Projects, Green Projects, Management of Use-of-Proceeds and reporting. This concept is in line with the draft of EU GBS, as well as with the ICMA GBPs and LMA GLPs.</p>	<p>Positive</p>
Part 3: Alignment of the asset pool with the EU Taxonomy	<p>The green bonds will (re-)finance eligible asset categories which include smart meters for electricity, LED lighting, wastewater transportation grids, and distribution and integration of renewable energy into the power grid. Those use of proceed categories have a significant contribution to SDGs 6 'Clean water and sanitation', 7 'Affordable and clean energy' and 13 'Climate action'.</p> <p>For these sampled green project categories, ISS ESG assessed the alignment of Fluvius' due diligence processes against the requirements of the EU Taxonomy. The issuer's eligible categories correspond to the following EU Taxonomy categories: "Individual measures and professional services" (activity 8.3. of the EU Taxonomy), "Centralized wastewater treatment" (activity 5.2.), and "Transmission and Distribution of Electricity" (activity 4.9).</p> <p>Based on robust processes for selection of Green Projects, all sampled Green Projects are considered as aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.</p>	<p>Positive</p>

⁴ ISS ESG's evaluation is based on the Fluvius Green Financing Framework (September 2020 version), on the analysed sample green portfolio as received on the 11.11.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 02.10.2020). ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for a sample of four project categories.

⁵ Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

ISS ESG SPO ASSESSMENT

PART I: ASSESSMENT OF FLUVIUS' ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). "Prime" status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
FLUVIUS	PRIME	C+	3	VERY HIGH

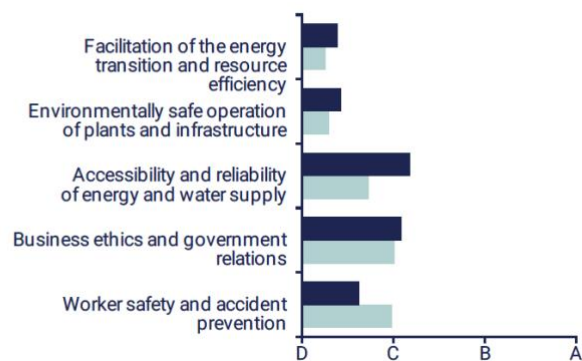
This means that in terms of industry-specific sustainability requirements the company performed in a medium way. However, compared to others in the industry Fluvius performs well.

ESG performance

As of 22.11.2020, this Rating places Fluvius 14th out of 49 companies rated by ISS ESG in the Utilities/Network Operators sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Legend: Industry (Light Blue) Company (Dark Blue)

Sustainability Opportunities

Fluvius is engaged in the operation of electricity and gas distribution networks in several municipalities in Flanders. The company operates independently of other energy utilities in Belgium that are engaged in energy generation and supply. Yet, as part of its service obligations, the company also supplies energy to social customers, which have been terminated by their commercial energy provider. To support these customers, the company provides special payment schemes and cooperates with social welfare organisations. However, this is not the main part of its business operations and of minor relevance in terms of revenues. Fluvius to some extent facilitates the integration of renewable energies in the electricity grid but does not present a comprehensive strategy in this context.

Sustainability Risks

For an electricity and gas network operator, the main social issues include ensuring a reliable energy supply and system stability, and health and safety of employees and contractors. Fluvius performs very well in terms of the average interruption of power supply per customer (17.5 minutes in 2019), although it does not present a comprehensive strategy to enhance the reliability of the electricity system. Health and safety management systems are established, but the accident rate has increased and at least one fatal accident occurred in recent years, which may point to some deficiencies. With regard to business ethics, Fluvius has established an ethical charter, which covers some issues such as conflicts of interest on a general basis but fails to provide guidance on other relevant aspects such as corruption. Only some compliance measures are documented.

The main environmental issues for the company include the reduction of network losses and gas leakages, and the mitigation of possible biodiversity impacts of grid operations. Fluvius has an adequate strategy to reduce leakages from the gas network and has reduced leakage volumes in recent years. Losses from the electricity networks have remained stable at a level that is common in the industry. However, there is no evidence on measures to reduce negative biodiversity impacts of grid operations, e.g. on birds.

Governance opinion

Fluvius is 100% publicly-owned by Flemish municipalities. Concerning its governance structure, the chairman of the board, Mr Piet Buyse, as well as all other board members were independent (as at December 31, 2019). In addition, the company has established independent committees in charge of audit and remuneration. An independent sustainability committee is not in place. The company does not make explicit that long-term incentive components are integrated into the remuneration of the company's executive management team. Yet, ESG targets related to health and safety and the company's ecological footprint are at least to some extent part of compensation schemes. Fluvius System Operator has established an ethical charter, which covers some issues such as conflicts of interest on a general basis but fails to provide guidance on other relevant aspects such as corruption. Only some compliance measures are documented.

Breaches of international norms and ESG controversies

The company is not facing any controversy.

PART II: ALIGNMENT WITH THE GBPs, GLPs and DRAFT MODEL OF EU GREEN BOND STANDARD

1. Strategy and rationale (EU GBS)

Fluvius has decided to develop a Green Financing Framework to align its financial policy with the overall strategy of the company, and in particular with its CSR strategy. In setting up this Green Financing Framework, the company aims at highlighting its important contribution to sustainable solutions for the Flemish Region at large, and its energy sector in particular. Fluvius' ultimate purpose is to safeguard reliable, efficient, sustainable and affordable utility services for the Flemish people and economy. In Fluvius' view, Green Financing Instruments (as described below) are efficient tools in the transition towards a low carbon economy and a more decentralised energy system. As such, those instruments will support the company in implementing its sustainability strategy. Fluvius will ensure that the selected projects to be financed through instruments issued under this Green Financing Framework will especially contribute to either one of the following environmental objectives:

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

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

Opinion: ISS ESG considers the Strategy and Rationale description provided by Fluvius' Green Financing Framework as aligned with the draft model of EU Green Bond Standard. The bond's environmental objectives are appropriately linked to the issuer's strategy and with the environmental objectives defined in the EU Taxonomy. The rationale for issuing green bonds is clearly stated. Further, Fluvius described in its framework its sustainability strategy and associated key targets in relation with international sustainability commitments such as the UN SDGs.

2. Process for Selection of Green Projects (EU GBS) – Process for Evaluation and Selection (GBPs and GLPs)

Fluvius investment decision process and ESG policy

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

Green Finance Committee for the evaluation and selection of Eligible Green Projects under this framework

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

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

The project teams report the necessary information to the Green Finance Committee, which is responsible to review and validate the Eligible Green Projects that meet the eligibility criteria described in the section below.

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

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

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

Opinion: *ISS ESG considers the Process for Selection of Eligible Green Projects described by Fluvius' Green Financing Framework as aligned with the draft model of EU GBS . In line with the EU Taxonomy, the issuer shows in its framework the substantial contribution of the green eligible categories to selected environmental objectives, a selection criteria that is in line with the Technical Screening Criteria for all project categories, a process at a corporate level that aligns with Minimum Social Safeguards. While Fluvius does not provide evidence to align with the Do No Significant Harm criteria applicable for all project categories, the issuer provided proof of alignment with those criteria for four sub-project categories: Smart meters for electricity, LED lighting, Wastewater transportation grids, Distribution and integration of renewable energy into the power grid. ISS ESG conducted a detailed screening of the procedure in place to identify eligible assets in line with the activity-specific requirements of the EU Taxonomy (see part III of this report).*

Moreover, ISS ESG finds that the Process for Evaluation and Project Selection description provided by Fluvius aligns with the GBPs and GLPs. Various departments are involved in the Project Evaluation and Selection Process and roles are well defined.

3. Green Projects (EU GBS) – Use of Proceeds (GBPs and GLPs)

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

ELIGIBLE GREEN CATEGORY	DESCRIPTION
Energy efficiency	<p>Investments and/or expenditures in projects that contribute to the reduction of electricity grid losses, and decrease direct emissions from distribution infrastructure, including:</p> <ul style="list-style-type: none"> • Installation of power control devices allowing higher distribution and balancing efficiency, • installation of digital metering, including smart grids and smart meters, • retrofit of electricity networks to reduce energy losses and improve resilience and energy efficiency of the grid, leading to energy savings in the electricity grid of at least 30% <p>Investments and/or expenditures in power grid stabilisation, making best use of excess electricity and ensuring effective utilisation of peak electricity generation</p> <p>Installation of LED technology for public lighting</p> <p>Investments and/or expenditures in energy efficiency building projects, leading to energy savings of at least 30% (compared to a baseline before renovations)</p>
Water Infrastructure	<ul style="list-style-type: none"> • Construction or expansion of the sewerage grid in order to transport wastewater to centralized wastewater treatment plants
District heating	<p>Investments and/or expenditures for the construction and operation of pipelines and associated infrastructure for the distribution of heat, supporting a transition to a net-zero emissions economy, including:</p> <ul style="list-style-type: none"> • design, construction and operations of district heating grids using at least 50% renewable energy, or 50% waste heat, or 75% cogenerated heat, or 50% of a combination of such energy and heat.
Clean transport	<ul style="list-style-type: none"> • investments and/or expenditures for the installation of EV charging infrastructure and electric grid infrastructure that support sustainable mobility and the use of zero-emission vehicles • Electrification of the Fluvius fleet, including the purchase of electric or other vehicles with a maximum emission intensity of 50 gram CO₂e/km
Renewable energy	<p>Investments and/or expenditures in projects that increase the share of low carbon electricity generation below the threshold of 100 gCO₂e/kWh, or that support the integration of renewable energy into the power grid, including:</p> <ul style="list-style-type: none"> • Direct connection, or expansion of existing direct connection of renewable energy production units (including solar, wind or low carbon electricity

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

Opinion: ISS ESG finds that the Green Projects description proposed by Fluvius' Green Financing Framework aligns with the draft model of EU GBS. Green Projects are defined in line with the EU Taxonomy activities, and the selection criteria clearly align with EU Taxonomy Technical Screening Criteria requirements. However, Fluvius does not directly link the contribution of the Green Projects to Environmental Objectives, but rather describes them as contribute to either one of the three Environmental Objectives described in part "Strategy and Rationale". The issuer links the Green Projects directly to the UN SDGs.

Moreover, ISS ESG finds that the Use of Proceeds description provided by Fluvius aligns with the GBPs and GLPs.

4. Management of Use-of-Proceeds (EU GBS) – Management of Proceeds (GBPs and GLPs)

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

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

If for any reasons, a project is no longer eligible, or in case of any major controversy affecting a project in the portfolio of Eligible Green Projects, the Green Finance Committee will substitute such

projects with other Eligible Green Projects for an amount at least equal to such projects, as soon as an appropriate substitution option has been identified.

Opinion: *ISS ESG finds that the Management of Use-of-Proceeds defined by Fluvius' Green Financing Framework aligns with the draft model of EU Green Bond Standards. Proceeds are appropriately earmarked, and the Issuer describes the procedure in case of divestment from a pool no longer in line with the eligibility criteria. The expected allocated period is explicitly defined.*

Moreover, ISS ESG finds that the Management of Proceeds description provided by Fluvius aligns with the GBPs and GLPs.

5. Reporting (EU GBS, GBPs and GLPs)

Allocation

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

The allocation report will present details on:

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

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

Impact

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

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

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

PROJECT CATEGORY	IMPACT METRICS ⁶
Energy efficiency	<ul style="list-style-type: none"> • Fluvius' financing share • energy saved (kWh) • digital meters installed (number of) • public lighting points switched to led (number of) • GHG emissions avoided (tCO₂e)
Water infrastructure	<ul style="list-style-type: none"> • sewerage grid constructed (km) • new connections to sewerage grid (number of) • volume of wastewater collected (m³)
District heating	<ul style="list-style-type: none"> • grid length (km) • supply of heat generated (GJ) • GHG emissions avoided (tCO₂e)
Clean transport	<ul style="list-style-type: none"> • EV charging points installed (number of) • e-vehicles purchased for Fluvius fleet (number of) • e-vehicles purchased for municipal fleets (number of) • CO₂ emissions avoided (tonnes)
Renewable energy	<ul style="list-style-type: none"> • renewable generation projects connected to the distribution grid (number of projects) • renewable generation capacity connected to the distribution grid (MW)

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

External verification

Second Party Opinion

Fluvius will ensure that a second party opinion (SPO) provider reviews its Green Financing Framework and the company's overall CSR and sustainability strategy and performance

Annual assurance

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

⁶ Where feasible, Fluvius will disclose the methodology and/or assumptions used in the calculation of the quantitative metrics.

Opinion: *ISS ESG finds that the Reporting proposed by Fluvius' Green Financing Framework partially aligns with the draft model of EU Green Bond Standards. The allocation and impact reports will be appropriately disclosed and publicly available. The allocation report will be published annually and for the lifetime of outstanding Green Financing Instruments on a project by project basis.*

Fluvius describe how the impact metrics contribute to the environmental objectives of the bond, but do not link them to the Do No Significant Harm criteria.

The issuer commissioned a SPO and post-issuance External Verification on each annual allocation and impact report.

Moreover, ISS ESG finds that the transparency on the level of expected reporting and on the type of information to be reported is aligned with the GBPs and GLPs.

PART III: ALIGNMENT OF THE SAMPLED ASSETS WITH THE EU TAXONOMY








1. CONTRIBUTION OF THE SAMPLED GREEN BOND PROJECT CATEGORIES TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the Fluvius Green Bond project categories to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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The Green Bond project categories have been assessed for their contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Smart meters for electricity	Limited contribution	 
LED lighting	Limited contribution	 
Wastewater transportation grids	Significant contribution	
Distribution and integration of renewable energy into the power grid	Significant contribution	 

2. ALIGNMENT OF THE SAMPLED ASSETS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of a sample of Eligible Green Projects included in the Green Bond pool and the due diligence and selection processes in place with the EU Taxonomy.

2.1. Individual measures and professional services (8.3.)

Projects under this category include installation of smart meters for electricity and installation of efficient LED lighting appliances and systems. All Green Projects are located in the Flemish Region. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Installation of smart meters for electricity and installation of efficient LED lighting appliances and systems are automatically eligible.	Installation of smart meters for electricity and installation of efficient LED lighting appliances and systems are automatically eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Belgian and regional environmental legislations. Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the local authorities	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		

No presence of substances of concern	No materials or components have been used which might contain substances of concern. Compliance with REACH regulation is ensured.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Fluvius has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.2. Centralized wastewater treatment (5.2.)

Projects under this category only concern wastewater transportation grids (from households to collection points). All Green Projects are located in the Flemish Region. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
Construction or extension of centralized wastewater systems including collection (sewer network) and treatment is eligible, provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment systems (such as pit latrines, septic tanks, anaerobic lagoons etc.). No threshold applies.	The planned projects substitute non existing systems, and therefore deemed to be taxonomy eligible.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Belgian and regional environmental legislations. Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓

Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the local authorities	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Not applicable		-
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
No water contamination and sewer sludge management	The issuer ensures emissions to water are within the ranges set in the Urban Wastewater Treatment Directive 91/271/EEC. That measures are in place to avoid and mitigate combined sewer overflow, and the sludge is managed according to relevant EU and national legislation.	✓
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	Green Projects are subject to Belgian legislation. According to the issuer, Environmental Impact Assessment are not required for the selected projects.	✓
	Required mitigation measures for protection biodiversity/eco-systems have been implemented as per legislation.	
	The Green Projects are not located in biodiversity-sensitive areas, or in UNESCO Heritage areas and Ramsar sites.	
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Fluvius has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

2.3. Transmission and Distribution of Electricity (4.9.)

Projects under this category only concern distribution of electricity. All Green Projects are located in the Flemish Region. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
All electricity transmission and distribution infrastructure or equipment in Systems which are on a trajectory to full decarbonisation are eligible	The issuer confirmed its distribution network to be in line with such requirements.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Belgian and regional environmental legislations. Thus, environmental risk assessment at project level, including physical climate risks, is conducted at planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with regional and national adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the local authorities	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Avoid routings with heavy impact on marine and terrestrial ecosystems for underground powerlines	The issuer confirmed its underground powerlines avoid routings with heavy impact on marine and terrestrial ecosystems and follow the principles of IFC General EHS Guidelines for construction site activities.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Recycling at end of life	The issuer ensures to maximise recycling at end of life based on contractual agreements with recycling partners	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		

Requirement for overground high voltage lines	Not applicable since the issuer only includes underground line projects	-
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Environmental Impact Assessment or Strategic Environmental Assessment has been conducted and required mitigation measures implemented.	<p>Green Projects are subject to Belgian legislation. According to the issuer, these follow Environmental Impact Assessments compliant with EU Directives on Environmental Impact Assessment (2014/52/EU) and Strategic Environmental Assessment (2001/42/EC).</p> <p>Required mitigation measures for protection biodiversity/eco-systems have been implemented as per legislation.</p>	✓
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Fluvius has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every Green Project category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	Not applicable. Fluvius operates only in Belgium.	-
UN Guiding Principles on Business and Human Rights	Fluvius' due diligence processes ensure the alignment with the UN Guiding Principles on Business and Humans Rights. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Project can be removed from the Green Projects pool in case of non-compliance.	✓
ILO Core Labour Conventions	Fluvius' due diligence processes ensure the alignment with the ILO Core Labour Conventions. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Project can be removed from the Green Projects pool in case of non-compliance.	✓

DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as no new assets are added to the asset pool and no new project categories are added to the Green Financing Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Fluvius' 2020 ISS ESG Corporate Rating.

Fluvius System Operator cvba

Corporate ESG
PerformanceRATED BY
ISS ESG

Prime

Company Information

Country
BelgiumISIN
BE6319400444Industry
Utilities/Network Operators

Key Results

Rating
C+Decile Rank
3Transparency Level
Very HighPerformance score
51.67Status
PrimePrime Threshold
C+

Absolute Rating

D- D D+ C- C **C+** B- B B+ A- A A+

The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank

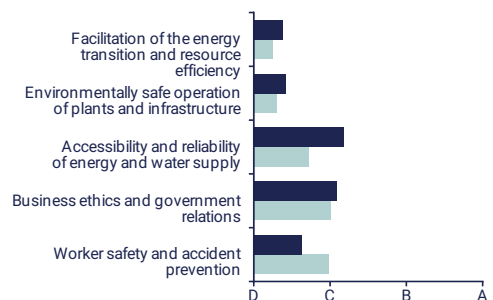


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Alliander N.V.	NL	B+
Italgas S.p.A.	IT	A-
Red Eléctrica Corp. S.A.	ES	B+

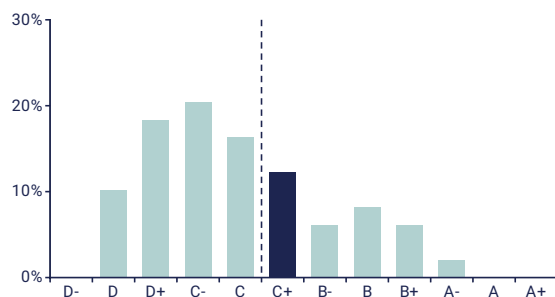
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

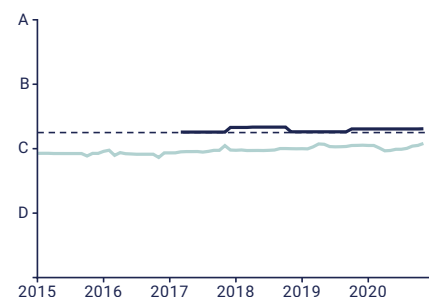


Distribution of Ratings

49 companies in the industry



Rating History



Fluvius System Operator cvba

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

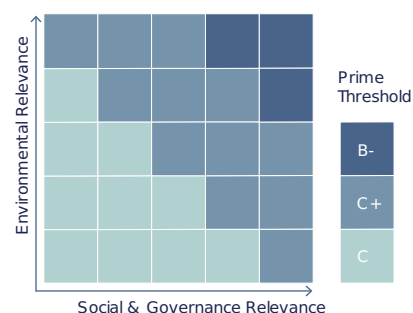
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Fluvius System Operator cvba

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the sampled Fluvius Green Bond project categories contribute to related SDGs.

ANNEX 3: Quality management processes

SCOPE

Fluvius commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA Green Bond Principles, the LMA Green Loan Principles and to the extent possible, with the Draft Model of EU Green Bond Standard (EU GBS). Moreover, the assessment included whether the four sampled Green Bond projects categories align with the EU Taxonomy and associated technical annex, on a best effort basis.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, LMA Green Loan Principles, Draft Model of EU Green Bond Standard (EU GBS) and EU Taxonomy and associated technical annex.

ISSUER'S RESPONSIBILITY

Fluvius' responsibility was to provide information and documentation on:

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level for EU taxonomy

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Financing Framework issued by Fluvius based on ISS ESG methodology and in line with the ICMA Green Bond Principles and Draft Model of EU Green Bond Standard (EU GBS).

The engagement with Fluvius took place in October/November 2020.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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