Sustainable Fitch
a FitchSolutions Company

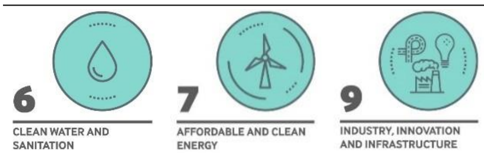
Fluvius System Operator cv

Second-Party Opinion — Green Financing Framework

Excellent | Good | Aligned | Not Aligned

Pillar	Alignment	Key Drivers
Use of Proceeds	Excellent	• The use of proceeds (UoP) categories described within the framework are aligned with the ICMA Green Bond Principles (GBP) and the LMA, LSTA and APLMA Green Loan Principles (GLP), and demonstrate clear environmental benefits. • Sustainable Fitch considers the UoP categories to have an excellent environmental impact. We base our assessment on their compliance with the substantial contribution criteria (SCC) outlined in the EU taxonomy for the relevant activity categories under the environmental objectives of climate change mitigation, and sustainable use and protection of water and marine resources.
Use of Proceeds – Other Information	Good	• Clear eligible project descriptions and the defined lookback period, in line with the recommended practice from the ICMA, positively affect this section. • The outcome of the assessment is limited by the absence of pre-identified proportion of new project financing; having a pre-identified proportion of new projects would make clear the environmental value added through the investments.
Evaluation and Selection	Excellent	• The project evaluation and selection process is robust, with various expertise utilised in the process. • The framework describes a multi-layer project approval process, involving a green finance committee and a management committee.
Management of Proceeds	Good	• Management of funds, including the internal tracking of proceeds, aligns with general market practice. Having removal power in case of ineligibility is supportive of the section's outcome. • Further advancement in the outcome of the assessment was limited by the comingled management of green bond proceeds with treasury funds.
Reporting and Transparency	Excellent	• Full commitment to annual allocation and impact reporting until full allocation is aligned to the GBP and GLP. • We positively assess the framework referencing an external methodology for impact reporting. The guaranteed auditing of the allocation report, coupled with the possibility of extending limited assurance to the impact reporting, aligns with market standards.

Relevant UN Sustainable Development Goals



Framework Type	Green
Alignment	✓ Green Bond Principles 2021 (ICMA) ✓ Green Loan Principles 2023 (LMA/LSTA/APLMA)
Date assigned	9 December 2024

See Appendix B for definitions.

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Use of Proceeds Summary – ICMA Categories

Green	Renewable energy Energy efficiency Sustainable water and wastewater management

Source: Fluvius green financing framework 2024

Framework Highlights

We consider transactions under Fluvius System Operator cv's (Fluvius) green financing framework to be aligned with the ICMA GBP, and the LMA, APLMA and LSTA GLP.

The framework is the third version of the green financing framework established by Fluvius. It is the second update of its inaugural version, which was established in 2020 and first updated in 2023. The issuer's green financing framework aims to better align its financing with its environmental strategy and further contribute to the achievement of its long-term environmental and social commitments.

The updates in this version mainly reflect the framework's adoption of additional environmental objectives defined under the EU taxonomy, by including the scope of the Environmental Delegated Act as well as the Climate Delegated Act into the eligibility criteria of the UoP categories. We view this expanded reference to the full scope of the EU taxonomy as strengthening the environmental benefits of the investments related to the company's economic activities, including the electricity and gas distribution and the management of the sewerage network, thereby contributing to EU environmental objectives.

Fluvius's green financing framework includes three UoP categories: green infrastructure, energy efficiency, and sustainable water and wastewater management. Fluvius stated that projects funded under the framework will contribute to one of the three environmental objectives: climate change mitigation, climate change adaptation, and sustainable use and protection of water and marine resources.

The green infrastructure category mainly covers the construction and operation of the electricity distribution infrastructure for renewable energy generation and the interconnected European system. This category also includes investments in retrofitting gas networks for the transmission and distribution of renewable or low-carbon gases. We consider investments under this category to contribute to climate change mitigation.

The energy efficiency UoP category pertains to the company's district heating network operations and public lighting business activities. This category aims to build, refurbish and operate district heating grids that meet the energy-efficiency thresholds defined under the Renewable Energy Directive and to install LED lights for public lighting infrastructure. We consider investments under this category to contribute to climate change mitigation.

Sustainable water and wastewater management UoP category relates to Fluvius's operation of wastewater networks. This category focuses on investments in urban wastewater infrastructure and urban drainage systems, facilitating compliance with relevant legal frameworks including Water Framework Directive and Urban Waste Water Treatment Directive. We consider investments under this category to contribute to the sustainable use and protection of water and marine resources.

Fluvius's green financing framework integrates the EU taxonomy SCC for relevant environmental objectives into the respective UoP categories. Under the climate change mitigation objective, the framework's UoP categories are eligible under EU taxonomy categories 4.9 (transmission and distribution of electricity), 4.14 (transmission and distribution networks for renewable and low-carbon gases), 4.15 (district heating and cooling distribution), and 7.3 (installation, maintenance, and repair of energy-efficiency equipment).

The UoP category of sustainable water and wastewater management is eligible under the environmental objective of sustainable use and protection of water and marine resources, specifically under categories 2.2 (urban wastewater treatment) and 2.3 (sustainable urban drainage systems).

The compliance of the UoP categories with the relevant SCC is clearly demonstrated in the framework.

The ICMA GBP recommend that eligible projects are clearly described in the legal documentation for the transaction. The issuer confirmed that the legal documentation will integrate the relevant eligible project categories in line with current market practice. We have only reviewed the green financing framework for this Second-Party Opinion and have not reviewed any transaction-related legal documents or marketing materials; however, the framework provides the description of the projects.

Source: Sustainable Fitch, Fluvius green financing framework 2024

Entity Highlights

Fluvius is an operating company of the Fluvius Group in Belgium. The company is 100% owned by public entities, which include all 300 Flemish cities and municipalities, through 11 inter-municipal mandated associations such as Fluvius Limburg (18.8% share), Fluvius Antwerp (18.3%), and Imewo (14.1%).

Fluvius is primarily responsible for managing and maintaining electricity and natural gas distribution networks. Additionally, the company provides services related to public lighting, the district heating grid, and sewage distribution, facilitating the delivery of utilities to millions of homes and businesses across the Flemish region. The company manages 137,000km of electricity grids, 58,000km of gas grids and 12,400km of sewerage infrastructure.

Fluvius has integrated a sustainability strategy into its core operations in alignment with both national and European sustainability goals. This strategy focuses on four key areas: energy and climate transition, climate adaptation, digitisation and sustainable operations. The approach aligns with the regional decarbonisation strategy, the Flemish Energy and Climate Plan 2021–2030, which emphasises investments that support climate objectives. The issuer's sustainability strategy aims to enhance energy efficiency, maximise the deployment of renewables, and develop smart network infrastructure.

Fluvius has committed to reducing its carbon footprint, targeting a minimum 42% emissions reduction from activities under its direct control by 2030 and achieving climate neutrality by 2040. The company has yet to set a target for Scope 3 emissions but aims to set it in the near future and communicate it through the Corporate Sustainability Reporting Directive statement in the annual report, specifically in 2025, covering fiscal year 2024, in accordance with the regulatory timeline. This strategy supports Belgium's commitment to the European Green Deal, which aims to make Europe the first climate-neutral continent by 2050.

To achieve its sustainability targets, Fluvius has developed an investment plan for energy and climate transition, focusing on green infrastructure and innovative technologies. The plan was announced in 2023, covering the period from 2024 to 2033. Investments are mainly being directed towards upgrading the electricity grid to accommodate an expected increase in demand in conjunction with the electrification of mobility, heating and industry in the region as well as a growth of renewable energy via solar panels and wind turbines. The electricity grid investments also target the digitisation of the distribution network and the improvement of flexibility.

Additionally, Fluvius is investing in smart-grid technologies to enhance the efficiency and reliability of energy distribution and facilitate better energy management for consumers. The company is also working on sustainable public lighting solutions and expanding its electric vehicle charging infrastructure to support the transition to greener transportation options.

Source: Sustainable Fitch, Fluvius green financing framework 2024

Use of Proceeds – Eligible Projects

Alignment: Excellent

Company Material

Green infrastructure

- This UoP includes electricity distribution infrastructure and/or equipment in an electricity system that complies with the system being the interconnected European system, ie the interconnected control areas of member states, Norway, Switzerland and the UK and its subordinated systems,
- It also includes infrastructure where more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100gCO_2e/kWh measured on a life-cycle basis in accordance with electricity generation criteria, over a rolling five-year period.
- Additionally, this UoP includes transmission and distribution gas networks for renewable and/or low-carbon gases where the activity is a retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low-carbon gasses in the gas system.
- The activity will also include leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.

Sustainable Fitch's View

- This UoP is aligned with the ICMA GBP category of renewable energy.
- For the assessment of this UoP, we analysed potential investments in the distribution infrastructure for electricity and low-carbon gases.
- Electricity distribution plays an integral role in the logistical movement of electricity. The electricity distribution grid, responsible for delivering power from the transmission grid to individual consumers, can facilitate the integration of renewable energy sources at a local level. The connection of renewable energy assets to the grid and the sources of the electricity the grid transmits are important for the environmental impact of distribution operators.
- Fluvius is one of the main electricity distributors in Belgium and a member of European distribution system operators. It operates networks with over 137,000km of lines and nearly 3.8 million connections, and is responsible for their maintenance and expansion.
- The integration of renewable energy sources, such as solar and wind power, in the electricity distribution grid helps reduce reliance on fossil fuels, thereby lowering GHG emissions. Fluvius's investment plan 2024–2033 addresses financing of projects to incorporate expected growing renewable capacity, in line with the local governments' targets. The Flemish Energy and Climate Plan aims to add 150MW of onshore wind power capacity per year by 2030.
- Electricity distribution is an EU taxonomy-eligible activity under category 4.9 (transmission and distribution of electricity) that can contribute to the climate change mitigation environmental objective. The system must be on a pathway to decarbonisation to be aligned with the SCC or the system can be a part of the interconnected European system.
- To be on a pathway to decarbonisation, more than 67% of the newly enabled generation capacity in the system must be below the generation threshold of 100gCO_2e/kWh, measured on a life-cycle basis over a rolling five-year period, or the average system grid emissions factor must be below the threshold of 100gCO_2e/kWh, measured on a life-cycle basis over a rolling five-year period.
- The framework's eligibility criteria for electricity distribution infrastructure directly reference the EU taxonomy SCC, specifically the generation threshold that 67% of newly enabled generation capacity has an emissions intensity below 100gCO_2e/kWh. Therefore, it is aligned with the EU taxonomy SCC.
- In addition to the investments in grid infrastructure, controlling systems, measurement tools and smart metering are also eligible under this UoP. The integration of ancillary activities in electricity distribution benefits the environment by maximising the use of renewable sources, enabling better resource management, which yields improved efficiency.
- This UoP also covers investments in transmission and distribution networks for low-carbon gases. Fluvius stated the example projects can include a connection of biomethane production plants to the gas grids. Fluvius's investment plan for 2024–2033 demonstrates it is planning active participation in pilot projects for biomethane, power-to-gas and green hydrogen.
- The infrastructure for transmitting and distributing low-carbon gases, including the retrofit of gas networks, is an

7 AFFORDABLE AND CLEAN ENERGY

	eligible activity under the EU taxonomy's climate change mitigation objective. • Such activities are considered to substantially contribute to this objective when they involve retrofitting existing gas networks or constructing new networks for hydrogen and low-carbon gases. The EU taxonomy SCC also require it to include measures to detect and repair leaks in existing networks to minimise methane leakage to be fully aligned. • Biomethane is considered one of the renewable gases according to Directive (EU) 2024/1788, which has been established in line with the EU hydrogen and gas decarbonisation package. Additionally, the eligibility criteria defined in Fluvius's green financing framework clearly state its aim to detect and reduce methane leakages. We therefore view the UoP criteria as aligned with the EU taxonomy SCC. • We expect investments in the low-carbon gas distribution infrastructure to be relatively minor compared to those in the electricity distribution infrastructure, based on the company's investment plan covering 2024–2033. Fluvius has indicated that it does not plan any further expansion investments in the gas grid over the next 10 years, except for specific customer requests, including biomethane injections.	
Energy efficiency		
• This UoP includes district heating and cooling networks, pipelines and associated infrastructure for the distribution of heat, which use at least 50% renewable energy, 50% waste heat, 75% cogenerated heat, or 50% of a combination of such energy and heat. • The category also includes investments related to energy-efficient light sources, such as LED lights in public lighting infrastructure and designing for local municipalities.	• This UoP is aligned with the ICMA GBP category of energy efficiency. • For the assessment of this UoP, we analyse potential investments in energy-efficiency improvements to district heating and cooling networks, and LED street lighting. • The energy efficiency of district heating and cooling networks can be improved through centralising heat production and distributing it through insulated pipelines to multiple buildings, thereby networks significantly reduce energy waste and improve overall efficiency. • The use of renewable energy sources, such as biomass, geothermal and waste heat, further minimises reliance on fossil fuels. This centralised approach lowers GHG emissions and also promotes the integration of cleaner energy technologies. By enabling more sustainable and reliable infrastructure, it contributes to sustainable urban development. • Fluvius is playing a core role in "Roadmap 2030: Stadsbreed Warmtenetwerk Antwerpen", which is a guiding principle for the heat network infrastructure in the city of Antwerp. Fluvius aims to expand its heating networks to residential networks from its currently installed networks for industrial customers. • The construction, refurbishment and operation of district heating and cooling networks are EU taxonomy eligible. The SCC for the climate change mitigation objective require that the system meets the definition of efficient district heating and cooling systems according to the EU Energy Efficiency Directive. This is defined as a system using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat. • The EU taxonomy allows for a landing period to meet this threshold when the investment is for the refurbishment of pipelines and associated infrastructure. In such cases, the activity can be compliant if it meets the threshold within a three-year period, as underpinned by a contractual obligation. • The eligibility criteria within the framework are identical to the threshold stipulated in the EU taxonomy; therefore, we view its UoP criteria for district heating and cooling networks as aligned with the SCC.	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

	• Implementing more efficient public lighting positively contributes to making cities more sustainable by reducing energy demand and associated GHG emissions. • Fluvius has a large-scale investment programme to convert municipal public lighting in Flanders to LED lighting. The programme had converted 46.4% of light points in the city to LED lighting as of end-2023, and aims to complete all conversions by end-2028. • This activity is eligible under the EU taxonomy's category of installation, maintenance and repair of energy-efficiency equipment. To be compliant with the SCC, individual components and systems need to be rated in the highest two populated classes of energy efficiency. • The framework's eligibility criteria for energy efficient LED lights directly refer to the EU taxonomy SCC, therefore we view them as aligned with the SCC.	
Sustainable water and wastewater management		6 CLEAN WATER AND SANITATION
• This UoP includes urban wastewater infrastructure as per the SCC for the sustainable use and protection of water and marine resources of the EU Taxonomy Environmental Delegated Act (Annex I) under economic activity 2.2. • The category also includes urban drainage systems facilities as per the SCC for the sustainable use and protection of water and marine resources of the EU Taxonomy Environmental Delegated Act (Annex I) under economic activity 2.3.	• This UoP is aligned with the ICMA GBP category of sustainable water and wastewater management. • For the assessment of this UoP, we analysed potential investments in urban wastewater treatment infrastructure and urban drainage systems facilities. • Urban wastewater treatment infrastructure can enhance the efficiency and reliability of the sewage collection system. By effectively treating wastewater, these systems reduce the risk of blockages and overflows within the sewer network, thereby minimising pollution. This infrastructure ultimately supports a cleaner urban environment. • Infrastructure for urban wastewater treatment is an EU taxonomy eligible activity under category 2.2 (urban wastewater treatment) under the objective of sustainable use and protection of water and marine resources. • The SCC require the wastewater treatment system to not deteriorate the good status and ecological potential of any affected water bodies and contribute to achieving a good status in line with EU's Water Framework Directive. Information on water body status, impacting activities and mitigation measures should be included in a river basin management plan or equivalent. • The system must meet local discharge requirements and contribute to maintaining the good environmental status of marine waters as per the Marine Strategy Framework Directive. It should have a collecting system and secondary treatment, and comply with size-specific discharge requirements under the Urban Waste Water Treatment Directive. • The framework's eligibility criteria for urban wastewater treatment infrastructure directly reference the EU taxonomy SCC, thereby aligning with the SCC. The issuer has confirmed in its 2023 annual report that the inventory of the sewer networks in Flanders entered into one central system. • We consider the criteria regarding the procedures for secondary treatment and compliance with size-specific discharge requirements to be less relevant to the company, given that Fluvius's operational boundary is limited to a sewer network operator whose responsibility does not include wastewater treatment. • Urban drainage systems, which form part of this UoP category, yield environmental benefits by efficiently managing stormwater and reducing the risk of flooding. These systems help prevent pollutants from entering water bodies by incorporating elements such as retention basins, green roofs and permeable pavements. By capturing and	

	treating runoff, urban drainage systems mitigate the adverse impacts of urbanisation on aquatic environments. • Urban drainage systems facilities are an EU taxonomy-eligible activity under category 2.3 (sustainable urban drainage systems), which can substantially contribute towards the sustainable use and protection of water and marine resources environmental objective • The SCC require the urban drainage system to retain rainwater or improve water quality by integrating with the urban drainage and wastewater treatment systems, as evidenced by a flood risk management plan or other urban planning tools. • Similar to the urban wastewater treatment infrastructure, contribution to, or maintenance of, the good status and ecological potential of surface and groundwater bodies in line with the Water Framework Directive and Marine Strategy Framework Directive is also required. • The system must also retain rainwater within specific areas and achieve at least one of the following: stagger rainwater discharge, remove pollutants from runoff, or reduce runoff peak flow as per local flood risk requirements. • The framework's eligibility criteria for urban drainage system facilities directly reference the EU taxonomy SCC, thereby aligning with the SCC. • Fluvius is actively working on rainwater and drought plans and is involved in a pilot project to retain and reuse drainage water locally. Fluvius supports the Flemish "Municipal Sewerage Management" action plan, focusing on constructing separate sewers, risk-based network management, and solutions for heavy rainfall and drought. Fluvius is also setting up a pilot project in Limburg to retain and reuse drainage water locally.
Source: Fluvius green financing framework 2024	Source: Sustainable Fitch

Use of Proceeds – Other Information	Alignment: Good
Company Material	**Sustainable Fitch's View**
• An amount equivalent to the (net) proceeds from green financing instruments issued by Fluvius will be used to finance and/or refinance eligible green projects that comply with the eligibility criteria defined under the framework. • Eligible green projects include the current value of fixed assets, capex, opex or a combination thereof. Fixed assets and capex shall qualify for refinancing with no limitation with regards to a lookback period, while opex qualifies with a maximum three years lookback period.	• Fluvius has not pre-identified the percentage of new projects it intends to fund within its green financing framework, which entails varied level of additionality of investments. • Other market guidance, such as the Green Bond Handbook from the International Finance Corporation, suggests that the market generally views funding new projects as more positive than funding existing projects, as it brings more additionality from an environmental impact perspective by exhibiting impact from the projects that have not been recognised previously. The lack of such information is a limiting factor on the assessment outcome as of the point in time. • Fluvius's framework indicates its intention to prioritise new financing over refinancing and its commitment to provide disclosure of the amount or proportion of new financing and refinancing in the allocation reporting. • The green financing framework sets out different lookback periods for different types of eligible investments. A defined lookback period of three years is applicable to opex, whereas capex and fixed asset investments do not have any limitation with regard to a lookback period. • We acknowledge that Fluvius's framework is in line with recent market developments, namely the recommendations in the ICMA handbook dated November 2024, which differentiates the lookback period between the refinancing of capital projects and opex, often with a shorter lookback period for opex. • However, we consider an overall lookback period of three years to be relatively long, which may not appropriately prioritise newer projects that can bring additional environmental impact. • Fluvius has clearly laid out the eligibility criteria for a project to be selected for green financing, which is positive for the outcome of the assessment. • Fluvius's framework includes a statement that any economic activity dedicated to hard coal, lignite and oil fuels will not be financed or refinanced. • It additionally includes exclusionary criteria for the green infrastructure UoP category, incorporating the exclusion criteria defined as part of the EU taxonomy SCC for the category of transmission and distribution of electricity. • These well-defined exclusion criteria provide good assurance that all proceeds will be allocated with the intention to deliver positive environmental impact.
Source: Fluvius green financing framework 2024	Source: Sustainable Fitch

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Fluvius has established a decision-making process to determine the eligibility of the eligible green projects. • Eligible green projects will be selected by a dedicated green finance committee, set up within Fluvius. The committee consists of senior representatives of the Fluvius departments of finance, administration, sustainability and asset management. The committee is chaired by the company's chief financial officer. • In particular, the role of the committee is to evaluate and select eligible green projects and exclude projects that no longer comply with the eligibility criteria or have been disposed of and, in such case, when required, replace them. The committee also oversees the allocation of the proceeds from the green finance instruments to the eligible green projects. • The project teams report the necessary information to the green finance committee. The selection of projects as proposed by the green finance committee is validated by the management committee.	• The issuer's evaluation and selection process demonstrates a good level of rigour, further supported by its green finance committee, whose core responsibility lies in the evaluation and selection of green projects and the oversight of proceeds allocation to those projects. • The committee encompasses multi-disciplinary expertise, consisting of members from the sustainability team, as well as from the finance, asset management and administration departments. Representation of the sustainability function in the process can ensure that the objectives and mechanics of the green bond are aligned with the issuer's overall sustainability strategy. • This reflects that the involvement of sustainability skills can ensure that the investments align with the company's overall sustainability strategy and evolving standards in the sustainable finance market. Furthermore, specific expertise relevant to each project exists to some extent, as the relevant project team will provide the information to the committee.

Evaluation and Selection	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Fluvius has an asset management policy, which aims at a high grid reliability based on the principles of ISO 55000. Furthermore, Fluvius's environmental and social risk policies define minimum standards for all its activities, including those financed with the (net) proceeds of the green finance instruments issued under this framework.	• There are multiple layers of control over the evaluation and selection process of projects. Initially, potential projects are evaluated by the green finance committee based on the necessary information reported by the project teams, focusing on compliance with the framework's eligibility criteria. Once selected, the financing of those projects is validated by the management committee. We perceive this double-layered structure positively, as it ensures checks and balances in the project selection process and helps mitigate conflicts of interest. • Fluvius's framework provides comprehensive information on the processes by which the issuer identifies and manages perceived environmental and social risks associated with the relevant projects. This is in line with the project evaluation and selection process principle of the GBP.
Source: Fluvius green financing framework 2024	Source: Sustainable Fitch

Management of Proceeds	Alignment: Good
Company Material	**Sustainable Fitch's View**
• The process for the management of proceeds is handled by Fluvius's corporate finance and accounting teams. • The (net) proceeds from the green finance instruments will be managed, tracked and monitored in an appropriate manner by Fluvius. • Fluvius shall allocate proceeds to eligible green projects within 24 months following the issuance of green finance instruments. Pending full allocation, unallocated (net) proceeds will be managed temporarily in accordance with Fluvius's treasury principles (in cash, deposits or other money market instruments), for the repayment of other indebtedness and/or other capital management activities. • Payment of principal and interest of the green finance instruments will be made from the general funds and will not be directly linked to the performance of any eligible green projects. • If for any reasons, a project is no longer eligible, or in case of any major controversy affecting a project, the green finance committee will substitute such projects with other eligible green projects.	• Fluvius stated that its management of proceeds raised from the bond will follow an internal treasury management process. We consider this process to be in line with general market practice. • Market best practice for managing proceeds involves segregating the funds from normal treasury accounts via an SPV or a ring-fenced sub-account. This is because segregation of proceeds raised from green bonds prevents commingling and provides enhanced assurance that funds will be used to bring about positive environmental impact throughout the instrument's term. • The issuer's framework defines two different ways of managing proceeds pending allocation: either as liquid assets in line with its treasury principles, or for the payment of other debt or other capital management activities. • Holding unallocated proceeds temporarily in cash or cash-equivalent instruments is in line with standard market practice and the GBP. The use of unallocated proceeds for debt repayment or other capital management activities can be considered part of liability management, which is an essential aspect of the capital market. This is a confirmed use of unallocated funds by the ICMA, according to its guidance handbook updated in November 2024. • We perceive investing proceeds in short-term green instruments as the best practice for managing unallocated proceeds, as this can help maximise positive environmental impact throughout the instrument's term. • The issuer monitors the proceeds and removes assets that no longer comply with the eligibility criteria set out in the green financing framework. This provides assurance to investors that the continuous delivery of positive environmental impact is intended.
Source: Fluvius green financing framework 2024	Source: Sustainable Fitch

Reporting and Transparency	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
• Fluvius will make and keep readily available reporting on the allocation and impact of proceeds from green finance instruments to eligible green projects annually and until full allocation (or until maturity). • The allocation report will include the following information: – the aggregate amounts of eligible green projects, per category; – the balance of unallocated proceeds (if any); – the amount or the proportion of new financing and refinancing;	• Fluvius has fully committed to reporting on the allocation and impact of its green bonds annually until the full allocation of proceeds. This aligns with the recommendations of the ICMA GBP. • We positively view the issuer's commitment to disclosing detailed information on the proceeds allocation, including the proportion of new financing and refinancing, as well as the nature of the investment type. Such granular reporting will show the level of additionality incurred from allocated proceeds and ensure sufficient transparency to stakeholders.

Reporting and Transparency	Alignment: Excellent
Company Material	**Sustainable Fitch's View**
– the geographic location of the eligible green projects, where feasible; – the nature of the eligible green projects that were financed and refinanced (assets, capex and/or opex); and – the amount or percentage of the eligible green projects aligned with the EU taxonomy regulation. • Fluvius intends to prioritise new financing over refinancing, and the allocation reporting shall provide an indication of the age of the eligible green projects added over time. • Fluvius will request annually until full allocation (or until maturity), a limited assurance report of the allocation of the green finance instruments to the eligible green projects, provided by its auditor (or any subsequent auditor). Further, Fluvius may also request to have a limited assurance report on the impact of the eligible green projects. • Fluvius intends to align its impact reporting with the ICMA "Handbook – Harmonised Framework for Impact Reporting" (June 2024) or the Nordic Position Paper on Green Bonds Impact Reporting (March 2024).	• The issuer will provide a limited assurance report by an auditor on the allocation reporting. The framework indicates that the issuer may also choose to have the impact reporting audited. We positively view this commitment, as it supports the provision of an additional layer of assurance on its post-issuance reporting. • Fluvius's framework commits to reporting allocation and impact of green bond proceeds based on a portfolio approach, which will be disclosed for individual UoP categories, aggregating all bonds issued by the company. This level of disclosure granularity is in line with general market practice. • We consider project-by-project reporting, segregated by individual instruments, to be more granular. This supports transparency and enables investors to attribute impact to the specific projects financed. However, Fluvius has disclosed to us that there can be cases where such granularity is limited due to confidentiality reasons. • We find the chosen impact metrics to be specifically measurable and aligned with the recommendations of the ICMA Handbook – Harmonised Framework for Impact Reporting from June 2024. We positively view the issuer's selection of impact metrics, as they align with recognised international market standards.
Source: Fluvius green financing framework 2024	Source: Sustainable Fitch

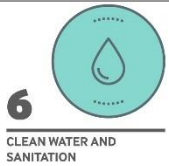
UoP – Examples of Projects

Green infrastructure	Reinforcement of grids Enabling the distribution of renewable energy Controlling systems Measurement tools Smart metering Enabling electric vehicle charging stations Connection of biomethane production plants
Energy efficiency	Building new district heating grids LED lights in public lighting infrastructure Designing for local municipalities
Sustainable water and wastewater management	Water management plans designing Separate collection of wain water and wastewater

Source: Fluvius green financing framework 2024

Relevant UN Sustainable Development Goals

- **6.3:** By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.



- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.

- **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.

Source: Sustainable Fitch, UN

Appendix A: Principles and Guidelines

Type of Instrument: Green

Four Pillars	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

Independent External Review Provider	
Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	n.a.

1) Use of Proceeds (UoP)

UoP as per Green Bond Principles (GBP)	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	No
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	No
Sustainable water and wastewater management	Yes
Climate change adaptation	No
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	No
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.

2) Project Evaluation and Selection

Evaluation and Selection	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

Evaluation and Selection, Responsibility and Accountability	
Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

3) Management of Proceeds

Tracking of Proceeds	
Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

Additional Disclosure	
Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

4) Reporting

UoP Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

UoP Reporting/Information Reported	
Allocated amounts	Yes
Green bond-financed share of total investment	No
Other	n.a.

UoP Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Impact Reporting	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

Impact Reporting/Information Reported (exp. ex-post)	
GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	No
Other ESG indicators	Estimated annual volume of wastewater transported to central treatment system (in m^3/year, population equivalent/year, or %)

Impact Reporting/Frequency	
Annual	Yes
Semi-annual	No
Other	n.a.

Means of Disclosure	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes

Other	n.a.

Note: n.a. – not applicable.
Source: Sustainable Fitch, ICMA

Appendix B: Definitions

Term	Definition
Debt types	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards created by the EU to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

Appendix C: Second-Party Opinion Methodology

Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

	ESG Framework
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.