

GREEN FINANCE FRAMEWORK JUIN 2019



1. INTRODUCTION

La Société wallonne des eaux (“SWDE”) has developed a Green Finance Framework (“the Framework”) to issue Green Bonds (short and long tenors) and Green Loans (together “Green Finance Instruments”).

This Framework has been created to facilitate transparency and disclosure of SWDE’s green commitments.

The Framework follows the four components of the Green Bond Principles of the International Capital Markets Association, version 2018 and the Green Loan Principles of the Loan Market Association, version 2018 (together “Green Principles”) and includes commitments regarding external review.

The Framework will be structured based on following topics:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**
- 5. External Review**



1.1 ABOUT SWDE

Established in the form of a cooperative company with limited liability, SWDE is an association in the public interest, associated with the Walloon Region by a management contract.

The registered capital of SWDE gathers together 207 municipalities, 12 intercommunal associations, the 5 Walloon provinces, the Walloon Region, the Société Publique de Gestion de l'Eau (Public Water Management Company) as well as 2 public finance organisations.

As the main supplier of drinking water in Wallonia, covering about 65 % of its population, SWDE's core missions are:

A. TO PRODUCE DRINKING WATER

→ To guarantee long-term protection of the resources

SWDE is vigilant about protecting water abstraction points. It performs studies, takes action and makes changes in order to preserve groundwater resources from pollution.

→ Using the resources in a sustainable way

The water SWDE produces and processes mainly comes from groundwater sources. It makes use of the Walloon aquifers, taking into account their availability. SWDE also uses and processes surface water, mainly stored in 4 reservoir dams. SWDE always explores new groundwater sources in order to increase the sustainability of the water resource in the Walloon Region.

B. TO DISTRIBUTE DRINKING WATER

SWDE must guarantee permanent availability (continuity of supply) of drinking water throughout its network. It supplies pressurized high-quality water in sufficient quantity for all its customers, private, public and industrial. SWDE has its own laboratory to control water quality. Multiple checks are performed daily on every point in the network (from the abstraction point to the consumer's tap).

C. TO DESIGN THE RELEVANT WATERPRODUCTION AND DISTRIBUTION INFRASTRUCTURES

In order to meet requirements in terms of technical infrastructures/buildings, SWDE's engineering department is responsible for the design, architecture and equipment of its facilities. Its projects may involve very advanced technology. SWDE is concerned in the appearance of its facilities but also in their environmental impact and their energy footprint. An average of € 100 million (approximately 200 projects each year) is invested yearly to maintain and extend their production tools and their distribution network.



D. RESPONDING AND ANTICIPATING THE CUSTOMER'S NEEDS

SWDE has a core value of providing optimum customer satisfaction. It raises the quality of the service offered to match higher demanding requirements, while guaranteeing that customers pay the right price for the delivered product. It has put in place a continuous improvement policy for its processes which allows it to adhere as closely as possible to its customers' requirements, or even anticipate them.

1.2 SWDE'S SUSTAINABILITY STRATEGY

As per the management contract by which SWDE is associated with the Walloon Region for the years 2018-2022, several objectives have been set :



Several key initiatives have been launched for each objective. For the objective 5 regarding sustainable development, these initiatives encompass:

- Contribute to regional growth
- International cooperation
- Environment as number one priority
- Sustainable procurement process and greener specifications
- Waste management
- Green fleet and mobility
- Sustainable management of our natural assets
- Protection of water resources
- Reduce our energy consumption
- Promote tap water

Several quantified objectives have also been determined in the management contract among which:

- Reducing our greenhouse gas emission by 6% compared to 2012 (5.804 t CO₂)
- Reducing water leakage by 8 million m³ yearly

In January 2017, as part of the previous management contract objectives with the Walloon Region, SWDE obtained ISO 14001 certification for all its activities. The principle of this ISO 14001 certification is based on the continuous improvement process PDCA (plan-do-check-act) which allows SWDE to control the environmental impact of its activities.

This certification requires the company to make a commitment to a procedure involving the continuous progress of its environmental performances and allows it to comply with environmental regulations.

2. SWDE'S FRAMEWORK

2.1 USE OF PROCEEDS

An amount equal to the net proceeds of SWDE's issuance of a Green Finance Instrument will be used to finance and/or refinance, in whole or in part, new and/or existing Eligible Green Projects falling within one of the Eligible Green Categories.

Eligible Green Categories:

- Water management
- Renewable energy
- Energy efficiency & energy efficient buildings
- Sustainable mobility
- Protection of water resources

Eligible Green Projects may include investment expenditures, operating expenditures and R&D.

Any expenditure contributing explicitly to green areas and associated benefits as defined in the table below is eligible, including expenditures contributing to several Eligible Green Categories.

All Eligible Green Projects will be located in the Walloon Region.

SWDE invests each year on average €100 million to maintain and extend its production tools, distribution network and other facilities.



2.1.1 ELIGIBLE GREEN CATEGORIES

Eligible Category	Scope and Definition for Eligible Green Expenditure	Expected Environmental Benefits	Examples of Projects
Water management	<ul style="list-style-type: none"> → Projects of infrastructure for the maintenance of SWDE's network → Investments contributing to the "Schéma regional des ressources en eau" (mains, treatment plant, water tower/reservoir) 	<p>Preservation of water resource Increase of the water yield, thus reducing :</p> <ul style="list-style-type: none"> → Water losses → Electricity consumption → Chemical use <p>Better use of water reserve at the regional level:</p> <ul style="list-style-type: none"> → Increase use of surface water versus underground water → Focus on most reliable and important resources to preserve smaller catchments 	<ul style="list-style-type: none"> → Investments contributing to the "Water highway" from Eupen to Wellin → Investments contributing to the water masterplan for East Brabant → Mains renovations to achieve 1% of our network rehabilitated per year → Telemangement (SCADA, remote communication tool) installed in each of our production plant
Renewable energy	Projects aiming at developing the production of renewable energy	<p>Climate change mitigation</p> <ul style="list-style-type: none"> → Increase renewable electricity production → GHG emissions avoided 	Installation and exploitation of photovoltaic panels, small hydro-electric turbine(s) (<1mW) or small on-shore wind turbine(s) (<50kW)
Energy efficiency & energy efficient buildings	<p>Projects aiming at reducing the energy consumption of:</p> <ul style="list-style-type: none"> → Existing administrative facilities (R.O.I ≤ 5 years) → Existing water production facilities (R.O.I ≤ 5 years) → Construction of new energy efficient buildings (at least BREEAM : Very good) 	<p>Climate change mitigation</p> <ul style="list-style-type: none"> → GHG emissions reduced → Energy savings 	<ul style="list-style-type: none"> → Execution of Environment audit on water production facilities → Extension of Verviers HQ → Replacements of traditional lights by LED → Placement of energy efficient windows → Placements of more efficient pumping systems
Sustainable mobility	Acquisition of green vehicles (electric, hybrid or CNG) issuing less than 50g/km of CO ₂	<p>Climate change mitigation</p> <ul style="list-style-type: none"> → Reduction of fossil fuel consumption → GHG emissions avoided <p>Pollution prevention</p> <ul style="list-style-type: none"> → Air quality improvement 	→ Purchase of hybrid, electric or CNG cars
Protection of water resources	<p>Investments contributing to the protection of underground or surface water resources:</p> <ul style="list-style-type: none"> → Implementation of new catchment area protection → Maintenance of existing catchment area protection 	<p>Pollution prevention and control</p> <ul style="list-style-type: none"> → Water quality improvement (both for water fields and water distribution) → Reduce risks of pollution 	<ul style="list-style-type: none"> → Digging of protection ditch → Forest management → Watertight lining → Fences

2.1.2 CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (“SDGs”) will require a significant resource mobilisation worldwide from both public and private sectors .

Sustainable debt instruments can contribute to channeling and scaling-up necessary investments and the Green Finance Market has begun to adapt in response to the SDGs.

In accordance with the “High-Level Mapping to the Sustainable Development Goals” published by the ICMA in June 2018 , SWDE presents hereunder the targeted SDGs that will be impacted by its Framework:



Eligible Category	SDGs identified	SDGs targets
Water management	SDG 3. Good Health and Well-Being	3.3
	SDG 6. Clean Water and Sanitation	6.1, 6.4
Renewable energy	SDG 7. Affordable and Clean Energy	7.2
	SDG 12. Responsible Consumption and Production	12.2
	SDG 13. Climate Action	
Energy efficiency & energy efficient buildings	SDG 7. Affordable and Clean Energy	7.3
	SDG 9. Industry, Innovation and Infrastructure	9.1, 9.4
	SDG 11. Sustainable Cities and Communities	11.6
	SDG 13. Climate Action	NA
Sustainable mobility	SDG 3. Good Health and Well-Being	3.3
	SDG 9. Industry, Innovation and Infrastructure	9.4
	SDG 11. Sustainable Cities and Communities	11.2
	SDG 12. Responsible Consumption and Production	12.2
	SDG 13. Climate Action	NA
Protection of water resources	SDG 3. Good Health and Well-Being	3.3
	SDG 6. Clean Water and Sanitation	6.1, 6.3, 6.4, .6
	SDG 15. Life on Land	15.1, 15.2, 15.3, 15.5

2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

SWDE has created a “Green Committee” to oversee its Framework.

The Green Committee is chaired by the Chief Finance Officer, assisted by an operational team, composed of heads of relevant departments based on each Eligible Category (i.e. Department of Water distribution, Water production and Design office). The head of the Treasury department and the head of the Environment and workers’ protection department are also member of the Green Committee.

The Green Committee will meet at least twice a year. Each meeting will be documented with a report and a decision proposal will be handed over to the Board of Directors.

At operational level, the projects managers are in charge of the identification of the main Environmental, Social and Governance risks (“ESG risks”) associated to each projects prior to the selection, and they are in charge of the management of these risks.

The Control management department is responsible for the periodical internal control of the risks, and external audits are held on some of the ESG risks.

The final decision will rest with the Board of Directors based upon the Green Committee’s proposal.

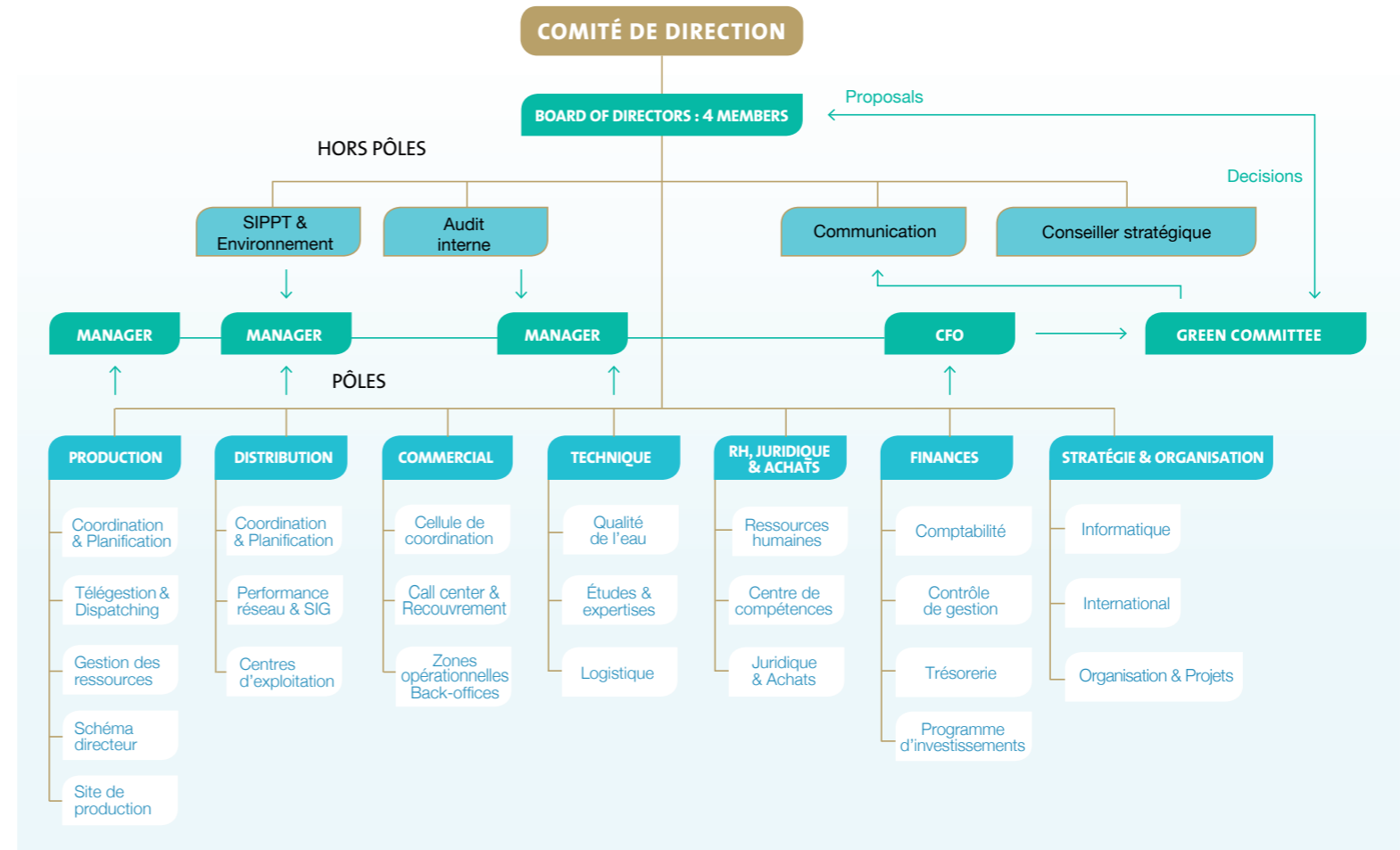
The Board of Directors will not be allowed to add a project to the list established by the Green Committee. They may suggest some but the project will have to be approved by the Green Committee.

Once Eligible Green Projects are approved by the Board of Directors, the proceeds of the Green Finance Instrument will be allocated to Eligible Green Projects until full allocation of the proceeds.

The role of the Green Committee is to:

- Select and review the pool of Eligible Green Projects as defined in this Framework;
- Review the effective disbursed amounts to Eligible Green Projects at the end of each fiscal year for annual reporting;
- Define and update the Framework – as and when necessary – according to market standards and best market practices to reflect any changes with regards to the environmental strategies and initiatives of SWDE and
- Recommend new issuances of Green Finance Instruments under the Framework.

Organigramme SWDE + Green committee



2.3 MANAGEMENT OF PROCEEDS

The tracking of Eligible Green Projects will be done by the Green Committee, in SWDE's internal accounting system and disassociated from ineligible expenses.

The management control department will be in charge of monitoring and reporting (internally and externally) on the Eligible Green Projects.

A register will be established to monitor the allocation of net proceeds to the Eligible Green Projects on a notional basis.

Eligible Green Projects include:

- Recent Projects: expenditures relating to Green Projects in the year preceding the issuance of a Green Finance Instrument and
- Current Projects: expenditures relating to Green Projects within two years following the issuance of a Green Finance Instrument. At any time during the lifetime of the Green Finance Instrument, the outstanding amount of the Green Debt will not exceed the value of the Eligible Green Projects.

Pending the full allocation of the net proceeds to Eligible Green Projects, within 2 years after the issuance of a Green Finance Instrument, the Green Committee will keep record of the remaining balance of unallocated Green Proceeds and manage them in cash instruments in compliance with SWDE's Treasury Policy.

Temporary placements of unallocated proceeds will not finance GHG intensive activities, nor controversial activities.

In case of projects postponement, cancelation, divestment or ineligibility, the Green Committee commits to replace the no longer Eligible Green Project by a new Eligible Green Project.

In order to avoid any possible double counting, the Green Committee will make sure that only expenditures net of any regional subsidies or loans, any financing from the European Investment Bank, or financed by any other mechanisms are eligible.

2.4 REPORTING

SWDE will report within approximately one year from the date of the first issuance, and annually thereafter until full allocation of the net proceeds.

The annual report will reflect:

- 1 *The aggregated amount of (re)allocation of net proceeds to Eligible Green Projects for each of the Eligible Green Categories;*
- 2 *The list of Eligible Green Projects financed by the proceeds as well as a short description of those projects and*
- 3 *The relevant impact metrics.*

This reporting will be published every year and will be publicly available on SWDE's website (www.SWDE.be).

The reporting will be established by the Green Committee and approved by the Board of Directors.

2.4.1 ALLOCATION REPORTING

SWDE will report for each Eligible Category on:

- The total net amount being allocated;
- The breakdown between financing and refinancing amount;
- The total net amount being unallocated (if relevant) on a consolidated basis and
- The types of investment of unallocated funds (if relevant).

2.4.2 IMPACT REPORTING

SWDE will report on environmental benefits of the Eligible Green Projects financed by the net proceeds of the Green Finance Instrument. To the extent practicable, SWDE will provide both output and expected impact indicators. Relevant calculation methodologies will be disclosed in the reporting.

For illustration, SWDE may use the following reporting indicators among others:

Eligible Category	SDGs identified
Water management	<ul style="list-style-type: none"> → Water leakage index (m³/km/day) → Water savings (m³) : Number of mffi saved by increasing the network yield → GHG emissions avoided → % of mains rehabilitated compared to the total size of the network
Renewable energy	<ul style="list-style-type: none"> → Renewable energy capacity installed in MWh → Annual renewable energy generated or expected in MWh → GHG emissions avoided
Energy efficiency & energy efficient buildings	<ul style="list-style-type: none"> → Energy savings (KWh saved/reduced) in comparison to previous years before works were undertaken → Energy used by mffi produced → GHG emissions avoided
Sustainable mobility	<ul style="list-style-type: none"> → Total km with fossil fuel vehicle avoided → GHG emissions avoided
Protection of water resources	<ul style="list-style-type: none"> → Total number of water catchment: the end-goal is to decrease this number to show that we focus on the most reliable and efficient catchment and we decommission smaller ones. → Area of land protected around catchment: the goal is to increase this area to make sure we improve the protection around our catchment → Water quality : number of compliant tests / number of tests

2.5 EXTERNAL REVIEW SECOND PARTY OPINION PROVIDER

As per the Green Principles, SWDE's Framework has been reviewed by Vigeo eiris, the Second Party Opinion Provider, confirming its alignment with the Green Bond Principles and the Green Loan Principles. The Second Party Opinion is available on SWDE's website: www.SWDE.be

Any material change to this Framework will be submitted for review to the Second Party Opinion Provider.