

Sustainalytics Second Party Opinion

Société wallonne des eaux Green Finance Framework

27 June 2025

Framework owner and location:
Société Wallonne des Eaux
Wallonia, Belgium

Sector:
Utility

Overall Assessment

Sustainability Contribution



Principles Alignment

✓ Aligned

Green Bond Principles 2021
Green Loan Principles 2025

Contribution to SDGs



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Assessment Summary

Société wallonne des eaux (SWDE) has developed the Société wallonne des eaux Green Finance Framework, dated June 2025, under which it intends to issue bonds – including private placements – commercial paper and medium-term treasury notes, and Schuldscheindarlehen, and obtain bank loans to fund projects in Belgium in six environmental categories.

We have assessed the Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework's six use of proceeds categories, weighted according to the percentage allocation indicated by the Company to Sustainalytics.

SWDE intends to finance environmental expenditures in Sustainable Water Management, Renewable Energy, Energy Efficiency, Clean Transportation, Terrestrial and Aquatic Biodiversity Conservation, and Green Buildings.


The Company will allocate the majority of proceeds (approximately 75%) to sustainable water management investments, including the construction and renovation of drinking water production plants and related infrastructure for collection, treatment and supply. Auxiliary assets, such as pumping stations, storage facilities and interconnecting distribution grids, are expected to facilitate more resilient service delivery and regional resource sharing. Water leakage assessments will complement these investments to help identify potential reductions in water loss, strongly contributing to efficient collection, treatment and supply of water. The Framework also covers renewable energy projects, including wind, solar and energy storage systems, aimed at supporting the long-term transition to zero-emission energy generation. Energy efficiency measures will target water production facilities through the installation of non-fossil-fuel-powered, high-efficiency equipment. SWDE also intends to invest in fully electric vehicles and charging infrastructure, supporting the shift toward low-emission mobility. Finally, proceeds will finance biodiversity conservation and ecosystem restoration in Wallonia, with the Company undertaking activities such as watershed protection, afforestation and invasive species control in co-ordination with regional authorities. These efforts are expected to strengthen ecological resilience and advance long-term biodiversity goals.

We have assessed the Framework as **Aligned** with the Green Bond Principles 2021 and the Green Loan Principles 2025.

This Second Party Opinion provides our point-in-time independent opinion of the Framework as at the Evaluation Date above. Our assessments of Sustainability Contribution and Principles Alignment are based on our Assessment Framework for Use of Proceeds Instruments (also see Annex 1: Assessment Framework Overview). Our opinion also considers additional information that the Framework owner provided up to the Evaluation Date, as well as public and non-public information.

Breakdown per Use of Proceeds Category

We have assessed the Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework’s use of proceeds categories. We have weighted each category according to the percentage allocation indicated by SWDE to Sustainability, as shown below.

Category	Sustainability Contribution Level	Weight
Sustainable Water and Wastewater Management	 Neutral Moderate Significant Strong	75%
Renewable Energy	 Neutral Moderate Significant Strong	5%
Energy Efficiency	 Neutral Moderate Significant Strong	5%
Clean Transportation	 Neutral Moderate Significant Strong	5%
Terrestrial and Aquatic Biodiversity Conservation	 Neutral Moderate Significant Strong	5%
Green Buildings	 Neutral Moderate Significant Strong	5%

Issuer Overview & Sustainability Strategy

Founded in 1986 and headquartered in Wallonia, Belgium, SWDE is a public water utility responsible for the production and distribution of drinking water across the region. As of 31 December 2024, the Company accounted for approximately 75% of the total water supplied by Walloon water operators. SWDE operates more than 40,000 km of pipelines and 1,135 reservoirs and water towers, and supplies water to 2.5 million residents, serving 67% of the region's population.

SWDE's environmental strategy is built on three key pillars: i) raise employee awareness of the environmental impact of operations; ii) implement its biodiversity plan to protect, restore and promote biodiversity, reduce greenhouse gas emissions and maintain ISO 14001 certification; and iii) anticipate future developments to ensure continued supply of drinking water.

Under these pillars, SWDE has set the following targets: i) train 1,350 staff members on environmental issues and raise the share of contracts including the CO₂ Performance Ladder to 90% by 2027; ii) reduce GHG emissions by 20% by 2030 compared to 2017; iii) increase the share of energy consumption from renewable sources to 30% by 2027 and 100% by 2050, up from 15% in 2023; iv) make its vehicle fleet green by 2030; v) ensure 100% delineation of water resource protection zones by 2027 across more than 1,000 hectares supported by silviculture practices, planting of more than 40,000 trees and ecological restoration of 68 hectares, including former quarry sites used for water production; and vi) implement simple management plans across all 160 SWDE sites located within the Natura 2000 network by 2027. SWDE carries out this last commitment in partnership with the Walloon Public Service for Agriculture, Natural Resources and Environment, in line with the provisions of the Walloon Forestry Code. To further support these efforts, SWDE plans to invest more than EUR 500 million between 2020 and 2029, including up to EUR 300 million between 2024 and 2026, to implement the Regional Water Resources Plan and ensure sustainable, continuous access to quality water.^{1,2}

SWDE has achieved the following key milestones: i) conducted an internal awareness campaign in September 2023 and co-held webinars with AQUAWAL (the regional federation of water producers and distributors) in October 2023 to train its employees on responsible purchasing; ii) reduced its GHG emissions by more than 12% in 2023 compared to 2017; iii) launched 33 catchment protection contracts with non-profit organization PROTECT'eau; and iv) increased the length of hedgerows planted on its sites by 18% in 2023 compared to 2020.

SWDE's Environment team implements the Company's sustainability approach, with oversight from the board of directors..

The Company published its first environmental report in 2020, followed by a second report in 2024, outlining its environmental strategy, targets, initiatives and achievements.³

¹ SWDE, "Rapport Environnemental 2023", at: https://www.swde.be/sites/default/files/2024-10/Rapport%20environnemental%202023_low%20def.pdf

² The SWDE Green Finance Framework will be available on SWDE's website at: <https://www.swde.be/fr/systeme-de-financement-de-la-societe-wallonne-des-eaux>

³ SWDE, "Rapport Environnemental 2023", at: https://www.swde.be/sites/default/files/2024-10/Rapport%20environnemental%202023_low%20def.pdf

Principles Alignment

We have assessed the Société wallonne des eaux Green Finance Framework as follows:

Green Bond Principles 2021 – **Aligned**

Green Loan Principles 2025 – **Aligned**

SWDE intends to issue bonds (including private placements), treasury notes (including commercial paper and medium-term treasury notes), promissory notes (Schuldscheindarlehen) and obtain loans⁴ under the Framework.

Principles Alignment Detailed Evaluation

Use of Proceeds

Aligned

Alignment with core requirements

- ▶ The Framework describes eligibility criteria appropriately.
- ▶ All expenditures are expected to provide clear environmental benefits.

Additional considerations

- ▶ SWDE will limit refinancing to capital expenditures.
- ▶ SWDE has committed to the following practices, which go beyond the core requirements:
 - ▶ SWDE discloses the estimated share of allocation per category.

Project Evaluation and Selection

Aligned

Alignment with core requirements

- ▶ The Framework describes a governance process for the evaluation and selection of eligible projects.
- ▶ The Framework describes a process to identify and manage perceived environmental and social risks associated with eligible projects.
- ▶ The Framework communicates the environmental or social sustainability objectives of eligible projects.

Additional considerations

- ▶ SWDE has committed to the following practices, which go beyond the core requirements:
 - ▶ SWDE describes how eligible projects support its overarching sustainability objectives and strategy.
 - ▶ The Framework indicates the SDGs to which the Company expects to contribute through eligible projects.
 - ▶ SWDE intends to align the Framework with the EU Taxonomy and EU Green Bonds Standards.

⁴ SWDE will not obtain revolving credit facilities but may label multi-tranche loan facilities under the Framework.

Management of Proceeds**Aligned***Alignment with core requirements*

- ▶ The Framework describes a governance structure, including assigning responsibility for the management of proceeds.
- ▶ The Framework describes the processes and systems that will be used to track the proceeds.
- ▶ The Framework describes the intended temporary placement for the balance of unallocated proceeds.
- ▶ In case of multi-tranching, SWDE will only label tranches that are exclusively allocated to green projects.

Additional considerations

- ▶ SWDE will use a balance sheet approach to manage the proceeds. In particular, it will categorize its assets and liabilities as either green or non-green, allocating funds exclusively to the green assets eligible for financing, as defined under the Framework.
- ▶ SWDE has committed to the following practices, which go beyond the core requirements:
 - ▶ SWDE intends to allocate all proceeds to eligible projects within 24 months of issuance.
 - ▶ Pending full allocation, temporary proceeds will be held in cash, cash equivalents or similar instruments.
 - ▶ SWDE will obtain assurance from a third party for its allocation of proceeds.

Reporting**Aligned***Alignment with core requirements*

- ▶ SWDE will provide an annual allocation report until the full allocation of the proceeds and renew it in case of material changes until maturity.

Additional considerations

- ▶ SWDE has committed to the following practices, which go beyond the core requirements:
 - ▶ SWDE will report on the qualitative and quantitative impacts of projects, using relevant metrics where feasible.
 - ▶ The Framework indicates at least one impact metric for each category.
 - ▶ SWDE will publish allocation and impact reports on its website.

Sustainability Contribution

SWDE intends to use the proceeds from instruments issued or obtained under the Framework to finance and refinance capex associated with projects and activities expected to lead to environmental benefits in Belgium. The Company will allocate 75% of proceeds to assets under the Sustainable Water Management category.

We have assessed the overall Sustainability Contribution of the Framework as **Strong** based on the average Sustainability Contribution of the Framework’s use of proceeds categories. We have weighted each category according to the percent allocation indicated by SWDE to Sustainalytics.

Sustainability Contribution



Sustainability Contribution per Use of Proceeds Category

Sustainable Water Management



We have assessed the Sustainability Contribution of the sustainable water management category as **Strong**.

Investments under the category include the construction and renovation of new and existing drinking water production plants and associated auxiliary activities that support their operation. Water leakage assessments complement these investments to help identify and reduce water loss, strongly contributing to efficient water treatment and delivery systems.

Category Expenditures

Expenditure	Description
Investments in drinking water production plants	<ul style="list-style-type: none"> ▶ Construction and renovation of drinking water production plants. ▶ Assessments of water leakage levels will accompany all investments under the category to identify opportunities for reducing water losses. ▶ Expenditures will not finance systems and treatment facilities associated with emission-intensive or controversial activities that have harmful social or environmental impacts.
Auxiliary activities	<ul style="list-style-type: none"> ▶ Construction and renovation of water pumping stations and water storage facilities. ▶ Construction of a new drinking water grid to connect different parts of SWDE’s network or connect SWDE’s network to other water distribution companies’ networks. ▶ Replacement of the existing drinking water grid. ▶ Construction of water towers. ▶ Construction and replacement of water mains.

Analytical Commentary

According to UNESCO, approximately 26% of the global population lacks access to safe drinking water. In addition, around one-quarter of the world's population experiences extremely high levels of water stress, consuming more than 80% of their annual renewable freshwater supply.⁵ The number of urban residents facing water scarcity is projected to rise from 930 million in 2016 to between 1.7 billion and 2.4 billion by 2050. Globally, 20% to 50% of distributed water is lost, largely due to leakages and deteriorating infrastructure,⁶ making leak reduction essential for more efficient water resource management. Belgium, ranked 18th most water-stressed country in 2024,⁷ faces similar challenges, including the lack of systems to transfer water from surplus regions to those experiencing shortages, as well as undersized pipelines that frequently cause leaks.^{8,9} This combination of high water stress, extensive freshwater usage and aging infrastructure highlights the need for more efficient systems that deliver water where it is most needed while minimizing losses.

SWDE will invest in the construction and renovation of new and existing drinking water production plants, including systems for water collection, treatment and supply. The Company will also finance auxiliary activities that support the functioning of the constructed or renovated drinking water production plants, such as water pumping stations, water storage facilities and new drinking water grids to connect different parts of its own network or link its network to those of other water distribution companies to encourage resource sharing. These investments aim to support the Wallon government's Schéma Régional des Ressources en Eau, a regional masterplan designed to upgrade and interconnect water networks to reduce losses, improve distribution efficiency and supply water to water-deprived regions in Wallonia.¹⁰

Assessments of water leakage levels will accompany eligible expenditures under the Framework to identify opportunities for reducing water losses. To this end, SWDE has established a dedicated team responsible for analyzing the Company's network data, detecting leaks in the field and repairing them on a timely basis. By improving water leakage control, SWDE aims to increase the efficiency of water distribution, which is expected to reduce the volume of water that must be extracted, treated and pumped. Overall, expenditures in Sustainable Water Management are expected to contribute strongly to efficient collection, treatment and supply of water.

⁵ UNESCO, "Imminent risk of a global water crisis, warns the UN World Water Development Report 2023", at: <https://www.unesco.org/en/articles/imminent-risk-global-water-crisis-warns-un-world-water-development-report-2023>

⁶ AbuEltayef H. et al., "Addressing non-revenue water as a global problem and its interlinkages with sustainable development goals", The International Water Association, (2024), at: <https://iwaponline.com/wpt/article/18/12/3175/98008/Addressing-non-revenue-water-as-a-global-problem>

⁷ Aqueduct, "Country Rankings", at: <https://www.wri.org/applications/aqueduct/country-rankings/?country=BEL>

⁸ European Commission, "Belgium: Ready to see water differently?", at: https://environment.ec.europa.eu/topics/water/water-wise-eu/belgium_en

⁹ European Investment Bank, "Wallonia's water worries", at: <https://www.eib.org/en/stories/swde-wallonia-water>

¹⁰ Walloon Government, "Schéma régional des ressources en eau", (2022), at:

<https://etat.environnement.wallonie.be/contents/indicatorsheets/EAU%20Focus%202022.html?thematic=2a390a6e-18d0-4790-937c-931318125e64>

Renewable Energy



We have assessed the Sustainability Contribution of the Renewable Energy category as **Strong**.

Investments under the category include the financing of renewable energy generation projects from wind and solar sources, as well as the energy storage solutions. By generating low-emission electricity and storing surplus output for later use, the investments directly support the long-term goal of achieving zero emission energy generation.

Category Expenditures

Expenditure	Description
Solar power generation	▶ Acquisition, development, construction and installation of solar photovoltaic (PV) systems.
Wind power generation	▶ Acquisition, development, construction and installation of onshore wind facilities.
Energy storage	▶ Acquisition, development, construction and installation of energy battery storage solutions directly connected to renewable electricity sources.

Analytical Commentary

Investments in low carbon energy are critical for the energy transition, as the production of electricity and heat were responsible for 44% of global CO₂ emissions from fuel combustion in 2022.¹¹ To achieve internationally agreed-upon climate goals, the share of renewable energy generation must increase to 90% by 2050 compared to 29% in 2022.¹²

The financing of solar PV and onshore wind turbines strongly contributes to the goal of achieving zero-emission energy systems as their life cycle GHG emissions intensities are below the technology-agnostic threshold of 100 gCO₂e/kWh.¹³ Additionally, batteries charged with on-site renewable energy mitigate intermittency and help reduce peak-demand stress.^{14,15} These expenditures are expected to deliver a strong sustainability contribution by supplying zero-carbon electricity at the point of consumption.

¹¹ IEA, "Energy Data Explorer", (2024), at: <https://www.iea.org/data-and-statistics/data-tools/greenhouse-gas-emissions-from-energy-data-explorer>.

¹² IEA, "Net Zero by 2050", (2021), at: <https://www.iea.org/reports/net-zero-by-2050>

¹³ EU Technical Expert Group on Sustainable Finance, "Taxonomy Report Technical Annex", (2020), at: https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

¹⁴ Coccato, S. et al., "A Review of Battery Energy Storage Optimization in the Built Environment", (2025), at: <https://www.mdpi.com/2313-0105/11/5/179>

¹⁵ IEA, "More efficient and flexible buildings are key to clean energy transitions", at: <https://www.iea.org/commentaries/more-efficient-and-flexible-buildings-are-key-to-clean-energy-transitions>

Energy efficiency



We have assessed the Sustainability Contribution of the Energy Efficiency category as **Strong**.

Investments under this category include the financing of materials and equipment that promote energy efficiency in water production facilities, and are expected to strongly contribute to the improvement of the energy efficiency of SWDE’s building operations.

Category Expenditures

Expenditure	Description
Investments in materials and equipment to reduce energy consumption	<ul style="list-style-type: none"> ▶ Installation of materials and equipment aimed at reducing energy consumption, such as insulation materials, solar panels or energy-efficient roofs, windows, heating equipment and lighting in existing administrative and eligible water production facilities, defined under the Sustainable Water Management category. ▶ Expenditures will exclude fossil fuel-powered equipment.

Analytical Commentary

The operations of buildings account for 30% of global final energy consumption and 26% of global energy-related emissions, with the majority of these emissions resulting from the electricity used to heat and cool buildings.¹⁶ By 2030, the global electricity demand for space cooling in buildings could increase by up to 40% globally, highlighting the importance of implementing energy efficiency measures in buildings.¹⁷ Between 2010 and 2023, there was an average annual improvement in the energy intensity of buildings of 1.4%. However, to achieve net zero emissions by 2050, the annual improvements in energy efficiency need to triple to achieve an average improvement rate of 4.4% annually.¹⁸

SWDE’s eligible expenditures include renovations to improve building insulation through the replacement of windows and roofs, the installation of efficient heating equipment and lighting, and the placement of solar panels. These expenditures will also support energy efficiencies in existing drinking water production plants that align with the criteria under the Sustainable Water Management category. The Framework excludes the financing of equipment powered by fossil fuels. Overall, these expenditures are expected to strongly contribute to environmental benefits by reducing GHG emissions from building operations.

¹⁶ IEA, “Buildings”, at: <https://www.iea.org/energy-system/buildings>

¹⁷ IEA, “Space Cooling”, at: <https://www.iea.org/energy-system/buildings/space-cooling>

¹⁸ IEA, “Energy Efficiency”, (2024), at: <https://www.iea.org/reports/energy-efficiency-2024>

Clean Transportation



We have assessed the Sustainability Contribution of the Clean Transportation category as **Strong**.

SWDE intends to finance fully electric vehicles and associated charging infrastructure, thereby strongly supporting the transition to zero-emission mobility and aligning with the transportation sector’s long-term decarbonization goals.

Category Expenditures

Expenditure	Description
Acquisition of land transport vehicles	▶ Acquisition of fully electric vehicles for employees to support their day-to-day activities, such as commuting to the office.
Installation of charging infrastructure for land transport vehicles	▶ Installation of charging infrastructure for electric vehicles to support the use of zero-emission land transport vehicles.

Analytical Commentary

The transport sector accounts for more than a third of CO₂ emissions from end-use sectors. Emissions have increased at an average annual rate of 1.7% between 1990 and 2022, outpacing all sectors except industry. Road transportation is the largest contributor, responsible for 73% of global transportation emissions in 2022. To achieve net zero emissions by 2050, CO₂ emissions from the sector must decline by more than 3% annually through 2030.¹⁹ With transportation volumes projected to double by 2050, developing infrastructure for low carbon road transport is essential as part of broader efforts to decarbonize the sector.²⁰

Investments under the Framework include the acquisition of fully electric vehicles and the installation of electric vehicle charging infrastructure. These expenditures are expected to directly eliminate tailpipe emissions associated with employees’ daily commutes, making a strong contribution toward decarbonizing the sector and achieving long-term net zero goals.

¹⁹ IEA, “Transport”, (2023), at: <https://www.iea.org/energy-system/transport>

²⁰ World Economic Forum, “7 Reasons Why Global Transport is so Hard to Decarbonize”, (2021), at: <https://www.weforum.org/stories/2021/11/global-transport-carbon-emissions-decarbonise/>

Terrestrial and Aquatic Biodiversity Conservation



We have assessed the Sustainability Contribution of the Terrestrial and Aquatic Biodiversity Conservation category as **Strong**.

SWDE intends to finance watershed protection, biodiversity conservation and forest restoration activities to address climate and biodiversity challenges in Wallonia. In co-ordination with regional authorities, the Company undertakes activities that are expected to enhance ecosystem resilience and contribute to long-term biodiversity goals.

Category Expenditures

Expenditure	Description
Protection of watershed and catchment areas	<ul style="list-style-type: none"> ▶ Land and runoff management to protect groundwater resources, including vegetation cover maintenance, catchment protection infrastructure and systems for pollution monitoring and risk assessment. ▶ Measures are implemented in collaboration with Walloon Forest experts and SWDE’s environment team, based on companywide guidelines and site-specific studies.
Auxiliary activities for the protection of watershed and catchment areas	<ul style="list-style-type: none"> ▶ Infrastructure and maintenance-related activities to support the protection of water quality, including the installation of protective fencing, cleaning and renovation of ditches, and upgrades to wellheads and well cabins.
Preservation or restoration of natural landscapes	<ul style="list-style-type: none"> ▶ Habitat clearing activities aimed at: i) controlling invasive species; and ii) restoring forest ecosystems through thinning, selective tree felling and re-establishing forêts perpétuelles (perpetual forests) with native species, in accordance with Natura 2000 conservation objectives.²¹ ▶ Stream remeandering projects to restore the natural water flow and enhance aquatic biodiversity, carried out in collaboration with regional watercourse authorities. A vulnerability assessment and an evaluation of the expected outcomes will be conducted in advance, with regular monitoring in place to track the effectiveness of the implemented measures. ▶ Invasive species management projects implemented either in collaboration with or in accordance with the guidelines of the Walloon Department of Nature and Forests (DNF).²² ▶ Creation of hedges and ponds, and the demarcation of conservation zones. ▶ Nest and bat boxes to support vulnerable birds or bats species and foster their development. ▶ All projects undergo an assessment to determine permitting needs. In addition, SWDE co-ordinates with the DNF to mitigate environmental risks where required.

²¹ European Commission, “Natura 2000”, at: https://environment.ec.europa.eu/topics/nature-and-biodiversity/natura-2000_en

²² Walloon Government, “Département de la Nature et des Forêts”, at : <https://www.wallonie.be/en/stakeholders-and-institutions/walloniaspw-agriculture-ressources-naturelles-et-environnement/departement-de-la-nature-et-des-forets>

Analytical Commentary

Globally, biodiversity is declining at an unprecedented rate due to land degradation, pollution, invasive species and climate change.²³ In Wallonia, these pressures are compounded by increasing water stress resulting from rising temperatures, irregular rainfall and more frequent extreme weather events. The challenges of alternating drought and flood conditions pose significant risks to water resources and downstream ecosystems. Approximately 20% of surface water bodies in the region are heavily modified, and nearly 5,000 fish migration obstacles persist, affecting ecological connectivity and aquatic biodiversity.²⁴ To address these challenges, Walloon authorities have identified forest ecosystem restoration and water resource protection as essential pillars of climate resilience and biodiversity preservation.

Under the Framework, the protection of watershed and catchment areas, as well as auxiliary activities, are expected to enable SWDE to safeguard the quality and quantity of water resources, reduce its environmental footprint and enhance biodiversity in line with its commitments under the 2023-2027 Contrat de Gestion (management contract).²⁵ The Company implements these commitments through integrated site-sensitive watershed management efforts in collaboration with the Walloon DNF and the Public Service of Wallonia – Agriculture, Natural Resources, and Environment.

All biodiversity preservation and restoration activities are subject to permitting assessments to ensure compliance with environmental regulations. Where required, SWDE co-ordinates with the DNF prior to project implementation to mitigate environmental risks. Projects located in ecologically sensitive or high conservation areas must comply with enhanced permitting standards set by the DNF. The management of invasive species is conducted in collaboration with or in accordance with the guidelines of the DNF, which promote humane, site-adapted and non-chemical methods in line with EU Regulation 1143/2014 and IUCN standards.^{26,27} DNF personnel exclusively carry out the control of vertebrate species under applicable EU, Belgian and regional legislation. As these activities may fall outside SWDE's operational control and publicly available information on the DNF's specific protocols is limited, the absence of environmental or animal welfare risks cannot be independently verified. However, regulatory oversight provides some assurance of compliance with credible biodiversity and animal welfare standards.

Reforestation and afforestation activities aim to support the region's transition to climate-adapted forest systems and are expected to improve forest resilience and water retention.²⁸

Collectively, these investments are expected to reinforce Wallonia's ecological infrastructure in line with regional biodiversity policy objectives. Through site-specific studies, collaboration with public authorities and implementation under the Contrat de Gestion, they are expected to strongly

²³ IPBES, "2019 Global Assessment Report on Biodiversity and Ecosystem Services", (2019), at: https://files.ipbes.net/ipbes-web-prod-public-files/inline/files/ipbes_global_assessment_report_summary_for_policymakers.pdf

²⁴ Walloon Government, "Enquête publique du 02 décembre 2024 au 02 juin 2025 - Calendrier, programme de travail et enjeux majeurs, (2025)", at: <https://www.saint-hubert.be/wp-content/uploads/2024/10/Enquete-publique-Directive-Cadre-sur-leau-2.pdf>

²⁵ SWDE, "Contrat de Gestion 2023-2027", (2023), at: <https://www.swde.be/sites/default/files/2023-06/Contrat%20de%20gestion%20SWDE%202023%202027.pdf>

²⁶ European Commission, "Invasive Alien Species", at: https://environment.ec.europa.eu/topics/nature-and-biodiversity/invasive-alien-species_en

²⁷ IUCN Save Our Species, "European Invasive Alien Species Rapid Response Fund", at: <https://www.iucnso.org/initiative/european-invasive-alien-species-rapid-response-fund/>

²⁸ Walloon Government, "Plans d'aménagement forestier", (2022), at: <https://etat.environnement.wallonie.be/contents/indicatorsheets/FFH%2014.html?thematic=caaa19e9-614e-46ff-8fc1-51b36ed5cbb6>

contribute to long-term biodiversity conservation outcomes in Wallonia.

Green buildings



We have assessed the Sustainability Contribution of the Green Buildings category as **Significant**.

Commercial buildings financed under the Framework will achieve levels of globally recognized certifications that are expected to place them among the most energy efficient in the region, except for BREEAM Very Good, which includes lower energy efficiency standards. Although the criteria do not require buildings to be fossil fuel-free in relation to energy generation, these expenditures, alongside the renovation of buildings aiming for a 30% improvement in primary energy demand (PED), will significantly contribute to the decarbonization of the buildings sector.

Category Expenditures

Expenditure	Description
Construction and acquisition of green buildings	<ul style="list-style-type: none"> Construction and acquisition of commercial buildings built after 2024 that either: i) have or are expected to receive one of the following green building ratings or certification levels: energy performance certificate²⁹ (EPC) A, BREEAM³⁰ Very Good or higher, or LEED³¹ Gold or higher; or ii) nearly zero-energy building³² (NZEB) or better.
Renovation of existing green buildings	<ul style="list-style-type: none"> Buildings that undergo a renovation that leads to a reduction of PED by at least 30% compared to the building’s energy performance prior to renovation. Eligible expenditure to be completed within three years.
Construction and acquisition of water production and storage facilities	<ul style="list-style-type: none"> Development, construction, acquisition and refurbishment of eligible water production and storage facilities, as defined under the Sustainable Water Management category, in line with the construction and renovation related criteria listed above.

Analytical Commentary

In 2022, building operations accounted for 30% of global final energy consumption and 26% of energy-related GHG emissions.³³ Many countries are strengthening building energy codes and performance standards, and accelerating the adoption of energy-efficient systems and renewable energy technologies to reduce emissions and improve sustainability in the construction sector. However, the buildings sector will need to further accelerate its decarbonization progress to achieve net zero emissions by 2050. As of 2020, only 5% of new buildings were zero carbon-ready, while the goal is to reach 100% by 2030 to keep on track with the internationally agreed-upon climate goals.³⁴ Buildings that are highly energy efficient and that do not rely on on-site fossil fuel energy generation play a vital role in bridging this gap and are critical to decarbonizing the global buildings sector.

²⁹ EPC: <https://www.gov.uk/energy-performance-certificate-commercial-property>

³⁰ BREEAM: <https://breeam.com/about/how-breeam-works>

³¹ LEED: <https://www.usgbc.org/leed>

³² NZEB: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-and-zero-emission-buildings_en

³³ IEA, “Tracking Buildings”, (2023), at: <https://www.iea.org/energy-system/buildings>

³⁴ Ibid.

Under the Framework, the eligibility criteria for commercial buildings and water production and storage facilities constructed 2024 onwards incorporate green building certifications levels, namely LEED Gold and EPC A, that are expected to place the eligible buildings among the best performing in Wallonia with respect to energy efficiency. Similarly, NZEB, a regulatory requirement for all new buildings in the region, also positions eligible buildings among the most energy efficient.

However, BRREAM Very Good lacks a minimum requirement for the reduction of energy use and carbon emissions, implying a lower energy efficiency standard. Additionally, the Framework does not require buildings to be fossil fuel-free in their energy generation, creating a risk of a fossil fuel lock-in, which is particularly relevant to new builds, specifically those built after 2024.

Nevertheless, together with the renovation of buildings aimed at achieving a 30% reduction in PED compared to their pre-renovation performance, these expenditures will significantly contribute to the decarbonization of the building sector.

Environmental and Social Risk Management

We have identified the following areas of environmental and social risk associated with the expenditures eligible under the Framework: water quality and service; land use and loss of biodiversity associated with the large-scale infrastructure development projects; emissions, effluents and waste generated during construction; occupational health and safety; and community relations. SWDE has the following policies and processes in place to identify and mitigate such risks.

E&S Risk identified	Applicable policies, procedures and measures
Due diligence and risk management measures	<ul style="list-style-type: none"> For all its new projects, SWDE must obtain an authorized construction permit, which includes a mandatory environmental impact assessment, approval from a watercourse manager and identification of elements likely to harm the community, along with measures to remedy them.³⁵ These assessments are evaluated and approved by relevant government authorities. Projects with significant or moderate environmental impact are also required to obtain an environmental permit to limit hazards to the environment, animal welfare, public health and safety.³⁶
Water quality and service	<ul style="list-style-type: none"> SWDE complies with the legislation on the quality of water intended for human consumption defined by EU Directive 2020/2184, which sets quality standards for the provision of drinking water.³⁷ The directive requires a risk-based approach to managing and monitoring drinking water from catchment to consumer, through a water safety management plan, as per WHO Water Safety Plan principles,³⁸ as well as the prompt identification of emerging pollutants in catchment areas. SWDE's management contract³⁹ requires the Company to have a water safety management plan in place by the end of 2027. In this regard, SWDE began developing a methodological proposal for the plan in 2023, aimed at continuously ensuring the sanitary safety of water intended for human consumption.⁴⁰ In Belgium, distributed water must meet quality requirements involving more than 65 parameters, including microbiological, chemical, radiochemical and indicator parameters, as established by regional legislation.⁴¹ The Company has implemented preventative controls requiring regular monitoring of water samples taken from various locations, ranging from the water catchment area and storage facilities to the consumer's kitchen tap, to ensure compliance with drinking water standards and safeguard public health.⁴² Additionally, SWDE regularly invests in replacing defective pipes in the network.⁴³ The Company follows ISO 9001,⁴⁴ which sets requirements to establish, implement, maintain and continually improve a quality management system.⁴⁵

³⁵ Urban Brussels, "Planning Permits", at: <https://urbanisme.irisnet.be/lepermisurbanisme/la-demande-de-permis/contenu-du-dossier>

³⁶ Walloon Government, "Le permis d'environnement", at: https://permis-environnement.spw.wallonie.be/demandes/1967_demander-un-permis-d-environnement-ou-un-permis-unique-pour-un-etablissement-de-classe-1-ou-2.html

³⁷ European Parliament, "Directive (EU) 2020/2184 of the European Parliament and of the Council", (2020), at: <https://eur-lex.europa.eu/eli/dir/2020/2184/oj/eng>

³⁸ WHO, "Water safety plan manual: step-by-step risk management for drinking-water suppliers, second edition", (2023), at: <https://www.who.int/publications/i/item/9789240067691>

³⁹ SWDE, "Contrat de Gestion 2023-2027", (2023), at: <https://www.swde.be/sites/default/files/2023-06/Contrat%20de%20gestion%20SWDE%202023%202027.pdf>

⁴⁰ SWDE, "Rapport Environnemental", (2023), at: https://www.swde.be/sites/default/files/2024-10/Rapport%20environnemental%202023_low%20def.pdf

⁴¹ Walloon Government, "Décret modifiant le Livre II du Code de l'Environnement contenant le Code de l'Eau en ce qui concerne la qualité des eaux destinées à la consommation humaine", (2023), at: <https://wallex.wallonie.be/eli/loi-decret/2023/04/20/2023045550>

⁴² SWE, "Water quality control", at: <https://www.swde.be/en/water-quality-control>

⁴³ SWDE, "The promise of impeccable service", at: <https://www.swde.be/en/promise-impeccable-service>

⁴⁴ ISO, "ISO 14001 – Environment Management Systems", at: <https://www.iso.org/standards/popular/iso-14000-family>

⁴⁵ ISO, "ISO 9001:2015 Quality Management Systems", at: <https://www.iso.org/standard/62085.html>

	<ul style="list-style-type: none"> ▶ SWDE complies with the minimum flow rate established by the Water Code under normal operating conditions of the network to ensure continuous water supply.⁴⁶
<p>Land use and loss of biodiversity associated with the large-scale infrastructure development projects</p>	<ul style="list-style-type: none"> ▶ SWDE adheres to the EU's Environmental Impact Assessment (EIA) Directive,⁴⁷ which requires that all projects with potentially significant environmental impacts are properly assessed before approval.⁴⁸ With regard to biodiversity protection, the directive requires measures to avoid, prevent, reduce, and where possible, offset significant adverse environmental effects, particularly on species and habitats. Concerning land use, the directive requires projects to identify, describe and assess related impacts. ▶ The Company manages its environmental systems in line with ISO 14001,⁴⁹ which requires robust processes to enable the effective mitigation of negative impacts of its business activities on the environment.⁵⁰
<p>Emissions, effluents and waste generated during construction</p>	<ul style="list-style-type: none"> ▶ SWDE complies with relevant waste regulations, such as the EU Waste Framework Directive,⁵¹ which requires waste management to be carried out without endangering human health or harming the environment.⁵² ▶ On construction sites, the Company implements preventative measures, including the installation of retention tanks at hydrocarbon and chemical storage areas, labelling of toxic and potentially polluting substances, waste sorting and the use of anti-pollution kits.⁵³
<p>Occupational health and safety</p>	<ul style="list-style-type: none"> ▶ SWDE adheres to Act of 4 August 1996 on the well-being of workers in the performance of their work,⁵⁴ which establishes rules for worker safety, including the employer's duty to implement measures to ensure safety and health, train workers on job hazards and prevention measures, and carry out risk assessments at organizational and individual levels to identify work-related hazards. ▶ SWDE also complies with the Belgian Code on Well-Being at Work,⁵⁵ a legal framework mandating the appointment of an Internal Service for Prevention & Protection at Work, to ensure the health, safety and well-being of employees in the workplace through the workplace inspections, advice on preventive measures and plans, and investigation of workplace accidents. ▶ SWDE prepares an Annual Action Plan, which includes operational actions aimed at improving the

⁴⁶ SWDE, "General regulation for Water Distribution in the Wallon Region", at: <https://www.swde.be/sites/default/files/2024-02/R%C3%A8glement%20g%C3%A9n%C3%A9ral%20de%20distribution%20d%27eau%20EN.pdf>

⁴⁷ European Parliament, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

⁴⁸ Directive 2014/52/EU has been transposed into the Walloon Decree of 24 May 2018.

Government of the Walloon Region, "Décret transposant la directive 2014/52/UE du Parlement européen et du Conseil du 16 avril 2014", (2018), at:

[https://wallex.wallonie.be/files/pdfs/11/11654_D%C3%A9cret transposant la directive 2014-52-UE du Parlement europ%20c3%a9en et du Conseil du 16 avril 2014 modifiant la directive 2011-92-UE concernant l%27c3%a9valuation des incidences de certains projets publi 16-06-2018.pdf](https://wallex.wallonie.be/files/pdfs/11/11654_D%C3%A9cret%20transposant%20la%20directive%202014-52-UE%20du%20Parlement%20europ%C3%A9en%20et%20du%20Conseil%20du%2016%20avril%202014%20modifiant%20la%20directive%202011-92-UE%20concernant%20l%27%C3%A9valuation%20des%20incidences%20de%20certains%20projets%20publi%2016-06-2018.pdf)

⁴⁹ ISO, "ISO 14001 – Environment Management Systems", at: <https://www.iso.org/standards/popular/iso-14000-family>

⁵⁰ SWDE, "Rapport Environnemental", (2023), at: https://www.swde.be/sites/default/files/2024-10/Rapport%20environnemental%202023_low%20def.pdf

⁵¹ European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", (2008), at: <https://eur-lex.europa.eu/eli/dir/2008/98/oj/eng>

⁵² The EU Waste Framework Directive has been transposed into the Walloon Decree of 03 Mars 2023.

Government of the Walloon Region, (2023), at: <https://environnement.wallonie.be/legis/dechets/degen050.pdf>

⁵³ SWDE, "Rapport Environnemental", (2023), at: https://www.swde.be/sites/default/files/2024-10/Rapport%20environnemental%202023_low%20def.pdf

⁵⁴ The Act of 4 August 1996 on the well-being of workers in the performance of their work transposes the EU framework Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work.

Government of Belgium, "Act of 4 August 1996 on well-being of workers in the performance of their work", (1996), at:

<https://employment.belgium.be/sites/default/files/content/documents/Welzijn%20op%20het%20werk/EN/Act%20of%204%20August%201996%20on%20well-being%20of%20workers%20in%20the%20performance%20of%20their%20work.pdf>

⁵⁵ Government of Belgium, "Code du bien-être au travail", (2017), at: <https://emploi.belgique.be/fr/themes/bien-etre-au-travail/principes-generaux/code-du-bien-etre-au-travail>

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safety of its workers, based on identified hazards in the workplace.
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Community relations

- ▶ Under the EIA Directive,⁵⁶ projects with potentially significant environmental impacts must include public information and consultation to allow stakeholders to express their opinions.⁵⁷
- ▶ SWDE publishes information on ongoing construction works and incidents on its website, including relevant locations and statuses.⁵⁸
- ▶ The Company provides an online process to lodge complaints related to water quality, invoices, water supply disruptions and technical problems with installations.⁵⁹
- ▶ EU Directive 2020/2184 requires effective and transparent communication with citizens about the quality of water supplied.⁶⁰ According to the regulation for water distribution in the Walloon Region,⁶¹ SWDE must annually inform citizens about the quality of the water distributed during the previous calendar year. Additionally, the Company is required to provide any consumer who requests it with adequate and updated information on the quality of the water supplied in their distribution area.

⁵⁶ European Parliament, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

⁵⁷ Directive 2014/52/EU has been transposed into the Walloon Decree of 24 May 2018.

Government of the Walloon Region, "Décret transposant la directive 2014/52/UE du Parlement européen et du Conseil du 16 avril 2014", (2018), at:

https://wallex.wallonie.be/files/pdfs/11/11654_D%c3%a9cret_transposant_la_directive_2014-52-UE_du_Parlement_europ%c3%a9en_et_du_Conseil_du_16_avril_2014_modifiant_la_directive_2011-92-UE_concernant_l%c3%a9valuation_des_incidences_de_certains_projets_publi_16-06-2018-.pdf

⁵⁸ SWED, "Works and incidents", at: <https://www.swde.be/en/works>

⁵⁹ SWDE, "Help and Contact", at: <https://www.swde.be/fr/aide-et-contact>

⁶⁰ European Parliament, "Directive (EU) 2020/2184 of the European Parliament and of the Council", (2020), at: <https://eur-lex.europa.eu/eli/dir/2020/2184/oj/eng>

⁶¹ SWDE, "Règlement général de distribution d'eau en Région Wallonne", at: https://www.swde.be/sites/default/files/2022-06/opp-803-07-24-2018-rqde-fr_v1.pdf

Annex 1: Assessment Framework Overview

The following is a brief overview of the [Assessment Framework](#) that we use to assess debt instruments and the frameworks that support them. Using this Assessment Framework, we provide two key signals in our Second Party Opinions: **Principles Alignment** and **Sustainability Contribution**.





Principles Alignment indicates a framework's alignment with the requirements of applicable sustainable debt market Principles.⁶² This assessment is structured according to the four components of the Principles: Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting. Principles Alignment is expressed at one of following levels:

- ▶ **Aligned:** Meets all requirements across the four components.
- ▶ **Partially Aligned:** Meets requirements on two or three of the four components.
- ▶ **Not Aligned:** Does not meet requirements on most or all of the four components.

In addition, we provide commentary on any shortcomings as well as best practices.

Sustainability Contribution provides a clear and comparable signal of the expected contribution of the use of proceeds to one or more environmental or social objectives. We assess each expenditure defined in a framework by looking at the activities, assets and projects that they finance. This assessment is carried out using a set of factors that we have identified as driving the expenditure's contribution to a primary objective as well as its avoidance of harm to other objectives. The assessment results in one of the four levels of Sustainability Contribution described in the table below.

We determine the average contribution of the expenditures within each use of proceeds category (as defined by the issuer) to produce an expected Sustainability Contribution for each category. We then aggregate across categories to determine the Sustainability Contribution of a framework overall. In most cases, weight is distributed equally across use of proceeds categories. However, we adjust the weighting if information regarding percentage allocation is provided by the issuer.

Level of Sustainability Contribution	Description
 <p>Strong</p>	The expenditure finances an activity that makes a strong contribution to an environmental or social objective. The activity is well aligned with credible standards; there are no significant lock-in risks; and the risk of negative impact to other sustainability objectives is low.
 <p>Significant</p>	The expenditure finances an activity that makes a significant positive contribution to an environmental or social objective while having minor shortcomings compared to a strong contribution. This is either because the activity falls somewhat short of credible standards; there is some risk of lock-in (in the case of some environmental activities); there is a risk of negative impact to other sustainability objectives; or there is some ambiguity in the criteria for the expenditure.
 <p>Moderate</p>	The expenditure finances an activity that represents a step towards an environmental or social objective but has substantial shortcomings compared to expenditures that make a strong contribution. Although the activity will result in benefit over a relevant baseline, either it falls substantially short of credible standards; there is significant risk of lock-in; there is significant ambiguity in the criteria; or there is a risk of significant negative impact to other sustainability objectives.
 <p>Neutral</p>	The expenditure finances an activity that entails no net positive contribution to environmental or social objectives. Even in cases where there is some positive contribution to an objective, this is offset by shortcomings in other areas. Alternatively, the eligibility criteria may be unclear to the extent that contribution cannot be determined.

⁶² These primarily include the Green Bond Principles and the Social Bond Principles, published by the International Capital Market Association (ICMA); and the Green Loan Principles and the Social Loan Principles, published by the Loan Syndications and Trading Association, the Loan Market Association, the Asia Pacific Loan Market Association (LSTA-LMA-APLMA), and the Association of Southeast Asian Nations (ASEAN).

Scope of Work and Limitations

This Second Party Opinion provides a point-in-time independent opinion of the Framework as of the Evaluation Date. Our opinion may consider additional documentation and information that the Framework owner may have provided during the engagement, in addition to public and non-public information. The owner refers to the entity featuring as an issuer, borrower, special-purpose vehicle or any other entity as described in the Framework.

As part of this engagement, we communicated with representatives of the Framework owner, who acknowledge that: i) it is the sole responsibility of the Framework owner to ensure that the information provided is complete, accurate and up to date; ii) they have provided us with all of the relevant information; and iii) that all of the information has been provided in a timely manner.

This Second Party Opinion provides our opinion of the Framework and should be read in conjunction with that Framework. Any update of this Second Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Framework owner.

Our Second Party Opinion provides our opinion on the alignment of the Framework with current market standards and practice but provides no guarantee of alignment nor warrants alignment with future versions of any such standards. In addition, it does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided in this Second Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Framework owner may have made available to Sustainalytics for the purpose of this Second Party Opinion.

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