

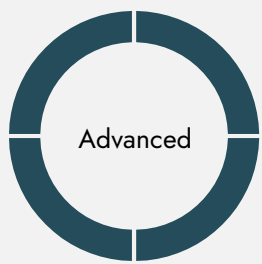
SECOND PARTY OPINION

on the sustainability of Walloon Region’s Sustainable Bond Framework

V.E is of the opinion that Walloon Region’s Bond Framework is aligned with the four core components of the ICMA’s Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP) and best practices identified by VE. ✓

Framework

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Expected impacts	Advanced			
ESG risks management	Robust			

SDG Mapping



Characteristics of the Framework

Eligible Categories	⇒ 6 Green Eligible Categories ⇒ 4 Social Eligible Categories
Target Population	Clearly defined for each Social Eligible Category
Project locations	Wallonia
Existence of framework	Yes
Share of refinancing	To be disclosed before each bond issuance
Look back period	24months

Issuer

ESG Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Of note, the Issuer Is not part of our ESG performance rating universe and our Involvement in Controversial Activities screening methodology does not cover local authorities

Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Bonds Framework are coherent with Walloon Region’s strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer’s sustainability commitments.

Key Findings

V.E is of the opinion that Walloon Region's Bond Framework is aligned with the four core components of the ICMA's GBP and SBP 2021, and best practices identified by VE.

Use of Proceeds –aligned with GBP and SBP and best practices identified by VE

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of all Eligible Expenditures, as well as the target populations for Social Categories.
- The Environmental and Social Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable and will be quantified in the reporting for all Eligible Categories.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing before each bond issuance. The look-back period for refinanced Eligible Expenditures will be of maximum 24 months as the Bonds can finance expenditures from the precedent calendar year of the issuance date, in line with good market practices.

Evaluation and Selection - aligned with GBP and SBP and best practices identified by VE

- The process for Expenditures Evaluation and selection has been clearly defined and detailed by the Issuer. It is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible categories). The roles and responsibilities are clear and include relevant expertise from different departments of the Walloon Administration. The Process is publicly disclosed in the Framework and the SPO.
- Eligibility criteria (selection and exclusion) for expenditure selection have been clearly defined and detailed by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the expenditures is publicly disclosed (in the herewith SPO and in the Framework). It is considered robust: it combines monitoring, identification, and corrective measures for all of projects (see detailed analysis on page 24).

Management of Proceeds - aligned with GBP and SBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed. It is publicly available in the Framework.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of expenditure ineligibility, divestment or postponement and it has committed to reallocate divested proceeds to expenditures that are compliant with the bond framework within 12 months.



Reporting - aligned with GBP and SBP and best practices identified by VE

- The Issuer has committed to report on the Use of Proceeds annually, until maturity. The report will be at Bonds programme level: the Issuer will differentiate the allocation of proceeds to each Bond issuance, while impact reporting could be cumulative if the Eligible Expenditures were financed by different issuances. The report and its verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments controversies related to the Eligible Expenditures.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories, until bond maturity. The Indicators used to report on environmental and social benefits of the Eligible Expenditures are collected and verified by the relevant Walloon Administrations.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green, Social and Sustainable Bonds¹ (“Bonds”) to be issued by Walloon Region (the “Issuer”) in compliance with the Green, Social and Sustainable Bond Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) and Social Bond Principles (“SBP”) – both edited in June 2021 - voluntary guidelines (referred together as the “GBP and SBP”).

Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s sustainable development commitments, the Bonds’ potential contribution to sustainability and its alignment with the four core components of the GBP and SBP 2021.
- Issuer²: we assessed the Issuer’s management of potential stakeholder-related ESG controversies.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our first due diligence assessment from February 7th to April 5th, 2019, this was previously updated in March 2020. This update on the V.E opinion was carried out from June 14th to July 12th 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Green, Social and Sustainable Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green, Social and Sustainable Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

² The Issuer is not part of our ESG performance rating universe and our Involvement in Controversial Activities screening methodology does not cover local authorities.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with Walloon Region's strategic sustainability priorities and sector issues and contribute to achieving the Issuer's sustainability commitments.

Local authorities play a crucial role in the promotion of sustainable development. Public institutions are often at the core of project financing for the development of the jurisdictions under their control. Through public tenders and contracts, local authorities can set the basic requirements to be followed in terms of social and environmental practices. These institutions are called to develop solutions for its population while promoting the sound use of environmental resources. By implementing actions targeting, among others, sustainable mobility, green buildings, energy efficiency, access to essential services or socioeconomic empowerments, local authorities could effectively support the attainment of the sustainable goals of the 2030 Agenda for Sustainable Development and drive meaningful, measurable and sustainable action on climate change and human rights.

The Walloon Region has set up a 2050 vision that covers three dimensions: living in Wallonia in 2050, living in the world in 2050 and living after 2050. In this regard, an investment plan for immediate to medium term was defined in 2019 for the 2019-2024 period³To be noted, the Green, Social and Sustainable Bond Framework, subject of this review was formalized in 2019 as part of the actions covered by the Plan to leverage from the Sustainable Capital Markets to finance Green and Social projects.

The Region has formalised several strategies and local policies addressing sustainable development in various sectors including, but not limited to:

- The Air Climate & Energy Plan 2016-2022, which sets targets for 2020 and beyond on the control and mitigation of GHG emissions and other air pollutants.
- The Walloon Region's Sustainable Development Second Strategy (2016) in line with the Sustainable Development Program in the horizon 2030, adopted at the United Nations level on September 27, 2015, which includes concrete measures to contribute to the achievement of some of the main sustainable objectives.
- The Walloon Energy and Climate Plan 2030, targeting the reduction of GHG emissions and the use of less carbon-intensive solutions within the transport, buildings and renewable energy production sectors.
- The Walloon Anti-Poverty Plan, covering all social major issues including employment and education promotion, access to essential services (social housing, healthcare facilities etc.) and socio-economic empowerment.
- The Assessment of Wallonia's progress towards the 17 Sustainable Development Goals adopted by the government on March 2020.

By issuing Sustainable Bonds to finance and/or refinance the development and operation of six green categories, the Walloon Region coherently aligns with its commitments to promote the development of environmentally conscious solutions and addressing social challenges within its region.

³ https://gouvernement.wallonie.be/files/Documents/PWI/PWI_texte%20du%20plan_V3.pdf

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Green, Social and Sustainable Bond Framework which covers the four core components of the GBP and SBP 2021 (the last Framework version was provided to V.E on July 8, 2021). The Issuer has committed to make this document publicly accessible on Walloon Region's website, in line with good market practices.

Alignment with the Green and Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under six Green Categories and four Social Categories ("Eligible Categories") indicated in Table 1.

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of all Eligible Expenditures, as well as the target populations for Social Categories.
- The Environmental and Social Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable and will be quantified in the reporting for all Eligible Categories.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing before each bond issuance. The look-back period for refinanced Eligible Expenditures will be of maximum 24 months as the Bonds can finance expenditures from the precedent calendar year of the issuance date, in line with good market practices.

BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
- ⇒ Relevant environmental and social benefits are identified and measurable for all Eligible Categories.
- ⇒ The Issuer has committed to transparently communicate to investors the estimated share of refinancing before each bond issuance.
- ⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices.

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: Eligible Green and Social expenditures falling within one of the following eligible categories financed and/or refinanced, in a whole or in part, by an amount equal to the net proceeds of the issuance of each Sustainability Bond issued by the Region
- Location of Eligible Expenditures: The Walloon Region

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION OF ELIGIBLE EXPENDITURES	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Renewable Energy	Energy production and use	<p>Projects aiming at developing the production, operation and use of renewable energy coming from:</p> <ul style="list-style-type: none"> - Solar photovoltaic technologies. - Onshore wind installations. - Hydro-electric power stations whose GHG emissions over the life cycle of electricity production are less than 100gCO₂e / kWh - Geothermal stations whose GHG emissions over the life cycle of electricity production are less than 100gCO₂e / kWh. - Biomass, biogas and biofuels excluding those produced from crops from land with a large stock of carbon or peatlands. - Green hydrogen as an energy carrier produced only from use of renewable electricity. 	<p><u>Climate Change Mitigation</u> GHG emissions avoidance Increase renewable energy installed capacity and generation in the Walloon Region</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <p>The Issuer stated in internal documentation that:</p> <ul style="list-style-type: none"> - The feedstock of biomass/biofuels will follow the RED II regulation and that a reference to the EU regulation will be added within the framework, as well as the exclusions. - They have not identified biomass/biofuels facilities to be financed. Although, the commitment is that facilities will induce 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator <p>The Environmental Objective is clearly defined, It is considered relevant and set in coherence with the sustainability objectives defined in International standards.</p> <p>The Expected Environmental Benefits are clear and precise, there are considered relevant, measurable and will be quantified in the reporting.</p>
Energy Efficiency & Low Carbon Buildings	Energy efficiency in housing	Projects aiming at reducing the energy consumption and demonstrating a level of at least 30% post refurbishment in existing housing.	<p><u>Climate Change Mitigation</u> GHG emissions reduction</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p>

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION OF ELIGIBLE EXPENDITURES	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
	Energy efficiency in public and private infrastructure	<p>Projects aiming at reducing the energy consumption and demonstrating a level of at least 30% post refurbishment in existing public and private infrastructure.</p> <p>Construction of new facilities / buildings (public, residential, commercial) complying with NZEB standard⁴ (Nearly Zero Energy Building).</p>	Energy savings	<ul style="list-style-type: none"> - The accepted Green Buildings certifications rely on locally and internationally recognized sector standards, in line with best practices. <p>The Environmental Objective is clearly defined, it is considered relevant and set in coherence with the sustainability objectives defined In International standards.</p> <p>The Expected Environmental Benefits are clear and precise, there are considered relevant, measurable and will be quantified in the reporting.</p>
Sustainable Mobility	Public transport (including multimodality)	<p>Projects aiming at improving and developing public transport services (passengers), such as conception, development, construction, acquisition and maintenance of public transport equipment and inter-modal solutions.</p> <p>Exclusion: vehicles consuming fossil fuels and infrastructure related to transport of fossil fuels.</p>	<u>Climate change mitigation</u> Avoidance of GHG emissions	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <ul style="list-style-type: none"> - The Issuer has declared In Internal documentation that only electric public vehicles (including charging station for electric vehicles and green hydrogen) are eligible and that the only the Infrastructure related to the shift from roads to fluvial will be eligible but not the fluvial transport Itself will be eligible. The modal shift expenditures are part of the Trans-European Transport Network (TEN-T) of the European Union⁵. <p>The Environmental Objective is clearly defined, it is considered relevant and set in coherence with the sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits is clear and precise, it is considered relevant, measurable and will be quantified in the reporting.</p>
	Freight transport infrastructure	<p>Projects for modal shift of freight from road to waterways, such as conception, development, construction, acquisition and maintenance of inter-modal transport equipment, infrastructure and network.</p> <p>Exclusion: railway infrastructure (federal level), road infrastructure (not eligible), infrastructure related to transport of fossil fuels.</p>		
	Soft mobility	<p>Projects aiming at developing soft transport⁶ modes and low-carbon energy transport.</p>		

⁴ https://ec.europa.eu/energy/content/nzeb-24_en – accessed on June 30th.

⁵ https://ec.europa.eu/transport/themes/infrastructure/ten-t_en

⁶ Soft transportation refers to ridesharing programs, smart mobility solutions, investments in cycle path, pedestrian walkways, among others.

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Sustainable Food	Food production	<p>Projects aiming at reducing impacts from food production including:</p> <ul style="list-style-type: none"> - Development of short circuits/local food systems. - Development of certified organic agriculture practises following the current EU Organic Regulation 	<p><u>Sustainable use and efficient of land natural resources</u></p> <p>Reduce the environmental impacts of food production and transportation</p> <p>Increase the number of lands managed under sustainable agriculture schemes</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <p>The Environmental Objective is clearly defined, It Is considered relevant and set in coherence with the sustainability objectives defined In International standards.</p> <p>The Expected Environmental Benefits are clear, there are considered relevant, measurable and will be quantified in the reporting.</p>
Circular Economy	Value chains optimisation	<p>Projects that support the circular design of products and processes (including prevention, end-of-life management from the design stage) and the sustainable supply of resources).</p> <p>Inclusion of value chain projects that represent a major challenge in terms of sustainability and climate impact in Wallonia: building materials (including cement); plastics, metals, batteries, textiles, food industry.</p>	<p><u>Transition to a circular economy</u></p> <p>Reduction in use of virgin materials</p> <p>Increase in re-use and recycling</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <ul style="list-style-type: none"> - The Issuer has stated in internal documentation that the technical thresholds of the EU Taxonomy Climate Delegated Act for the expenditures related to manufacture of building materials. - The Issuer stated that the circular economy strategy of Wallonia is aligned with the EU Circular Economy Action Plan. <p>The Environmental Objective is clearly defined, It Is considered relevant and set in coherence with the sustainability objectives defined In International standards.</p> <p>The Expected Environmental Benefits are clear and precise, there are considered relevant, measurable and will be quantified in the reporting.</p>
	Waste Management	<p>Projects for reduction of waste, collect, sustainable treatment, transformation, upcycling.</p> <p>Exclusion: hazardous waste.</p>	<p><u>Pollution Prevention and Control</u></p> <p>Reduction of waste generated</p>	
Protection of resources, land & biodiversity	Sustainable use and protection of water resources	Sustainable infrastructure projects for clean and/or drinking water.	<p><u>Natural resources protection</u></p> <p>Water savings</p> <p><u>Protection of the water ecosystems</u></p> <p>Water quality improvement</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <ul style="list-style-type: none"> - By decree, the Walloon Region delegates the management of drinking water and wastewater to two autonomous entities: <i>La Société Wallonne des Eaux</i> (SWDE), responsible for the management of drinking water production and distribution activities; and <i>la Société Publique de la Gestion de l'Eau</i> (SPGE), responsible for the

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				<p>management of wastewater treatment activities (from the sewer to the water treatment plant) and catchment protection. Of note, these two entities have included the reduction of their energy consumption in their sustainable development strategy/targets, potentially promoting also climate change mitigation benefits.</p> <p>The Environmental Objectives are clearly defined, they are considered relevant and set in coherence with the sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear and precise, there are considered relevant, measurable and will be quantified in the reporting.</p>
	Land and biodiversity conservation	Projects for protection, conservation, rehabilitation of natural environment in Wallonia.	<p><u>Biodiversity and Natural resources protection</u></p> <p>Development/ Maintenance of natural and public spaces</p> <p>Water resources protection</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Expenditures.</p> <p>The Environmental Objective is clearly defined, it is considered relevant and set in coherence with the sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear and precise, there are considered relevant, measurable and will be quantified in the reporting.</p>
	Climate change adaptation	Projects aiming at reducing the impacts of climate change, including actions to support developing countries.	<p><u>Adaptation to climate change</u></p> <p>Resilient infrastructure development</p>	<p>The definition of this category is clear. The Issuer has communicated the and location of Eligible Expenditures. The Issuer has provided clear examples to illustrate the expenditures that could be financed under this category.</p> <ul style="list-style-type: none"> - The Issuer has provided examples of the expenditures in the Framework that could fall under this category such as Investments to create, restore and maintain infrastructure and technologies for flood management (e.g. dams) or R&D subsidies dedicated to climate change adaptation technologies and infrastructure. <p>The Environmental Objective is clearly defined, it is considered relevant and set in coherence with the sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, it is considered relevant, measurable and will be quantified in the reporting.</p>

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION OF ELIGIBLE EXPENDITURES	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Education & employment generation	Education	<p>Programmes, initiatives and institutions dedicated to education and vocational training.</p> <p>Target populations: Unemployed people, young people.</p>	<p><u>Access to education for all</u></p> <p>Knowledge promotion and support</p> <p>Equal opportunity and vocational insertion</p> <p><u>Socioeconomic empowerment</u></p> <p>Promotion of jobs in short supply</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Expenditures.</p> <p>The target population has been clearly identified.</p> <p>The Social Objectives are clearly defined, they are considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
	Employment promotion	<p>Programmes, initiatives and institutions dedicated to promotion of job creations, return to employment and labour market entry opportunities.</p> <p>Target populations: Unemployed people</p>	<p><u>Employment promotion and advancement</u></p> <p>Equal opportunity and vocational insertion</p> <p>Job promotion for all</p>	
Socioeconomic advancement and empowerment	Social inclusion	<p>Programmes, initiatives and projects to ensure equitable integration of people into labour and social activities.</p> <p>Target populations: Low-income people, indebted people, elderly people, young people, homeless people, people with disabilities, single-parent families.</p>	<p><u>Reduced inequalities and social exclusion</u></p> <p>Purchasing power improvement</p> <p>Enhancing the integration</p> <p>Support to vulnerable population groups</p> <p>Promotion of equal opportunities</p> <p><u>Socioeconomic empowerment</u></p> <p>Financial assistance and support (services, facilities) of local communities</p>	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Expenditures.</p> <p>The target population has been clearly identified.</p> <p>The Social Objectives are clearly defined, They are considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION OF ELIGIBLE EXPENDITURES	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Affordable Housing	Increase public social housing offering	Direct financing to public social housing agencies. Target populations: Low-income people, large families	<u>Access to housing for all</u> Development of affordable housing	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Expenditures.</p> <p>The target population has been clearly identified.</p> <p>The Social Objective is clearly defined, it is considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefit is clear, relevant, measurable, and will be quantified in the reporting.</p>
	Support access to social housing	Financial assistance (social loans) to low-income families and individuals for accessing housing property. Target populations: Low-income people (including people with no or limited access to bank loans), large families.		
	Support renovation of public social housing	Financial assistance to low-income families and individuals for housing renovation. Target populations: Low-income people (including people with no or limited access to bank loans), large families.		
Access to basic infrastructure & essential services	Access to basic infrastructure	Programmes, initiatives and projects aiming at ensuring access to essential infrastructure (water, energy, sanitation, transport, public facilities). Target populations: Low-income households, disable people.	<u>Access to health services for all</u> Development and improvement of health infrastructure Increase the access to health services Enhance the access and services for people with disabilities	<p>The definition of this category is clear. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Expenditures.</p> <p>The target population has been clearly identified.</p> <p>The Social Objective is clearly defined, it is considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefits are clear, relevant, measurable, and will be quantified in the reporting.</p>
	Access to essential services – health	Programmes, initiatives and projects aiming at developing and/or modernizing public health infrastructure, medical equipment and healthcare services. Target populations: All citizens in Wallonia, disable people, elderly.		





ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION OF ELIGIBLE EXPENDITURES	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
	Covid-19 measures	Temporary programmes and/or measures taken to fight against the Covid-19 pandemic. Target beneficiaries: All citizens in Wallonia, disable people, elderly.		


SDG Contribution

The Eligible Categories are likely to contribute to 13 of the United Nations’ Sustainable Development Goals (“SDGs”), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Socioeconomic Advancement & Empowerment		<p>1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.</p>
		<p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p>
Affordable Housing		<p>1.B Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.</p> <p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p>
Sustainable Food		<p>2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p>
Access to basic infrastructure & essential services		<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p>
		<p>3.B Support the research and development of vaccines and medicines for the communicable and noncommunicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.</p>
Education and Employment Generation		<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Protection of Resources, Land & Biodiversity: use and protection of water resources		<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p>
Land and Biodiversity Conservation		<p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p>
Renewable Energy		<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>
Energy Efficiency & Low Carbon Buildings		<p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p>
Education and Employment Generation		
Socioeconomic Advancement and Empowerment		<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>
Energy Efficiency & Low Carbon Buildings		<p>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</p>
Education and Employment Generation		
Socioeconomic Advancement and Empowerment		
Affordable Housing		<p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
Access to basic infrastructure & essential services		
Education and Employment Generation		<p>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.</p>
Socioeconomic Advancement and Empowerment		<p>11.A Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.</p>
Renewable Energy		<p>11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.</p>

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Affordable Housing		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Sustainable Mobility		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Protection of Resources, Land & Biodiversity : Climate Change Adaptation		11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.
Sustainable Mobility		11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Circular Economy		11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.
Protection of Resources, Land & Biodiversity: Land and Biodiversity Conservation Energy Efficiency & Low Carbon Buildings		
Sustainable Food		12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Protection of Resources, Land & Biodiversity: Sustainable use and protection of water resources		
Circular Economy		12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Food		12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.
Renewable Energy		
Energy Efficiency & Low Carbon Buildings		
Sustainable Mobility		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Protection of Resources, Land & Biodiversity: Climate Change Adaptation		

ELIGIBLE CATEGORY	SDG	SDG TARGETS
<p>Protection of Resources, Land & Biodiversity: Land and biodiversity conservation</p>		<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>

Evaluation and Selection of Eligible Expenditures



- The process for Expenditures Evaluation and selection has been clearly defined and detailed by the Issuer. It is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible categories). The roles and responsibilities are clear and include relevant expertise from different departments of the Walloon Government. The Process is publicly disclosed in the Framework and the SPO.
- Eligibility criteria (selection and exclusion) for expenditure selection have been clearly defined and detailed by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the expenditures is publicly disclosed (in the herewith SPO and in the Framework). It is considered robust: it combines monitoring, identification, and corrective measures for all of projects (see detailed analysis on page 24).

Process for Project Evaluation and Selection

- An Inter-Ministerial working group (“Sustainability Bond Committee”) has been established to oversee the Sustainability Bond Framework.
- The Sustainability Bond Committee is chaired by the Ministry of Budget representing the Walloon Government, and assisted by an operational team, comprised of members of the Walloon central administration:
 - The General Secretary who represents the Strategic Committee of the Public Service of Wallonia (SPW) and the College of Executive Public Officials (PAU), or her representative;
 - The General Director of the SPW in charge of budget and finance, or his representative;
 - The managing expert in charge of the Debt Cell, or his representative;
 - The coordinator of the Sustainability Development Directorate within the SPW, or her representative.
- The role of the Sustainability Bond Committee is described in the Framework, and includes:
 - Involve the General Directorates of the Strategic Committee of the Public Service of Wallonia (SPW) and the Public Administration Units (PAU) in the management and execution of sustainable investments.
 - Facilitate the implementation of budget monitoring process and impact assessment to produce budget allocation reports and impact reports
 - Validate the alignment of investments with the SDGs, the selection of eligible environmental and social investments in the categories defined within the Framework, the annual allocation and impact reports.
 - Decide for the update, if deemed necessary, of the Framework in accordance with market standards as well as the launch of new green, social and/or sustainability bonds.
 - Decide on new issuances.

Technical support is also provided by several departments, including the department for Health Services, Affordable Housing, Clean Transportation, Education and Employment Generation.

- The traceability and verification of the selection and evaluation of the expenditures is ensured throughout the process:
 - The Issuer will monitor the continued compliance of Eligible Expenditures with eligibility criteria twice a year and has committed to reallocate the funds to other Eligible Expenditures in case an expenditure does not longer comply with eligibility criteria (selection and exclusion).
 - The Issuer will also monitor potential ESG Controversies and in case of controversies on Eligible Expenditures, the Sustainability Committee will reallocate the net proceeds to other Eligible Expenditures within 12 months following the decision of reallocation
 - The traceability of the decision-taking process and internal verification is ensured through reports and decision records of the biannual meetings of the Sustainability Bond Committee:

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria is based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section and on other criteria in terms of budget allocation and impact assessment:
 - Selection of projects for which committed and allocated spending can be annually traced;
 - Selection of projects with a total expenditure (on an annual basis) of at least EUR 1 million;
 - Selection of spending exclusively budgeted by the Region, either in terms of direct investments allocated by the SPW or in terms of indirect investments processed by autonomous entities (in the form of subsidies - grants - premiums);
 - Selection preference given to multi-years projects;
 - Selection of projects that fall within the scope defined for each green and social category in the Framework;
 - Selection of projects for which impact indicators may be effectively identified, measured, and monitored to confirm their sustainability throughout the funding period.
- The Issuer has committed to exclude:
 - Nuclear and armament.
 - Any Region expenditure financed by an external dedicated resource (e.g. EU funds) and by an internal dedicated resource (e.g. dedicated taxes).
 - Expenditures that face a major ESG controversy.

In addition, the Issuer has defined exclusion criteria for certain Eligible Categories, which are considered relevant as they cover the main topic in terms of environmental and social responsibility, in line with good market practices

BEST PRACTICES

- ⇒ Eligibility criteria (selection and exclusion) for expenditure selection are clearly defined and detailed for all of the eligible categories.
- ⇒ The Issuer reports that it will monitor compliance of selected with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the eligible expenditures throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed. It is publicly available in the Framework.
- The allocation period will be equal to 12 months or less as all net proceeds must be allocated by the end of the calendar year of each issuance.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of expenditure ineligibility, divestment or postponement and it has committed to reallocate divested proceeds to expenditures that are compliant with the bond framework within 12 months.

Management Process

- The net proceeds will be tracked through the Issuer's internal system that ensures that the proceeds are not listed within the same budget of other sources of funding. The Walloon Region intends to put in place dedicated budgetary categories (green & social) for funds allocation following the Framework.
- The net proceeds of the Bonds will follow budgetary procedures of the Walloon Region as a public entity.
- Due to budgetary regulations of the Walloon Region, net proceed of Bonds must be allocated, at the latest, by December 31st; meaning that the allocation period will be of maximum 12 months, in line with best market practices.
- As long as the proceeds are outstanding, the unallocated proceeds will be held in money market products in line with the Region's Treasury Policy. In addition, unallocated proceeds will be placed, when possible, in temporary placement mechanisms that include ESG criteria.
- Until the full allocation of the proceeds to Eligible Projects, the Walloon Region intends to maintain an aggregate amount of assets within its portfolio of Eligible Projects that is at least equal to the aggregate net proceeds of the Bonds.

BEST PRACTICES

- ⇒ The allocation period is 12 months or less.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 12 months.

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until maturity. The report will be at Bonds programme level: the Issuer will differentiate the allocation of proceeds to each Bond issuance, while impact reporting could be cumulative if the Eligible Expenditures were financed by different issuances. The report and its verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments controversies related to the Eligible Expenditures.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories, until bond maturity. The Indicators used to report on environmental and social benefits of the Eligible Expenditures are collected and verified by the relevant Walloon Administrations.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear, relevant and exhaustive:

REPORTING INDICATORS

- The total net amount being allocated or reallocated
- The breakdown between financing, refinancing and co-financing amounts
- The breakdown between direct and indirect spending
- Examples of spending by eligible categories funded by the bond (depending on confidentiality constraints)
- The total net amount being unallocated on a consolidated basis and the types of temporary placement (if relevant)

Environmental and social benefits: The indicators selected by the Issuer to report on the Allocation of proceeds:

- The indicators selected by the Issuer to report on the allocation of proceeds are clear, relevant and exhaustive:

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND/OR SOCIAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy: Energy production and use	Renewable energy production capacity in GW or MW. Number of beneficiaries.	Estimated CO2 emissions avoided and energy savings (KW saved/reduced).
Energy Efficiency & Low Carbon Buildings: Energy efficiency in housing	Number of infrastructures renovated. Number of beneficiaries.	Estimated CO2 emissions avoided and energy savings (KW saved/reduced).
Energy Efficiency & Low Carbon Buildings: Energy efficiency in public and private infrastructure	Number of newbuilds/ infrastructure renovated. Number of beneficiaries.	
Sustainable Mobility: Freight transport infrastructure	Number of infrastructure projects. Number of tonnes of goods transported.	Estimated CO2 emissions avoided.
Sustainable Mobility: Public transport – Multimodality	Number of kilometres equipped. Number of beneficiaries.	
Sustainable Mobility: Soft mobility		
Sustainable Food: Food production	Number of infrastructure projects. Number of beneficiaries.	Share of organic farming areas versus total agricultural areas (%).
Circular Economy: Value chains optimisation	Number of projects funded. Number of circular products and services developed.	Estimated CO2 emissions avoided.
Circular Economy: Waste management	Number of projects funded. Waste reduction and recycling rate.	

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND/OR SOCIAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Protection of Resources, Land and Biodiversity: Sustainable water management	Volume of wastewater treated (m3). Water savings (m3).	Preservation of ecosystem continuity.
Protection of Resources, Land and Biodiversity: Protection of biodiversity	Ha/Number of green areas being improved, replanted, reforested. Ha/Number of restored/decontaminated areas. Number of beneficiaries.	
Protection of Resources, Land and Biodiversity: Adaptation to climate change	Number of built/restored resilient infrastructure. Number of beneficiaries.	
Education & Employment Promotion: Education	Number of educational programmes financed. Number of education centres supported. Number of training courses. Number of beneficiaries by target category.	Strengthening social cohesion.
Education & Employment Promotion: Employment Promotion	Number of employment promotion programmes financed. Number of beneficiaries by target category.	
Socioeconomic Advancement & Empowerment: Social inclusion	Number of programmes / aids granted. Number of beneficiaries by target category.	Strengthening social cohesion.
Socioeconomic Advancement & Empowerment: Covid-19 measures	Number of aids granted in response to the Covid-19 pandemic socio-economic impacts. Number of beneficiaries by target category.	
Affordable Housing: Financing public social housing offering	Number of housing projects. Number of beneficiaries by target category.	Strengthening social cohesion.



ELIGIBLE CATEGORIES	ENVIRONMENTAL AND/OR SOCIAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Affordable Housing: Supporting access to social housing	Number of aids granted. Number of beneficiaries by target category.	Strengthening social cohesion.
Affordable Housing: Supporting renovation of social housing		
Access to Basic Infrastructure & Essential Services: Access to basic infrastructure	Number of aids granted. Number of beneficiaries by target category.	
Access to Basic Infrastructure & Essential Services: Access to essential services: health	Number of infrastructures supported. Number of beneficiaries by target category.	
Access to Basic Infrastructure & Essential Services: Covid-19 measures	Number of aids granted in response to the Covid-19 pandemic health related impacts. Number of beneficiaries by target category.	

BEST PRACTICES
<ul style="list-style-type: none"> ⇒ The Issuer will report on the Use of Proceeds until bond maturity ⇒ The issuer report will be publicly available ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material development related to the projects, including ESG controversies. ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories ⇒ The reporting methodology and assumptions used to report on environmental/social benefits of the Eligible Categories will be disclosed publicly ⇒ Environmental & Social benefits and impacts will be externally verified until bond maturity

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Renewable energy	ADVANCED	Wallonia is committed through its Regional Policy 2019-2024 ⁷ to act towards environmental transition. The Policy has set up a precise action plan covering the energy component, in line with the Sustainable Development Program on the horizon of 2030, adopted by the United Nations on September 27, 2015. Wallonia highly depends on energy resources coming from abroad, which exposes the Region to the variability of world prices and the risk of shortages. In this context also, Belgium has developed a National Energy and Climate Plan that sets a 2030 target to reduce greenhouse gas emissions from the energy sector by 35% from 2005, to reach 17.5% renewables in gross final energy consumption. Thus, the expenditures to be financed under this category are responding to the environmental issues to be tackled by the local authority and are relevant regarding to the environmental objective claimed (climate change mitigation). The eligible expenditures positively impact stakeholders at a local and global level. The Issuer has committed in internal documentation that all eligible expenditures will adopt the best available technical sector (EU Taxonomy Climate Delegated Act) to ensure a long-term positive impact regarding the claimed objective.
Energy Efficiency & Low Carbon Buildings	ADVANCED	Energy efficiency is a relevant measure to reduce CO ₂ emissions, responding to the key issue of climate change mitigation. Additionally, the role of local authorities is essential in supporting energy efficiency of both private and public infrastructures by replacing fossil fuel heating, as this will have a positive impact on relative energy consumption and reduce absolute GHG emissions. Renovation and construction of energy efficient buildings are a key priority for local authorities. Both renovation and construction projects are in line with best international standards for the building sector. Eligible Expenditures have to demonstrate at least a 30% energy efficiency or comply with NZEB standard (Nearly Zero Energy Building). Although the acquisition, construction and renovation of green/low carbon buildings are all three relevant when tackling climate change and have a positive environmental impact, the construction of new buildings has negative impacts.
Sustainable Mobility	ROBUST	Local authorities have a key role in reducing CO ₂ emissions and pollution by financing alternative modes of transport and improving fuel efficiency in the transport sector. The category includes expenditures related to public electric transport (including multimodality), freight transport infrastructure and soft mobility. The Region stated that only electric transports (including electric and green hydrogen charging stations) and infrastructure related to shift from roads to waterways (not freight transport itself) are eligible under this category. It's also important to note that freight transport can have negative impact as it can promote fossil fuelled maritime transport usage and expansion.

⁷ https://www.wallonie.be/sites/default/files/2019-09/declaration_politique_regionale_2019-2024.pdf

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Sustainable Food	ADVANCED	According to public sources, 80% of the consumed food in Belgium is transformed. Thus, financing the development of sustainable/organic agriculture by the local authority can respond to the key environmental issues of the country. In this regard, Wallonia has developed a strategic plan for the development of organic farming and a program for the fight against food loss and waste. The Eligible Expenditures related to agriculture will apply certified organic agriculture practices following the current EU Organic Regulation.
Circular Economy	ROBUST	Financing waste management and incentivising recycling is key for governments, and it requires long term investments. Wallonia represents 31% of the MSW (Municipal Waste Management) generated by the country. The Region has developed a circular strategy which is aligned in terms of ambitions with the EU Circular Economy Action Plan. The Issuer declared in internal documentation that expenditures related to value chain optimisation (building materials) will adopt the technical thresholds of the EU Taxonomy Climate Delegated Act. However, regarding waste management and circular economy, initiatives on waste prevention/reduction and reuse have greater impact than recycling and waste management.
Protection of resources, land & biodiversity	ROBUST	States have a key role in financing biodiversity and ecosystem protection as private funds are rare on this sector. The category includes expenses with a long-term approach that seek to contribute to Sustainable use and protection of water resources, Land and biodiversity conservation and Climate change adaptation. However, V.E does not have visibility on the GHG emissions thresholds for the water-related expenditures to promote climate change mitigation.
Education & employment generation	ADVANCED	In Wallonia, the share of adults who have benefited from trainings remains below the objective of 15% of the European Union (data 2018). Developing programs and initiatives dedicated to education and vocational training as well as promoting job creation are key issues for local authorities and will benefit the population in most need with regards to that social issue. The Eligible Expenditures under this category are expected to have positive long-term impacts and promote empowerment.
Socioeconomic advancement and empowerment	ADVANCED	Local authorities have an important role to play ensuring the integration of people into labour and social activities. In Wallonia, young people who have given up early school face significant and growing difficulties to access the labour market as shown by their employment rate (39% for men and 29% for women in 2015). Financing the programmes and expenditures under this category will contribute to long term positive impact and promote empowerment. Also, temporary measures were set up in order to compensate the impact of the Covid-19 pandemic. The measures under this category are considered relevant and respond to an important social issue at country/local level regarding to the pandemic crisis.
Affordable Housing	ADVANCED	According to a European study, access to affordable housing remains a challenge in Belgium as 40-60% of the population belong to the group of owners with a mortgage or loan. Demand for Affordable Housing is often much higher than supply, demonstrating the relevance of these eligible expenditures. The Region is also assisted by the Société Wallonne du Logement, on behalf of the Walloon Government, in charge of providing supervision, advice and technical, financial and administrative assistance to public service housing companies. It provides assistance in the realization of their real estate projects. The target population include the population most in need and is expected to provide long term social benefit and promote empowerment.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Access to Essential Services and Basic Public Infrastructure	ADVANCED	According to Kingdom of Belgium Foreign Affairs, Foreign Trade and Development Cooperation, basic infrastructure is one of the five sectors on which Belgian Development Cooperation is focusing by keeping with the law on international cooperation of May 1999 (wells, wastewater facilities, access roads into rural areas, local energy supplies, etc.). Access to healthcare in Belgium is, for the population as a whole, relatively good. However, there are large disparities in access between socio-economic groups. By financing projects to facilitate the access to the whole population to basic infrastructure, essential services (health) and temporary programmes and/or measures taken to fight against the Covid-19 pandemic, the Region is responding to an important social issue in the Region.
OVERALL ASSESSMENT	ADVANCED	

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Expenditures are considered robust.

V.E has conducted its assessment of the Walloon Region's identification and management of environmental and social risks, including: environmental management systems, eco-design, reduction of energy consumption and GHG emissions, reduction of water usage, waste management, respect of fundamental human rights, improvement of health and safety conditions, quality of relations with users, social cohesion, environmental and social factors in the supply chain, and business ethics.

The Walloon Region has a transparent public tender framework for the funding of all infrastructure and works-related Eligible Expenditures. All projects conducted by contractors must comply with general conditions that include the respect of laws and decrees addressing fraud, conflicts of interests, illegal work, health & safety, working conditions, remuneration, non-discrimination and the respect of environmental laws. In addition, written procedures are available concerning the functioning of public tenders, and projects are transparently disclosed in the Walloon Region's website.

- Minimum requirements are defined for each project through specification sheets that are prepared by the dedicated departments within the Walloon Region, or by sub-contracted external experts. Based on each of the projects' specificities, technical requirements are described extensively in these documents. Moreover, socio-economic and environmental impact assessments are reportedly conducted for most infrastructure projects.
- The Federal Public Service for Employment, Labour and Social Dialogue (federal entity) and the Social Inspection (Walloon entity) are responsible for verifying the respect of fundamental labour rights associated with the Eligible projects, as required by law.
- Some infrastructure projects within the Eligible Green Projects (Sustainable mobility, Renewable energy, Energy efficiency & low carbon buildings, and Education & employment generation) comply with requirements established by the European Regional Development Fund (ERDF), which focus is to reduce economic, environmental and social problems in urban areas, with a special focus on sustainable urban development. An area for improvement concerns disclosing the specific environmental and social risk management procedures implemented by the Walloon Region in these projects.
- A Responsible Purchase Action Plan has been adopted by the Walloon Region, and dedicated teams recommend the inclusion of social and environmental clauses for all types of infrastructure projects of more than EUR 1 million. These clauses include provisions on social dumping, illegal work, waste management and use of recycled materials. In terms of decision-making, the department in charge of deciding the adjudication of contracts maintains the ultimate discretion concerning the inclusion of such clauses in the contracts. Areas of improvement are the systematic inclusion of social and environmental clauses within the specification sheets and the classification of projects depending on risks to decide on the minimum conditions to be put in place.
- For the provision of premiums, subsidies and tax deductions, the Walloon Region transparently provides information on the eligible individuals and companies depending on the types of financing that are to be undertaken.
- Regarding the provision of energy premiums to individuals, a prior energy audit has to be conducted by accredited auditors, conditioning the obtention of a premium, and eligible potential renovation works should be listed in order of priority. The Walloon Region has a public registry of certified auditors for "Energy Audits" and has set the requirements to be followed by auditors in terms of recommendations and prioritization of energy efficiency measures. The premium will only finance the works with the best energy efficiency improvement rate. These audits are followed up by the Walloon Region to ensure that the procedures were followed and that recommendations are pertinent.

Concerning the provision of energy premiums to public entities (UREBA), a list of eligible works has been defined and the Walloon Region has set a list of accredited auditors. Moreover, the awarding of premiums implies the obligation to execute the works within a three-year period and to provide the administration, for a ten-year period, with information on the energy consumption of the building concerned, using an annual declaration form⁸.

Regarding energy audits and feasibility studies for industry premiums (AMURE), a list of eligible works has been defined. The energy audit has to be conducted by an accredited auditor and pre-feasibility studies must be carried out in accordance with the minimum requirements of the "AMURE decree".

⁸ <https://energie.wallonie.be/fr/renovation-energetique-des-batiments-ureba.html?IDC=8969&IDD=83066>



ISSUER

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against Walloon Region over the last four years.

Of note, the Issuer is not part of our ESG performance rating universe and our Involvement in Controversial Activities screening methodology does not cover local authorities.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and the Social Bond Principles - June 2021 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;⁹
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable¹⁰ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).

⁹ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

¹⁰ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between Vigeo Eiris and the Issuer: V.E has executed two SPOs for the Walloon Region until now in 2019 and 2020. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

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