

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Finance Framework

Communauté française de Belgique (CFB)

1 June 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• A variety of capital market instruments, including bonds or notes in the public and private placement markets (including Schuldschein¹), as well as (Multi) Treasury Notes
Relevant standards	<ul style="list-style-type: none">• Social Bond Principles (SBPs) administered by the International Capital Market Association (ICMA) and the Social Loan Principles (SLPs) administered by the Loan Market Association (LMA)
Scope of verification	<ul style="list-style-type: none">• CFB's Social Finance Framework• Eligible expenditure categories' selection criteria
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as no new expenditure category is added to the framework

¹ Schuldschein are debt instruments that combine the characteristics of bonds and traditional bank loans. Like bonds, they have a coupon (fixed or variable) and a fixed maturity. Legally, they are bilateral, unregistered, and unlisted loans that are sold directly to institutional investors.

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SCOPE OF WORK

The Communauté française de Belgique (“CFB”, or “the Issuer”) commissioned ISS ESG to assist with its Social Finance Framework by assessing three core elements to determine its sustainability quality:

1. The Framework’s link to CFB’s sustainability strategy – drawing on CFB’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. CFB’s Social Finance Framework (May 2021 version) – benchmarked against the ICMA SBPs and the LMA SLPs.
3. The eligible expenditure categories – whether the expenditures contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

ISSUER OVERVIEW

CFB is an entity of the Belgian Federal State and has its own constitutionally protected powers as well as both legislative and executive institutions. In addition to the federal level, the Federal State consists of three Communities (French, Flemish and German) and three Regions (Wallonia, Flanders and Brussels). Each entity has its own constitutionally protected powers and both legislative and executive institutions, except that the Flemish Community and the Flemish Region largely merged their respective institutions.



CFB services an estimated 4.6 million people out of the 11.5 million inhabitants in Belgium² broken down by region as follows:

- Walloon Region’s French speaking community: 3.6 million
- Brussels-Capital Region’s French and Flemish speaking community: 1.2 million
- Flemish Region: 6.6 million
- German Community: 78 thousand

² <https://statbel.fgov.be/en/news/1-january-2020-belgium-had-11492641-inhabitants>

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part 1:</p> <p>Social Finance Framework's link to the issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 29.04.2021, The federal state of Belgium, the country in which CFB is one of the Communities (see "Issuer Overview"), shows a good sustainability performance against its peer group on key ESG issues faced by the sovereigns. Belgium is rated 15th out of 121 countries rated by ISS ESG. The country is rated ESG Prime.</p> <p>The Use of Proceeds categories (re-)financed under the Social Finance Framework of CFB are consistent with the issuer's sustainability strategy and material ESG topics for sovereign and sub-sovereign issuers. The rationale for issuing Social Debt Instruments is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with SBPs and SLPs</p>	<p>The issuer has defined a formal concept for its Social Finance Framework regarding Use of Proceeds, processes for expenditure evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA SBPs and the LMA SLPs.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The overall sustainability quality of the Social Finance Framework in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Social Debt Instruments will (re-)finance eligible expenditure categories which include Education, Sport and Culture, and Social Inclusion.</p> <p>These Use of Proceeds categories have a positive contribution to SDG 1 'No poverty', SDG 3 'Good health and well-being', SDG 4 'Quality education', SDG 10 'Reduced Inequalities', and SDG 16 'Peace, Justice and Strong Institutions'. The environmental and social risks associated with those Use of Proceeds categories have been well managed.</p>	<p>Positive</p>

³ ISS ESG's evaluation is based on the CFB's Social Finance Framework (May 2021 version), and on the ISS ESG Country Rating available as of 29.04.2021.

ISS ESG SPO ASSESSMENT

PART I: FRAMEWORK'S LINK TO THE ISSUER'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BELGIUM'S ESG PERFORMANCE

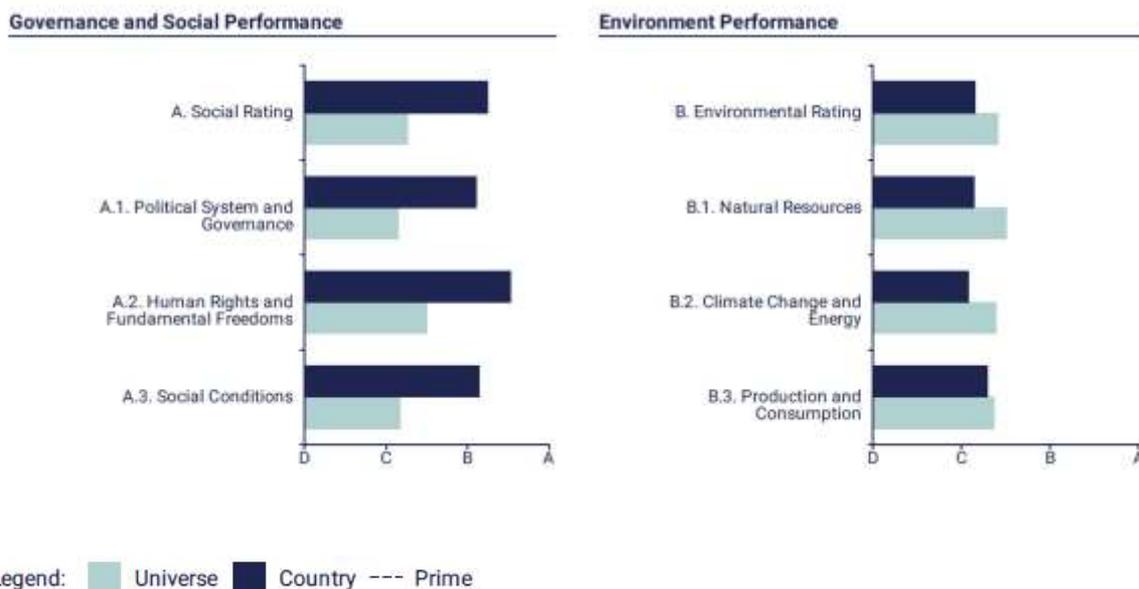
The ISS ESG Country Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. For the purpose of assessing CFB's ESG performance, ISS ESG used Belgium Country Rating as a basis for this assessment.

COUNTRY	RATING	STATUS	DECILE RANK
BELGIUM	B-	PRIME	2

ESG performance

As of 07.05.2021, this Rating places Belgium 15th out of 121 countries rated by ISS ESG.

Key challenges faced by sovereign issuers in terms of sustainability management are displayed in the charts below, as well as Belgium's performance against those key challenges in comparison to the other countries' average performance.



Governance opinion

The Kingdom of Belgium is a parliamentary democracy with a limited constitutional monarchy. It is a federal state with significant powers exercised at the regional level. The bicameral system consists of the chamber of representatives and the senate. The chamber was last elected in May 2019 and serves a five-year term. Voting is free and fair. Government coalitions need to be found along the divide between French and Flemish speakers. By law, the cabinet has to be at parity between these groups.

The rule of law in Belgium is generally well-respected. There are no limitations to judicial independence. Confidence in the country's institutions is comparably high, despite the sometimes rival rhetoric between French and Flemish parts. Perceived corruption is at an uncritical level and Belgium safeguards human rights in an appropriate manner. Regarding gender equality, while the share of women in politics used to be quite low, it has increased in recent years. However, despite a very high share of women in the national parliament, the share of women participating in the national government is still on a lower-medium level. Chances for women in the economy are more equally distributed, yet, the gender pay gap is still large. Foreign affairs are dominated by the country's integration into NATO and the European Union. With only 0.9% of GDP in 2019, Belgium's military expenditures is well-below the NATO target of 2% but underline its peaceful foreign policy position.

Social opinion

Belgium is a European-style welfare state with high expenditures on social security and accessible public services. Very high public health expenditures translate into a very high level of access to healthcare. The level of education is fairly high with spending stable throughout the past years on an upper-medium level.

Comparably strict labor laws ensure appropriate working conditions. However, labor market rigidities and weak economic performance have hampered employment rates in recent years, especially with regard to the employment of older workers. Yet, the long-term employment rate improved notably during the past years and decreased from a formerly high to an upper-medium level. Economic success is unevenly distributed, since Flanders and Brussels contribute most to the national GDP while Wallonia was reliant on old heavy industries for a long time. At times, this leads to friction between certain political parties and actors representing the two regions – however, by and large – the consensus-driven political system overcomes these.

The welfare state redistributes some of the inequities of society; and income and wealth inequality are thus on a relatively low level.

Environmental opinion

As an industrialised country Belgium's private household emissions are on a very high level, yet its greenhouse gas emissions are on a comparatively low level for an industrialised country. This is partly owed to the fact that with 14.5% of the primary energy mix in 2018, nuclear power plays a comparably large role. Despite the fact that many old nuclear power plants are frequently criticised to run above safety limits. Although its share of forests is still high, Belgium's nature suffers from a high level of artificial land coverage, mostly due to its high population density. Particularly fish and to a degree also animal species are under a considerable threat of extinction, while plant and bird species are comparably less threatened. There is no immediate water stress in Belgium but marine pollution remains a problem.

Industry is quite efficient and Belgian corporates are increasingly conscious about ESG factors, though agriculture exhibits a high level of pesticide and fertilizer use.

Sustainability summary

Although Belgium at times suffers from its divide in the Flemish and French-speaking regions, political stability is generally high, and institutions are solid. The economic imbalance between regions is exploited by populist politics leading to sometimes difficult government formations. The high share of nuclear power in the country's energy mix bears high risks to the environment and society but also contributes to comparably low greenhouse gas emissions. However, the government pledged to phase out nuclear power by 2025 and replace it with gas and renewables.

Breaches of international norms and ESG controversies

Belgium does not yet have a high climate change performance in the [Climate Change Performance Index](#) established by the non-governmental organization Germanwatch (CCPI<50). According to ISS ESG methodology, this constitutes a controversy.

The country also relies on nuclear power for more than 10% of its total primary energy supply. However, Belgium plans to phase out nuclear power by 2025.

B. CONSISTENCY OF THE SOCIAL FINANCE FRAMEWORK WITH CFB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Within its competences, CFB supports citizens throughout their life journey through a range of programmes that are being offered across the age groups. CFB has allocated resources to develop school and nursery services, as well as health care for socially and economically disadvantaged people (free prenatal and child consultations, housing facilities outside the family environment), access to sports equipment and cultural heritage opportunities to promote social cohesion. These resources are distributed equitably to all potential beneficiaries or target populations.

In 2020, the increase of the budget allocated to youth aid⁴ was 10.6%, which is higher than the 6.3% increase of the total expenditure budget. This demonstrates CFB's focus on disadvantaged population groups (e.g. assistance and protection of children at risk and their families). The first steps of a vast anti-discrimination plan are being put in place through a specific framework. This plan also includes measures against homophobia and transphobia. CFB's approach has resulted in a steady increase of attendance in education from nursery school through to tertiary education, including special needs since 2015. The 2020 annual budget has dedicated EUR 222 million⁵ to the "Pacte pour un enseignement d'excellence" (EUR 280 million is forecasted for 2021). In addition, the CFB supported the creation of a university programme specialized in sign language which commenced in 2016.

⁴ CFB supports youth with different problematic backgrounds, such as human trafficking, poverty (or inequality), maltreatment, fight against radicalism or parental separation.

⁵ http://www.budget-finances.cfwb.be/index.php?eID=tx_nawsecuredl&u=0&g=0&hash=63f072812dc126b31153bee0a9d67b0889104701&file=fileadmin/sites/dgbf/upload/dgbf_super_editor/dgbf_editor/Service_general_du_Budget/Direction_du_Budget/documents/budget_en_ligne/2020_initialexpose_general_2020.pdf

Rationale for issuance

Given the social nature of the CFB’s responsibilities and commitment, the willingness to support the Sustainable Capital Markets and to voluntarily align with best market-practices, CFB has developed a Social Finance Framework.

CFB sees the current Social Finance Framework as a critical way of aligning its sustainability and financing strategy. It also hopes that, through this Framework, it can contribute to the growth of the Sustainable Capital Markets and attract responsible investors to its debt issuance.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Social Finance Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Country Rating methodology. Key ESG industry challenges are key issues that are highly relevant for sovereign or sub-sovereign issuers when it comes to sustainability. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY ⁶	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG CHALLENGES FOR LOCAL AUTHORITIES AND SOVEREIGN ISSUERS	CONTRIBUTION
Education	✓	✓	Contribution to a material objective
Sport and Culture	✓	✓	Contribution to a material objective
Social Inclusion	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this framework are consistent with CFB’s sustainability strategy and material ESG topics for sovereign and sub-sovereign issuers. The rationale for issuing Social Debts Instruments is clearly described by the issuer.*

⁶ A detailed description of the Green and Social eligible activities can be found in the next page of this report

PART II: FRAMEWORK ALIGNMENT WITH THE SBPs and SLPs

1. Use of Proceeds

An amount equal to the net proceeds of the issuance of each Social Debt Instrument issued by CFB under this Framework will be allocated, in part or in full, to finance new eligible social expenditures (“Eligible Social Expenditures”) and/or to refinance existing Eligible Social Expenditures whose disbursements occurred no earlier than 24 months prior to the issue date of the Social Debt Instruments. The Eligible Social Expenditures can either be operational expenditures (will be the majority of Eligible Social Expenditures), capital expenditures and/or research and development. Eligible Social Expenditures that meet the eligibility criteria are included in the table below.

ELIGIBLE CATEGORY	ELIGIBILITY CRITERIA
Education	<p>Investments and expenditures in educational programs and facilities from nursery school to tertiary education Investments and expenditures in adult learning (social advancement), e-learning and artistic learning:</p> <ul style="list-style-type: none"> • Measures to improve quality of teaching and teacher employment • Construction, maintenance and rehabilitation of public education schools, including childcare centers and vocational training centers • Acquisition of equipment to ensure a quality education in public schools, including special education and psycho-pedagogical facilities (IT infrastructure, digital boards, etc.) • Dedicated finance including non-reimbursable student grants
Sport and Culture	<p>The expenditure relating to culture, social affairs and sport essentially consists of grants or subsidies to various institutions entrusted with the implementation of these activities, such as RTBF (the French-language public radio and television network):</p> <ul style="list-style-type: none"> • Sport activities and public open spaces (incl. parks, fields, centers, swimming halls), including sport coaching and teaching • Cultural and artistic facilities (incl. libraries, culture and language centers, museums, theatres, multipurpose venues)
Social Inclusion	<p>Financing activities with a social purpose (but excluding education) including social reintegration programs, youth support programs and birth and childhood support programs (such as the <i>Office de la naissance et de l'enfance</i>, ONE⁷)</p>

⁷ The Office de la Naissance et de l'Enfance (Birth and Childhood Office) is the reference body of the Wallonia Brussels Federation (French Community of Belgium) for all matters relating to: childhood, childhood policies, the protection of mothers and children, medical and social support for the (future) mother and child, childcare outside the family environment and support for parenthood.

Opinion: ISS ESG finds that the Use of Proceeds aligns with the requirements outlined in the ICMA and LMA Principles regarding Use of Proceeds. The expenditure categories are aligned with the SBPs and the SLPs categories.

2. Process for Expenditure Evaluation and Selection

The Process for Expenditure Evaluation and Selection will ensure that the proceeds of the Social Debt Instrument(s) issued under CFB's Framework are allocated to new or existing expenditures that meet the eligibility criteria set out above.

This Framework will be overseen by the Head of Finance and Budget, who reports to the Minister of Budget through the Treasury Advisory Counsel ("Conseil Communautaire du Trésor"). The Counsel is represented by the President of the Council (being a member of the National Bank of Belgium), the Minister of Budget, representatives of the Government's Ministers, Auditors, Inspectors of Finance, members of the Court of Audit, CFB's Debt Agency and consultants. The Counsel's advice will be validated by the Minister of Budget.

Where required, this head will consult with appropriate subject matter experts within CFB in the areas of sustainability, financing and operations. When appropriate, these experts will be convened to arrange, amongst others:

- Maintenance of the Social Finance Framework and review the content, updating it to reflect changes in market standards (such as relevant Social Principles) and the organisation's strategy on a best effort's basis;
- Addition of Eligible Social Expenditure categories;
- Review the Eligible Social Expenditure portfolio, confirming its continued compliance with CFB's Social Finance Framework;
- Exclude Social Expenditures or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best effort's basis; and
- Generate information required to produce the Allocation Report and periodic Impact Reports, in accordance with the Social Finance Framework.

The Treasury Advisory Counsel will meet at least twice a year. Each meeting will be documented with a report and a record of its advice that will be validated by the Minister of Budget.

Opinion: ISS ESG finds that the Process for Expenditure Evaluation and Selection aligns with the requirements outlined in the ICMA and the LMA Principles regarding the process for expenditure evaluation and selection. CFB has set a clear and detailed process. Moreover, CFB's Head of Finance and Budget will consult with various stakeholders, reflecting best market practices. The issuer also has a process in place to identify and manage potential ESG risks associated with the expenditures.

3. Management of Proceeds

The net proceeds of the Social Debt Instruments issued will be managed within CFB's normal treasury liquidity account in accordance with the Ministry of Budget, until the total amount of the net proceeds equals the total amount of selected Eligible Social Expenditures and/or until the maturity date of the

Social Debt Instrument. At any time during the lifetime of the Social Debt Instrument, the outstanding amount of the Social Debt Instruments will not exceed the value of the identified Eligible Social Expenditures.

The net proceeds of the issuance will be used to finance and refinance current and future expenditures. In case of expenditure divestment, the Issuer will use the net proceeds to finance other Eligible Social Expenditures which are compliant with the current Use of Proceeds.

CFB will take specific measures as part of the annual financial audit process to track the invested amounts used to finance the selected Eligible Social Expenditures (such as the implementation of a new accounting methodology and management audit). CFB intends to fully allocate the net proceeds of each Social Debt Instrument issued within 12 months of issuance and provide associated allocation and impact reporting. The remaining balance of unallocated proceeds of the Social Debt Instruments will be invested in cash or/and cash equivalent products as per CFB's Treasury Policy.

In order to avoid any possible double counting, the Treasury Advisory Counsel will make sure that only expenditures net of any EU programs, Belgian Federal State grants or other revenues earmarked for specific purposes (i.e. dedicated regional funds), or financed by any other mechanisms.

There could be instances where eligible expenditures are dual financed. In such cases, the allocation report will clearly differentiate between % financed through the Social Finance Framework and % financed through other sources (see section 2.5).

Opinion: ISS ESG finds that Management of Proceeds proposed by CFB's Social Finance Framework is well aligned with the requirements outlined in the ICMA and LMA Principles regarding the process for management of proceeds. An amount at least equal to the amount of Social Debt Instruments Proceeds will be allocated to social expenditures. The expected allocation period is defined and follows best market practices. Moreover, CFB describes its strategy to avoid double counting.

4. Reporting

On an annual basis, CFB will provide the following reporting on any Social Debt Instrument issued under this Social Finance Framework:

- Allocation reporting: detailing the Social Debt Instrument's proceeds allocated by each eligible category;
- Impact reporting: for each Eligible Social Expenditure category, when feasible, CFB will endeavour to report using indicative reporting indicators as detailed in the Impact Reporting section; and
- The publication of an external third-party assurance on the satisfactory (re)allocation of the net proceeds according to the Framework.

The reporting will be validated by the Minister of Budget and published the first time one year after the first Social Debt Instrument and annually thereafter on CFB's website <http://www.budget-finances.cfwb.be/>.

Allocation reporting

CFB will provide information on the allocation of the net proceeds from each issuance of Social Debt Instrument. Such information will be provided on an annual basis until substantially all the net

proceeds have been allocated. In the event of any material changes, an update will be provided until the relevant maturity date.

The allocation of the net proceeds will be reviewed by an independent third-party verifier and the information disclosed will contain the following details:

- The aggregated amount of (re)allocation of net proceeds to the Eligible Social Expenditures for each of the eligible categories, and corresponding percentage of the net proceeds;
- The amount of unallocated proceeds, if any, as a percentage of the total amount;
- Depending on confidentiality constraints, examples of expenditures subsidized by CFB; and
- The publication of the limited Assurance Report on the satisfactory (re)allocation of the net proceeds according to the Framework.

Impact reporting

CFB intends to publish an impact report that will provide information on the social impacts of its Eligible Social Expenditures. The reporting is intended to be provided on an annual basis. The relevant impact metrics will, to the extent possible and when applicable, include:

SOCIAL PRINCIPLES ELIGIBLE CATEGORIES	POTENTIAL INDICATORS ⁸
Education	<ul style="list-style-type: none"> • School enrolment rate (by age and by education level – nursery, primary, secondary and tertiary education (higher education and university)) • Number of students by education level (nursery, primary, secondary until 2019, tertiary education until 2018) • Average annual cost by students by education level (nursery, primary, secondary and tertiary education) • Repetition rate in mandatory education (primary and secondary school) • Number of tertiary education graduates (by gender) • Split of students in tertiary education by gender and kind of teaching in higher education • Split of teachers by education level and gender
Sport and Culture	<ul style="list-style-type: none"> • Number of affiliates and split by gender for each sport federation • Number of athletes recognized by CFB contract (split by gender, by activity) • Number of anti-doping test • Formation of sports coaches

⁸ <https://statistiques.cfwb.be> where feasible, a breakdown of these impact indicators will be given by geographic area.

Social Inclusion

- Number of young people in the youth support programs
- Prevention programs, keeping children in difficulty in the school system
- Number of prenatal consultations
- Number of free follow-up of children between 0 and 6 years old in preventive medicine – ONE (vaccination rate, obesity)

Opinion: ISS ESG finds that the reporting proposed by CFB's Social Finance Framework aligns with the requirements outlined in the ICMA and LMA Principles regarding reporting. Allocation reporting is clearly described and in line with the requirements set in the principles. CFB also defines the scope and magnitude of its impact reporting, in line with the market best practices.

External review

External verification of the tracking of the net proceeds of the Social Debt Instrument(s) will be provided, during the allocation process, until all net proceeds have been allocated or reallocated, if required, by an independent auditor appointed by CFB to validate:

- The (re)allocation of net proceeds of the Social Debt Instrument(s) to the eligible categories;
- The unallocated amount; and
- The reporting commitments.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABILITY BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Finance Framework’s Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the CFB’s Sustainability Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainability Bonds’ Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Education <i>e.g., investing in teaching and educational facilities, and non-reimbursable student grants</i>	Significant Contribution	
Culture⁹ <i>e.g., investing in cultural facilities</i>	Significant Contribution	
Sport <i>e.g., grants to sports clubs and anti-doping tests</i>	Limited Contribution	
<i>e.g., subsidies for sport activities free of charge</i>	Limited Contribution	
Social Inclusion¹⁰ <i>e.g., social reintegration programs</i>	Significant Contribution	

⁹ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs.

¹⁰ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE USE OF PROCEEDS CATEGORIES

Eligible categories include Education, Sport and Culture, and Social Inclusion. All expenditures are situated in Belgium. The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Environmental and social risks for Education, Sport and Culture, and Social Inclusion

Facility standards

- ✓ 100% of expenditures are located in Belgium, a country which has strong education standards and supervising bodies.
- ✓ 100% of expenditures have quality management systems in place (e.g. inspection on sites).

Labour, Health and Safety standards

- ✓ 100% of expenditures are located in Belgium, a country that provides for high labour, health and safety standards.

Access to education

- ✓ 100% of expenditures have high social standards regarding non-discrimination as required by national law.

Access to transportation

- ✓ 100% of expenditures comply with regional law to ensure access to transportation (e.g. school busses).

Safety of building users

- ✓ 100% of expenditures provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by national legislation.

Energy efficiency of buildings

- ✓ 100% of expenditures align with regional law requiring compliance with the Nearly Zero Energy Building (NZEB) or Q-ZEN (Quasi Zero Energy Building) standards.

Non-discriminatory and free/fairly priced participation in programmes/initiatives

- ✓ 100% of expenditures are located in Belgium, a country in which national legislation ensures fairly priced access to sport and cultural facilities for socially disadvantaged participants.

DISCLAIMER

1. Validity of the SPO: As long as no new expenditure category is added to the framework
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green and Social KPIs

The ISS ESG Social Bonds KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of CFB's Social Debt Instruments.

It comprises firstly the definition of the Use of Proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the expenditures can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the expenditures and which can also be used for reporting. If a majority of expenditures fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the expenditures included in the selection criteria match the eligible expenditure category and criteria listed in the Social Bonds KPIs.

All percentages refer to the amount of expenditures within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bonds KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by CFB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the expenditure location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which CFB's Social Debt Instruments contribute to related SDGs.

ANNEX 2: Quality management processes

SCOPE

CFB commissioned ISS ESG to compile a Social Finance Framework SPO. The Second Party Opinion process includes verifying whether the Social Finance Framework aligns with the ICMA SBPs and LMA SLPs to assess the sustainability credentials of its Social Debt Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA SBPs and LMA SLPs
- ISS ESG KPI set: - Education, Sport and Culture, and Social Inclusion
- Other relevant KPI

ISSUER'S RESPONSIBILITY

CFB's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the expenditure level

ISS ESG'S VERIFICATION PROCESS

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

ISS ESG has conducted this independent Second Party Opinion of the Social Finance Framework be issued by CFB based on ISS ESG methodology and in line with the ICMA SBPs and LMA SLPs.

The engagement with CFB took place in April/May 2021.

ISS ESG'S BUSINESS PRACTICES

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

About ISS ESG SPO

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

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

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

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

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