



Green Finance Framework

April 2024

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1. About Farys Group

1.1. Introduction

Farys is an intermunicipal utility company according to Belgian legislation founded February 16, 1923. Farys is subject to the regional legislation dated December 22, 2017 regarding intermunicipal companies. The company is headquartered at Ghent.

The current expiry date of Farys is June 30, 2032 and is extendable. As stipulated by the decree, after the expiry of the statutory term Farys can be renewed successively for a term not exceeding 18 years each time.

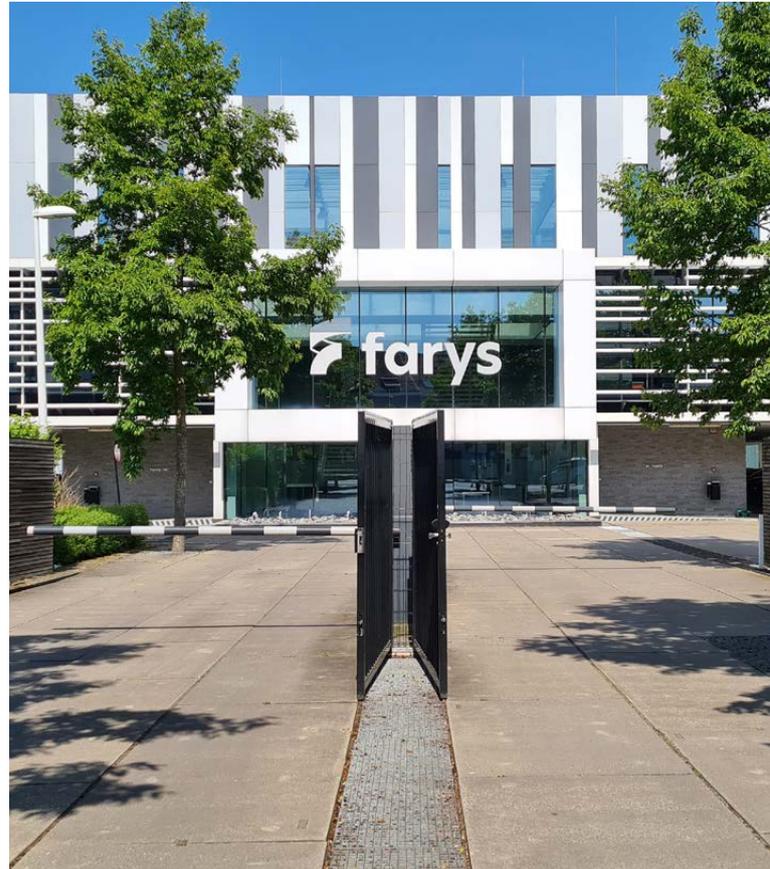
1.2. Ownership Structure

Farys is 100 %-owned by public entities, of which most are municipalities.

Public entities can work with Farys to provide one or more services: production, transportation and distribution of drinking water, sewerage services, the management of sport infrastructure. The business unit road infrastructure is being phased out.

Public entities can join Farys in a customized way: Farys operates with 3 business units. All business units belong to the same legal entity.

The size of the shareholding of each public entity depends on the participation rate and the size of the public entities. The three biggest shareholders (both in terms of underwritten capital as in voting power) are the cities of Ghent, Bruges and Ostend.



1.3. Business Overview

Farys has 3 business units:

- drinking water
- sewerage
- the management of municipal sport infrastructure.

Each business unit has its own management and accounts. In terms of revenues the business units Drinking Water (67 %) and Sewerage (21 %) are by far the biggest units.



i. Business unit: Drinking Water

Farys distributes drinking water in 61 municipalities (located in the provinces of East Flanders, West Flanders and Flemish Brabant).

A 12.500 km network of pipes and enclosed storage reservoirs brings a continuous supply of drinking water to our customers, about 705.000 (equivalent with 1.400.000 residents).

About 17 % of the drinking water distributed by Farys is self-produced, the vast majority (83 %) is purchased from other drinking water companies (water-link, VIVAQUA, De Watergroep and Evides). The produced and purchased drinking water is brought to the municipalities via an extensive supply network. The distribution network brings the water to the retail customers and the companies.

About 75 % of Farys' water sourcing is surface water. Unfortunately, due to longer dry periods the surface water production has reached its limits, as there is no capturing of surface water possible after long periods of drought. Farys anticipates this through investments in better interconnectivity with other drinking water companies networks, investments in water storage, investments in drinking water production plants converting brackish and salt water into drinking water and investments in circular water systems. All this to make the water supply climate proof.

All assets are fully owned by Farys:

- transportation and distribution pipelines
- water discharge-, air discharge-, sealing- and meter rooms
- reservoirs
- pumping stations
- hydrants
- valves
- connections
- water meters.

The net income of the business unit is fully retained.

ii. Business unit: Sewerage

Farys manages the sewerage in 52 municipalities (also located in the provinces of East Flanders, West Flanders and Flemish Brabant) through a network of about 7.600 km of pipes, 700 sewer pump stations and 3.000 individual wastewater treatment systems.

We assist cities and municipalities with the collection and transport of waste water to the supra-municipal water purification infrastructure and are in charge of expanding and managing an efficient sewage network.

Many of the public entities who joined Farys for the distribution of drinking water also joined the business unit Sewerage.

In the business unit Sewerage Farys has a right of use of all the assets belonging to the municipality at the time of entering Farys. All assets established after the entry belong to Farys. Meanwhile, 46 (out of 52) participants have also contributed bare ownership, Farys in this case fully owns all the assets.

Employed assets are:

- sewer pipes
- inspection shafts
- pumping stations
- collectors
- connections
- individual waste water treatment systems.

Climate change is having a major impact on our environment. Flood risks are increasing due to changing rainfall patterns with higher rainfall amounts and intensities.

In addition, the European Water Framework Directive imposes clear ambition levels on all member states regarding securing water resources and water quality. As far as Flanders is concerned, the European ambitions have now been translated into reduction targets to be achieved. This will require major investments, which will have to be implemented at an accelerated pace.

Consequently, net income is fully retained to maximize auto-financing of investments.



iii. Business unit: The management of municipal sport infrastructure

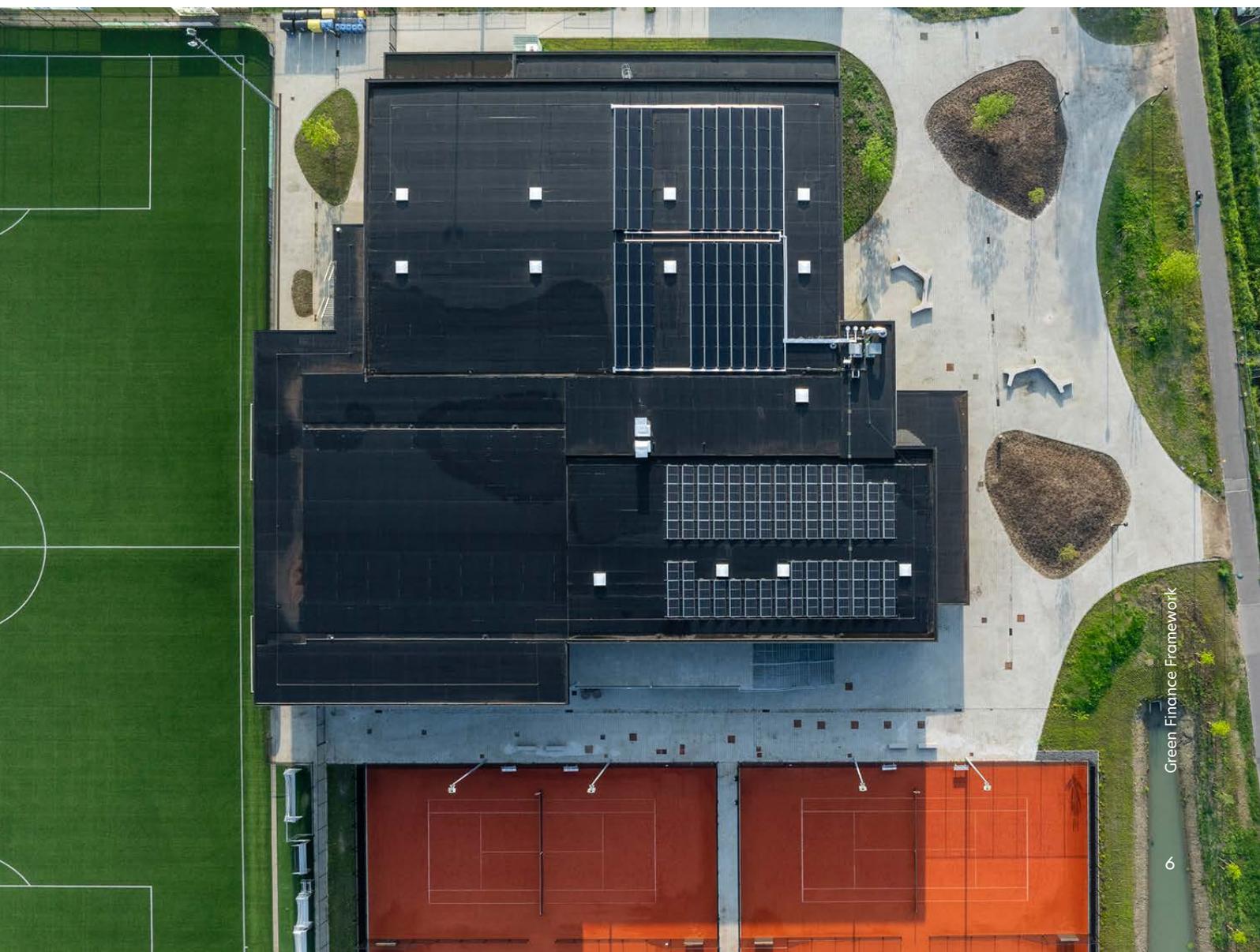
Farys manages 23 swimming pools, 113 sports halls and outdoor areas in 35 municipalities.

We act as facilitator in supporting our partners' local sports policy by providing a high-quality offer in sport and recreation in close consultation with participants, suppliers, local sport clubs and sport people. We are also a partner in the entire process of the design of energy-efficient new build or sustainable renovation up to maintenance and operation.

The United Nations Sustainable Development Goals for 2030 and existing regulation are the starting point for providing accessible, safe and healthy buildings and surroundings for multifunctional use where possible.

Each participant can select from a broad range of services for their sport facilities.

Since the entrance fees charged to the end customers cover only a limited part of the costs, financial interventions by the municipal participants are necessary. Considering the municipal contributions, the business unit closes each financial year with a break-even.



1.4. Farys and Sustainability

We apply sustainable business practices in all facets of our business: in drinking water, sanitation, sports and facilities management, as well as in support services.

Sustainable Business Charter

On June 16, 2023, we received recognition for our efforts for the 12th year in a row with Voka's Sustainable Business Charter. This charter aims to continuously improve performance with a focus on environmental, social and economic themes.

SDG Champion UNITAR

Since 2017, the Voka Sustainable Business Charter has focused on the UN's 17 Sustainable Development Goals (SDGs).

In recent years, our company has managed to achieve at least 1 action within each development goal. This is why we have been recognized as an SDG Champion since October 25, 2022. A great recognition for the hard work of many committed colleagues!

This is how we do it

We mobilize our employees to do their part, integrate new technologies where possible and look for small and big things that can make a difference. Some examples:

- project Ganzepoot in Nieuwpoort
- electrification of company cars, pool cars
- energy scans of own park and sport facilities
- integration of SDG in the model specifications
- circular economy: collection of old clothing and sustainable processing in new applications, raw materials
- attention to fair trade: FairTrade@work (coffee, cocoa, sugar, tea and biscuits), Fair Trade charter since 2018
- digital data capture of water and energy
- electronic invoicing to customers.

The **mission statement** summarizes our core mission:

- as an entrepreneurial trusted partner of municipalities, we guarantee the supply of affordable and quality drinking water in all circumstances
- we ensure a reliable transport network, guarantee the continuous supply and distribution of drinking water and the sanitation of wastewater
- we handle water sustainably and approach it circularly
- we serve our municipalities, domestic and industrial customers
- we offer them a high-quality service with added value, make our distinctive knowledge and skills available in the management of their activities and projects, and take a pioneering role in this
- we maximize every opportunity for cooperation with all stakeholders (and utility partners).

1.5. Rationale for this Green Finance Framework

Farys makes a lot of investments to handle water sustainably and approach it circularly. In our municipal sport infrastructures, the focus is also on making the buildings greener and more energy efficient. To finance these activities, Farys wants to use the Green Finance Instruments. This Green Finance Framework has been designed to increase the transparency and integrity of these issuances. Farys believes that it will help to broaden its investor base by attracting investors that seek to focus their investments on sustainable projects.



2. Farys Green Finance Framework

Farys has developed its Green Finance Framework aiming to attract specific funding for green projects which contribute to its sustainability strategy. Under this Framework, Farys can issue a variety of Green Finance Instruments such as Green (Retail) Bonds, Green Notes, Green Private Debt Placements and Green Term Loans.

The Framework provides a clear and transparent set of criteria for Green Finance Instruments issued by Farys and is consistent with the guidelines of the Green Bond Principles (“GBP”) (as issued by the International Capital Market Association (ICMA)) and last updated in June 2022¹) and the Green Loan Principles (“GLP”) (from the Loan Market Association (LMA), last updated in April 2023²).

These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGO’s, with a view to promote the development and integrity of the sustainable finance market.

Farys may further update or expand its Framework to align with emerging markets standards and best-practices, such as the introduction of the EU Taxonomy of sustainable economic activities and the EU Green Bond Standard and/or other relevant standards and guidelines.

The Framework will cover:

1. the use of proceeds
2. the evaluation and selection process
3. the management of proceeds
4. the reporting
5. the external review.

1 <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>
2 <https://www.lsta.org/content/green-loan-principles/>

2.1. The use of proceeds

The net proceeds of Farys Green Finance Instruments will be used to finance and/or refinance, in whole or in part, assets, new and/or existing Eligible Green Projects falling within one of the Eligible Green Categories.

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

Eligible assets	Eligibility criteria	UN SDG
<p>1</p> <p>Sustainable water and wastewater management</p>	<p>Investment and expenditure to ensure a sustainable water cycle by:</p> <ul style="list-style-type: none"> Reducing the amount of water used and reducing losses (leakage) from the system Improving water quality and compliance Mitigating flooding risk Reducing pollutions and returning treated water safely back to our rivers Building new drinking water production plants Drinking water and sewerage grid construction, both for new grids as for the replacement of worn-out existing grids Building new and renovating existing pumping stations Building new and renovating existing storage capacity Building new (individual) wastewater treatment systems Enhancing the resilience of the water and waste water network 	<p>6 CLEAN WATER AND SANITATION</p>  <p>14 LIFE BELOW WATER</p> 
<p>2</p> <p>Energy Efficiency</p>	<p>Projects aiming at reducing the energy consumption of</p> <ul style="list-style-type: none"> Existing administrative facilities Existing water production facilities 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>3</p> <p>Green Buildings</p>	<p>Construction or acquisition of new energy efficient buildings</p> <ul style="list-style-type: none"> Breeam at least 'Excellent' A building certificate equivalent to EPC 'A' Near Zero Energy Building ('NZEB') (as defined by local building legislation) or better <p>Buildings that underwent a renovation that has led to a reduction of primary energy demand (PED) of at least 30 %</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p>4</p> <p>Renewable Energy</p>	<p>Projects aiming at developing the production of renewable energy:</p> <ul style="list-style-type: none"> Solar photovoltaic projects Geothermal energy projects 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>5</p> <p>Clean Transportation</p>	<ul style="list-style-type: none"> Investments and/or expenditures for the installation of EV charging infrastructure and electric grid infrastructure that support sustainable mobility and the use of zero-emission vehicles Electrification of the Farys' fleet, including the purchase of electric vehicles where specific emissions of CO₂ are zero 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 



2.2. The evaluation and selection process

Farys will follow a transparent process for selection and evaluation of Eligible Assets. Assets financed through the Green Finance Instruments issued under Farys Framework are evaluated and selected based on compliance with the Eligibility Criteria as set under paragraph 2.1 Use of Proceeds.

All potential Eligible Assets comply with local laws and regulations, including applicable regulatory environmental and social requirements, as well as Farys' standards for environmental, social and governance risks (ESG). The Process for Eligible Assets evaluation and selection is fully integrated in Farys' management.

Every project at Farys in the business units "Drinking Water" and "Sewerage" is directly or indirectly related to its primary activity "Sustainable water and waste water management". As such, in these two business units Farys can be considered a pure-player, with over 75 % of the company's total balance sheet dedicated to these activities. Therefore we have chosen to organize our Green Finance Process (project selection, management of proceeds and reporting) on a balance sheet and company level instead of on a project level. For the sake of transparency, a clear distinction between green and non-green assets has been made for each of our balance sheet items (see table 1). Assets created in the past related to the business unit "The management of municipal sports infrastructure" has been considered as non-green. For the future, projects in het business unit "The management of municipal sports infrastructure" will be evaluated if they can be considered as a green asset.

Table 1: Green and Non-Green Assets

Total Assets	Green/ Non- Green	Type of Eligible Green Asset	Explanation
Fixed Assets			
Intangible Fixed Assets (software & inventory studies)	Non-Green		
Land and buildings	Both possible	1, 3	For each project in the category "Land and buildings" it will be determined for what activity (business unit) the assets will be used
Plant, machinery and equipment			
Connections	Green	1	Connections assets are an important part of the assets so the business unit "Drinking Water" can do its activities
Watermeters	Green	1	Watermeters assets are an important part of the assets so the business unit "Drinking Water" can do its activities
Individual waste water treatment	Green	1	Individual wastewater treatment assets are part of the assets so the business unit "Sewerage" can do its activities
Hydrants	Green	1	Hydrants assets are part of the assets so the business unit "Drinking Water" can do its activities
Contribution in kind by municipalities sport	Non-Green		
Transport network drinking water	Green	1	Transportation of drinking water assets are an important part of the assets so the business unit "Drinking Water" can do its activities
Sewerage network	Green	1	Sewerage network assets are an important part of the assets so the business unit "Sewerage" can do its activities
Roads	Non-Green		
Equipment	Both possible	1, 2	For each project in the category "Equipment" it will be determined for what activity (business unit) the assets will be used
Distribution network drinking water	Green	1	Distribution network drinking water assets are an important part of the assets so the business unit "Drinking Water" can do its activities
Furniture and vehicles	Both possible	5	For each project in the category "Furniture and vehicles" it will be determined for what activity (business unit) the assets will be used. In addition, green vehicles need to meet the Eligibility Criteria
Assets under construction and advance payments	Both possible		
Financial assets	Non-Green		
Current Assets			
Total Current Assets	Non-Green		

2.3. The management of proceeds

Farys' Management Committee will be responsible for evaluating and selecting projects and assets in line with the Framework's eligibility criteria. This Committee comprises, as of April 30th 2024, the CEO, vice CEO, two directors and one executive manager. Farys will manage the net proceeds of issued Green Finance Instruments on a portfolio basis. As long as the Green Finance Instruments under this Framework are outstanding, Farys aims to allocate an amount equivalent to the net proceeds of these instruments in its Green Assets Portfolio.

If a specific asset is divested, discontinued or does no longer meet the definition of Eligible Assets as included in paragraph 2.1, it will be removed from the Green Assets Portfolio and it will be replaced by another Eligible Asset as soon as reasonably practicable.

Pending the allocation of the net proceeds of issued Green Finance Instruments to the Green Assets Portfolio, or in case insufficient Eligible Assets are available, Farys will manage the unallocated proceeds in cash or cash equivalent, in line with its regular treasury criteria. Full allocation of the net proceeds is expected at issuance, or ultimately within 24 months following the issuance of a given Green Finance Instrument.

The allocation of the net proceeds of issued Green Finance Instruments to the portfolio of Eligible Assets will be reviewed and approved by Farys Group's executive committee on a quarterly basis, until full allocation of the net proceeds of issued Green Finance Instruments.



2.4. The reporting

Farys will report annually, until the last Green bond and loan matures, on the allocation of its net proceeds of issued green finance instruments to its portfolio of Eligible Assets. This reporting will be available one year after the issuance of the first Green Finance Instrument on Farys' website.

2.4.1. Allocation reporting

On an annual basis Farys will update its Green Balance Sheet comprised of Green Assets (calculated in accordance with the already mentioned criteria) and Green Liabilities:

- an overview of the Green Finance Instruments issued under the Framework and the total amount outstanding of issued Green Finance Instruments (in EUR)
- the total amount of investments and expenditures in the Eligible Green Assets on the balance sheet
- the amount of unallocated proceeds, if any.

2.4.2. Impact reporting

Farys will report on environmental impacts of the Eligible Assets (re-)financed by the net proceeds of the Green Finance Instruments.

The allocation report will include yearly information on the following metrics - to the extent available:

- number of kilometer drinking water pipes which are part of the investments (extension or renovation of the network)
- number of kilometer sewerage pipes which are part of the investments (extension or renovation of the network)

- evolution for the Farys Sewerage division of the degree of purification (proportion of the number of inhabitants which are connected to a sewer water treatment plant compared to the total number of inhabitants) and the sewerage rate (proportion of the number of inhabitants connected to a sewerage pipe compared to the total number of inhabitants)
- numbers of shareholders for whose territory a rainwater and drought plan has been drawn up as demanded by decree
- number of individual waste water treatment systems managed by Farys
- in the context of the reduction objectives set up by the European Water Framework Directive, the amount of reduction counted in terms of population equivalents
- amount of scope 1 emissions, scope 2 emissions and scope 3 emissions
- energy consumption from renewable energy sources

2.5. The external review

A Second Party Opinion (SPO) will be issued by an independent external verifier in order to provide an external verification on Farys' Green Finance Framework. This external opinion will certify Farys' Framework alignment with the applicable Green Principles, such as the Green Bond Principles (GBP) and the Green Loan Principles (GLP). The Second Party Opinion will be available Farys' website.

Farys will appoint an independent verifier to provide a post-issuance review of the annual allocation report.

2.6. Disclaimer

The information and opinions contained in this Farys Group Green Finance Framework are provided as at the date of this Framework and are subject to change without notice. None of Farys Group or any of its affiliates (jointly referred to as Farys) assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.

This Framework represents current Farys policies and objectives, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. The goal of this Framework is to provide non-exhaustive, general information.

This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Farys or its management and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Farys or its management as to the fairness, accuracy, reasonableness or completeness of such information. Consequently, Farys nor its management shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising in connection with the information contained herein.

This Framework may contain statements about future events and expectations that are forward looking statements. By their very nature, forward-looking statements involve inherent risks, uncertainties and assumptions, both general and specific, and risks exist that the forward-looking statements will not be achieved. Forward-looking statements speak only as at the date of this instrument. Recipients are cautioned not to put undue reliance on such forward-looking statements because, as a result of a number of uncertainties or risks, many of which are out of control of Farys, actual results may vary materially from those expressed or implied.

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Any decision to invest in any green financing instruments should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such green financing instruments. Prospective investors are required to make their own independent investment decisions. This Framework does not constitute a prospectus or an offering memorandum.



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