

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Water-link OV
5 October 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Finance Instruments – Green Bonds and Loans
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)Green Loan Principles, as administered by the LMA/LSTA (as of February 2023)EU Taxonomy Climate Delegated Act (as of June 2023)
Scope of verification	<ul style="list-style-type: none">Water-link Green Finance Framework (as of September 4, 2023)Water-link Selection Criteria (as of September 4, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK	3
WATER-LINK BUSINESS OVERVIEW.....	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH GREEN BOND AND GREEN LOAN PRINCIPLES.....	6
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA	8
A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs	8
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA.....	10
PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT	13
PART IV: LINKING THE TRANSACTION(S) TO WATER-LINK'S ESG PROFILE.....	18
A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH WATER-LINK'S SUSTAINABILITY STRATEGY.....	18
B. WATER-LINK'S BUSINESS EXPOSURE TO ESG RISKS.....	20
ANNEX 1: Methodology	25
ANNEX 2: Quality Management Processes.....	26
About this SPO	27

SCOPE OF WORK

Water-link OV (“the Issuer”, “the Company”, or “Water-link”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Finance Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. Water-link’s Green Finance Framework (as of September 4, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association’s (LMA) and the Loan Syndications Trading Association (LSTA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project categories against the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation and Climate Change Adaptation.
4. Linking the transaction(s) to Water-link’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

WATER-LINK BUSINESS OVERVIEW

Water-link operates as water collection, treatment, and supply company. It is classified in the Water and Waste Utilities industry, as per ISS ESG’s sector classification.

Water-link offers water and sewerage services across Belgium. Water-link was founded in 1880 and headquartered in Belgium. Water-link is the essential water company of Antwerp and seven municipalities in the metropolitan region. The Company is the largest water producer in Flanders, that serves three market segments: the residential market, industrial, and other water companies.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Alignment with GBP/GLP	The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is aligned with the Green Bond Principles and Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Green Finance Instruments will (re)finance eligible asset category which is:</p> <p>Sustainable Water and Wastewater Management</p> <p>Product and service-related use of proceeds category individually contribute to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds category are managed.</p>	Positive
Part 3: Eligibility against the EU Taxonomy	<p>The Water-link project characteristics, due diligence processes and policies have been assessed against the EU Taxonomy's (Climate Delegated Act of June 2023) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation and Adaptation, on a best-efforts basis³.</p> <p>The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed. However, the Issuer is considering to perform a thorough assessment in a future version of the Framework.</p>	Eligible for assessing alignment at a later date

² The evaluation is based on the Water-link's Green Finance Framework (September 2023 version), on the analysed Asset Pool as received on the September 4, 2023, and on the ISS ESG Corporate Rating and applicable at the SPO delivery date.

³ Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

<p>Part 4: Linking the transaction(s) to Water-link's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The project category considered is in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer's sustainability strategy</p>
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SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the Water-link's Green Finance Framework (as of September 4, 2023) with the ICMA GBP and LMA GLP.

GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Water-link's Green Finance Framework is aligned with the Green Bond Principles and Green Loan Principles.</p> <p>Eligibility Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided. Commitment to report by project category has been provided and environmental benefits are described, and environmental/social benefits are described.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Water-link's Green Finance Framework is aligned with the Green Bond Principles and Green Loan Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project category are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders, clearly defines responsibilities for project evaluation in its process, in line with best market practice. Additionally, and the Issuer is transparent about it, which is in line with best market practice.</p> <p>The Issuer identify alignment of their Green Bond Framework and their green projects with EU Taxonomy, in line with best market practice.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Water-link’s Green Finance Framework is aligned with the Green Bond Principles and Green Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are moved to a sub portfolio and tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Water-link’s Green Finance Framework is aligned with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Water-link explains that the level of expected reporting will be at a portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have reached full maturity.</p> <p>The Issuer is transparent on the level of impact reporting, on the information reported in the impact report and defines the reporting frequency of the impact reporting in line with best market practice. Additionally, the Issuer discloses the location and link of the report and commits to get the allocation report audited by an external party, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Sustainable Water and Wastewater Management⁵</p> <p><i>Infrastructure for the production of water of drinking water quality:</i></p> <ul style="list-style-type: none"> ▪ <i>All infrastructure necessary to collect, treat and purify raw source water into water of drinking water quality. Currently located in and around two large production sites.</i> ▪ <i>This infrastructure entails not only the treatment plants, but also the infrastructure necessary to collect water from the Canal Albert and the large water reservoirs which hold Water-link's strategic reserve.</i> 	Contribution	

⁴ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁵ The (re)financing of these use of proceeds contribute to the Sustainable Development Goals 13 when they are aligned with the Technical Screening Criteria of the EU Taxonomy activity 5.1 and/or 5.2.

Sustainable Water and Wastewater Management⁶

- *Infrastructure for the transport of water of drinking water quality:*
 - *The pipeline grid and accessories (e.g., pumping stations etc.) used to transport the produced water of drinking water quality towards large clients or residential zones.*
 - *The pipelines have a diameter larger or equal then 400 mm.*
- *Infrastructure for the distribution of water of drinking water quality:*
 - *The pipeline grid and attributes (e.g., digital water meters) used to deliver water to the customer within the residential area or city.*
 - *The pipelines have a diameter smaller than 400 mm.*

Contribution



⁶ The (re)financing of these use of proceeds contribute to the Sustainable Development Goals 13 when they are aligned with the Technical Screening Criteria of the EU Taxonomy activity 5.1 and/or 5.2.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

Water Supply

The table below evaluates the Eligibility Criteria against issuance specific KPIs. All of the assets are/will be located in Belgium.

ASSESSMENT AGAINST KPIs

Environment

Environmental aspects of construction (or production) and operation

- ✓ Water-link has measures in place ensuring that assets financed under this Framework feature clear measures for leak detection methods. Additionally, the Company is legally obliged to report the infrastructure leakage index (ILI) and non-revenue water amount (NRW) (indicators for leakage) to the regulator Flanders Environment Agency (abbreviated VMM). In the legislation there is also an obligation to define an action plan to reduce leakage. This action plan is validated by VMM and revised on a 6-year basis. Compliance with these legal requirements is monitored by VMM.
- ✓ Water-link has measures in place ensuring that assets financed under this framework feature a comprehensive Environmental Management System. The Company's Environmental Management System is certified under the Safety, Health and Environment Checklist for Contractors (VCA**)-certification process. Additionally, the Company has an Environmental department that supervises and supports the environmental aspects of projects and operations. The department works with yearly planning, including recurrent reporting to regulators. Water-link also works with an external environmental coordinator provided from SWECO.
- ✓ Water-link has measures in place ensuring that assets financed under this framework provide for high standards regarding water quality. The monitoring of water quality is a legal requirement⁷ and the regulator VMM ensures Water-link's compliance. On a yearly basis, a quality monitoring program is defined by Water-link and validated by VMM. Water-link is obligated to report the results of the analyses performed on its website⁸. The laboratory responsible for the monitoring and analysis of Water-link's water quality is certified to perform these analyses under the Belgian Accreditation Body (BELAC) Certification.
- ✓ Water-link has measures in place ensuring that assets financed under this framework feature high standards regarding sustainable water withdrawal. The assessment of impacts of new projects on the environment (including water sources) is part of the permitting process and is a legal requirement under the Decree on General Provisions

⁷ Based on the Flemish law Besluit van de Vlaamse Regering over de kwaliteit, kwantiteit en levering van water bestemd voor menselijke consumptie (Decree of the Flemish Government on the quality, quantity and supply of water intended for human consumption)

⁸ The report of the analyses performed are reported at Water-link's website, available at: <https://water-link.be/tips-advies/kwaliteit-en-samenstelling>

for Environmental Policy (DABM). Additionally, to assess the water source and the associated risks, Water Safety Plans are developed⁹.

- ✓ Water-link has measures in place ensuring that assets financed under this framework feature high environmental standards during the construction phase. The permitting process for construction requires certain standards to be followed during construction under the legislation VLAREM II Order of the Flemish Government of 1 June 1995 concerning General and Sectoral provisions relating to Environmental Safety¹⁰. Additionally, in the specifications provided to construction contractors, environmental and safety standards are included, and Water-link upholds its contractors to these standards. Examples of measures include noise/sound studies at the start of construction in order to determine the actual level and effect on the surroundings; when constructing a large building, the site lights for the construction are aimed away from a nearby nature habitat to not disturb animals; and soil investigations during the design phase of the windmill project were conducted to ensure no pollution was transposed during construction.

Biodiversity

- ✓ Water-link has measures in place ensuring that assets financed under this framework undergo environmental impact assessments at the planning stage. The permitting process requires environmental assessment during planning phase and thus ensures compliance by Water-link through the Flemish Environmental Impact Assessment (EIA) decree of 10/12/2004 and VLAREM II Order of the Flemish Government of 1 June 1995 concerning General and Sectoral provisions relating to Environmental Safety. Additionally, the Company's projects follow a standard PMO process in which a formal assessment is done by the Environmental Department and the Safety Department to ensure compliance with environmental standards.

Water

- ✓ Water-link has measures in place ensuring that assets financed under this framework provide for water use reduction measures and has a water leak reduction target of 20% by 2025 against a 2020 baseline. The Company has a closed loop production cycle, so no source water is lost during production of drinking water. Additionally, measures are taken to reduce leakage and NRW reduction in distribution and transport network such as: investing in measuring equipment to detect leaks, using satellite imaging to sweep the grid in search of leaks, and using new flushing devices to monitor the water quality in order to reduce flushing time. Water-link also works on reduction of water waste at the customers' side, through smart water use informational campaigns to create more awareness with the general public.

Inclusion

⁹ The current Water Safety Plan is undergoing an update and a first report is planned in the first half of 2024.

¹⁰ VLAREM II legislation <https://navigator.emis.vito.be/light?woid=263&woLang=en&woVersion=2023-09-14>

- ✓ Water-link has measures in place ensuring that assets financed under this framework features fairly priced and/or subsidised participation for socially disadvantaged customers. The price of drinking water for residential clients is regulated and supervised by the Water Regulator unit under the VMM¹¹. Additionally, the regulation provides for pricing corrections for those with financial need in which they pay 1/5 of the water price (this is socialized per drinking water company's working area)¹².

Labour, Health, and Safety

- ✓ Water-link has measures in place ensuring that assets financed under this framework provide for high labour and health and safety standards for construction, maintenance and operations work. All assets will be located in Belgium which has strong labour, health, and safety legislation. Additionally, the company has policies covering safety and wellbeing described in its Work Regulations. The VCA** certification also covers standards for safety of employees. The Company's Environmental Management System is certified under the Safety, Health and Environment Checklist for Contractors (VCA**)-certification process

¹¹ VMM regulation rates: <https://www.vmm.be/water/waterfactuur/waterregulator/regulering>

¹² VMM social rate: <https://www.vmm.be/waterloket/de-waterfactuur/sociale-vrijstelling>

PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

Water-link's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Climate Adaptation requirements of the EU Taxonomy Climate Delegated Act¹³ (June 2023), based on information provided by Water-link. Where Water-link's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Do No Significant Harm Criteria and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, however this evaluation is scheduled for the future.

Water-link's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 5.1 Construction, extension and operation of water collection, treatment and supply systems
- 5.2 Renewal of water collection, treatment and supply systems

All projects financed under the Green Finance Framework are and will be located in Belgium.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

¹³ Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

a) Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

GREEN FINANCE FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁴	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Sustainable water and wastewater management	5.1 Construction, extension and operation of water collection, treatment and supply systems	<p>Water-link confirms that the water supply system complies with the EU Taxonomy Technical Screening Criteria for Substantial Contribution to Climate Change Mitigation of category 5.1.</p> <p>Furthermore, the net average energy consumption for abstraction and treatment for 2022 is 0.15 kWh/m³, thus below the threshold of 0.5 kWh/m³. The client also confirms that the abstraction and treatment process is stable and that the energy consumption remains stable¹⁵ over the years It is worth noting that Water-link is collaborating with an external cooperative energy company, Ecopower, to facilitate the development of wind turbines at one of its production sites. This partnership aims to contribute to a reduction in the overall net energy consumption.</p> <p>Additionally, the leakage level calculated using the Infrastructure Leakage Index (ILI) was equal to 1.34 in 2021. This number was confirmed by the Regulator and made publicly available¹⁶. Water-link also precises that the ILI in 2022 was 1.15 and that the number will be confirmed by the Regulator in their publication by the end of 2023. That calculation is applied across the extent of water supply (distribution) network where the works are carried out, i.e. at water supply zone level, district metered area(s)</p>	

¹⁴ This column is based on input provided by the Issuer.

¹⁵ Water-link points out that the freshwater source exploited is stable, thereby establishing the stability of the treatment process with comparable thresholds throughout the years.

¹⁶ Report by the Regulator on the ILI in 2021: <https://www.vmm.be/publicaties/drinkwaterbalans-voor-vlaanderen-2021>

		(DMAs) or pressure managed area(s) (PMAs) and calculated yearly.	
Sustainable water and wastewater management	5.2 Renewal of water collection, treatment and supply systems	<p>Water-link confirms that the water supply system complies with the EU Taxonomy Technical Screening Criteria for Substantial Contribution to Climate Change Mitigation of category 5.2</p> <p>Water-link has verified that the ILI (Infrastructure Leakage Index) of their projects falls below the 1.5207 thresholds . Consequently, they do not need to take additional measures to bridge the gap between the actual ILI and the threshold, as they are compliant with the requirement specified by the Technical Screening Criteria for Significant Contribution to Climate Change Mitigation for activity 5.2 without any further adjustments.</p> <p>Water-link also confirms that all the investments that will be realised under this category will be targetting improvement of the net energy use and/or the ILI.</p>	✓

b) Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Adaptation

GREEN FINANCE FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁷	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Sustainable water and wastewater management	5.1 Construction, extension and operation of water collection, treatment, and supply systems	<p>Water-link confirms that the water supply system complies with the EU Taxonomy Technical Screening Criteria for Substantial Contribution to Climate Change Adaptation of category 5.1.</p> <p>Water-link has conducted a climate risk and vulnerability assessment to identify the climate-related hazards applicable for water-link activity from those listed in</p>	✓

¹⁷ This column is based on input provided by the Issuer.

Appendix A to the EU Taxonomy Annex. The climate projections are done using impact scenarios developed by the Catholic University of Leuven up to 2100. These scenarios use simulation of global climate models which are transferred to regional and local models. Also, simulations from IPCC scenarios RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5 are performed. The physical climate risks that are material are "Water stress", "Drought" and "Water quality".

Based on this assessment, the Issuer has been developing several mitigation measures. Among these measures, Water-link is pursuing source diversification by establishing increased interconnectivity with other drinking water companies that utilize distinct, complementary freshwater sources.

Furthermore, they are augmenting their strategic reserves by constructing an extra water reservoir with a capacity exceeding 4 million m³ of freshwater reserve. Furthermore, Water-link is advancing the creation of a large-scale water reuse facility aimed at providing industrial clients with circular cooling water. They display the information related to these projects in their Sustainability Report¹⁸.

They also implemented monitoring tools and systems to better track the pre-defined indicators so that when indicators do not meet satisfactory levels, remedial actions are implemented. Also, impact studies are frequently repeated based on new insights from the field as well as new scientific insights.

For example, they implement the VRAG (a Flemish set of measures) that determine priorities of fresh water in case of drought.

¹⁸ Water-link' Sustainability Report, 2021;
<https://waterlink.be/sites/default/files/202304/MVO%20rapport%202023%20def%20april%20website%20.pdf>

		They also developed an operation dashboard that helps the operational decision making in case of droughts. Additionally, to help monitor the quality of the water they use sensors that were installed under the project “Aquaspice”.	
Sustainable water and wastewater management	5.2 Renewal of water collection, treatment and supply systems	See the assessment under b) for Activity 5.1.	✓

c) Do No Significant Harm Criteria

Regarding the policies and procedures to ensure that the project categories align with the relevant Do No Significant Harm Criteria, Water-link will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. Considering the Issuer will perform an alignment assessment in the future, there is currently no information as to whether the project categories fulfill the Do No Significant Harm Criteria of the EU Taxonomy.

d) Minimum Safeguards

Regarding the policies and procedures to ensure that the project categories align with the Minimum Safeguards requirements, Water-link will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. Considering the Issuer will perform an alignment assessment in the future, there is currently no information as to whether the project categories fulfill the Do No Significant Harm Criteria of the EU Taxonomy.

PART IV: LINKING THE TRANSACTION(S) TO WATER-LINK'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH WATER-LINK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Water-link's Corporate Social Responsibility (CSR) strategy was outlined using a materiality matrix with 23 relevant topics, the strategy consists of five pillars covering 19 themes¹⁹. The Company has set numerous short-term targets for 2025 which will be tracked every two years in the Sustainability Reports²⁰, the quantitative targets are as follows:

- Pillar 1: Secure water supply
 - The number of unplanned supply interruptions drops by 20%
 - 20% less non-registered water consumption; Maximum commitment to opportunities for reusing industrial water flows
 - There will be at least 1.5 m³/second of drinking water available from climate-robust water sources²¹ by 2030
- Pillar 2: Safe and healthy for people and the environment
 - Reduce the necessary excess of chemicals for demineralized water production by 25%, from the 2021 level of 35% to 26% in 2025
 - Reduce the use of sodium hypochlorite to a critical minimum
- Pillar 3: More sustainable internally
 - 25% reduction of the CO₂ footprint (Scope 1, 2 and 3) by 2025, compared to 2018
 - Protect digital processes and achieve the highest rating 'Advanced' (>740) using the Bitsight score²²
 - Integrate sustainability criteria into the pension fund investments, whereby approximately 50% of the universe remains after the ESG filter
- Pillar 4: Engaged and resilient
 - 50% fewer accidents compared to 2017 in 2025, striving for 0 lost-time accidents by 2025
- Pillar 5: Close partner
 - 75% of customer satisfaction survey scores are 4 or 5 (on a 5-point scale) after contact with Water-link in 2025
 - At least 99% of water meters are read digitally every month from 2022
 - E-invoicing rate of 75%

Each pillar has an action plan to achieve the associated targets, some of these actions include investments in better equipment for leak detection, including sensors, pressure monitoring, and satellite technology; since 2021, an internal task force has been coordinating all actions to reduce the NRW percentage in certain zones and will map the network to focus on leak-prone areas; carrying out

¹⁹ Pillar 1 themes: secure supply, leakages, circular water, climate robust sources, innovation; Pillar 2 themes: health, chemical use; Pillar 3 themes: environment and climate, procurement, cyber security and privacy, finances; Pillar 4 themes: training, safety, diversity, wellbeing; Pillar 5 themes: customers, social role, multi-utility approach, raising awareness.

²⁰ Water-Link, 2021 Sustainability Report, <https://water-link.be/media/834>

²¹ A climate robust water sources are defined as water sources not at risk due to the impact of climate change. For instance, their new water reservoir we will have enough fresh water to fill this in winter and thus giving a reserve of climate-robust water for the summer.

²² Bitsight score: <https://www.bitsight.com/security-ratings/trusted-ratings>

water scans at customers and prospective customers that identify all opportunities for on-site water reuse; phasing out fossil fuels by greening its fleet and generating its own electricity by installing a total of six wind turbines at two production sites.

The GHG emissions targets until 2030 are defined as aligned with the Science Based Targets initiative (SBTi) by an external party but have not been officially validated by SBTi. Reporting by Water-link is done in accordance with GRI standards. However, there is no information available on whether the Issuer is signatory to any industry alliances or collective commitments.

Water-link's business unit "Process & Risk" is responsible for the risk management process. On a yearly basis a risk review is done with all business units and mitigation actions are decided. ESG risks are part of the overall strategic risk assessment. All business units are involved, the risk assessment covers everything from the physical impact of climate change on water supply to a safe work environment for workers. The business units Health & Safety and Environment are responsible for the general health & safety policies (including VCA-compliance) and alignment with environmental standards. Both the strategy, identified risks, and mitigation plans are reported and approved to the management team as well as presented to the board of Directors at least annually. The Portfolio Management Office oversees the implementation of the projects. The Sustainability Program Manager oversees the progress specific to the Sustainability strategy.

In line with its environmental commitments, Water-link has a running Green Loan used for the roll out of the digital water meters.

Rationale for issuance

Water-link continues to invest in its assets in order to ensure the security of supply and contribute to a sustainable water supply for all its customers. As part of Water-link's sustainability strategy, the aim is to finance sustainable investments with Green Finance Instruments. This Green Finance Framework has been designed to increase transparency and clarity towards potential investors.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds and Loans are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

B. WATER-LINK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Water and Waste Utilities Industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Accessibility and reliability of water supply
Energy management and resource efficiency
Environmentally safe operation of plants and infrastructure

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths and points of attention²³ have been identified:

STRENGTHS	POINTS OF ATTENTION
<p>The company has implemented several elements of a health and safety management system, that includes targets to reduce accident rate, programs, and training of employees.</p> <p>The company has disclosed its position on climate change. Further, the company has set clearly defined greenhouse gas emission reduction targets for its drinking water production and has planned measures to achieve greenhouse gas emission reduction, e.g., using renewable energy sources.</p> <p>The company offers incentives to customers to encourage efficient use of water through improved metering options such as smart</p>	<p>The company has not disclosed data on accident rate and fatalities of employees and contractors for three consecutive years.</p> <p>The company has disclosed limited information on its greenhouse gas emission inventories.</p> <p>Regarding sustainable water withdrawal, the company monitors pollutants from the water sources. However, other aspects such as risk assessments and pollution prevention measures are missing.</p>

²³ Please note that Water-link is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Water and Waste Utilities sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

meters. Additionally, the company has disclosed its position on climate change.

The company has taken measures to reduce leakages from the water distribution systems through improved leak detection and pressure management. Moreover, the company has reported data on the leakage rate of drinking water systems for three consecutive years.

The company has disclosed information on the integrity of the sewer system that includes maintenance processes and investments for modernizing the sewer system. Additionally, the company raises awareness among customers to prevent sewer blockages.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

Social and Environmental impact of the product portfolio:

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ²⁴	DIRECTION OF IMPACT	UN SDGS
Water and/or wastewater services for residential customers	21%	CONTRIBUTION	 
Water and/or wastewater services for corporate customers	79%	CONTRIBUTION	 

²⁴ Percentage presented in this table are not cumulative.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Water and Waste Utilities industry are as follows: Failure to prevent water pollution, Strike action, and Failure to respect the right to just and favourable conditions of work.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if Water-link's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Water-link's (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: Quality Management Processes

SCOPE

Water-link commissioned ICS to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles, Green Loan Principles and EU Taxonomy Climate Delegated Act and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles, as administered by the LMA (as of February 2023)
- EU Taxonomy Climate Delegated Act (as of June 2023)

ISSUER'S RESPONSIBILITY

Water-link's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Framework 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.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Water-link has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles, LMA Green Loan Principles.

The engagement with Water-link took place in July to October 2023.

ISS' 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 behavior 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 this 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.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets 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/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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