

# Second-Party Opinion

## Belfius Social Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Belfius Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Access to Essential Services - Education, Access to Essential Services – Healthcare, Affordable Housing, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 10 and 11.



**PROJECT EVALUATION AND SELECTION** Belfius has established a Green & Social Bond Committee which will be responsible for evaluating and selecting projects in line with the Framework eligibility criteria. The committee, which meets on a quarterly basis, consists of the heads of ESG, Long-Term Funding and Structured Finance, as well as representatives from commercial business units. Belfius' credit committee assesses the environmental and social risks associated with borrowers' activities, in line with its credit policies and Transition Acceleration Policy. Sustainalytics considers these environmental and social risk management systems to be adequate and the project selection process to be aligned with market practice.



**MANAGEMENT OF PROCEEDS** Belfius' Green & Social Bond Committee is responsible for the management of proceeds. It will monitor the social portfolio with the allocated eligible social assets individually listed in the internal information system. Belfius has confirmed to Sustainalytics that it intends to allocate the proceeds immediately after issuance. Any unallocated proceeds will be temporarily invested in accordance with Belfius' internal policies. This is in line with market practice.



**REPORTING** Belfius commits to report on the allocation of proceeds on its website on an annual basis while any social bond is outstanding. Allocation reporting will include the total amount of social bonds, the social portfolio including a breakdown by eligible category, and the balance of unallocated proceeds, if any. In addition, Belfius intends to report on relevant impact metrics. Sustainalytics views Belfius' allocation and impact reporting as aligned with market practice.

## Second-Party Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

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## Introduction

Belfius Bank SA/NV and its consolidated subsidiaries (“Belfius” or the “Group”) is an integrated state-owned bank and insurance group that offers payment methods, loans and credits, savings and investment products and insurance policies to retail customers, small and medium-sized enterprises, public institutions, non-profit organizations and corporates in Belgium. Headquartered in Brussels, Belgium, the Group generated revenues of EUR 2.9 billion in 2022 and employed 6,715 staff as of December 2022.<sup>1</sup>

Belfius has developed the Belfius Social Bond Framework dated March 2024 (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that deliver a positive social impact in Belgium and advance Belfius’ sustainability strategy. The Framework defines eligibility criteria in four areas:

1. Access to Essential Services – Education
2. Access to Essential Services – Healthcare
3. Affordable Housing
4. Socioeconomic Advancement and Empowerment

Belfius engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2023 (SBP) as administered by ICMA.<sup>2</sup> The Framework will be published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Belfius’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Belfius representatives have confirmed (1) they understand it is the sole responsibility of Belfius to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Belfius.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

<sup>1</sup> Belfius, “Annual Report 2022”, (2023), at:

<https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Annual%20Report%20Belfius%20Bank%202022%20-%20ENG.pdf>

<sup>2</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>3</sup> The Belfius Social Bond Framework is available on Belfius SA’s website at: <https://www.belfius.be/about-us/en/investors/debt-issuance/social-bonds>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Belfius has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Belfius Social Bond Framework

Sustainalytics is of the opinion that the Belfius Social Bond Framework is credible, impactful and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Access to Essential Services - Education, Access to Essential Services - Healthcare, Affordable Housing, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the SBP.
  - Belfius will follow a portfolio approach to manage the proceeds of bonds issued under the Framework.
  - Under the Access to Essential Services – Education category, the Group may finance or refinance loans for the construction, extension or refurbishment of educational equipment and infrastructures, such as schools, colleges and universities. The Group may also finance education activities for these facilities. Sustainalytics notes that the framework limits financing eligibility to state and public schools and free-of-charge private schools including universities and colleges. Sustainalytics views these investments to be aligned with market practice.
  - Under the Access to Essential Services – Healthcare category, Belfius may:
    - Refinance general corporate loans to public and private hospitals as well as finance or refinance the construction, extension or refurbishment of public and private hospitals and healthcare facilities, which are accessible to all regardless of ability to pay. Sustainalytics considers these expenditures to be socially impactful, given the strong presence of a universal healthcare system in Belgium, under which care in both public and private hospitals are funded by the government via a health insurance scheme and the public centres for social assistance.<sup>5,6</sup>
    - Finance or refinance the construction, extension or refurbishment of care facilities for the ageing population and support centres for people with disabilities. Sustainalytics notes that in the Belgian context, investments in such facilities in combination with the social security allowances provided by the federal and regional governments for both public and private care facilities can expand and ensure access for the target population. Additionally, the target population can also apply for: i) mandatory federal insurance for medical care and benefits;<sup>7</sup> ii) integration allowance;<sup>8</sup> iii) elderly assistance allowance;<sup>9</sup> or iv) other applicable regional insurance, such as the “zorgbudget” in the Flanders region, which aims to improve the affordability of such

<sup>5</sup> Belgian Federal Government, “Healthcare costs”, at: [https://www.belgium.be/en/health/healthcare\\_costs](https://www.belgium.be/en/health/healthcare_costs)

<sup>6</sup> Belgian Federal Government, “CPAS”, at: [https://www.belgium.be/fr/famille/aide\\_sociale/cpas](https://www.belgium.be/fr/famille/aide_sociale/cpas)

<sup>7</sup> Belgian Federal Government, “Verplichte verzekering voor geneeskundige verzorging en uitkeringen”, at: [https://www.belgium.be/nl/gezondheid/medische\\_kosten/verplichte\\_verzekering](https://www.belgium.be/nl/gezondheid/medische_kosten/verplichte_verzekering)

<sup>8</sup> Belgian Federal Public Service Social Security, “Integratietegemoetkoming (IT)”, at:

<https://handicap.belgium.be/nl/tegemoetkomingen/integratietegemoetkoming>

<sup>9</sup> Belgian Federal Public Service Social Security, “Sociale bijstand en OCMW”, at: <https://www.socialsecurity.be/citizen/nl/sociale-bijstand-en-ocmw>

- facilities to eligible individuals through a maximum monthly allowance of EUR 630.90.<sup>10</sup> Sustainalytics also notes that the Public Centres for Social Welfare may extend additional financial support for the target population.<sup>11</sup> Sustainalytics considers loans for the financing of such assets to be socially impactful.
- Under the Affordable Housing category, Belfius may finance or refinance loans to government agencies for the development, construction, renovation and maintenance of social housing projects in all the three regions (Flanders, Wallonia and Brussels) in Belgium. Government agencies financed under this category include:
    - Agencies in Flanders, such as Wonen in Vlaanderen, which target low-income populations that meet the annual income thresholds – EUR 29,515 for single applicants, EUR 31,987 for single applicants with disabilities and EUR 44,270 for other persons without children, with an increase of EUR 2,475 per dependent.<sup>12</sup>
    - Agencies in Brussels, such as the Brusselse Gewestelijke Huisvestingsmaatschappij, which target populations that meet the following annual income thresholds: EUR 27,499.10 for a single person, EUR 30,554.58 for a family with only one income and EUR 34,919.57 for a family with different incomes.<sup>13</sup> Additionally, the agency provides financial aid to support rent payment for target populations that meet the following annual income thresholds: EUR 26,313 for a one-parent family with at least one child, EUR 15,158 for a single person and EUR 20,485 for a family of several people.<sup>14</sup>
    - Agencies in Wallonia, such as Société Wallonne du Logement, which target low-income population that meet the annual income thresholds of EUR 52,800 for a single applicant and EUR 63,900 for a household, with an additional EUR 3,200 per dependent child.<sup>15</sup>
    - Sustainalytics notes that the regional eligibility thresholds above are higher than the median annual incomes of EUR 28,909 in Flanders, EUR 25,193 in Wallonia and EUR 21,870 in Brussels. In Sustainalytics' opinion, in order to ensure a contribution to increasing access to affordable housing, it is best practice to define a target population with an upper threshold at or below the annual median income at the municipal or regional level. However, given that these thresholds were developed by the Belgian government as the applicable thresholds in these regions for social housing,<sup>16</sup> Sustainalytics considers these investments to be socially impactful.
  - Under Socioeconomic Advancement and Empowerment, Belfius may finance or refinance loans provided to or guaranteed by the CPAS-OCMW public centres for social welfare (*centre public d'action sociale* or *openbaar centrum voor maatschappelijk welzijn*). Sustainalytics notes that CPAS/OCMW are organizations under each municipality in Belgium that provide social services such as financial aid, housing, medical aid, home help and care, employment, and psychosocial support to individuals who have insufficient means of subsistence or are sometimes homeless. To be eligible for social assistance, the CPAS/OCMW carry out an investigation into the means of subsistence of the person or family concerned and determine which assistance is most appropriate depending on the situation.<sup>17</sup> Sustainalytics views these investments to be socially impactful.
  - Project Evaluation and Selection:
    - Belfius has established a Green & Social Bond Committee that will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee consists of the heads of Sustainability, Long-Term Funding and Structured Finance, as well as

<sup>10</sup> Flemish Social Protection Agency, "Zorgbudget voor mensen met een handicap", at: <https://www.vlaamsoecialebescherming.be/het-zorgbudget/zorgbudget-voor-mensen-met-een-handicap>

<sup>11</sup> Belgian Federal Government, "CPAS", at: [https://www.belgium.be/fr/famille/aide\\_sociale/cpas](https://www.belgium.be/fr/famille/aide_sociale/cpas)

<sup>12</sup> Government of Flanders, "Een sociale woning huren bij een woonmaatschappij" at: <https://www.vlaanderen.be/een-sociale-woning-huren-bij-een-woonmaatschappij>

<sup>13</sup> Brusselse Gewestelijke Huisvestingsmaatschappij, "Admission Requirements" at: <https://slrb-bghm.brussels/nl/huurder-woorden/toelatingsvoorwaarden>

<sup>14</sup> Brusselse Gewestelijke Huisvestingsmaatschappij, "Huurtoelage" at: <https://slrb-bghm.brussels/nl/huurder-woorden/toelages-hulp-en-alternatieven>

<sup>15</sup> Société Wallonne du Logement, "Obtenir un logement public", at: <https://www.swl.be/index.php/accueil-particulier/louer>

<sup>16</sup> Statbel, "Tax statistics on income subject to tax on natural persons by municipality of residence", (2023), at: <https://bestat.statbel.fgov.be/bestat/crosstable.xhtml?view=520b295c-bf04-4768-a14f-fa58a566ab8c>

<sup>17</sup> Belgian Federal Government, "CPAS", at: [https://www.belgium.be/fr/famille/aide\\_sociale/cpas](https://www.belgium.be/fr/famille/aide_sociale/cpas)

- representatives from the Group's commercial business units – Private, Business & Retail, and Enterprises, Entrepreneurs & Public. The Committee will meet on a quarterly basis.
- Belfius integrates the assessment of environmental and social risks associated into its credit review process, which is administered by the credit committee in line with the Bank's credit policies and Transition Acceleration Policy. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details, see Section 2.
  - Based on the established process for project selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
    - Belfius' Green & Social Bond Committee is responsible for the management of proceeds. It will monitor the social portfolio with the allocated eligible social assets individually listed in the Group's internal information system.
    - Belfius has confirmed to Sustainalytics that it intends to allocate proceeds immediately after issuance. Any unallocated proceeds will be temporarily invested in accordance with Belfius' internal policies, in treasury portfolios, money market products and cash or cash equivalents.
    - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Belfius will report on the allocation of proceeds and corresponding impacts on its website on an annual basis while any social bond is outstanding.
    - Allocation reporting will include the total amount of social bonds in the social portfolio, including a breakdown by eligible category and the balance of unallocated proceeds.
    - Impact reporting may include number of students served, number of education facilities benefitting from a loan, number of hospital beds, number of hospitalizations, number of FTEs, number of dwellings, number of beneficiaries.
    - Based on Belfius' commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Social Bond Principles 2023

Sustainalytics has determined that the Belfius Social Bond Framework aligns with the four core components of the SBP.

## Section 2: Sustainability Strategy of Belfius

### Contribution to Belfius' sustainability strategy

Belfius' overarching corporate strategy, the 2025 Inspire strategy, includes a social objective focusing on the following areas: i) supporting society through charities; ii) giving women every opportunity and guaranteeing equal pay; iii) going for a 100% meaningful investment offer; iv) future-proofing infrastructure.<sup>18</sup>

Belfius provides solutions for social infrastructure in Belgium, including hospitals, nursing homes, schools, utilities and municipal infrastructure, with a total outstanding loan balance of EUR 23.7 billion for the public and social sector. In particular, the Group publishes an annual Model for Automatic Hospital Analyses report, which provides insights into the strategic and financial situation of the Belgian healthcare sector.<sup>19</sup> As a Belgium-based integrated banking and insurance company, the Group aims to contribute to the well-being of Belgian society by providing citizens with better access to financial products and services. In this context, the Group has identified financial inclusion as a key issue in its materiality analysis and has taken several initiatives on this front.<sup>20</sup> To address the growing digital divide in Belgium, Belfius has developed a number of banking products that facilitate access to basic banking services. These products are aimed at people in difficult circumstances who are unable to enter the banking system on their own. Belfius has integrated these products into BelfiusWeb, an electronic banking application used by the Belgian government's CPAS/OCMW,<sup>21</sup>

<sup>18</sup> Belfius, "Sustainability Report 2022", at: <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Sustainability-report-2022.pdf>

<sup>19</sup> Belfius, "Belfius Social Bond Framework", at: <https://www.belfius.be/about-us/en/investors/debt-issuance/social-bonds>

<sup>20</sup> Ibid.

<sup>21</sup> Service Public Fédéral Belge, "CPAS", at: [https://www.belgium.be/fr/famille/aide\\_sociale/cpas](https://www.belgium.be/fr/famille/aide_sociale/cpas)

which had a total of approximately 163,000 active accounts at the end of 2023. As of December 2023, Belfius accounted for over 45% of the basic banking services for the most disadvantaged on the Belgian market.<sup>22</sup>

The Group has also been running thematic funds, the Funds of the Future, which contribute to one or more of the environmental and social objectives in line with the UN SDGs. Through this product, the Group provides investment solutions that lead to investments in companies that aim to address social and environmental issues. As of December 2022, the funds have attracted EUR 2.2 billion, of which EUR 4.8 million were donated to partner organizations and initiatives.<sup>23</sup>

Since 2020, the Group has been a signatory to the UN Global Compact, the Principles for Responsible Investments (PRI), the United Nations Environment Programme's Principles for Sustainable Insurance (PSI)<sup>24</sup> and the Belgian SDG Charter for International Development.<sup>25</sup> In addition, Belfius signed the Gender Diversity Charter in the Financial Sector as part of Women in Finance initiative in 2019.<sup>26</sup> The Charter aims to improve gender equality in the Belgian financial sector and take action to foster inclusion.

Sustainalytics is of the opinion that the Belfius Social Bond Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Group's action on its key social priorities.

### Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents and waste generated during construction; community relations and stakeholder participation. The Group plays a limited role in the development of the specific projects financed, but by offering lending and financial services, it is exposed to risks associated with the companies and projects that it may finance.

Sustainalytics is of the opinion that Belfius is able to manage or mitigate potential risks through implementation of the following:

- Belfius has established an overarching ESG Framework that outlines its commitment to alignment with international standards, ESG governance structures within the organization, responsible business practices and the assessment of its activities and counterparties.<sup>27</sup> As part of the ESG Framework, Belfius has a number of policies in place, including anti-money laundering, anti-fraud and anti-bribery, which are part of its risk management framework, including ongoing customer due diligence and transaction monitoring.<sup>28,29,30</sup> Additionally, the Code of Conduct,<sup>31</sup> the Customer Acceptance Policy,<sup>32</sup> the Human Rights Policy,<sup>33</sup> the Transition Acceleration Policy<sup>34</sup> and the Sustainability Code of Conduct for Suppliers<sup>35</sup> require that the Group and its business partners

<sup>22</sup> Belfius, "Social Bond Framework", at: <https://www.belfius.be/about-us/en/investors/debt-issuance/social-bonds>

<sup>23</sup> Belfius, "Annual Report 2022", at: <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Annual%20Report%20Belfius%20Bank%202022%20-%20ENG.pdf>

<sup>24</sup> Belfius, "A responsible bank-insurer", at: <https://www.belfius.be/about-us/en/belfius-community/responsible-bank-insurer>

<sup>25</sup> Sustainable Development Goals Belgium, "The Belgian SDG Charter for International Development", at: <https://www.sdgs.be/nl/belgian-sdg-charter-international-development>

<sup>26</sup> Women in Finance, "Team", at: <https://www.womeninfinancebelgium.be/en/team>

<sup>27</sup> Belfius, "ESG Framework", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/ESG-Framework-EN%20-%20final%20for%20publication.pdf>

<sup>28</sup> Belfius, "Anti-Money Laundering Policy", at: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius\\_Anti-Money-laundering-EN.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius_Anti-Money-laundering-EN.pdf)

<sup>29</sup> Belfius, "Anti-Fraud Policy", at: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius\\_Anti-Fraud\\_Policy\\_2019-EN.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius_Anti-Fraud_Policy_2019-EN.pdf)

<sup>30</sup> Belfius, "Anti-Bribery Policy", at: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius\\_Anti-omkopingsbeleid-EN.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius_Anti-omkopingsbeleid-EN.pdf)

<sup>31</sup> Belfius, "Code of Conduct", at: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius\\_CodeofConduct\\_2018-EN.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Belfius_CodeofConduct_2018-EN.pdf)

<sup>32</sup> Belfius, "Customer Acceptance Policy", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Klantenacceptatiebeleid-2021-EN.pdf>

<sup>33</sup> Belfius, "Human Rights Policy", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/Human-Rights-Policy-EN.pdf>

<sup>34</sup> Belfius, "Transition Acceleration Policy", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/TAP-Policy-EN.pdf>

<sup>35</sup> Belfius, "Sustainability Code of Conduct for Suppliers", at: [https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/suppliers/2310\\_BEL\\_Code-of-Conduct-EN.pdf](https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/suppliers/2310_BEL_Code-of-Conduct-EN.pdf)

comply with relevant laws and regulations as well as the Group's exclusion list of sectors and activities.

- In order to mitigate the adverse environmental impacts of social projects, such as biodiversity, land use, emissions, effluents and waste generated during construction, the Group has developed the Transition Acceleration Policy, which aims to align the Group's activities with the UN Guiding Principles.<sup>36</sup> The Policy sets out the prerequisites for Belfius' investment products in sensitive and carbon-intensive sectors, based on internal environmental, social and corporate governance exclusion criteria. Sustainalytics also notes that the financed projects are located in Belgium, where local laws and EU regulations provide stringent oversight of construction activities. These laws and regulations include the Environmental Impact Assessment Directive (2014/52/EU),<sup>37</sup> the EU Construction and Demolition Waste Protocol and Guidelines,<sup>38</sup> the EU Waste Framework Directive,<sup>39</sup> the Waste Electrical and Electronic Equipment Directive<sup>40</sup> and the European Waste Shipment Regulation.<sup>41</sup>
- To manage risks associated with community and stakeholder relations, Belfius regularly engages in dialogue with stakeholders, specifically customers, employees, trade unions, civil society, shareholder sector organizations, prudential supervisory authorities, as well as rating agencies and sustainability analysts, in various settings.<sup>42</sup> Belfius conducted its first materiality analysis in 2017 and consulted with external stakeholders to reflect it in the Group's ESG strategy. At the end of 2021, the Group conducted another survey with stakeholders (selected customers, suppliers, partners, NGOs, academics, trade unions and employees) to ensure that the group-wide strategy and commitment to sustainability are aligned with the issues that stakeholders consider relevant.<sup>43</sup>
- Sustainalytics notes the projects financed are based in Belgium, which is recognized as a Designated Country by the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including conducting stakeholder engagement for projects with potentially adverse environmental impacts.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Belfius has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics focuses below on where the impact is specifically relevant in the local context.

#### The importance of expanding access to healthcare in Belgium

The Belgian healthcare system is based on a mandatory national health insurance scheme. Care is provided by both public and private institutions, with direct access to and free choice of physicians and healthcare facilities, including specialist treatment. Coverage is near universal in Belgium, with approximately 99% of Belgian residents covered for a broad range of health services and goods. The health system is funded primarily through social contributions proportional to income, and patients contribute to the funding of the system through direct out-of-pocket payments.<sup>44</sup>

<sup>36</sup> Belfius, "Transition Acceleration Policy (TAP)", at: <https://www.belfius.be/about-us/dam/corporate/corporate-social-responsibility/documents/policies-and-charters/en/TAP-Policy-EN.pdf>

<sup>37</sup> European Parliament, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>.

<sup>38</sup> European Commission, "EU Construction and Demolition Waste Protocol and Guidelines", (2018), at: [https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18\\_en](https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18_en)

<sup>39</sup> European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098>

<sup>40</sup> EUR-Lex, "Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019>

<sup>41</sup> EUR-Lex, "Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006R1013>

<sup>42</sup> Belfius, "Sustainability Report 2022", at: <https://www.belfius.be/about-us/dam/corporate/investors/ratios-en-rapporten/belfius-reports/en/Sustainability-report-2022.pdf>

<sup>43</sup> Ibid.

<sup>44</sup> Belgian Health Care Knowledge Centre and European Observatory on Health Systems and Policies, "Belgium Health System Review 2020", at: <https://apps.who.int/iris/bitstream/handle/10665/339168/HinamiT-22-5-2020-eng.pdf>

Life expectancy in Belgium was 81.8 years in 2022, slightly above the EU average of 80.7 years. While access to and quality of healthcare in Belgium is good, there are gaps in unmet medical and care needs among income groups. In 2022, approximately 2.8% of people in the lowest income quintile reported unmet care needs, primarily due to affordability, in contrast with 0% in the top income quintile. This disparity is the largest among all western European countries and above the EU average.<sup>45,46</sup> Additionally, the share of the Belgian population aged 67 years or older is expected to rise from approximately 17% in 2019 to 24% in 2070.<sup>47</sup> This ageing demographic implies an increasing number of elderly people requiring the use of care facilities.

In 2021, the proportion of practising doctors in Belgium was 3.3 per 1,000 inhabitants, nearly 19% below the EU average of 4.1.<sup>48</sup> Furthermore, between 2009 and 2019, the proportion of doctors to inhabitants grew at a slower rate in Belgium than in other EU countries. The number of nurses increased to 11.1 per 1,000 inhabitants in 2021 compared to 9.3 in 2008, but the patient-to-nurse ratio remains high in hospitals across the country.<sup>49,50</sup> To address the shortage of nurses and doctors in Belgium, in 2021, the government allocated EUR 400 million to increase the remuneration of nurses in hospitals and EUR 600 million to make healthcare careers more attractive.<sup>51</sup>

In 2018, Belgium allocated 0.7% of its GDP to capital expenditures on healthcare infrastructure, medical equipment and technology.<sup>52</sup> In 2021, Belgium increased its budgetary target for public spending on healthcare by 7.5%, from approximately EUR 28 billion to EUR 30 billion. Belgium’s Recovery and Resilience plan of 2021 earmarked nearly EUR 100 million in investments for the healthcare system, with a focus on e-health, nuclear medicine and creating a European School of Biotechnology.<sup>53</sup>

In the above context, Sustainability is of the opinion that Belfius’ financing of the development, acquisition and refurbishment of infrastructure and equipment in hospitals and care facilities will contribute to improving access to healthcare in Belgium.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Belfius Social Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Access to Education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Hospitals	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

<sup>45</sup> OECD and European Observatory on Health Systems and Policies, “Belgium: Country Health Profile 2023”, at: <https://www.oecd-ilibrary.org/docserver/dd6df7bd-en.pdf?expires=1707140710&id=id&accname=guest&checksum=BFD1B7381D259781C0A7538E310718DB>

<sup>46</sup> Belgian Health Care Knowledge Centre and European Observatory on Health Systems and Policies, “Belgium Health System Review 2020”, at: <https://apps.who.int/iris/bitstream/handle/10665/339168/HinamiT-22-5-2020-eng.pdf>

<sup>47</sup> Federaal Planbureau and Statbel, “Demografische vooruitzichten 2019-2070”, (2020), at: [https://www.plan.be/uploaded/documents/202006020559070.REP\\_POP1970Covid19\\_12154\\_N.pdf](https://www.plan.be/uploaded/documents/202006020559070.REP_POP1970Covid19_12154_N.pdf)

<sup>48</sup> OECD and European Observatory on Health Systems and Policies, “Belgium: Country Health Profile 2023”, at: <https://www.oecd-ilibrary.org/docserver/dd6df7bd-en.pdf?expires=1707140710&id=id&accname=guest&checksum=BFD1B7381D259781C0A7538E310718DB>

<sup>49</sup> Belgian Health Care Knowledge Centre, “Performance of the Belgian health system – Report 2019” at:

[https://kce.fgov.be/sites/default/files/atoms/files/KCE\\_313C\\_Performance\\_Belgian\\_health\\_system\\_Report.pdf](https://kce.fgov.be/sites/default/files/atoms/files/KCE_313C_Performance_Belgian_health_system_Report.pdf)

<sup>50</sup> OECD and European Observatory on Health Systems and Policies “Belgium: Country Health Profile 2023” at: <https://www.oecd-ilibrary.org/docserver/dd6df7bd-en.pdf?expires=1707140710&id=id&accname=guest&checksum=BFD1B7381D259781C0A7538E310718DB>

<sup>51</sup> OECD and European Observatory on Health Systems and Policies, “Belgium: Country Health Profile 2021” at: <https://www.oecd-ilibrary.org/docserver/57e3abb5-en.pdf?expires=1648637136&id=id&accname=guest&checksum=68A3962186ED5EF80ECD7A6B0DE4A7D8>

<sup>52</sup> OECD and European Commission, “Health at a Glance: Europe 2020 : State of Health in the EU Cycle” at: <https://www.oecd-ilibrary.org/sites/82129230-en/index.html?itemId=/content/publication/82129230-en>

<sup>53</sup> OECD and European Observatory on Health Systems and Policies, “Belgium: Country Health Profile 2021” at: <https://www.oecd-ilibrary.org/docserver/57e3abb5-en.pdf?expires=1648637136&id=id&accname=guest&checksum=68A3962186ED5EF80ECD7A6B0DE4A7D8>

Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Socioeconomic advancement & empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

## Conclusion

Belfius has developed the Belfius Social Bond Framework under which it may issue social bonds and use the proceeds to finance projects that are expected deliver positive social impacts in Belgium and advance Belfius' sustainability strategy.

The Belfius Social Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics believes that the Belfius Social Bond Framework is aligned with the overall sustainability strategy of the Group and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 10, and 11. Additionally, Sustainalytics is of the opinion that Belfius has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Belfius is well positioned to issue social bonds, and that the Framework is robust, transparent and in alignment with the four core components of the Social Bond Principles (2023).

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