

# SUSTAINABLE FINANCE FRAMEWORK

September 2024

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## Foreword

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“Having the courage to change to shed light on the future”.

This conviction, expressed at the opening of our Government Programme for the 2024-2029 legislature, perfectly embodies the state of mind that guides my commitments.

At the dawn of this new legislature, the French Community of Belgium reiterates its commitment to sustainable development, as our Programme clearly demonstrates. In a context where transparency and the impact of investments are becoming increasingly important for investors, I am convinced that we can offer opportunities that comply with Environmental, Social and Governance (ESG) criteria, while actively contributing to the achievement of the UN Sustainable Development Goals.

Since 2011, the French Community has distinguished itself by being the first federated entity to integrate an external ESG analysis, updated in 2016 and 2023. These initiatives, led by the managers of the Community's public debt Agency, reflect our desire to maintain high standards of transparency and accountability, perfectly in line with the priorities of this new legislature.

In June 2021, we reached a new milestone by publishing a framework for the issuance of social bonds, validated by the ISS auditor, which offers investors a unique opportunity to participate in projects with a positive societal impact, such as actions in favour of social inclusion, access to education - from kindergarten to university - or strengthening access to culture and sport for all.

In 2024, we upgraded this social framework to a sustainable one, enabling us to combine social aspects with ecological initiatives, such as the energy renovation of schools taking sustainability issues into account, or support for innovative energy and social transition projects. This extended framework, validated by Moody's, reflects our ambition to respond to today's challenges by aligning our actions as closely as possible with the EU taxonomy.

Each year, a detailed and audited report is published to demonstrate that the borrowed funds are being used in accordance with the framework's requirements, thus guaranteeing that our commitments are in line with investors' expectations. I invite you to explore this framework and invest in projects that not only meet rigorous financial criteria, but also play an active part in building a sustainable future for our Community.

**Elisabeth Degryse**  
Minister-President

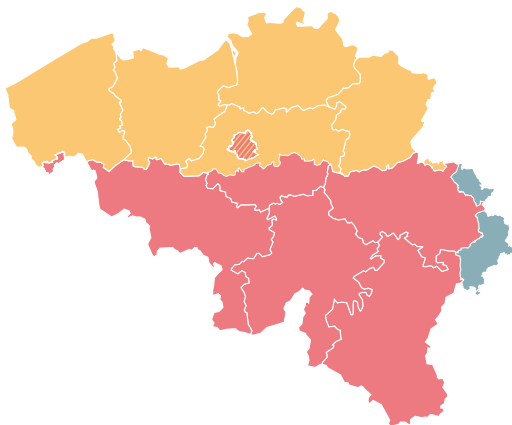


## 1

# Introduction to Communauté française de Belgique



Communauté française de Belgique<sup>1</sup> (“CFB”) is an entity of the Belgian Federal State and has its own constitutionally protected powers as well as both legislative and executive institutions. In addition to the federal level, the Federal State consists of three Communities (French, Flemish and German) and three Regions (Wallonia, Flanders, and Brussels). Each entity has its own constitutionally protected powers and both legislative and executive institutions, except that the Flemish Community and the Flemish Region largely merged their respective institutions.



CFB services an estimated 4.7 million people out of the 11.7 million inhabitants in Belgium broken down by region as follows:

- Walloon Region's French speaking community: 3.6 million
- Brussels-Capital Region's French and Flemish speaking community: 1.2 million
- Flemish Region: 6.7 million
- German Community: 79 thousand

<https://statbel.fgov.be/en/themes/population/structure-population>

CFB's powers extend to people and institutions established in Wallonia (excluding the German-speaking districts thereof) and to certain French-language institutions in the bilingual (French/Dutch) Brussels Region.

The Communities group people together according to the criteria of language. Each Community's field of action is defined according to four linguistic regions: the “French-language region”, the “Dutch-language region”, the “Brussels-Capital bilingual region” and the “German-language region”. The linguistic regions are mere territorial subdivisions that do not have any political or administrative body and therefore should not be confused with the three major Regions (Wallonia, Brussels, and Flemish Regions). Given the bilingual (French/Dutch) character of the Brussels-Capital linguistic region, the country's two main Communities (French and Flemish) are authorised to exercise their powers there within the bounds of their remit.

This two-tier federalism is the result of the historical evolution of the reform of the Belgian state.

<sup>1</sup> Since June 2011, the official name of Communauté française de Belgique has been changed in “Federation Wallonia-Brussels” (Fédération Wallonie-Bruxelles) pursuant to a decision of the Government and the Parliament. However, as the Constitution of the Kingdom of Belgium has not been accordingly modified, all legal documents should keep using the legal designation “French Community of Belgium” (Communauté française de Belgique).

## Constitutional responsibilities

The powers of CFB are determined by the Constitution of the Kingdom of Belgium and the special law of 8 August 1980 on institutional reforms (*Loi spéciale de réformes institutionnelles / Bijzondere wet tot hervorming der instellingen*), as amended (the “Institutional Reform Law”), and comprise the entire educational system (excluding pensions), culture (including, *inter alia*, fine arts, performing arts, radio and television, and sports), the use of languages and certain social affairs (including youth aid, early childhood, promotion of health in schools, and social aid to prisoners). Since the 6<sup>th</sup> State Reform, CFB is also competent for the Houses of Justice. In addition, CFB is known for its national and international cooperation, and scientific research.

CFB’s main mission, as defined in the Belgian Constitution<sup>2</sup> is to organise education, cultural matters and certain social matters and can be defined into **four categories**:



**Education:** from nursery school to higher education which includes adult learning, e-learning, artistic or any other educational programmes;



**Culture:** fine arts, performing arts, radio and television, and sport;



**Social affairs:** assistance for young people, infancy, health promotion in schools, social assistance for prisoners; and



**The use of languages** (in administrative and social matters).

## Revenues and expenditures

CFB revenues are governed by the Special Financing Act<sup>3</sup> (*la Loi spéciale sur le financement* or “LSF”<sup>4</sup>) of 16 January 1989, as modified in 1993, 2001 and 2014. Each year, the federal government transfers around 97% of CFB’s revenues. CFB cannot levy taxes as it has no fiscal power.

CFB’s policies mainly target children and young people, primarily through **education**, and deal with major challenges in terms of early childhood care, primary, secondary, and tertiary education (including higher education and university), as well as youth support. Therefore, education, research and the training sector usually represent around three quarters of CFB’s general expenditure budget.

<sup>2</sup> [https://www.senate.be/doc/const\\_fr.html](https://www.senate.be/doc/const_fr.html)

<sup>3</sup> The LSF mechanism applied to the CFB’s revenues could be presented as follows (on a very simplified basis):  $(\text{Revenue } t) = (\text{Revenue } t - 1) * (1 + \text{GDP}) * (1 + \text{CPI})$

<sup>4</sup> Article 54 of the LSF specifies that in the event of an insufficient payment or delay in the payment of the amounts due by the Federal State under the LSF, CFB can contract a loan guaranteed by the Federal State and the interest costs will be covered by the Federal State. The guarantee is only applicable on the amounts due by the Federal State. The guarantee do not apply on the Social Debt Instruments.

A large proportion of the education-linked expenditures, circa 85%, are dedicated to the wages of approximately 120,000 teachers from nursery to secondary schools. The balance almost corresponds to expenditures granted to tertiary education and research.

**Training** expenditures correspond mostly to expenses incurred alongside the traditional education system (social advancement and partial work-based learning).

In Belgium, **scientific research** is a competence shared by the Federal State, the Regions and the Communities. CFB is highly proficient in the field of scientific research, which is essentially carried out within the five French speaking universities and three university hospitals.

CFB support for scientific research operates via three main grant programs:

- ▶ STEM<sup>5</sup> Attractiveness
- ▶ Direct aid to CFB research bodies, including support for research in higher education institutions, participation of researchers in European initiatives, knowledge sharing, travel grants, support for research infrastructures, concerted research actions within universities and special research funds
- ▶ F.R.S.-FNRS<sup>6</sup> grants to support research in higher education establishments



<sup>5</sup> Science, technology, engineering, and mathematics

<sup>6</sup> Fund for Scientific Research: <https://www.frs-fnrs.be/en/>



The expenditure relating to **culture, social affairs and sport** essentially consists of grants or subsidies to various institutions entrusted with the implementation of these activities, such as RTBF (the French-language public radio and television network) and the childcare institution ONE (*"Office de la Naissance et de l'Enfance"*). Within the domain of sport, it also includes free and *"sports pour tous"* programmes as well as anti-doping initiatives.

The **General Services** sector covers expenses mainly relating to the operations of the CFB's institutions. The amount of expenditure for the Public Debt encompasses all charges linked to the debt (studies, fees, operations, etc.), in addition to interest charges.

**Other Expenditures** are paid annually by the CFB to Wallonia and the French Community Commission of the Brussels-Capital Region and correspond to the amounts payable by the CFB in exchange for the transfer of some powers to these two entities in accordance with the Saint-Quentin agreement<sup>7</sup>.



7 [https://www.gallilex.cfwb.be/fr/leg\\_res\\_02.php?ncda=40256&referant=l01](https://www.gallilex.cfwb.be/fr/leg_res_02.php?ncda=40256&referant=l01)



## 1.1 Social impact of CFB

Within its competences, CFB believes strongly that it supports citizens throughout their life journey which is evidenced by the full range of programmes that are being offered across the age groups.

CFB has allocated resources to develop school and nursery services, as well as health care for socially and economically disadvantaged people (free prenatal and child consultations, housing facilities for endangered children outside the family environment), access to sports equipment and cultural heritage opportunities to promote social cohesion. These resources are distributed equitably to all potential beneficiaries or target populations.

### Education



The resources that CFB has allocated have resulted in a strong increase in number of childcare places (+16.4% between 2010 and 2022), as well as in a strong increase of budget dedicated to day care for disabled children (+46.2% from 2017 to 2022).

This socially minded approach has resulted in a steady increase of attendance in education from nursery school through to tertiary education, including special needs since 2010. CFB's budget for education allows for all stages of education, including universities, to be affordable (under EUR 1000 per year) and has resulted in a steady increase of attendance in education from nursery school through to tertiary education, including special needs since 2010. There is also a financial support for students under the form of non-reimbursable student grants to widen access to higher education.

Up to secondary level, schools are free of charges but some fees may be requested for certain services<sup>8</sup>(e.g. extra-scholar activities, after-hours childcare, etc), but these are strictly controlled and capped.



8 <http://www.enseignement.be/index.php?page=26778&navi=3386>



## Additional means and special education system

Additional means for schools calculated with economic and social index based on variables (incomes, educational levels, professional activity, unemployment rate, welfare recipient...) characterizing students' household.

Depending on the needs of the student, CFB has several types of special education forms focused on inclusion:

- ▶ Social adaptation education
- ▶ Social and vocational adaptation education for integration in a living context and/or adapted work
- ▶ Vocational adaptation to provide general, social and professional training to make possible integration in workplaces
- ▶ Adaptation of regular education with differentiated teaching

Following the latest PISA test results where CFB was below the average of its peers (similar countries or regions), and the acknowledgement that social inequalities and "academic" separation are closely linked, the CFB made reforms to the education system ("*Pacte pour un enseignement d'excellence*"). Of note, there were additional expenditures allocated to primary education including reforms to new teacher training.

Among the measures taken under the *Pacte pour un enseignement d'excellence* :

- ▶ Free enrolment (for children over the age of 3 years) in nursery school (estimated impact: EUR 10 million per year);
- ▶ Hiring of new teachers and speech therapists to support teaching teams (estimated impact: EUR 10 million per year);
- ▶ Improved standing of the profession notably through the pursuit of ongoing professional development activities outside of class hours (such as collaborative work between teachers, coaching);
- ▶ Continuous training of teachers or amendment of certain costs (IT); and
- ▶ Increase in remedial programs to mitigate class repetition

Policy amendments were also incorporated to facilitate social advancement through education to enable the most vulnerable people to train, re-enter the labour market. In addition, business training opportunities are in place to encourage those over 15 years old to alternate between secondary school and job prospects for at least 40% of the time.

Since 2015, CFB has set up education centres for foreign minors<sup>9</sup> and offered grants to financially stretched students who are in secondary and tertiary education. As part of its plan to prevent and fight against radicalism, CFB established a call centre in the Houses of Justice, which is open every day.

9 <http://www.enseignement.be/index.php?page=23677>

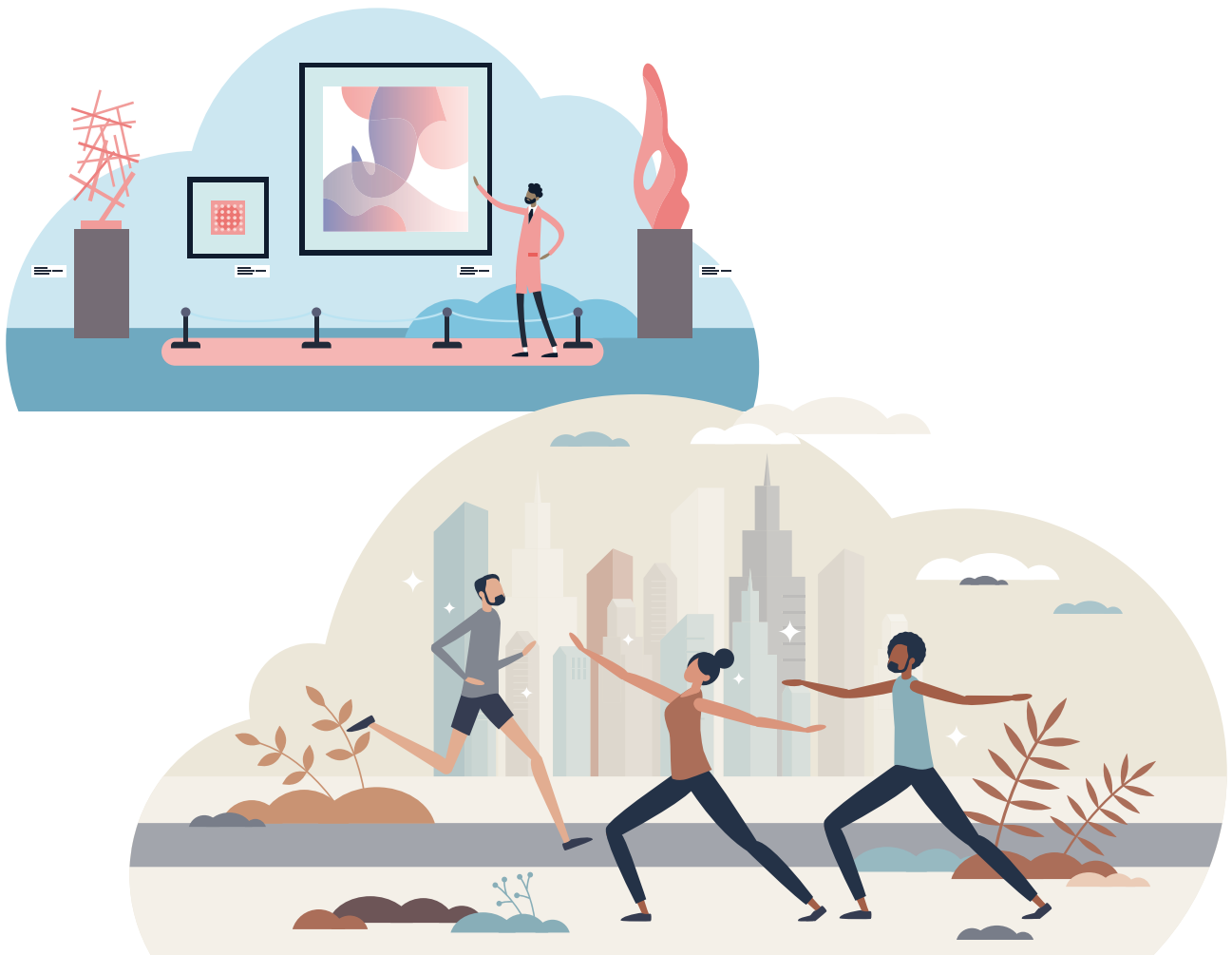


## Culture and Sports



In addition, CFB focuses on the expansion of culture and sports.

With regard to culture, CFB has experienced an increasing per capita expenditure ratio since 2015. The primary areas of development have been in cultural participation (encouraging the greatest possible number of people to experience culture) with a budget of EUR 198 million in 2022.



## 1.2 Environmental strategy

### Background: the Belgian National Energy and Climate Plan (NECP)

Due to Belgium's federal structure and the many areas of responsibility involved, climate policy is divided between the regions and the federal government. As part of Belgium's environmental policies, climate accountability mechanism and right of substitution (i.e. the federal State is the guarantor of the federated entities' obligations under international, European law, or Conventions) are applicable.

On 22 November 2023, Belgium's various governments reached an agreement at the Joint Consultation Committee to submit the draft updated Belgian National Energy and Climate Plan (NECP)<sup>10</sup> to the European Commission.

The draft NECP update is structured according to the table of contents as demanded by the EU governance regulation 2018/1999 and the European Commission guidelines.

The NECP consists of:

- ▶ common texts validated by the three regions and the federal State and binding on all of them;
- ▶ texts specific to the regions or federal State, under the titles 'Federal State', 'Flemish Region', 'Walloon Region' and 'Brussels-Capital Region', which are binding only on the concerned entity, and are under their respective responsibility.

The NECP updated has set up objectives regarding decarbonation and renewable energy:

- ▶ Decarbonisation: Depending on the Regions, 40 to 47% reduction target by 2030 compared to 2005
- ▶ Renewable energy share: 21.7% in 2030

The Communities are not directly concerned by the NECP objectives due to their competences, but they have contributed in some areas:

- ▶ renovation obligation for central government building for at least 3% equivalent energy savings
- ▶ set up a training programme for renovation/sustainable construction in schools of architecture
- ▶ energy and climate education for primary, secondary and higher school audiences

10 <https://www.nationaleenergyclimateplan.be/en/what-is-the-necp?updated-plan-2023>



## CFB's climate change mitigation initiatives

CFB has decided to tackle climate change at its own level with two major initiatives:

- **Fédé 20>25: A 5-year plan for the French Community Ministry and its Government<sup>11</sup>**

Fédé 20>25 is the second Administration Contract between the Government and the Ministry managing CFB competences. It sets out the strategy that will enable the Ministry, and each sector individually, to achieve the objectives set at cross-functional and sectoral levels. Fédé 20>25 is also the tool that sets the expected performance of key business processes, across all CFB areas of expertise.

While many topics are considered in this plan (end user, digital, ...), the environment topic has many objectives such as improving the energy and environmental performance of the Ministry and the CFB's subsidised sectors. So far, the implementation of the plan is still in process, but some results are already measured:

- ▶ **Solar photovoltaic panels** have been placed and produced 1 million of kWh in 2022
- ▶ Adoption of measures for the **renovation or construction of CFB buildings** (mostly schools), such as the preference given to maintain existing buildings over building new ones, using reusable materials, raising awareness on the impact of materials via a dedicated application, prioritisation of projects based in particular on the quality and scale of energy renovation, energy audits in multiples phases of the projects, rationalising building occupancy, energy performance contracts forming part of infrastructure management



11 <https://www.federation-wallonie-bruxelles.be/a-propos-de-la-federation/le-ministere/strategie/>



## • CFB Ecological Transition Decree

The Government of the French Community has published a Decree<sup>12</sup> organising the Ecological Transition with three major objectives:

- ▶ Carbon neutrality by 2050 at the latest
- ▶ A 55% reduction in greenhouse gas emissions by 2030 compared with 1990 levels
- ▶ Commitment to behavioural adaptation measures linked to the ecological transition and the preservation of biodiversity

The Decree provides that each new government that takes office must implement an ecological transition plan. It also institutes a committee to accompany and monitor this plan, composed of representatives of the public interest organisations concerned and experts in various fields related to the ecological transition.

A first plan (Transversal Plan of Ecological Transition)<sup>13</sup>, developed in consultation with civil society, was adopted in 2021 and the mechanisms for its implementation are in place.

The 6 main objectives of this first plan are:

### 1. Mobility

The goal is to achieve more environmentally friendly mobility:

- ▶ Promoting cycling as a mode of transport, with bicycles being made available to staff for journeys within the city
- ▶ Eco-responsible purchasing and possibility of integrating electric vehicles into its fleet



### 2. CFB Buildings (covered in detail in the *Fédé 20>25*)

### 3. Public procurement

- ▶ Controlling the environmental impact of CFB purchasing policy (10R's Model<sup>14</sup>)



<sup>12</sup> <https://www.federation-wallonie-bruxelles.be/transition-ecologique-en-federation-wallonie-bruxelles/#:~:text=Ce%20d%C3%A9cret%20inscrit%20la%20F%C3%A9d%C3%A9ration,2030%20par%20rapport%20%C3%A0%201990>

<sup>13</sup> [https://www.federation-wallonie-bruxelles.be/index.php?eID=tx\\_nawsecuredl&u=0&g=0&hash=193b027c345d76405fe7f18fae9d7827c8448302&file=fileadmin/sites/portail/uploads/PDF/Transition\\_ecologique/Plan\\_transversal\\_de\\_transition\\_ecologique.pdf](https://www.federation-wallonie-bruxelles.be/index.php?eID=tx_nawsecuredl&u=0&g=0&hash=193b027c345d76405fe7f18fae9d7827c8448302&file=fileadmin/sites/portail/uploads/PDF/Transition_ecologique/Plan_transversal_de_transition_ecologique.pdf)

<sup>14</sup> <https://economiecirculaire.wallonie.be/en/node/27>

- ▶ Ban the use of single-use products that cannot be recycled
- ▶ Promote the use of sustainable products (e.g., through central purchasing bodies), re-use, repair, and recycling
- ▶ Gradually use the product-service system<sup>15</sup> to reduce the purchase of goods.



#### 4. Behavioural adaptation

Within CFB administration, continue and accelerate the development of ways of working in order to reduce the impact on the environment:

- ▶ Electronic Document Management
- ▶ Remote working
- ▶ Flexible working hours
- ▶ Optimising or even reducing workspace



This theme also aims to optimise and minimise the consumption of resources across CFB landscape: young people, schools, nurseries, etc., in particular by promoting the most virtuous sectors, organisations and locations.

Also, support must be given to the research sector and its infrastructures to encourage its focus on climate and renewable energies and, more broadly, on everything related to the ecological transition.

#### 5. Training, information, and awareness

- ▶ Raising awareness among young people in care and schools
- ▶ Raising awareness of the impact of consumption patterns
- ▶ Environmental education



#### 6. Cross-functional actions

This last axis is technical-political:

- ▶ Develop and use tools and mechanisms likely to support the investments made necessary by the ecological transition
- ▶ Identify the bodies and players with expertise in ecological transition
- ▶ Ensure intergovernmental consultation with the Walloon and Brussels Regions, thereby encouraging synergies and pooling.



The final monitoring and impact report on the Transversal Plan of Ecological Transition will be drawn in 2025.

<sup>15</sup> <https://www.health.belgium.be/en/product-service>



## 2

# Structure of the Sustainable Finance Framework





## 2.1 Rationale for CFB's Sustainable Finance Framework

CFB sees its previous Social Finance Framework as a critical way of aligning its sustainability and financing strategy. In 2023, the CFB government published a decree<sup>16</sup> on a EUR 1 billion investment plan in school buildings which CFB aims at delivering through green financing and has thus expanded its previous Framework to also incorporate eligible green expenditures. With this updated Sustainable Finance Framework (the "Framework"), it can further contribute to the growth of the Sustainable Capital Markets and attract responsible investors to its debt issuance.

The Sustainable Finance Framework sets out how CFB intends to issue Green, Social and Sustainable Debt Instruments to finance expenditures that have an environmental and/or social impact. These issuances have three key objectives:

- ▶ contribute to building infrastructures key to human development
- ▶ seek to benefit people who live and work in economically and/or socially disadvantaged areas or communities and
- ▶ have positive environmental outcomes with energy efficiency improvement of buildings owned or subsidised by CFB.

This Framework is aligned to the ICMA Green Bond Principles 2021 (with June 2022 Appendix I)<sup>17</sup>, LMA Green Loan Principles 2023<sup>18</sup>, the ICMA Social Bond Principles 2023<sup>19</sup>, the LMA Social Loan Principles 2023<sup>20</sup>, and the Sustainability Bond Guidelines 2021<sup>21</sup> (all together the "Principles"), and incorporates the core components of the Principles:

- (1) Use of Proceeds;
- (2) Process for Project Evaluation and Selection ;
- (3) Management of Proceeds; and
- (4) Reporting.

The Framework also includes commitments regarding external review.

CFB also consider it a strategic objective to align activities under this Framework to the extent possible with the EU Taxonomy. Potential revisions of any of the criteria included in this Framework will aim to take into account relevant regulatory developments such as the European Green Bond Standard ("EuGBS") when it comes into force.

With this Sustainable Finance Framework, CFB has the possibility to issue a variety of capital market instruments, including bonds or notes in the public and private placement markets (including Schuldschein).

16 [https://infrastructures.cfwb.be/fileadmin/sites/dgi/uploads/SGISS/Biblio\\_doc/Plan\\_investissement\\_exceptionnel/PIE\\_Decret\\_du\\_27\\_avril\\_2023.pdf](https://infrastructures.cfwb.be/fileadmin/sites/dgi/uploads/SGISS/Biblio_doc/Plan_investissement_exceptionnel/PIE_Decret_du_27_avril_2023.pdf)

17 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

18 <https://www.lsta.org/content/green-loan-principles/#>

19 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

20 <https://www.lsta.org/content/social-loan-principles-slp/#>










21 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

## 2.2 Use of Proceeds

An amount equal to the net proceeds of the issuance of each Green, Social and Sustainable Debt Instrument issued by CFB under this Framework will be allocated, in part or in full, to finance new eligible green and/or social expenditures ("Eligible Expenditures") and/or to refinance existing Eligible Expenditures whose disbursements occurred no earlier than 24 months prior to the issue date of the Green, Social and Sustainable Debt Instruments. The Eligible Expenditures can either be operational expenditures (Social), capital expenditures (Green) and/or Research and Development. CFB intends to fully allocate the net proceeds of each Green, Social and Sustainable Debt Instrument issued within 12 months of issuance and provide associated allocation and impact reporting (see Section 2.5).



Eligible Social Expenditures that meet the eligibility criteria are included in the table below. The Eligible Social Expenditures are also mapped to the UN Sustainable Development Goals ("SDGs").

ICMA/LMA Social Principles Eligible Categories and Contribution to SDGs	Types of Expenditures and Eligibility Criteria	Expected Social Benefits	Target population
<b>Assess to essential services: Education</b>   	<ol style="list-style-type: none"> <li>Investments and expenditures in educational programs and facilities from nursery school to tertiary education</li> <li>Student financial support, including non-reimbursable grants and loans<sup>22</sup></li> <li>Investments and expenditures in adult learning (social advancement), e-learning and artistic learning</li> <li>Measures to improve quality of teaching and teacher employment</li> <li>Acquisition of equipment to ensure a quality education in public schools, including special education and psycho-pedagogical facilities</li> </ol>	<p>Ensure inclusive and quality education for all, promote lifelong learning and social inclusion</p> <p>Achieve gender equality and empower all women and girls</p>	French community of Belgium
<b>Affordable Basic Infrastructures: Sport and Culture</b>   	<ol style="list-style-type: none"> <li>Sport activities and public open spaces (incl. parks, fields, centres, swimming halls), including sport coaching, physical education and anti-doping programmes</li> <li>Free "sports pour tous" programmes and activities</li> <li>Cultural and artistic facilities (incl. libraries, culture and language centres, museums, theatres)</li> </ol>	<p>Contribute to positive inclusion within society</p> <p>Provide access to quality basic infrastructure for all</p> <p>Improve quality of life in particular in densely populated urban areas and local communities</p>	
<b>Assess to essential services: Social Inclusion</b>   	<ol style="list-style-type: none"> <li>Support programmes with a social purpose including social reintegration programs, youth support programs and ONE (<i>Office de la naissance et de l'enfance</i>)<sup>23</sup></li> </ol>	<p>Contribute to positive inclusion into society</p> <p>Strengthen social cohesion and solidarity</p> <p>Reduce social inequalities and exclusion</p>	







<sup>22</sup> Eligibility criteria for such grants are set out on the CFB website

- Secondary school: <https://allocations-etudes.cfwb.be/etudes-secondaires/conditions/>
- Higher education: <https://allocations-etudes.cfwb.be/etudes-superieures/conditions/>

These are written in French. Summary translations are available upon request from the CFB Finance department

<sup>23</sup> Translated to English as "Office of Birth and Childhood at children & families' service"

Eligible Green Expenditures that meet the eligibility criteria are included in the table below. The Eligible Green Expenditures are also mapped to the UN Sustainable Development Goals (“SDGs”).

ICMA/LMA Green Principles Eligible Categories and Contribution to SDGs	Types of Expenditures and Eligibility Criteria	Contribution to EU Environmental Objectives <sup>4</sup>
<b>Energy efficiency</b>   	Renovation of existing buildings, delivering an improvement of at least 30% in Primary Energy Demand (PED)	<ul style="list-style-type: none"><li>• EU Environmental Objective 1:<ul style="list-style-type: none"><li>- Climate Change Mitigation (Article 6)</li></ul></li><li>• Substantial contribution to EU Objective 1:<ul style="list-style-type: none"><li>- (1.b) Improving energy efficiency</li></ul></li></ul>
<b>Green Buildings</b>   	Construction of new buildings with the Primary Energy Demand (PED) at least 20% lower than the threshold set for the Quasi-Zéro-Energie (Q-ZEN) standard	



## 2.3 Process Project Evaluation and Selection

The Process for Expenditure Evaluation and Selection will ensure that the proceeds of the Green, Social and Sustainable Debt Instrument(s) issued under this Framework are allocated to new or existing expenditures that meet the eligibility criteria set out above in the Use of Proceeds section.

This Framework will be overseen by the Head of Finance and Budget, who reports to the Minister of Budget through the Treasury Advisory Council (*"Conseil Communautaire du Trésor"*). The Council is represented by the President of the Council, the Minister of Budget, representatives of the Government's Ministers, Auditors, Inspectors of Finance, members of the Court of Audit, CFB's Debt Agency and consultants. Specifically, the Head of Budget and Finance will submit the proposals to the Treasury Advisory Council for validation and The Council's advice will be validated by the Minister of Budget.

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

1. Maintenance of the Sustainable Finance Framework and review the content, updating it to reflect changes in market standards (such as relevant Sustainable Principles) and the organisation's strategy on a best effort basis;
2. Addition of Eligible Green/Social Expenditure categories;
3. Review the Eligible Green/Social Expenditure portfolio, including the monitoring of ESG risks or controversies associated with the Eligible Expenditures, confirming its continued compliance with CFB's Sustainable Finance Framework for all projects across the maturity of the instrument that they are issued against;
4. Exclude Green/Social Expenditures or investments that no longer comply with the eligibility criteria as per the monitoring process or have been disposed of and replacing them on a best efforts basis; and
5. Generate information required to produce the Allocation Report and periodic Impact Reports, in accordance with the Sustainable Finance Framework.

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



## 2.4 Management of Proceeds

The net proceeds of the Green, Social and Sustainable Debt Instruments issued will be tracked and managed within CFB's normal treasury liquidity account in accordance with the Ministry of Budget, until the total amount of the net proceeds equals the total amount of selected Eligible Green/Social Expenditures and/or until the maturity date of the Green, Social and Sustainable Debt Instrument. At any time during the lifetime of the Green, Social and Sustainable Debt Instrument, the outstanding amount of the Green, Social and Sustainable Debt Instruments will not exceed the value of the identified Eligible Green/Social Expenditures.

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

CFB will take specific measures as part of the annual financial audit process to track the invested amounts used to finance the selected Eligible Green/Social Expenditures. The remaining balance of unallocated proceeds of the Green, Social and Sustainable Debt Instruments will be invested in cash or/and cash equivalent products as per CFB's Treasury Policy.

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

There could be instances where eligible projects are dual-financed. In such cases, the allocation report will clearly differentiate between % financed through the Sustainable Finance Framework and % financed through other sources (see section 2.5) to ensure that there is no possibility of any double counting of proceeds.

The use of proceeds eligibility criteria included in this Sustainable Finance Framework shall not apply retroactively to the already allocated Eligible Assets, selected in accordance with the eligibility criteria defined in CFB's Social Finance Framework published in 2021.



## 2.5 Reporting

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

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

The reporting will be published annually on CFB's website <http://www.budget-finances.cfwb.be/>.

### Allocation reporting

CFB will provide information on the allocation of the net proceeds from each issuance of Green, Social and Sustainable Debt Instrument. Such information will be provided on an annual basis until all the net proceeds have been allocated. In the event of any material changes, an update will be provided until the relevant maturity date.

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

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



## Impact reporting

CFB intends to publish an impact report that will provide information on the environmental and social impacts of its Eligible Green/Social Expenditures. The reporting is intended to be provided on an annual basis. The relevant impact metrics to the extent possible and when applicable align to the Handbook – Harmonised Framework for Impact Reporting and, include:

Social Principles Eligible categories	Potential Indicators <sup>24</sup>
<b>Access to essential services: Education</b>	School enrolment rate (by age and by education level – nursery, primary, secondary and tertiary education (higher education and university)) Number of students by education level (nursery, primary, secondary tertiary education) Average annual cost by CFB per students by education level (nursery, primary, secondary and tertiary education) Repetition rate in mandatory education (primary and secondary school) Number of tertiary education graduates (including gender split) Split of students in tertiary education by gender and kind of teaching in higher education Split of teachers by education level and gender Number of students benefitting from non-reimbursable grants and loans
<b>Affordable basic infrastructure: Sport and Culture</b>	Number of affiliates and split by gender for each sport federation Number of athletes recognized by CFB contract (split by gender, by activity) Number of anti-doping tests administered
<b>Access to essential services: Social Inclusion</b>	Number of young people in the youth support programs Number of prevention programs, keeping children in difficulty in the school system and children in the programs Number of prenatal consultations Number of free follow-up of children between 0 and 6 years old in preventive medicine – ONE (vaccination rate, obesity)

Green Principles Eligible categories	Potential Indicators <sup>25</sup>
<b>Energy efficiency</b>	Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
<b>Green buildings</b>	kWh/m <sup>2</sup> of Gross Building Area (GBA) p.a. % of energy use reduced/avoided vs local baseline/building code Annual GHG emissions reduced/avoided in tonnes of CO2 equiv. vs local baseline/baseline certification level Type of scheme, certification level and m2 GBA

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

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



## 2.6 External Review and Verification

### Second Party Opinion

Prior to the inaugural issuance under this Sustainable Finance Framework, CFB has commissioned Moody's Ratings to provide a Second Party Opinion for its Sustainable Finance Framework. Moody's Ratings has reviewed the Sustainable Finance Framework and issued a Second Party Opinion which concluded that Moody's -Ratings is of the opinion that the Sustainable Finance Framework aligns with the ICMA GBP, SBP and SBG. Moody's Ratings has also assessed the alignment of the Sustainable Finance Framework with the EU Taxonomy.

The Sustainable Finance Framework and Second Party Opinion document will be made available on CFB's website <http://www.budget-finances.cfwb.be/>.

### External Verification

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

- ▶ The (re)allocation of net proceeds of the Green, Social and Sustainable Debt Instrument(s) to the eligible categories;
- ▶ The unallocated amount; and

The reporting commitments (e.g. impact metrics).

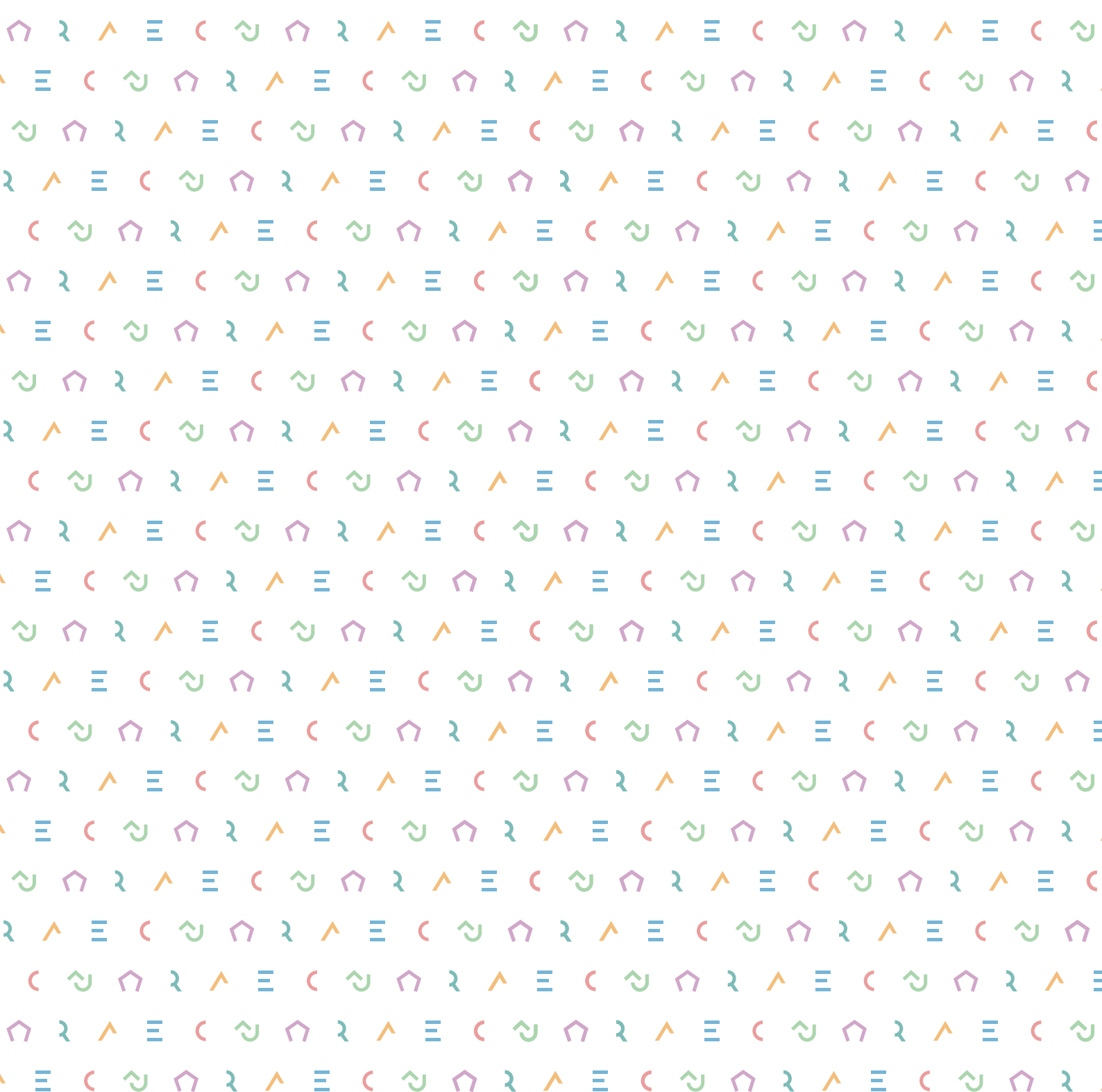


## Disclaimer

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