

Groep Genk :
Stad, OCMW en Autonoom Gemeentebedrijf Genk

Sustainability Finance Framework

Contents

1. About Groep Genk	3
1.1. Introduction	3
1.2. Sustainability Policy	7
1.5. Rationale for this Sustainability Finance Framework	8
2. Genk's Sustainability Finance Framework	9
2.1 The use of proceeds	10
2.2 The evaluation and selection process	14
2.3 The management of proceeds	14
2.4 The reporting	15
Allocation Report	15
Impact Report	15
2.5 The external review	17
Second Party Opinion (pre-issuance)	17
Annual Limited Assurance on the Allocation Report	17
2.6 Disclaimer	18
Annex – Example of Allocation Mechanism	19

1. About Groep Genk

1.1. Introduction

Genk, a resilient city with a rich economic history. Genk, located in the Belgian province of Limburg, is a city which has evolved, in a single century, from a rural village in the beginning of the 20th century into a large city, vibrant economic hotspot. In its history, the early years of the 20th century marked a turning point, when coal was discovered in Genk. Three large coal mines, Zwartberg, Waterschei and Winterslag, were founded. This has led to an explosion in population, and significant commercial and industrial expansions. Genk has proven to be resilient to changes after the closing of the coal mines in 1966, 1987 and 1988. Thanks to its dynamism and continuous development Genk was officially recognised as a city in the year 2000.

Genk, a cosmopolitan and young city. With almost 68.000 inhabitants, Genk is one of the largest cities of Belgium (Flanders). 87% of inhabitants of Genk have the Belgian nationality and 13% have a foreign nationality. More than 100 different nationalities feel at home in Genk and live together in an atmosphere of mutual respect. In its rich mining past, large groups of immigrants worked and settled down in Genk, which has led Genk to be a multi-cultural city ahead of its time. Today, Genk is also a relatively young city: almost 20% of the inhabitants are 17 years old or younger.

Genk, an accessible city and a hotspot for entrepreneurs.

Genk is located in the heart of Europe and the Benelux. It is also situated in the centre of the ELAT-triangle, the cross-border network which links the knowledge regions Eindhoven (the Netherlands), Leuven (Belgium) and Aachen (Germany) with one another, forming a European technological top region. Genk is accessible by two major motorways and by railway. Genk also has a port and container terminal on the Albert Canal, which connects Antwerp with Liège, and also the Meuse River with the Scheldt River.



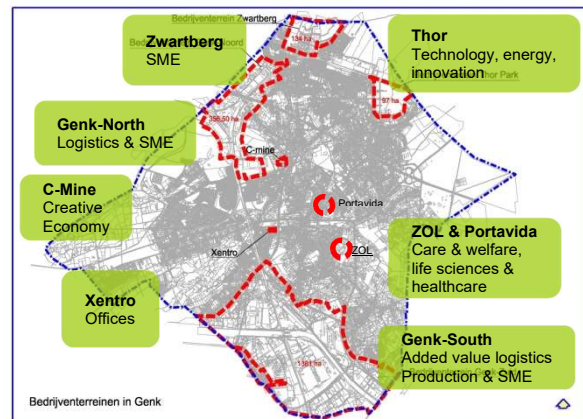
Genk, a city with space for growth. Genk's growth and look is characterised by the special and unique creations of the mining industry. The historical landmarks of the city such as the monumental mining architecture and the beautiful garden suburbs, blend in harmoniously with new, modern architecture. The city has the space and strength to carry out many new multi-faceted projects. Genk is also an affordable city: plots of land, houses and commercial sites are reasonably priced. In terms of local taxes, Genk levies among the lowest rate of the thirteen Flemish major urban centres.

Genk, a cogwheel city. Genk plans its future with confidence and in a well-balanced manner. Effective town planning has ensured that Genk has excellent locations available for new developments in the heart of the city, in residential areas and in industrial zones. Genk is set up as a

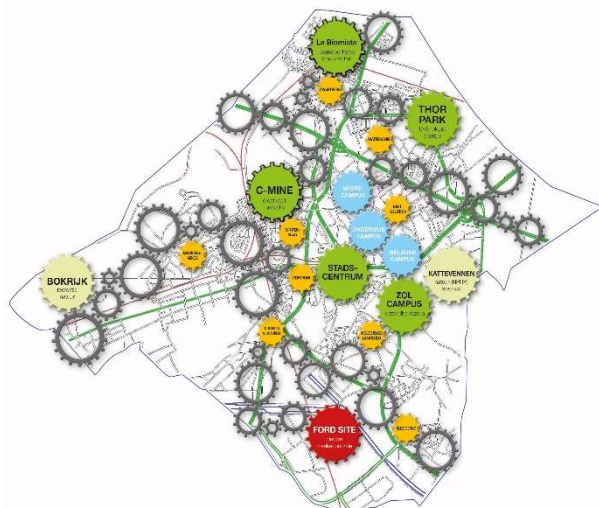
cogwheel city, in which the city centre, the many suburbs, commercial and business sites, cultural and natural sites act as cogwheels, which together constitute the great engine 'Genk'.

Genk, a city with entrepreneurship in its DNA.

Genk has a total surface area of 8,785.46 ha (33.92 sq mi), of which a large part is available for business. The 5,800 active companies in Genk employ 40,900 men and women, of which over 3,300 are self-employed. Genk is the 3th most important industrial city of Flanders. Genk has several well-equipped business sites:



- Genk-South (surface of 1,381 ha) particularly welcomes added value logistics, SMEs, circular economy and big companies. A transition from a classic manufacturing industry towards an innovative manufacturing and knowledge based industry has set in.
- Genk-North (surface of 356 ha) mainly houses logistics and SMEs.
- C-mine (the former mining area of 'Winterslag') focuses on creativity based on four pillars: education, economy (creative business, virtual reality, product design, gaming, etc.), cultural heritage, and tourism and MICE.
- Thor (the former mining area of 'Waterschei') is the new hotspot for technology, energy and innovation.
- Zwartberg (the former mining area of 'Zwartberg') houses several SMEs and will focus in the near future on the development of a safety campus, with business related to safety, fire protection, critical services, police, drones, surveillance, ... The former public zoo of Zwartberg hosts 'La Biomista', an all-encompassing project for art, transformation, multicultural diversity and cosmopolitanism.
- Xentro, near the city centre (11 ha) joins offices, recreational services and related business (MICE, catering, retail, ...).
- The ZOL and Portavida campuses welcome health, life sciences and well-being: the ZOL hospital, a state of the art hospital with over 1,000 beds for professional and accessible healthcare, and the new care and welfare campus Portavida which offers care from A to Z.



Genk, a green city. More than any other Flemish urban centre, Genk combines a strong industrial base with natural beauty. Almost one third of the Genk territory consists of a green belt. Genk is the greenest city in Flanders.

Genk, an exciting city with an exuberant atmosphere. An extensive network of shopping areas, with in total over 1,400 shops, pubs, hotels and restaurants, can be found in the city centre and is also wide spread throughout the city suburbs. Genk is also a city in which

sporting challenges can be met: soccer team KRC Genk, go-karting and motor sports, golf, swimming, ... The many local events, markets, outstanding cultural sites and activities, natural sites, sporting infrastructure, city festivals, ... annually attract over hundreds of thousands of visitors from Belgium and abroad.



Genk, a smart city with an ambitious and dynamic

local authority. After the golden era of the mining industry, the city smoothly switched over to manufacturing first and later to knowledge based industry, technology, creativity, care and services. Genk is in a strong economic position, which can be attributed to the open and enterprising spirit of the local authority to create an attracting investment climate. The city's own investments reinforce this transition. Characteristic for these developments is the combination of quality business locations and sustainability. The city council creates strong site-developments in cooperation with public and private partners, and knowledge-based associations.

Genk, a city with an outstanding public administration. In 2014, Genk has won the 'local public sector award'. This award particularly appreciates and recognises government organizations that excel at effectiveness and innovativeness. This award was however no endpoint in the evolution of the city administration. On the contrary, it has been a driving force for its 1,000 employees to continue to become even more efficient, smart, sustainable, customer friendly, ... in the future. For that purpose, the city administration focuses also on creating a strong and effective partner network with the public centre for social welfare 'OCMW Genk' and with the city's own spinoff 'AGB Genk'.

Genk, a caring city. Genk faces many social challenges. Genk wants to be a caring city for all its inhabitants, and especially for those who experience difficulties, like precarious living conditions, limited self-reliance, fewer opportunities in the labour market, or fleeing from a country in war. Genk wants to create maximum opportunities for every citizen to build a quality life. The public centre for social welfare 'OCMW Genk' helps reduce child poverty in Genk and assists its citizens in life domains such as housing, health, income and rights, social participation and activation, education and training, and guidance to



employment. OCMW Genk also commits a great deal of attention to the elderly, who are encouraged to stay active and independent, and to stay, with the necessary support, in the safe setting of their homes as long as possible. To accomplish this mission, the 175 employees of OCMW Genk can also rely on a strong network of other local welfare actors. Portavida, the care and welfare site in Genk, will bring



together welfare and care organizations (mental health care, elderly care, home care, foster care, childcare, well-being, ...) in a local but also regional partnership.



Genk, a dynamic city. In 2004, the city's public administration has created the 100% public daughter company 'Autonom Gemeentebedrijf Genk' (AGB Genk). Following tasks were assigned at AGB Genk by the city council:

- exploitation of the city sports centre, including the construction of the new sporting complex;
- exploitation of the multipurpose hall in the city youth centre;
- organisation and follow-up of the media cafe concession in the city library;
- operation of C-mine (the cultural centre, the visitor centre and shop, C-mine expedition, creative economy and design activities, organization and follow-up of catering concessions and MICE, ...);
- participation in the development of the Thor Science Park through an interest in Thor Park nv;
- participation in the development of education based infrastructure for technology & talent development through an interest in the T2 cvba company;
- renovating, rebuilding and exploiting the main building 'Thor Central' on the business site Thor for granting business centre concessions;
- exploring opportunities through participation and / or facilitation for sustainability projects in cooperation with other partners.



Genk, a city with a stable financial state of affairs. The city finances, and that of its partners OCMW Genk and AGB Genk, are structurally healthy. They are characterized by sustainable financial planning, permanent monitoring and projects spread out over time. In addition there is an ongoing search for alternative sources of financing and grants in order to guarantee that this balanced financial state of affairs will continue in the future.

Genk, a growing city with an exciting character of its own. Genk is an attractive place to reside in, visit and invest in. It is a place which effectively combines opportunities for living, culture,

recreation, sports, business and industry, research and training, healthcare, ... Head for Genk, at full throttle!

1.2. Sustainability Policy

The city of Genk has been strongly committed to a sustainable policy for years. In its strategic planning and translation into multi-year plans, several policy objectives, action plans and actions are always aimed at the SDGs. The **17 sustainable development goals**, proposed by the United Nations and signed by (almost) all countries in the world, must make our planet and therefore also Genk a more sustainable place by 2030, with respect for people and the environment. **Group Genk made a strong effort in this regard in the multi-year plan 2020-2025.** Moreover, in 2008, the city of Genk was one of the first cities to sign the original mayoral covenant and committed to reducing CO2 emissions in Genk by 20% by 2020. **The new Covenant of Mayors was also endorsed, raising the target to a 40% reduction in CO2 emissions by 2030.** This target is ambitious, and a large part of the investment program will be focused on this, in line with the established **Genk 2030 climate plan**. This plan sets out directly responds to SDG 13 “Climate action” and, through its integrated approach, also contributes to other SDGs such as SDG 11 “Sustainable Cities and Communities” and, in terms of climate mitigation, also to SDG 7 “Affordable and sustainable energy” and SDG 9 “Industry, innovation and infrastructure” and in the field of climate adaptation to SDG 6 “Clean water and sanitation”, SDG 14 “Life in water” and SDG 15 “Life on land”.

In 2022, the **Local Energy and Climate Pact between the Flemish Government and Flemish cities and municipalities was also endorsed by the city of Genk**, with both levels of government working together to achieve the necessary transitions in energy and climate policy. The commitments of local authorities and therefore also of Groep Genk are in the field of primary energy savings, CO2 reductions for their own buildings and technical infrastructure, the stimulation of fossil-free renovations in the residential heritage, the roll-out of public charging infrastructure, etc.

In addition, the city of Genk also takes a pioneering role in strengthening the social economy through various tracks, such as an active role in inter-municipal cooperation on this theme, providing good guidance and framework for employees in the social economy, placing government contracts that are targeted are on social economy companies, helping to build a network between regular and social entrepreneurs, etc.

1.5. Rationale for this Sustainability Finance Framework

The previous paragraph clearly shows from the various policy frameworks and commitments that Groep Genk is strongly committed to sustainable policy and investments and it is therefore a logical next step to tap into sustainability financing sources for these investment ambitions. Groep Genk wants to take that next step in order to close the loop in a transparent manner and to tap into targeted sustainable subsidy and financing sources for its sustainable investment projects and then embed this in its strategic planning and implementation cycle in accordance with the BBC regulatory framework in Flanders. In addition, other investments will also take place for which Groep Genk will continue to attract traditional financing, with a sustainable label. Being able to clearly distinguish between sustainable and other investment projects and financing takes Groep Genk to a higher level where its financing policy can be differentiated. This creates a new and interesting offer aimed at sustainable lenders who are looking for interesting local and sustainable investment opportunities. In addition, there remain options for providers and various forms of traditional financing sources.

2. Genk's Sustainability Finance Framework

This Sustainability Finance Framework is established as an overreaching platform under which Genk intends to issue Green, Social or Sustainability Finance Instruments, which may include bonds (including private placements), commercial paper, loans, promissory notes (Schuldscheindarlehen) and any other Sustainability Finance Instruments in various formats and currencies, to finance and/or refinance sustainability investments.

Genk's Sustainability Finance Framework ("the Framework") is aligned with the International Capital Markets Association ("ICMA") Green Bond Principles ("GBP") June 2022 version, Social Bond Principles ("SBP") June 2023 version, Sustainability Bond Guidelines ("SBG") June 2021 version, and Loan Market Association ("LMA") Green Loan Principles ("GLP") February 2023 version and Social Loan Principles ("SLP") February 2023 version.

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







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

The Framework will cover:

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









2.1 The use of proceeds

The net proceeds of Genk's Sustainability Finance Instruments will be used to finance and/or refinance, in whole or in part, assets, new and/or existing investment expenditures falling within one of the Eligible Sustainability Categories.

ICMA / LMA CATEGORY	Eligible Sustainability Investments	Contribution to UN SDG
GREEN INVESTMENTS		
Renewable Energy	<p>Investments in or investment subsidies to the production or distribution of energy stemming from natural sources or processes that are constantly replenished, such as</p> <ul style="list-style-type: none"> Onshore wind projects Solar photovoltaic power 	   
Energy Efficiency	<p>Investments in or investment subsidies to energy efficiency projects, such as</p> <ul style="list-style-type: none"> in new and refurbished buildings battery storage , with energy input coming from renewable energy production district heating¹ smart grids, appliances and products² 	 

¹ In line with the EU Taxonomy Technical Screening Criteria for the activity 4.15

² The city of Genk is investing in solar and wind energy projects and needs to make additional investments in its grid and systems in order to balance production and consumption of renewable energy. For instance using its electrical car fleet as an energy storage system when there is more production than consumption of renewable energy. In order to implement that strategy, the city needs appliances such as smart charging stations, smart software products,...




		 
Pollution prevention and control	Investments in or investment subsidies to projects, such as <ul style="list-style-type: none"> • Soil remediation³ 	
Environmentally sustainable management of living natural resources and land use	Investments in or investment subsidies to projects ⁴ , such as <ul style="list-style-type: none"> • afforestation or reforestation • preservation or restoration of natural landscapes • creation of green public spaces 	
Clean Transportation	Investments in or investment subsidies to clean transportation projects, such as <ul style="list-style-type: none"> • Cycling infrastructure • Infrastructure for clean energy vehicles • EV public transportation or tramways 	 
Sustainable water and wastewater management	Investments in or investment subsidies to projects ⁵ , such as <ul style="list-style-type: none"> • River training and other forms of flooding mitigation⁶ • Conversion of impermeable soil to permeable surface 	 

³ In all cases, the city of Genk will not have caused any previous damage to the projects that will be restored.

⁴ In all cases, the city of Genk will not have caused any previous damage to the projects that will be restored.

⁵ The remediation projects are done by different agents to the ones causing the degradation.










⁶ A study and design work, including adaptation risk and vulnerabilities assessment will be made before the financing of the projects.

Climate change adaptation	Investments in or investment subsidies to projects, such as efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems ⁷		
Green Buildings	<p>Investments in or investment subsidies to development, construction, acquisition and/or refurbishment of green buildings such as</p> <ul style="list-style-type: none">• Buildings built after 31 December 2020 with energy performance meeting the local threshold set for nearly zero-building (NZEB) requirements⁸• Buildings built before 31 December 2020 with an EPC label of at least “A”• Buildings that have achieved or are in process of achieving an environmental certification comparable to e.g.<ul style="list-style-type: none">• BREEAM certification (at least “Very good”) or• LEED certification (at least “Gold”)• Buildings that undergo a renovation that leads to a reduction of primary energy demand (PED) of at least 30%⁹	 	
SOCIAL INVESTMENTS			
ICMA / LMA CATEGORY	ELIGIBLE SUSTAINABILITY INVESTMENTS	TARGET POPULATION	CONTRIBUTION TO UN SDG

⁷ The City of Genk will focus on the selection of investment projects that are consistent with applicable local, regional and national adaption plans. A study and design work, including adaptation risk and vulnerabilities assessment will be made before the financing of the projects.

⁸ Respecting all the footnotes from the EU Taxonomy Technical Screening Criteria 7.1 and for buildings larger than 5000m², the EUT TSC 7.1 points 2 and 3 are respected.

⁹ Respecting the footnotes of EU Taxonomy Technical Screening Criteria 7.2

Affordable infrastructure	basic	Investments in or investment subsidies to projects, such as <ul style="list-style-type: none"> sewers, sanitation, transport: Installation of publically-shared electric vehicles, renewable energy or energy efficiency improvements waste management (Installation of underground collection systems or small neighbourhood storage systems), and basic telecommunications 	Underserved residents	  
Access to Essential Services		Investments in or investment subsidies to in Infrastructure and services for , children day care, schools, community centres for people with disabilities or elderly care	Infants Children People with disabilities Elderly people with care needs	  
Affordable Housing		Investments in or investment subsidies to in social housing infrastructure	Low-income household meeting the criteria set by the Flemish government	  

2.2 The evaluation and selection process

Genk will follow a transparent process for selection and evaluation of Eligible Sustainability Investments. Investments financed through the Sustainability Finance Instruments issued under its Framework are evaluated and selected based on compliance with the Eligibility Criteria as set under paragraph 2.1 Use of Proceeds. All potential Eligible Sustainability Investments comply with local laws and regulations, including applicable regulatory environmental and social requirements.¹⁰

The management committee¹¹ prepares a list of potential Eligible Sustainability Investment to be selected as part of the city's planning and management cycle. It will produce This committee will produce a proposal to the College of the Mayor and the Aldermen who will discuss and finalise the selection and allocation in line with the Framework's eligibility criteria. The College of the Mayor and the Aldermen will sign-off on the selection and the allocation. This will be based on the investment expenditures foreseen in the multi-annual budget and realized in the investment budget.

2.3 The management of proceeds

Genk aims to allocate the proceeds of its Eligible Sustainability Investments to investment expenditure until full allocated. Therefore, the net proceeds collected will be equal to the amount allocated. With regards to Short term Sustainability Finance Instruments (i.e. commercial paper), the Eligible Sustainability Investments allocated to it, should be at least the highest amount of outstanding Short term Sustainability Finance Instruments over the corresponding calendar year (unless fully rolled over into Long term Sustainability Finance Instruments before the end of calendar year).¹²

Pending the allocation of the net proceeds of issued Sustainability Finance Instruments to the Eligible Sustainability Investments, or in case insufficient Eligible Sustainability Investments are available, Genk will manage the unallocated proceeds in cash or cash equivalent, in line with its regular treasury criteria. Full allocation of the net proceeds is expected at issuance, or ultimately at the end of the second calendar year following the issuance of a given Sustainability Finance Instruments.

In the allocation of proceeds, Genk will also look back to the Eligible Sustainability Investments made in the two calendar years prior to the issuance of the Sustainability Finance Instruments.

The allocation of the net proceeds of issued Sustainability Finance Instruments to the portfolio Eligible Sustainability Investments will be reviewed and approved Genk's College of the Mayor and the

¹⁰ The main risks of negative social and/or environmental impacts of the financed Eligible Sustainability Investments are identified at the city administration level based on relevant national and local legislation (e.g. climate regulations of the city of Genk) and or internal administrative principles such as a spatial densification grid, principles of green and slow corridors (urban routes that connect different natural areas, parks,...).

In addition to the environmental or societal benefits that are the objective of each category of eligible projects, the city of Genk is committed to responsible management of those Eligible Sustainability Investments financed through the issuance of Sustainability Finance Instruments. In particular, the city of Genk is committed to complying with European, national and regional regulations in its projects and enforce a wide range of environmental, social and governance issues (ESG).

Should an ESG controversy be identified, which is material, city of Genk commits to exclude the project from the Eligible Sustainability Investments.

¹¹ Currently composed of the director general, the finance director and 5 division directors.

¹² It is estimated that the Short term Sustainability Finance Instruments will be used for financing purposes.

Aldermen on an annual basis, until full allocation of the net proceeds of issued Sustainability Finance Instruments.

In the accounting system of the city of Genk the investment projects which are funded through this framework will be marked on a detailed level in order to be able to monitor and match all funds raised.

Each loan tranche under this framework will be clearly label as either “Green”, “Social” or “Sustainability”.

2.4 The reporting

For all issuances of financing instruments under this Framework, Genk intends to produce an allocation report (the “Allocation Report”) as well as an impact report (the “Impact Report”) annually until full allocation of the Sustainability Finance Instrument proceeds.

The Allocation Report and the Impact Report will be prepared by the management committee as part of the annual evaluation and reporting processes leading to the official annual accounts of the city of Genk. The full set of documents will go through the formal approval process of the city council.

Genk will make and keep readily available annual reporting on the allocation and impact of the portfolio of Eligible Sustainability Investments after a year from the issuance of the first Sustainability Finance Instruments, to be renewed annually until full allocation or in case of material change. This report will be publicly available on <https://www.genk.be/bestuursdocumenten>.

Genk has the willingness to report on an aggregated basis for all the Sustainability Finance Instruments outstanding.

Genk intends to the extent practical to align its impact reporting with the Handbook for Harmonized Framework for Impact Reporting - June 2021¹³

Allocation Report

The allocation report will provide indicators such as:

- The aggregated amount of net proceeds allocated to the Eligible Sustainability Investments for each of the eligible categories;
- The breakdown between financing and refinancing amount
- Some illustrative examples of Eligible Sustainability Investments
- The amount of unallocated net amounts (if any) consolidated for the aggregate Green, Social and Sustainability Finance Instruments
- For Short term Sustainability Finance Instruments:
 - The simple average and the highest amount of outstanding Short term Sustainability Finance Instruments over the reporting period
 - The amount of net proceeds allocated to the Short term Sustainability Finance Instruments

Impact Report

¹³ CMA website, “Impact Reporting”, at <https://www.icmagroup.org/sustainable-finance/impact-reporting>

Genk will report on the environmental and/or social benefits of the Eligible Green and Eligible Social Investments and where possible it will include the following impact indicators:

Eligible Green Categories	Examples of Output Indicators	Examples of Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> Renewable energy capacity installed in GW or MW Annual renewable energy generated or expected in MWh 	<ul style="list-style-type: none"> Avoided CO₂ emissions (tCO₂/year)
Energy Efficiency	<ul style="list-style-type: none"> Energy savings (KWh saved/reduced) 	<ul style="list-style-type: none"> Avoided CO₂ emissions (tCO₂/year)
Clean Transportation	<ul style="list-style-type: none"> Number of built kilometres 	<ul style="list-style-type: none"> Avoided CO₂ emissions (tCO₂/year)
Green Buildings	<ul style="list-style-type: none"> Breakdown of Green Building by type of certification (%) Average EPC level 	<ul style="list-style-type: none"> Avoided CO₂ emissions (tCO₂/year)

Eligible Social Categories	Examples of Reporting Indicators
Affordable Basic Infrastructure	<ul style="list-style-type: none"> Installed capacity Number of households reached
Access to Essential Services	<ul style="list-style-type: none"> Number of nursing homes, patients or beds Number of supported projects Number of households connected to Fiber network
Affordable Housing	<ul style="list-style-type: none"> Number of project housing Number of beneficiaries reached

2.5 The external review

Second Party Opinion (pre-issuance)

Genk has engaged ISS-Corporate to provide a Second Party Opinion on its Sustainability Finance Framework. The SPO provider ISS-Corporate reviewed the alignment of the Framework with ICMA's GBP June 2022 version, SBP June 2023 version, SBG June 2021 version, and LMA GLP February 2023 version and SLP February 2023 version. The Second Party Opinion and the Sustainability Finance Framework will be publicly available on the website of Genk (www.genk.be/bestuursdocumenten).

Annual Limited Assurance on the Allocation Report

Genk will request on an annual basis, starting one year after issuance of any Green, Social or Sustainability Finance Instrument until full allocation, a limited assurance report of the allocation of the Sustainability Finance instrument's proceeds to Eligible Sustainability Investments, provided by an external auditor. Such limited assurance report will also be posted on our website (www.genk.be/meerjarenplan).

2.6 Disclaimer

<https://www.genk.be/disclaimer#:~:text=Intellectuele%20eigendom%20en%20gebruik%20informati&text=Het%20is%20verboden%20om%20het,of%20voor%20niet%2Dcommerci%C3%ABle%20doel einden.>

Annex – Example of Allocation Mechanism

It should be noted that the dates and the amounts in this annex are purely for exemplary purposes. It is shown to clarify the understanding on how the Allocation Mechanism works. It does not intend to imply that the issuance of a Sustainability Finance Instrument is planned as described herein.

Let suppose that for example a long term Sustainability Finance Instrument is issued on 30 October 2024. We will look to the investment budget realisations of 2022 and 2023 (2 year look-back period) and to the investment budget realisations of 2024, 2025 and 2026 (2-year look-forward period).

Short term Sustainability Finance Instruments (i.e commercial paper), with an initial term not exceeding 364 days can only be issued if the proceeds of all outstanding long-term Sustainability Finance Instruments have been fully allocated to Eligible Sustainability Investments.

Short term Sustainability Finance Instruments can only be covered by previously unallocated Eligible Sustainability Investments from the investment budget realisations of the two preceding calendar years (2-year look-back period). Short term Sustainability Finance Instruments must always be allocated in full upon issuance. For Short term Sustainability Finance Instruments there is no look-forward period.