



BELGIAN DEBT AGENCY

Green OLO
Allocation report
2018

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1

CONTEXT OF THE
GREEN OLO
ISSUANCE

1.1 RATIONALE FOR ISSUING A GREEN OLO

Global environmental challenges require massive investments which will need to be at least partially financed by debt capital markets. The Green Bond market and its recent development has demonstrated its ability to:

- Dedicate an increasing part of global debt capital markets to finance environmental projects,
- Mobilise private investment and increase investment volumes dedicated to the energy and ecological transition,
- Mobilise a new financial ecosystem, from Green Bond issuers providing depth and liquidity to this market to Socially Responsible Investors launching dedicated Green Bond funds. The Green Bond market is an efficient tool to increase the financial sector's awareness of the urgent need for environmental action.

Belgium, whilst a significant issuer in the European debt capital markets and particularly in the Euro-denominated market, does not have the same share of the growing Green Bond market. Belgian bond issuers and institutional investors are under-represented in this new and fast-growing market segment.

The Kingdom's inaugural Green Bond issue therefore provided an opportunity to:

- demonstrate Belgium's strong commitment to addressing the global environmental challenges,
- make use of this market's untapped growth potential to raise funds to support its climate and environmental policies, and
- take a leading role in developing the Green Bond market globally and in particular in Belgium. The Green OLO could be a turning point for the Belgian Green Bond market and pave the way for potential public and private issuers, by providing large and liquid benchmark, and by stimulating the Belgian investor demand (Belgian retail investors being eligible to invest).

Regarding the latter, it is encouraging to note that since the Green OLO was issued, numerous initiatives have been developed in Belgium: in 2018 Flanders issued a 500 million euros sustainability bond and the Walloon Region issued its own 1 billion euros

Green Bond. Furthermore at the beginning of 2019 Febelfin, the industry body of the Belgian financial sector, announced a new quality label for Sustainable and Socially Responsible Investment, the objective of which is to qualitatively and quantitatively increase the level of socially responsible and sustainable financial products, and to mainstream its principles towards traditional financial products.

1.2 BELGIAN ENVIRONMENTAL POLICIES

Belgium's environmental policies are geared towards addressing the most contemporary global environmental challenges. The efforts undertaken are rooted in the international community's efforts to produce a response to those challenges. Although interrelated, one can by and large distinct three challenges:

- Climate Change
- Biodiversity conservation
- Preservation of natural resources

1.2.1. CLIMATE CHANGE

Total global GHG emissions have continuously risen since 1990 and reached around 51.9 GtCO_{2e} in 2016¹.

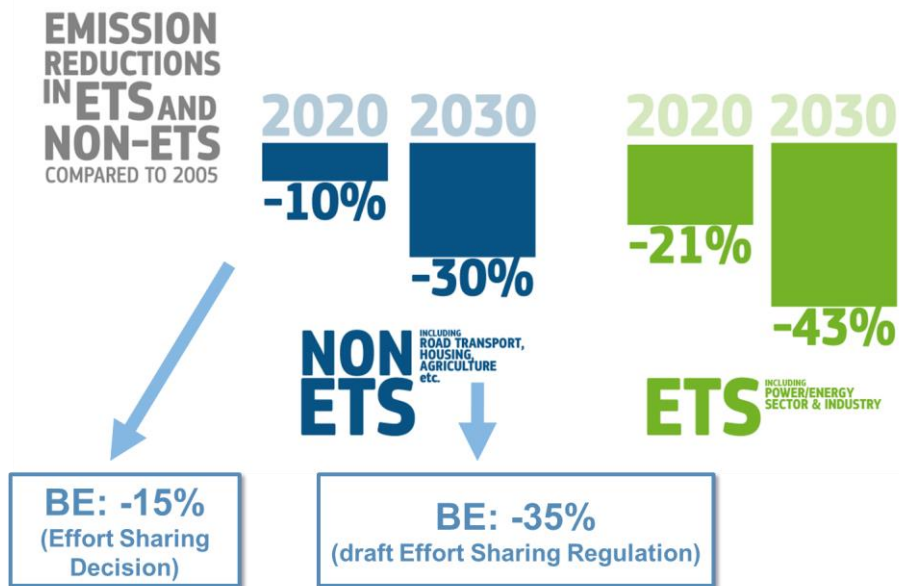
In 2015, after years of negotiations, the Paris Agreement was adopted as the first uniform and legally binding response to this threat. The long-term objectives of this Agreement are to hold *"the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels"*, as well as to foster climate resilience and make finance flows consistent with the previous two objectives. This long-term temperature objective necessitates rapid and deep emission reductions. For Belgium this implies reaching net zero emissions by 2050.

Upon the finalisation of the Paris Agreement, all parties to this Agreement submitted their Nationally Determined Contributions (NDCs). Full implementation of (un)conditional NDCs for 2030 and comparable action afterwards would still result in a temperature rise of about 3°C by 2100. As the number of unique and already threatened

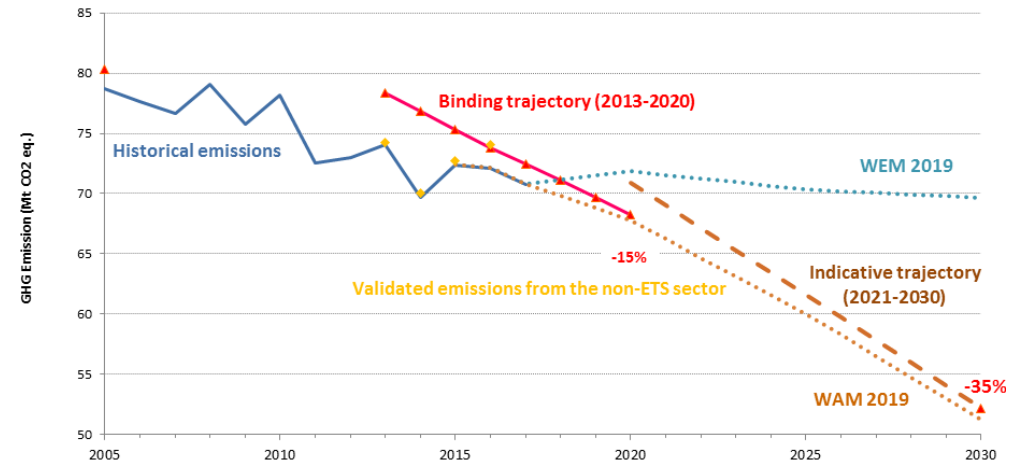
¹ Minister of the Environment, UNEP Gap report (2017), UNFCCC, IPCC

systems, and of risks of extreme weather events will be higher with additional warming, additional efforts are needed.

Belgium did not submit its own NDC but is bound by the objectives established for the European Union as a whole (-20% by 2020, at least -40% by 2030 compared to 1990). These targets were then redistributed within the European Union among the industrial sectors, which are regulated through the European Emission Trading System (ETS) on the one hand and the other sectors (non-ETS) on the other, for which member states' national governments are responsible to implement emission reduction policies. The following targets in the non-ETS sectors apply to the Kingdom of Belgium:



The following graph¹ shows that, although Belgium is on track to meet its 2020 target, significant additional measures are needed to achieve the 2030 target.



1.2.2. BIODIVERSITY CONSERVATION

In the course of the last 50 years, biodiversity losses occurred more rapidly than during all previous periods of human history. Without new policies, 1 in 10 animals and plants could be extinct by 2050. Threats to biodiversity are manifold: land-use change (e.g. agriculture, forestry, infrastructure development), fragmentation of natural habitats, invasion of alien species, overexploitation and overconsumption (e.g. fishing); pollution (e.g. fertilizers, pesticide), and climate change.

Belgium implements different conventions or legislations on biodiversity preservation through EU regulation and/or national legislation, such as the CBD strategic plan 2011-2020, the Nagoya Protocol on Access and benefit-Sharing (genetic resources), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), EU Regulation on invasive alien species (IAS), Natura 2000 (Birds and habitats directives).

1.2.3. PRESERVATION OF NATURAL RESOURCES

The unsustainable use of resources has triggered critical scarcities and caused climate

¹ Third Federal Environment Report, 2019, p. 10 ; www.klimaat.be

change and widespread environmental degradation. In the EU alone, around 600 million tonnes of materials are lost, which could be recycled or reused.

As regards air quality, around 3.7 million premature deaths are attributed annually to outdoor air pollution.

Belgian circular economy policies aim to preserve resources while creating opportunities to boost the economy, contribute to innovation, new business models, growth and jobs creation. To this end, efforts are made to maintain the value of products and materials as long as possible in the economic system (closing the loop) through: (1) a longer use of products, (2) reuse (of products and components); (3) higher and better recycling.

The objective of Belgium's Air Quality policies is to reduce the negative health impacts of air pollution by 50%, while complying with the EU directive on air pollution (NEC Directive (2016/2284) and the Directive on the limitation of emissions from medium combustion plants (2016/2284).

To achieve the abovementioned objectives and targets, expenditures are needed in the Green sectors of

- Clean Transportation
- Energy Efficiency
- Renewable Energy
- Circular economy (including waste and water management)
- Living Resources and Land Use

1.3 THE GREEN OLO: MILESTONES

July
2017

- The Federal Government announces the intention to issue a Green OLO.

Q3- Q4
2017

- An inter-ministerial workgroup prepares the Green OLO framework and identifies the potential Eligible Green Expenditures that the Green OLO will fund.

February
2018

- After a dedicated roadshow, the Green OLO is launched: an amount of EUR 4.5 bn is issued.

December
2018

- In its funding plan, the BDA announces the tap of the Green OLO in 2019 for an amount ranging from EUR 1.8 bn to 2.3 bn.

March
2019

- The Green OLO is tapped for the first time, for a total of EUR 958 mn.

June
2019

- The first of two reports on the Green OLO is published; a separate impact reporting will follow later this year.

Q4
2019

- Impact Report will be published.

THE SYNDICATION

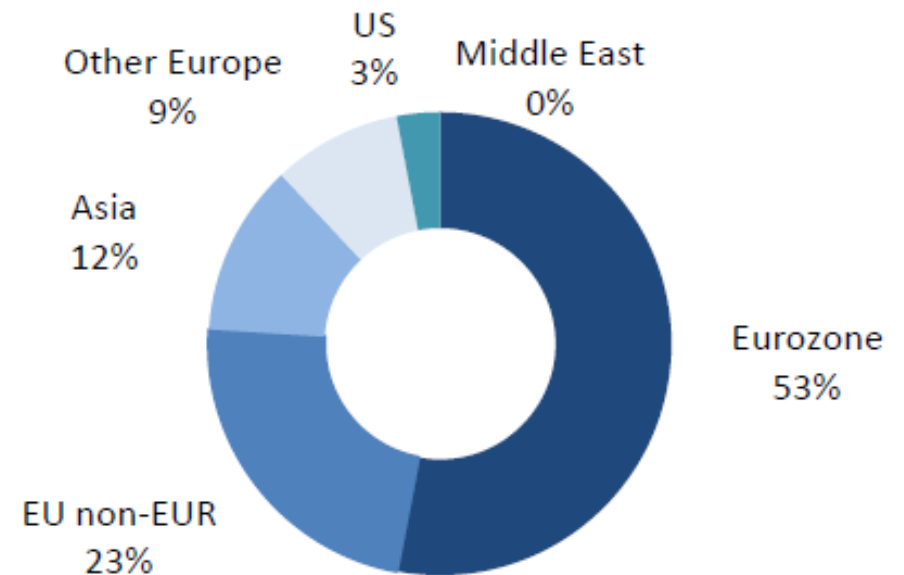
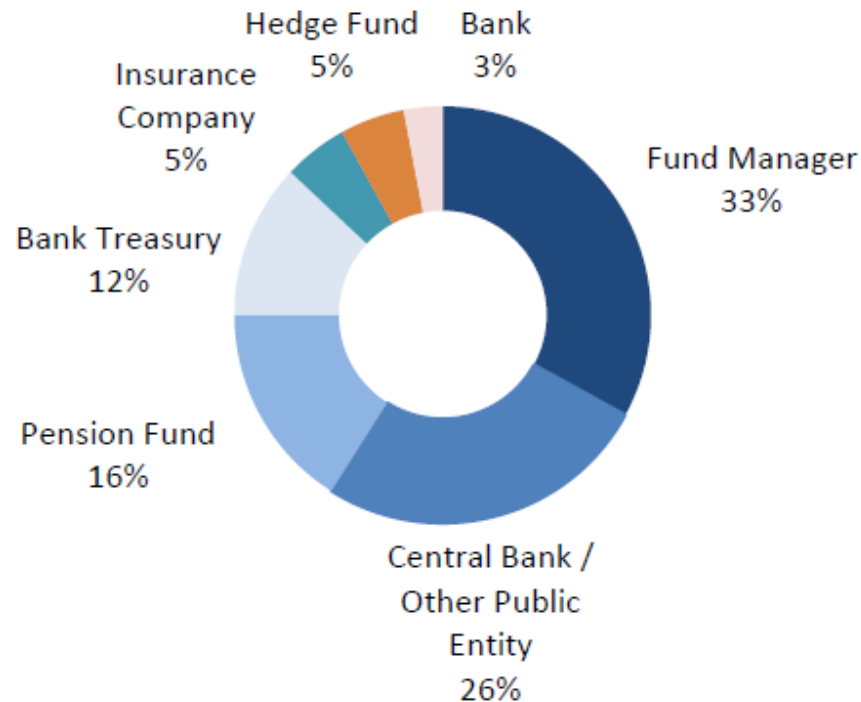
After having conducted a pan-European roadshow with dedicated investors and NGOs, the Belgian Debt Agency announced on Friday, February 23rd, 2018 its inaugural Green OLO. The Benchmark has the same characteristics as a standard OLO and is designed to respond to the highest standards of the Green Bond market.

Books opened in the morning of Monday, February 26th, 2018 and closed at 12.45pm Brussels time. Total bids stood at more than EUR 12.7bn (including EUR 950M of Joint Lead Managers interests) and EUR 4.5bn was allocated. The EUR 4.5bn size had been announced at the roadshow as the maximum possible issuance size, given the identified covered pool of Eligible Green Expenditures for the Belgian Federal State.

The transaction priced at m/s-14 bps for a re-offer yield of 1.289%. This represents a concession of just 1.5 bps compared to the mid-swap spread interpolated on the basis of OLOs 2031 and 2037 reflecting the quality of the book.

With more than 150 accounts participating, the orderbook met with high quality demand both from the SRI and conventional world acknowledging a successful combination of both the features of the OLO and the features of the Green market.

By investor types, fund managers represented 33% of the transaction followed by central banks and official institutions (26%) and pension funds (16%).



AWARDS



In September 2018, Global Capital awarded the Kingdom of Belgium the **EMEA Green/SRI Bond Deal of the Year** award



In March 2019, at the 4th Annual Green Bond Pioneer Awards, the Climate Bonds Initiative announced the GBPA recipients. CBI awarded the Kingdom of Belgium with 2 awards:

Largest single bond to a trillion market
Largest new issuer to a trillion market

1.4 THE GREEN OLO FRAMEWORK

1 Use of Proceeds

- Eligible Green Expenditures related to a large number of assets, in line with the State’s role, and targeting different beneficiaries: households, companies, local authorities and public agencies.
- Five Green sectors have been defined: Clean Transportation; Energy Efficiency; Renewable Energy; Circular Economy; and Living Resources and Land Use.
- Investment expenditures, operating expenditures and tax expenditures are eligible.

2 Process for Project Evaluation and Selection

- The selection of Eligible Green Expenditures is annually managed by an Inter-Ministerial Working Group.
- Selection has been done in order to be representative of Federal State’s missions and in line with the Federal budget.
- Each FPS (Federal Public Services) is responsible for identifying Eligible Green Expenditures
- An overlay in the selection process aimed at excluding expenditures mainly related to selected sectors (fossil fuel, armaments, nuclear, large scale hydroelectric developments).
- Green Expenditures that other Belgian agencies may plan to use themselves for issuing their own Green Bonds are excluded.

3 Management of Proceeds

- Tracking the allocation of the bond proceeds will be done by the Belgian Debt Agency.
- Eligible Green Expenditures from the previous year and the current year are included.

4 Reporting

- The Kingdom of Belgium is committed to provide two levels of reporting:
 - The management and allocation of bond proceeds.
 - The assessment of environmental impact of Eligible Green Expenditures.

External review

- Second Party Opinion on the Green OLO Framework provided ex-ante by Sustainalytics.
- The allocation table will be reviewed by an independent audit firm.

1.5 METHODOLOGY

1.5.1. THE SELECTION OF ELIGIBLE GREEN EXPENDITURES

The selection of Eligible Green Expenditures is monitored every year by an Interministerial Working Group, coordinated by the Belgian Debt Agency, the Environment Minister and the FPS Finance and overseen by the Prime Minister. Each of the government departments involved identifies green expenditures within their scope and reports on them to the working group. The selection is prepared taking the eligibility criteria, as set out in the Green OLO Framework, into account.

The preparatory work done before the 2018 issue was thorough and the expenditures ultimately withheld are in line with the list of expenditures presented during the investors roadshow in February 2018.

1.5.2. THE TYPE OF ELIGIBLE GREEN EXPENDITURES

Three distinct types of expenditures have been withheld as Eligible Green Expenditures: budget expenditures, fiscal expenditures and investments by public agencies. For each type, a specific methodology has been developed to track the amounts complying with the eligibility criteria set out in the Green OLO Framework. As a rule, where possible, we refer to publicly available information regarding these amounts, and to the source where this information can be found. Where necessary, a more detailed methodological description is included in the section of the individual expenditures further in this document.

- **Federal budget expenditures:** The Federal General Expenses Budget containing all budget expenditures for the coming year is voted annually by Parliament, before the start of the calendar year. For standard (limitative) commitment credits, this forward-looking budget limits the amounts the federal government can spend on each of the budget programs. In exceptional cases, variable credits or allocated funds are used, establishing a direct link between the amount that can be spent on a budget program or on payments to specific third parties, and certain federal revenues.

The Budget Minister monitors the day-to-day execution of the federal budget. He is assisted by the Inspectorate of Finance, which is responsible, on behalf of Ministers, for administrative and budget inspection, research, audits and for providing opinions on administrative, budget and financial policies. The Belgian Court of Audit will, on behalf of Parliament and ex-post, review the public finances at the federal and sub-federal level. After each calendar year, before the 30th of June, the Budget Minister submits the general account of the federal government for the preceding year for approval to Parliament. This final account stipulates all state revenues and expenditures.

Detailed explanation on the budgeting process in Belgium, the roles of the different intervening parties and of the country's Court of Audit can be found (in Dutch and French) on the general website¹. The most recent annual budgets can also be found on the aforementioned website.

This allocation report considers as expenditures the amounts actually disbursed by the federal government for each of the selected budget items in a given year. It indicates the budget lines under which the expenditures were budgeted and the amounts of Eligible Green Expenditures that were identified within these programs.

- **Fiscal expenditures:** Several fiscal expenditures have been withheld as Eligible Green Expenditures. Fiscal expenditures are defined as *'reduced fiscal revenues due to tax incentives deriving from a derogation from the general taxation rules, in favor of certain taxpayers or certain activities, and which could be replaced by a direct subsidy'*.

Detailed analyses by the Strategic Expertise and Support Service of the FPS Finance were provided in order to estimate the amounts of such fiscal expenditures. Since the taxation cycle often spans several years (typically three for personal income tax, four for corporate tax), final estimates of the impact of fiscal expenditures are only available with a certain delay. Statistics are calculated on the tax return data available on the 30th of June. Therefore, for each of the budgeted fiscal expenditures for a given year, this document uses the most recent estimates based on available historical data. As long as the fiscal expenditures estimates are not final, they will be replaced in the following year by even more recent estimates and ultimately by the final figures once available.

¹ <http://www.budgetfederal.be>

The fiscal expenditures estimates are published annually in the annex to the Federal Budget of Resources "Inventory of exemptions, deductions and reductions that affect state revenue"¹.

- **Investments by government agencies:** The government agencies of which investments were identified as Eligible Green Expenditures (SFPI-FPIM and BIO-Invest) provide and publish their own annual report². The reporting by these agencies was used, based on amounts actually invested during the year, i.e. on cash disbursement basis rather than on commitment basis.

1.5.3. THE ALLOCATION PROCESS

The actual allocation of proceeds of the bond issuance to the selected Eligible Green Expenditures is done in steps:

- first, all Eligible Green Expenditures for both 2017 and 2018 are collected. A distinction is made between estimates (E) and confirmed amounts (F);
- subsequently, the 2018 issuance proceeds (4.5 billion euros) are attributed to the 2017 expenditures considering 95% of all confirmed amounts and 75% of the estimates. This percentage prevents future corrections should final fiscal expenditures fall short of estimates.
- finally, the remaining issuance proceeds are proportionally (again considering 95% of all confirmed amounts and 75% of the estimates) attributed to the 2018 expenditures.

This sequential process provides sufficient certainty that the Green OLO proceeds are allocated to selected and disbursed Eligible Green Expenditures. Any corrections to estimated data reported the preceding year, will be published in the following allocation report.

¹ https://finance.belgium.be/en/figures_and_analysis/figures/federal_tax_expenditures_report.

² <http://www.bio-invest.be/en/library/annual-report/category/2.html> and <http://www.sfpi-fpim.be/en/publications>



2

DETERMINATION
OF ELIGIBLE
GREEN
EXPENDITURES

The following Eligible Green Expenditures were identified in line with the process described in the previous chapter.

2.1 FEDERAL BUDGET EXPENDITURES

2.1.1. SUBSIDIES TO SNCB (BELGIAN RAILWAYS)

As part of its annual budget the federal government contributes to SNCB's mission of operating the Belgian railway. The subsidies paid under items 33 51 10 31.22.02 and 33 51 10 31.22.18 of the federal budget cover a wide array of operating costs. The Green OLO Framework considers only a subset of two major categories as Eligible Green Expenditures:

- the infrastructure fee annually paid by SNCB to Infrabel for the use of the rail network when offering its transport services;
- the costs for maintenance, repair and remediation of the company's own rolling stock.

These categories of expenditures are reported annually in the SNCB annual report, published on their website¹.

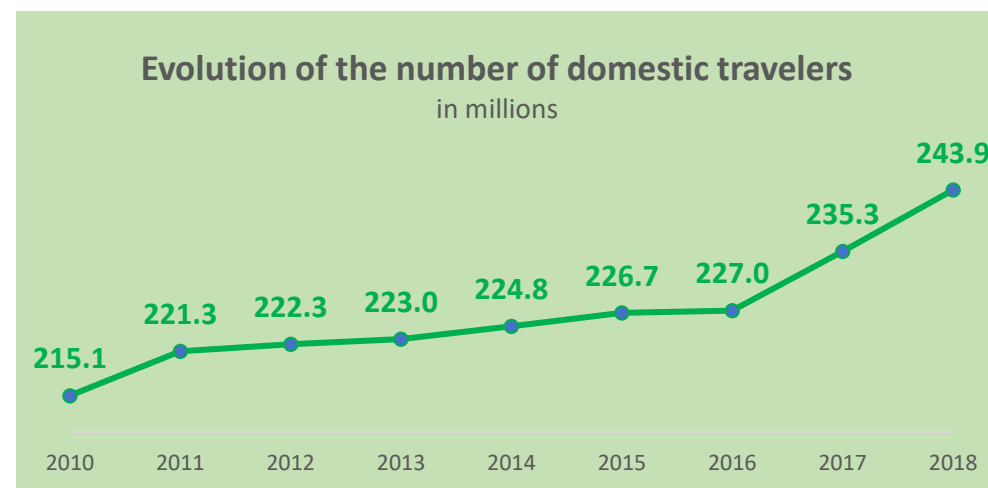
| Eligible Expenditures in EUR | 2017 | 2018 |
|------------------------------|-------------|-------------|
| Infrastructure Fee | 660,523,000 | 689,750,000 |
| Rolling Stock | 90,017,000 | 93,790,000 |

2.1.2. SUBSIDIES TO SNCB (INVESTMENT PROGRAM)

In addition to some recurring operating expenses, major SNCB investment programs are also financed with federal government subsidies. These can be found under the items 51 11 51.11.01, 33 51 11 51.11.02 and 33 51 11 51.11.04 of the federal budget.

These investments contribute to the government's aim of promoting the modal shift to clean transportation in Belgium. Enhanced rail services lead to reducing the use of cars and changing the behavior of commuters and leisure travelers.

The SNCB activity report shows a very clear increase in domestic travelers over the past couple of years. The growth rate in 2017 and 2018 was 3.6% and 3.7% respectively¹.



A subset of the above mentioned budget programs was withheld as Eligible Green Expenditures to the extent that the amounts were actually invested by SNCB during the respective budget years. More specifically, investments in the following three categories were selected.

- rolling stock;
- the reception of customers (in particular station buildings, parking and safety);
- the maintenance of these facilities

¹ <https://www.belgiantrain.be/nl/about-sncb/enterprise/publications/>



Figure 1. M7 double deck trains



Figure 2. Workplace in Melle.

Examples of the aforementioned investments are: (1) the purchase of M7 double deck trains to increase the capacity of the busiest lines; (2) major works on several railway stations (such as Mons, Brussels-North, Mechelen, Aalst) and investments in the SNCB's own workshops (CW Mechelen, TW Ostend, PW Melle, CW Salzennes); (3) Investments aimed at improving the information to railway travelers.

The selection of the amounts of Eligible Green Expenditures is based upon granular SNCB accounting data.

| Eligible Expenditures in EUR | 2017 | 2018 |
|------------------------------|-------------|-------------|
| Rolling stock | 222,804,000 | 164,997,000 |
| Reception of clients | 98,921,000 | 95,806,000 |
| Maintenance | 92,131,000 | 86,117,000 |

2.1.3. SUBSIDIES TO INFRABEL (INVESTMENT PROGRAM)

Infrabel is the network operator for the Belgian railways. The federal government contributes annually to the investment program of Infrabel under federal budget items 33 51 11 51.11.51 and 33 51 11 51.11.52.

These federal contributions to investments in the railway infrastructure and in the ETCS safety system (European Train Control System) were withheld in their entirety.

| Eligible Expenditures in EUR | 2017 | 2018 |
|-------------------------------|-------------|-------------|
| Railway Infrastructure | 485,257,000 | 458,869,000 |
| ETCS Investments | 317,875,000 | 320,006,000 |

The Eligible Green Expenditures cover:

- investments addressing rail traffic safety such as the roll-out of ETCS on the whole infrastructure and the abolition of certain level crossings;
- investments in maintenance of the railway network (i.e. tracks, overhead lines and signage) and finally
- investments in capacity expansion, such as a new bypass in Mechelen, construction of 3rd and 4th railways between Ghent and Bruges and the Regional Express Network around Brussels

The above rail-transportation related expenditures fit within the government's aim to enhance the attractiveness of rail and induce a modal shift towards clean transportation. This is fully aligned with the Green OLO Framework.

2.1.4. FEDERAL SUPPORT FOR OFFSHORE WINDFARMS

The cost of developing offshore wind farms off the North Sea coast is supported by a surcharge paid by the power users. However, in order not to let these surcharges become uneconomically high, the federal government intervenes through a system whereby this surcharge is made degressive and capped.

In this way the federal government supports the development of the renewable energy supply.

This intervention is settled through payments to the CREG (the Commission for Electricity and Gas Regulation) under the form of so-called allocated funds in the federal budget, and can be found under budget articles 66.82.B and 66.83.B. These articles include several other payments due to the CREG, of which the following amounts are the payments related to the offshore support mechanism.

| Eligible Expenditures in EUR | 2017 | 2018 |
|------------------------------|------------|-------------|
| Offshore windfarms | 74,380,000 | 116,970,000 |

2.1.5. CONTRIBUTIONS TO DEVELOPMENT COOPERATION

The Belgian Development Cooperation (DC) bases its vision on current global environmental issues on the Development Cooperation Act. This Act stipulates that protection of environment and natural resources, the fight against climate change, desertification and global deforestation should be integrated into all its activities.

Its environmental strategy, renewed in 2014, emphasizes that sustainable development promoting economic growth and human welfare must provide new development paths in order to offer an adequate response to the consequences of climate change, increasing environmental degradation and exhaustion of natural resources.

The translation in 2018 into a climate vision follows a three-way approach: (1) mainstreaming of climate risk and opportunities in all projects and programs, (2) support for specific climate action and (3) nationally determined contributions of partner countries and policy coherence for the fight against climate change.

The Belgian government supports various multilateral climate and environment initiatives, such as the Global Environment Facility, the Least Developed Countries Fund (LDCF), the Green Climate Fund (GCF) and the UN Environment Program (UNEP). DC also finances the Capacities for Biodiversity and Sustainable Development (CEBioS) program from the Royal Belgian Institute of Natural Sciences. These contributions represent almost half of the 2017 Eligible Green Expenditures withheld by the Inter-ministerial Working Group.

Next to these, the Belgian federal government also contributes to several DC projects through civil society multi-year programs (mainly via NGOs). The main objective of the selected projects is always in line with one of the green challenges listed in the green OLO framework. The selection process was based upon the OECD Rio Marker method¹. Only projects with a principal objective aligned with one of these challenges (Rio Marker 2) have been selected as Eligible Green Expenditures.

The Belgian government finally also directly contributes to DC projects, via Enabel, the Belgian development agency. Selection of the projects as Eligible Green Expenditures was based on the same aforementioned Rio marker method.

Federal contributions to development cooperation are found under the following budget items: 14 54 10 54.52.02, 14 54 20 35.60.72, 14 54 31 35.40.02, 14 54 42 35.40.06, 14 54 61 35.40.01 and 14 54 22 41.30.37. Only disbursed amounts were withheld as Eligible Green Expenditures. The following amounts were identified as Eligible Green Expenditures:

| Eligible Expenditures in EUR | 2017 | 2018 |
|------------------------------|------------|------------|
| Contributions to DC | 74,550,000 | 30,700,000 |

¹ https://www.oecd.org/dac/environment-development/%20climate%20marker%20handbook_FINAL.pdf

2.2 FISCAL EXPENDITURES

2.2.1. TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION

The Belgian personal income tax code provides for a series of exemptions and tax deductions that promote the use of cleaner means of transport. These fiscal expenditures include the following three elements:

- the total exemption (for taxpayers who declare their professional costs on a lump sum basis) of a reimbursement paid by the employer for the costs of commuting, to the extent that this transfer is made by public communal transport¹;
- the total exemption (up to a maximum amount per kilometer) of a bicycle allowance paid by the employer for an employee's commuting by bicycle²;
- the tax deduction for the purchase of a purely electrically powered vehicle³.

The amounts corresponding to such exemptions and tax deductions are calculated on basis of personal income tax returns by the Strategic Expertise and Support Service of the FPS Finance. They are published in the annex to the Federal Budget of Resources "Inventory of exemptions, deductions and reductions that affect state revenue"⁴. As explained under 1.5.2., amounts for 2017 and 2018 are currently expert estimates, based on final data for previous years and preliminary tax declaration data. The allocation takes into account that these amounts are still estimates as described under 1.5.3.

¹ Art. 38, §1, section 1, 9° a) of the direct tax code (CIR/WIB92),

² Art. 38, §1, section 1, 14° a) of the direct tax code (CIR/WIB92)

³ Art. 145/28 of the direct tax code (CIR/WIB92)

| Eligible Expenditures in EUR | 2017 | 2018 |
|---|-------------|-------------|
| Commute by public communal transport | 238,000,000 | 238,000,000 |
| Bicycle allowance | 41,180,000 | 44,760,000 |
| Electrically powered vehicles | 630,000 | 630,000 |

2.2.2. INCREASED TAX DEDUCTIONS FOR GREEN INVESTMENTS

The Belgian income tax code provides for the possibility of an increased investment deduction that corresponds to a certain percentage of the acquisition value of those investments⁵. This amount may be deducted at once from the amount of tax due. The impact on tax revenues of two categories of this investment deduction is considered as Eligible Green Expenditure.

- the investment deduction for energy-saving investments in specific investments in fixed assets that serve for more rational energy consumption, for improving industrial processes for energy reasons and, for the recovery of energy in industry;
- the investment allowance for investments encouraging the reuse of packaging.

To be eligible for these investment deductions, taxpayers must present a certificate from the Region where the investment was made.

The impact on tax revenues is calculated by the Strategic Expertise and Support Service of the FPS Finance and published in the annex to the Federal Budget of Resources, based on personal income tax returns⁴. As explained under 1.5.2., amounts for 2017 and 2018 are currently expert estimates, based on final data for previous years and preliminary tax declaration data. The allocation takes into account that these amounts are still estimates as described under 1.5.3.

⁴ https://finance.belgium.be/en/figures_and_analysis/figures/federal_tax_expenditures_report

⁵ Deductions for investments (in general) are established in the articles 68-77, 201, 207, 240, 528 and 530 of the direct tax code (CIR/WIB92)

| Eligible Expenditures in EUR | 2017 | 2018 |
|------------------------------------|------------|------------|
| Deduction green investments | 49,010,000 | 49,010,000 |

2.2.3. REDUCED PACKAGE CHARGE FOR USING INDIVIDUAL REUSABLE DRINK PACKAGES

The packaging charge is a tax equivalent to excise duty that is levied on individual packages containing drinks (except for milk and aromatized milk-based drinks)¹.

Reusable packaging is subject to a reduced packaging tax, provided that the natural or legal person distributing drinks in such packaging applied for and received the necessary approval.

For a package to be considered reusable, it must be refillable at least seven times, collected via a deposit system, and effectively reused.

The impact of reduced tax revenues is recognized as Eligible Green Expenditure, as this measure prevents pollution and contributes to the circular economy.

The impact on tax revenues is published every year in the "Inventory of exemptions, deductions and reductions that affect state revenue"⁴, an annex to the Federal Budget of Resources. As explained under 1.5.2., amounts for 2018 are currently expert estimates, based on final data for previous years and preliminary tax declaration data. The allocation takes into account that these amounts are still estimates as described under 1.5.3.

| Eligible Expenditures in EUR | 2017 | 2018 |
|-------------------------------|------------|------------|
| Reduced Package Charge | 61,700,000 | 60,600,000 |

2.3

INVESTMENTS BY GOVERNMENT AGENCIES

2.3.1. GREEN INVESTMENTS BY THE SFPI-FPIM

The Federal Holding and Investment Company (SFPI-FPIM) centrally manages the federal government's shareholdings, cooperates with the government on specific projects and pursues its own investment policy in the interests of the Belgian economy. When evaluating potential investments, compliance with the environmental aspects (such as the engagement in the protection of the environment and the application of the principle of precaution when facing the environmental problems or also rational management of energy) is always taken into consideration.

The SFPI-FPIM (and its 100% subsidiary FIF-FSI) participates in several priority sectors, one of which is sustainability. Participations, which directly benefit green projects or investments have been selected and are included as Eligible Green Expenditures in the year of the cash disbursement.

Selected investments are directed towards energy efficiency in real estate construction and towards restoring polluted sites.

As foreseen in the Green OLO Framework, investments over a three-year period (ie 2016-2017-2018) are used, instead of the two years that apply to the other expenditures.

| Eligible Expenditures in EUR | 2017 | 2018 |
|---------------------------------|------------|------------|
| Investments by SFPI-FPIM | 26,600,000 | 14,400,000 |

¹ Established in Art. 371 of the Law of 16th July 1993 aimed at completing the state structure, as modified last by law of 28th March 2007

2.3.2. GREEN INVESTMENTS BY BIO INVEST

BIO is a private company whose capital is held by the Belgian State (FPS Development Cooperation). The mission of the Belgian Investment Company for Developing countries (BIO) is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development within the framework of the Sustainable Development Goals.

To this end BIO invests directly in private sector projects and as such makes a structural contribution to the socio-economic growth of those host countries. Its mandate requires strict criteria in terms of geographical targets, financing tools and, above all, impact on development. One of the major challenges for Development Finance Institutions (DFIs) is to help financed companies to become aware that good governance and environmental and social performance are essential components for their success and sustainability and that they must be permanently integrated into their strategy. BIO takes the environmental and social implications into account throughout the lifecycle of the project and incorporates the good practices principles at all levels, from the commercial strategy model through to daily decision making.



The core of BIO's mission to invest in private sector projects is to contribute in a structural and positive way to the socio-economic growth of the host countries and their population, aligned with the UN's Social Development Goals. 35% of BIO's commitments in 2017 were renewable energy and energy efficiency projects.

Disbursements during 2016-2017 and 2018, either under the form of loans to projects in renewable energy, solar and hydro projects (< 25 MW) or under the form of participations in renewable energy funds were considered as Eligible Green Expenditures.



Figure 3. The El Carmen solar plant in El Salvador (Left)

Figure 4. The Belgian Prime Minister and Minister of Finance and Development Cooperation on a solar plant in Senegal. (Above)

| Eligible Expenditures in EUR | 2017 | 2018 |
|----------------------------------|------------|------------|
| Investments by Bio-Invest | 40,200,000 | 48,200,000 |



3
ALLOCATION
TABLE

| Green OLO: allocation reporting 2017-2018 | | | | | | | Expenditure amounts (€ mn) | | | | Allocated amounts (€ mn) | |
|---|--------------|---|--|--------------------------------------|--|------------------------|--|------|--|------|--------------------------|----------------|
| | Expenditures | FPS / Entity | Global challenge | Green Sector | Type of Expenditures | 2017 | F ^(nal) / E ^(stimate) | 2018 | F ^(nal) / E ^(stimate) | 2017 | 2018 | |
| Federal Budget Expenditures | 2.1.1 | SUBSIDIES TO THE SNCB (BELGIAN RAILWAY EXPLOITATION) | FPS Mobility and Transport | Climate change | Clean Transportation | Operating expenditure | 750.5 | F | 783.5 | F | 713.0 | 683.9 |
| | 2.1.2 | SUBSIDIES TO THE SNCB (INVESTMENT PROGRAMME) | FPS Mobility and Transport | Climate change | Clean Transportation | Investment expenditure | 413.9 | F | 346.9 | F | 393.2 | 302.8 |
| | 2.1.3 | SUBSIDIES TO INFRABEL (INVESTMENT PROGRAMME) | FPS Mobility and Transport | Climate change | Clean Transportation | Investment expenditure | 803.1 | F | 778.9 | F | 763.0 | 679.8 |
| | 2.1.4 | FEDERAL SUPPORT FOR OFFSHORE WINDFARMS | FPS Economy, SMEs, Self-employed and Energy FPS Finance | Climate change | Renewable Energy | Investment expenditure | 74.4 | F | 117.0 | F | 70.7 | 102.1 |
| | 2.1.5 | CONTRIBUTIONS TO DEVELOPMENT COOPERATION | FPS Foreign Affairs, Foreign Trade and Development Cooperation | Biodiversity Climate Change | Living Resources and Land Use | Investment expenditure | 74.5 | F | 30.7 | F | 70.8 | 26.8 |
| Fiscal Expenditures | 2.2.1 | TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION | FPS Finance | Climate change | Clean Transportation | Tax expenditure | 279.8 | E | 283.4 | E | 209.9 | 195.3 |
| | 2.2.2 | INCREASED TAX DEDUCTIONS FOR GREEN INVESTMENTS | FPS Finance | Climate change | Energy Efficiency | Tax expenditure | 49.0 | E | 49.0 | E | 36.8 | 33.8 |
| | 2.2.3 | REDUCED PACKAGE CHARGE FOR USING INDIVIDUAL REUSABLE DRINK PACKAGES | FPS Finance | Natural Ressources | Circular Economy | Tax expenditure | 61.7 | F | 60.6 | E | 58.6 | 41.8 |
| Government Agencies | 2.3.1 | GREEN INVESTMENTS BY THE SFPI-FPIM | SFPI-FPIM | Natural Ressources Climate Change | Living Resources and Land Use Energy Efficiency Circular Economy | Investment expenditure | 26.6 | F | 14.4 | F | 25.3 | 12.6 |
| | 2.3.2 | GREEN INVESTMENTS BY BIO INVEST | Bio-Invest | Climate change | Energy Efficiency | Investment expenditure | 40.2 | F | 48.2 | F | 38.2 | 42.0 |
| TOTALS | | | | | | | 2,573.8 | | 2,512.6 | | 2,379.3 | 2,120.7 |

The expenditure amounts and the allocation to each of the expenditures reflect the determination of Eligible Green Expenditures as detailed under 2. and the allocation methodology explained under 1.5.3.

| | Green OLO Allocated Amounts (mn €) per: | | | | Global Challenge | | | Green Sector | | | | |
|-----------------------------|---|---|--|------------------------|------------------|-------------------|--------------|----------------------|-------------------------------|------------------|------------------|-------------------|
| | Item | Expenditures | FPS / Entity | Type of Expenditures | Climate Change | Natural Resources | Biodiversity | Clean Transportation | Living Resources and Land Use | Renewable Energy | Circular Economy | Energy Efficiency |
| Federal Budget Expenditures | 2.1.1 | SUBSIDIES TO THE SNCB (BELGIAN RAILWAY EXPLOITATION) | FPS Mobility and Transport | Operating expenditure | 1,396.9 | | | 1,396.9 | | | | |
| | 2.1.2 | SUBSIDIES TO THE SNCB (INVESTMENT PROGRAMME) | FPS Mobility and Transport | Investment expenditure | 695.9 | | | 695.9 | | | | |
| | 2.1.3 | SUBSIDIES TO INFRABEL (INVESTMENT PROGRAMME) | FPS Mobility and Transport | Investment expenditure | 1,442.8 | | | 1,442.8 | | | | |
| | 2.1.4 | FEDERAL SUPPORT FOR OFFSHORE WINDFARMS | FPS Economy, SMEs, Self-employed and Energy FPS Finance | Investment expenditure | 172.7 | | | | | 172.7 | | |
| | 2.1.5 | CONTRIBUTIONS TO DEVELOPMENT COOPERATION | FPS Foreign Affairs, Foreign Trade and Development Cooperation | Investment expenditure | 86.8 | | 10.9 | | 97.6 | | | |
| Fiscal Expenditures | 2.2.1 | TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION | FPS Finance | Tax expenditure | 405.1 | | | 405.1 | | | | |
| | 2.2.2 | INCREASED TAX DEDUCTIONS FOR GREEN INVESTMENTS | FPS Finance | Tax expenditure | 70.5 | | | | | | | 70.5 |
| | 2.2.3 | REDUCED PACKAGE CHARGE FOR USING INDIVIDUAL REUSABLE DRINK PACKAGES | FPS Finance | Tax expenditure | | 100.4 | | | | | 100.4 | |
| Government Agencies | 2.3.1 | GREEN INVESTMENTS BY THE SFPI-FPIM | SFPI-FPIM | Investment expenditure | 26.6 | 11.3 | | 11.3 | | | 11.8 | 14.8 |
| | 2.3.2 | GREEN INVESTMENTS BY BIO INVEST | Bio-Invest | Investment expenditure | 80.2 | | | | 80.2 | | | |
| TOTALS | | | | | 4,377.5 | 111.6 | 10.9 | 3,940.7 | 108.9 | 253.0 | 112.2 | 85.3 |



4
ATTESTATION BY
EXTERNAL AUDIT
FIRM

4.1 ATTESTATION BY KPMG



Limited Assurance report of the Independent Auditor

To the Strategic Committee of the Belgian Debt Agency on the Green OLO Allocation Report 2018

Introduction

We were engaged by the Strategic Committee of the Belgian Debt Agency based in Brussels, Belgium (hereafter 'BDA' or 'the Agency') to provide a limited assurance conclusion on the following information in the Green OLO Allocation Report 2018 (together 'the Selected Information'):

- 2017 allocated Green OLO proceeds amounting to 2.379,3 million EUR (page 21)
- 2018 allocated Green OLO proceeds amounting to 2.120,7 million EUR (page 21)

Conclusion

Based on our procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information is not prepared, in all material respects, in accordance with the applied criteria of proceeds allocation to Green Eligible Expenditures disclosed in section IV of the Green OLO Framework published in February 2018 at www.debtagency.be/en/green-olo (hereafter 'the Criteria').

Basis for our conclusion

We have performed our review on the Selected Information in accordance with the International Standard on Assurance Engagements (ISAE) 3000: "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board.

This review engagement is aimed at obtaining a limited level of assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the Selected Information' of our report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the BDA for the Selected Information

The management of the BDA is responsible for the preparation of the Green OLO Allocation Report 2018 and the Selected Information contained herein in accordance with the Criteria.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Green OLO Allocation Report 2018 and the Selected Information contained herein that is free from material misstatement, whether due to fraud or error.

It also includes developing the Criteria, selecting and applying policies, making judgments and estimates that are reasonable in the circumstances and maintaining adequate records in relation to the Green OLO Allocation Report 2018 and the Selected Information contained herein.

Our responsibilities for the review of the Selected Information

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed in relation to the Selected Information. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

Procedures performed in an assurance engagement to obtain a limited level of assurance are aimed to determine the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in limited assurance engagements is therefore substantially less than the level of assurance obtained in a reasonable assurance engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Selected Information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, ethical requirements and independence requirements.

Our limited assurance conclusion relates solely to the Selected Information and not to the BDA Green OLO Allocation Report 2018 taken as a whole. Also it is not our responsibility to provide any form of assurance on:

- The suitability of the Criteria in relation to the 2017 Green Bond Principles of the International Capital Markets Association which was assessed by the 'Second Opinion' published in February 2018 at www.debtagency.be/en/green-olo;
- The environmental impact of the allocated proceeds following the Criteria which will be assessed by the Belgian Minister of Environment on the basis of the Green OLO Framework published in February 2018 at www.debtagency.be/en/green-olo;
- The accuracy of the allocation of the Green OLO proceeds by type of expenditure, entity, sector or climate related challenge or goal;
- The management of the proceeds from the Green OLO prior to their allocation or the use of these proceeds after their allocation.

Procedures performed

Our limited assurance engagement on the Selected Information consists of making inquiries, primarily of persons responsible for the preparation of the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included, among others:

- Identifying areas of the Selected Information where material misstatements, whether due to fraud or error, are likely to arise, designing and performing limited assurance procedures responsive to those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Developing an understanding of internal control relevant to the limited assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the Agency's internal control;

- Evaluating the appropriateness of the reporting Criteria used and their consistent application, including the reasonableness of estimates made by management and related disclosures to the Selected information;
- Interviewing relevant persons responsible for providing the Selected Information, for carrying out internal control procedures on and consolidating the Selected Information;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Selected Information;
- Preliminary and final analytical review procedures to confirm our understanding of trends in the Selected Information.

Antwerp, 19 June 2019

KPMG Bedrijfsrevisoren CVBA

Mike Boonen

Partner



5
CONTACT

5

CONTACT

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