

Rating Object	Rating Information	
<b>Senior Unsecured Green Bond</b> <b>(EMTN Programme 17.11.2020)</b>  Date of issue: 2 December 2020 Type of issue: Senior Unsecured Notes Trading venue: Euronext Brussels (regulated market) Issued by: Fluvius System Operator CV	Corporate Issuer Rating: <b>A+ / negative</b>	Type: Initial rating Solicited
	Senior Unsecured Issue: <b>A+ / negative</b>	Other: <b>n.r.</b>
	Rating date: 2 December 2020 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating Criteria and Definitions"	

Key Features of the Issue			
Target volume	EUR 600,000,000	Date of maturity	2 December 2030
Minimum subscription	EUR 100,000	Coupon	0.25%
Seniority	Senior ( <i>pari passu</i> )	Coupon period	2 December in each year from and including 2 December 2021
Collateralization	Unsecured	Type of coupon	Fix
Credit enhancements	None	ISIN / WKN	BE0002755362

## Rating result

### Contents

Rating result.....	1
Outlook.....	1
Relevant rating factors.....	2
Notching criteria.....	2
Notching of the issuer.....	3
Appendix.....	4

The object of this rating report are the senior unsecured green notes issued by Fluvius System Operator CV (hereinafter also referred to as 'Issuer'). The green notes have been issued under its Green Financing Framework ("Green Financing Instruments"), within the foundation of the new Euro Medium Term Note Programme (EMTN programme), the base prospectus of which was dated 17 November 2020. The current EMTN programme amounts to a maximum EUR 5 bn. The notes issued under the EMTN programme benefit from a negative pledge provision and cross-default mechanism.

### Analysts

Natallia Berthold  
Lead Analyst  
N.Berthold@creditreform-rating.de

Rudger van Mook  
Co-Analyst  
R.vanMook@creditreform-rating.de

We assign a rating of A+ to the senior unsecured notes issued by Fluvius System Operator CV. The rating represents a high level of credit quality with a low investment risk. In accordance with Creditreform Rating AG (CRA) methods, this corporate issue rating is derived from the corporate issuer rating of Fluvius System Operator CV, which was first prepared on 30 December 2016 (initial rating), monitored, and last updated on 27 October 2020. Information about the corporate issuer rating of Fluvius System Operator CV and its rating report are available on the website of CRA.

Neuss, Germany

## Outlook

The one-year outlook of the issue rating is negative. This assessment is based on our expectation that the corporate issuer rating could be downgraded, as we expect that Economic Group Fluvius will experience a reduction in earnings and cash flows following the implementation of the new tariff methodology, thus putting pressure on the Group's cash flows.

## Relevant rating factors

- + Corporate issuer rating of Fluvius System Operator CV of A+ / negative
- + The notes rank pari passu among themselves and with all other senior unsecured indebtedness
- + Negative pledge
- The notes are not collateralized
- The notes from the EMTN programme are unsecured
- The Guarantors are protected by law from seizure of assets in case of a default

### Best-case-scenario: A+

The best-case scenario is based on the corporate issuer rating of Fluvius System Operator CV of A+ (see corporate issuer rating report).

### Worst-case-scenario: A

The worst-case-scenario is based on a downgrade of the corporate issuer rating of Fluvius System Operator CV to A (see corporate issuer rating report).

### ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Fluvius System Operator CV, we have not identified any ESG factor with significant influence.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

[https://www.creditreform-rating.de/pub/media/global/page\\_document/The\\_Impact\\_of\\_ESG\\_Factors\\_on\\_Credit\\_Ratings.pdf](https://www.creditreform-rating.de/pub/media/global/page_document/The_Impact_of_ESG_Factors_on_Credit_Ratings.pdf)

## Notching criteria

### Seniority

The notes issued within the framework of the EMTN programme constitute direct, unconditional, unsubordinated and unsecured obligations and rank pari passu and rateably, without any preference among themselves, and all other current and future direct, unconditional, unsubordinated and unsecured obligations.

#### Please Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

### **Collateralization**

No collateral has been or will be made available for the benefit of the owners of the notes.

### **Covenants, Representations, Warranties**

The notes (under the EMTN programme) are guaranteed by the 11 intermunicipal utility companies that form a part of the Economic Group Fluvius. The guarantee is given on a separate and not on a joint basis. These 11 Guarantors are Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas. The guarantee constitutes an unconditional and irrevocable guarantee of due payment of all debt within this programme (Capital and Interest).

The Guarantors are public law entities. According to Belgian legislation, public law entities are protected from asset seizure in the event of default. This is because public law entities must be able to perform their public duties at all time, and means that in the event of a default of the guarantors the bondholders will not be able to seize the assets of the guarantors.

As the distribution system operators are a part of the Economic Group Fluvius, and we have based our assessment of Fluvius System Operator CV on the creditworthiness of Economic Group Fluvius, these guarantees do not have a positive influence on the rating assessment.

We have not identified any other covenants, representations or warranties that could have a relevant impact on our assessment.

### **Structure of the issue and use of proceeds**

The notes are issued directly by Fluvius System Operator CV as part of the Issuer's Green Financing Framework.

The net proceeds of these green notes will be used for Fluvius' green projects. These include the roll-out of digital meters for electricity, the switch of public lighting in the 300 Flemish cities and municipalities to LED technology, the expansion of sewerage grids in the 85 cities and municipalities where Fluvius manages the sewage grid, as well as the adaptation of the electricity distribution grid in order to connect and distribute more decentralized capacities for the generation of renewable energy.

## **Notching of the Issuer**

### **Notching of issue ratings with issuer ratings of BB- or higher**

The Issuer has a corporate issuer rating of A+ with a negative outlook carried out by CRA (as of 27 October 2020).

The corporate issuer rating of Fluvius System Operator CV is the basis for the rating of the notes. According to our methodology of non-financial corporate issue ratings, the rating is subject to the notching method, which means that quantitative and qualitative factors of the terms and conditions could result in a down- or upgrade of the rating result. However, as the terms and conditions of the notes do not provide for collateral, guarantees from third parties, or other qualitative factors that have a material impact on the rating result, the result of the corporate issue rating is set equal to the corporate issuer rating of Fluvius System Operator CV at A+ with a negative outlook.

## Appendix

Figure 1: Selected Terms and Conditions of the Senior Unsecured Green Bond with ISIN BE0002755362 I (Source: Final Terms dated 30 November 2020 of the Notes and EMTN Programme Base Prospectus as of 17.11.2020 of Fluvius System Operator CV)<sup>1</sup>

Issuer	Fluvius System Operator CV
Aggregate Nominal Amount	EUR 600,000,000
Trade / Pricing Date	25 November 2020
Specified Denomination	EUR 100,000 + EUR 100,000
ISIN	BE0002755362
Status/Rank	Pari passu/Senior Unsecured
Calculation Amount	EUR 100,000
Maturity Date	2 December 2030
Coupon	0.25%
Coupon Payment Dates	Coupon is paid annually in arrears, with a first coupon payment on 2 December 2021, then on 2 December each year thereafter to and including the Maturity Date.
Currency	EUR
Listing	Euronext Brussels (regulated market)
Use of Proceeds	To finance or refinance eligible green projects as defined in the Green Financing Framework

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/de/ratings/published-ratings.html>

Table 8: Senior Unsecured Green Bond issued by Fluvius System Operator CV | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	02.12.2020	03.12.2020	Withdrawal of the rating	A+ / negative

### Regulatory requirements

The rating<sup>2</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

After having prepared an unsolicited corporate issuer rating of Eandis System Operator CVBA (since 1 July 2018 Fluvius System Operator CV) on 4 November 2016, the management of the

<sup>1</sup> For the full terms and conditions, please refer to the relevant issue documents.

<sup>2</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

Company commissioned Creditreform Rating AG with the preparation of a corporate issuer/issue rating<sup>3</sup> (solicited rating) and monitoring of the company on 7 December 2016 (standing order).

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues.

The rating object participated in the creation of the rating as follows:

<b>Solicited Corporate Issuer / Issue Rating</b>	
With rated entity or related third party participation	Yes
With access to internal documents	Yes
With access to management	Yes

A conference call with the Company took place on 22 October 2020 within the framework of the rating process.

In addition to the documents from the previous years and the monitoring during the year, the Company provided the following information as part of the update.

#### List of documents

- Final Terms and Conditions Senior Unsecured Notes dated 30 November 2020
- Term sheet Senior Unsecured Notes 2020
- Fluvius EMTN Programme Base Prospectus dated 17 November 2020
- Correspondence

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

<b>Rating methodology</b>	<b>Version number</b>	<b>Date</b>	<b>Website</b>
Corporate Ratings	2.3	29.05.2019	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf</a>
Government-related Companies	1.0	19.04.2017	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Government-Related%20Companies.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Government-Related%20Companies.pdf</a>

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf</a>

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Natallia Berthold	Lead analyst	N.Berthold@creditreform-rating.de
Rudger van Mook	Analyst	R.vanMook@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Christian Konieczny	PAC	C.Konieczny@creditreform-rating.de

The rating was presented to the rating committee on 2 December 2020. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

#### ESG-factors

You can find out whether ESG factors were relevant to the rating in the above section of this rating report, "Relevant rating factors".

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

#### **Conflicts of interest**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

#### **Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

##### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

##### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

### Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

### Contact information

#### **Creditreform Rating AG**

**Europadamm 2-6**  
**D-41460 Neuss**

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Dr. Hartmut Bechtold

HR Neuss B 10522