Flanders
State of the Art

Sustainability Bond Reporting

EMTN – March 2024

Team Financial Operations

DEPARTMENT OF
FINANCE & BUDGET

Financeflanders.be

Content

INTRODUCTION

In March 2024, the Flemish Community issued its seventh sustainability bond of 1.25 billion euros. This was followed by a tap of 375 million euros in November 2024, bringing the total amount issued to 1.625 billion euros. The aim of the bond is to **finance sustainable green and / or social investments**:

- that are in line with the sustainable development objectives previously published by Flanders in the context of "Vision 2050" and "Vizier 2030"
- that follow the requirements defined in the sustainability bond framework

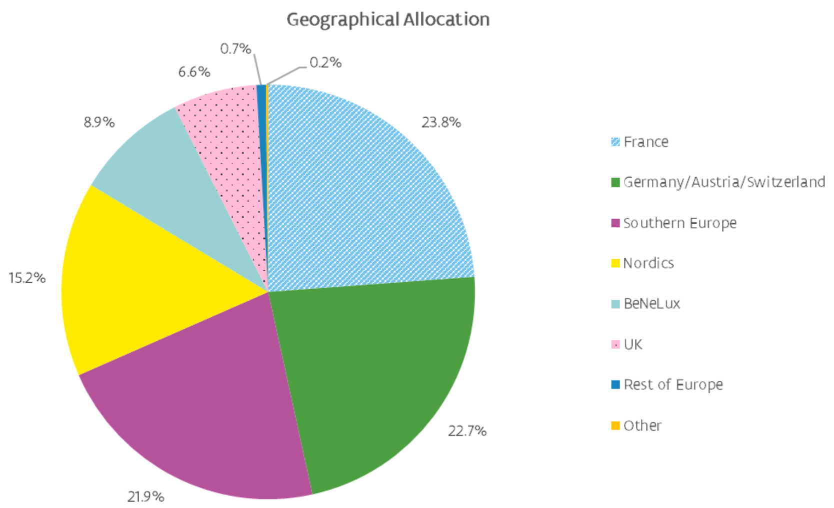
The proceeds will be used to increase the energy efficiency of buildings, finance initiatives in the circular economy, promote affordable housing and access to education.

Additional information about Flanders sustainability bond and framework can be found on: http://financeflanders.be/sustainability

Issuances' characteristics

Sustainability BM March 2024	
Issue date	27 March 2024
Amount	EUR 1.25 billion
Maturity	22 June 2045
Rating	AA (Fitch)
Coupon	3.500
Reoffer Yield	3.575
Second Party Opinion	Sustainalytics
# Investors	190
# Countries	24

Tap Sustainability BM March 2024	
Issue date	26 November 2024
Amount	EUR 375 million
Maturity	22 June 2045
Coupon	3.500
Reoffer Yield	3.457
Second Party Opinion	Sustainalytics

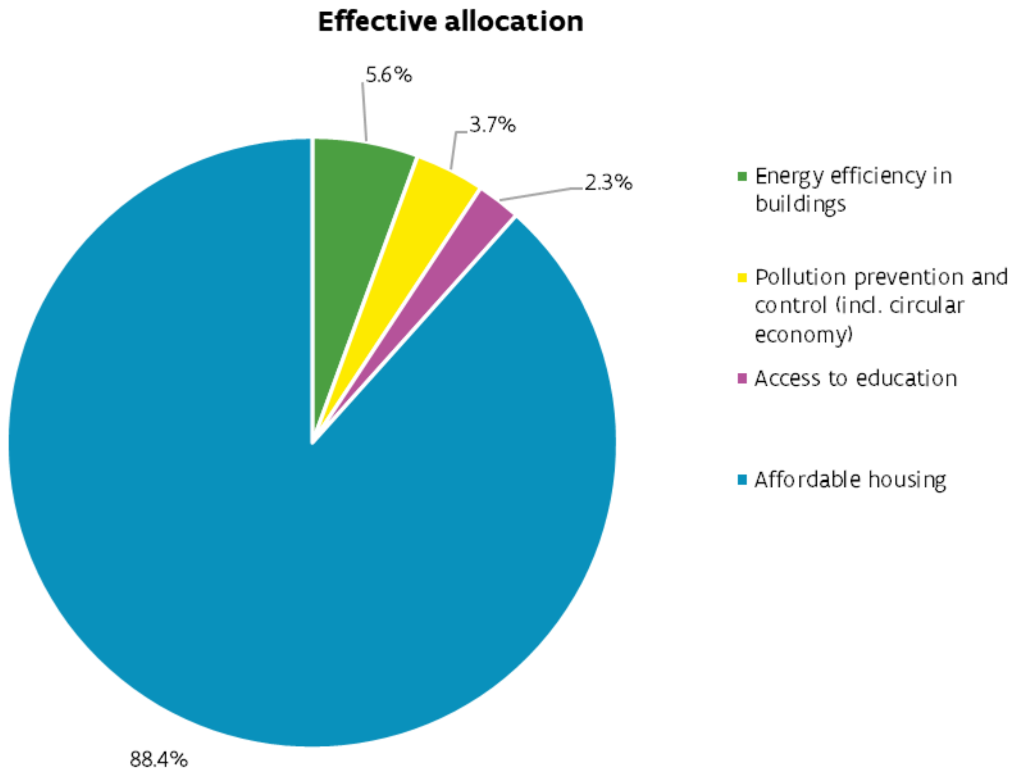


Investors split by geographical allocation (March 2024 issuance only)

SUMMARY

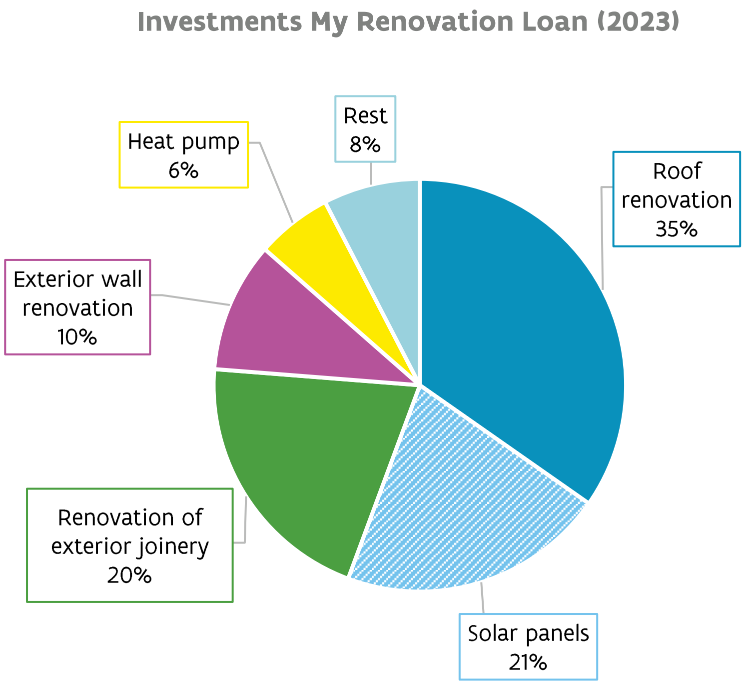
Allocation

The total amount of the proceeds has been allocated as follows:



Key facts and figures for each category

Energy efficiency in buildings



Pollution prevention and control (incl. circular economy)

	Number of supported projects
Flanders Innovation & Entrepreneurship	175
Circulair Werk(t)	11

Access to education

	Number of Schools	Number of students	Average E-level[1]
Passive schools[2]	0	-	-
Non-passive schools	1	1,200	41

Affordable housing

VMSW[3]	Green investments	Social investments with known E-level	No known E-level
Owner-occupied homes	2,476	157	0
Rental properties	12,064	1,813	26,068
Average E-level	42.42	69.61	-

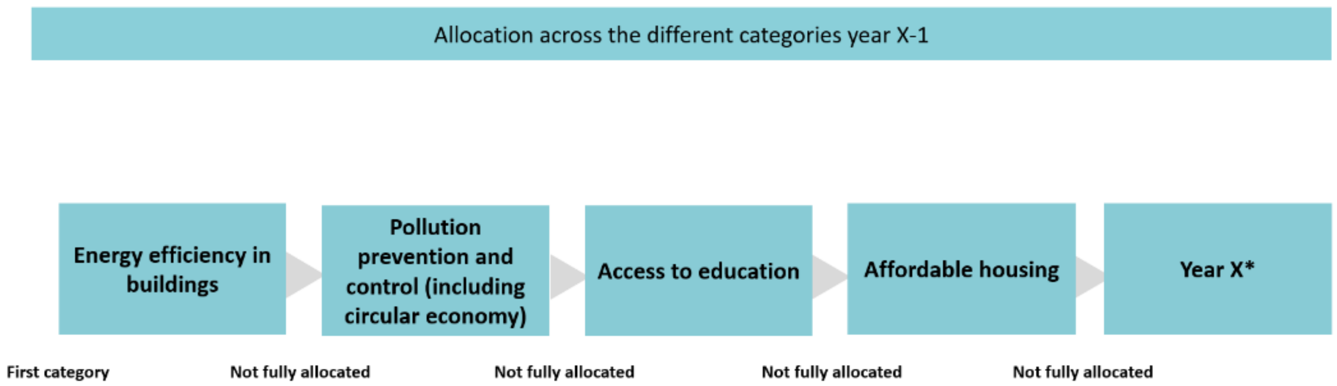
VWF[4] investments			
Number of family members			
1	710	8	25
2	443	9	19
3	611	10	4
4	630	11	2
5	404	12	1
6	237	13	0
7	72	14	1

[1] The E-level is a score that indicates how energy efficient a building is. The lower the E-level, the more energy-efficient the building is.
[2] A passive school is a very energy-efficient school building that has a comfortable indoor climate in both winter and summer with minimal energy consumption. By applying passive strategies in a well thought-out design, the heat losses and heat gains are in balance.
[3] VMSW = Vlaamse Maatschappij voor Sociaal Wonen (Flemish Social Housing Association)
[4] VWF = Vlaams Woningfonds (Flemish Housing Fund)

GENERAL

Selection methodology

The proceeds of the sustainability bond are allocated **primarily to Flanders' expenditures of the year before issuance** (X-1), followed by Flanders' expenditures of the issuance year (X).



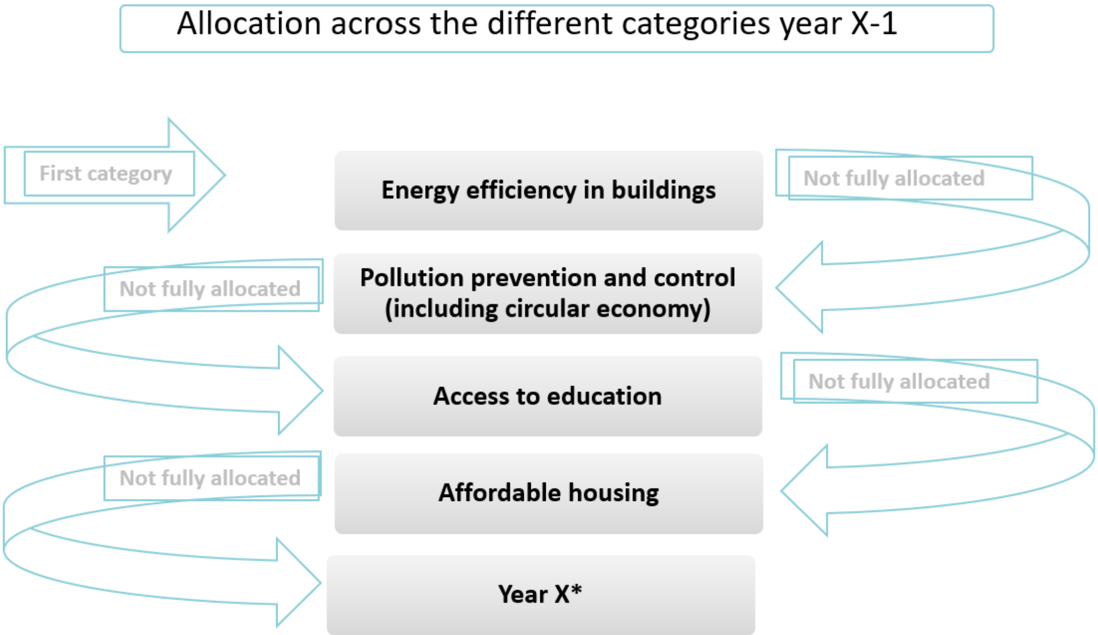
The eligible expenditures are selected depending on **Flanders' budgetary situation**:

- If the ESA (European System of Accounts) budget is balanced in the year X-1, ESA revenues are sufficient to finance ESA expenditures. Consequently, only ESA expenditures excluded from the financial balance related to the consolidated public debt are eligible, as projects cannot be financed twice.
- If the ESA budget is non-balanced in year X-1, Flanders received insufficient revenues to finance the expenditures. In that case, expenditures are partially financed with debt. Consequently, the expenditures included in the financial balance related to the consolidated public debt are also eligible.

The expenditures excluded from the financial balance are **not considered into Flanders' ESA result** according to the ESA 2010 rules. Those eligible expenditures concern for example expenditures for the financing of public agencies (e.g. social housing), PPP projects (e.g. DBFM Schools of Tomorrow) and other expenditures for lending and holdings (e.g. energy loans). These expenditures are also **voted by the Parliament**.

A dedicated **sustainability bond committee** selects the eligible expenditures and approves the methodology used for the allocation.

Priority is given to the **greenest projects**. Consequently, the different categories in year X-1 are ranked as follows:



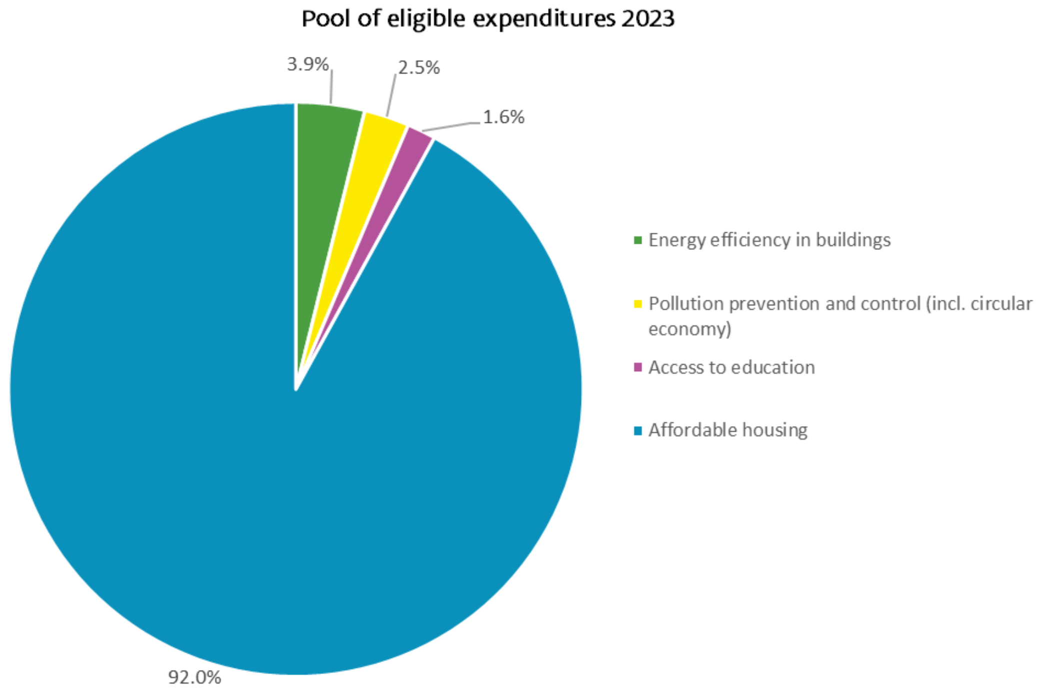
In year X, the same methodology is used as in year X-1 until proceeds are fully allocated.

Flanders aims to **allocate** the proceeds of the bond **as optimally as possible**. Partially funding a project or transferring small residual amounts to the next year is undesirable. Therefore, the final projects can be chosen based on their funding amount versus the amount left to allocate.

Allocation

Pool of eligible expenditures

In EUR m	Pool of eligible expenditures 2023
Energy efficiency in buildings	91.13
Pollution prevention and control (incl. circular economy)	60.01
Access to education	38.00
Affordable housing	2,173.12
TOTAL	2,362.26



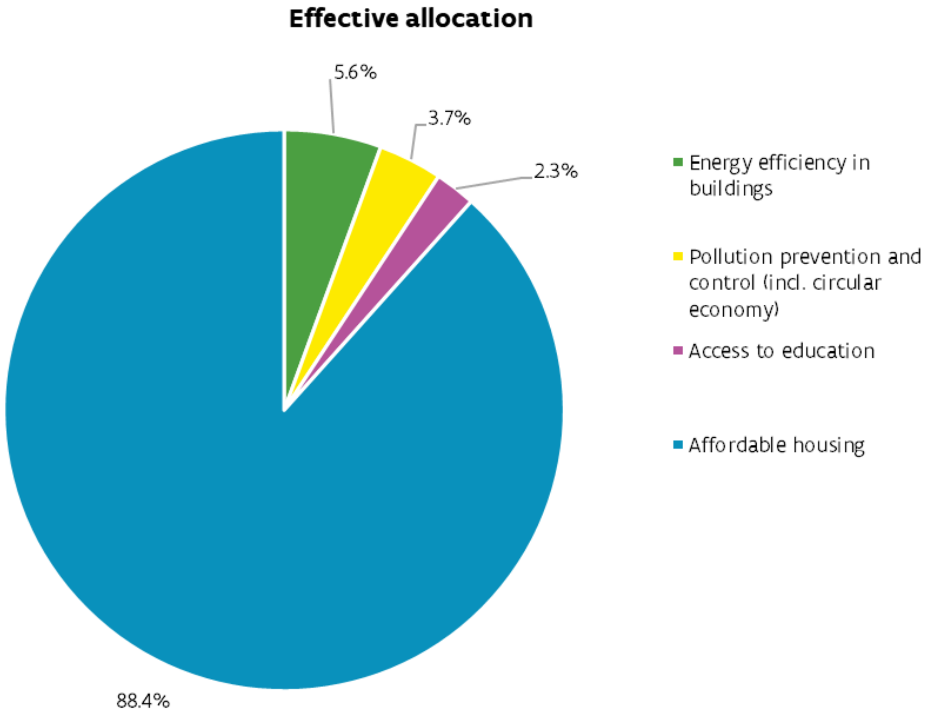
A small part of the 2023 eligible expenditures had already been allocated to the sixth sustainability bond of September 2023. This leaves 2,362.26 million euros in eligible expenditures in 2023.

The largest part of this pool consist of the *Affordable housing* category (92.0%), followed by the category *Energy efficiency in buildings* (3.9%), *Pollution prevention and control (incl. circular economy)* (2.5%) and lastly *Access to education* (1.6%).

Effective allocation

The following effective allocation was approved:

In EUR m	Effective allocation
Energy efficiency in buildings	91.13
Pollution prevention and control (incl. circular economy)	60.01
Access to education	38.00
Affordable housing	1,435.86
TOTAL	1,625.00



ENERGY EFFICIENCY IN BUILDINGS

Selection methodology

Fund : /

Energy loans :

1. Limitation of energy loss
2. Energy-efficient equipment
3. Energy audit

My Renovation Loans :

1. Limitation of energy loss
2. Renewable energy

Flanders excludes fossil fuels financing, with exception of the measures included in the legislation.

No proceeds are currently allocated to the Fund set up to help “emergency buyers”. The first expenditures occurred in 2021. However, the amount in 2024 was negligible. Therefore, it was decided not to include these proceeds.

Regarding the *Energy loans* financing, Flanders gives priority to projects that improve the shell of buildings and contribute to **reducing energy loss**. Examples of such investments are insulation and high-efficiency glazing. Secondly, Flanders looks for projects that provide buildings with **energy-efficient equipment**, such as low-energy heating systems or relighting. Thirdly, Flanders selects projects that increase the use of **renewable energy** in a building, such as solar panels, solar water heater, heat pump, etc. **Energy audits** are ranked last.

My Renovation Loans have replaced the *Energy loans* since 1 September 2022. Firstly, Flanders prioritizes measures that **limit energy losses**, such as insulation. Secondly, Flanders selects projects that increase the use of **renewable energy** in a building, such as solar panels, heat pump, etc.

Effective allocation

91,132,161 euros of the proceeds of the sustainability bond issued in 2024 were allocated to the category *Energy efficiency in buildings*. That equals **5.61%** of the total nominal amount of the sustainability bond.

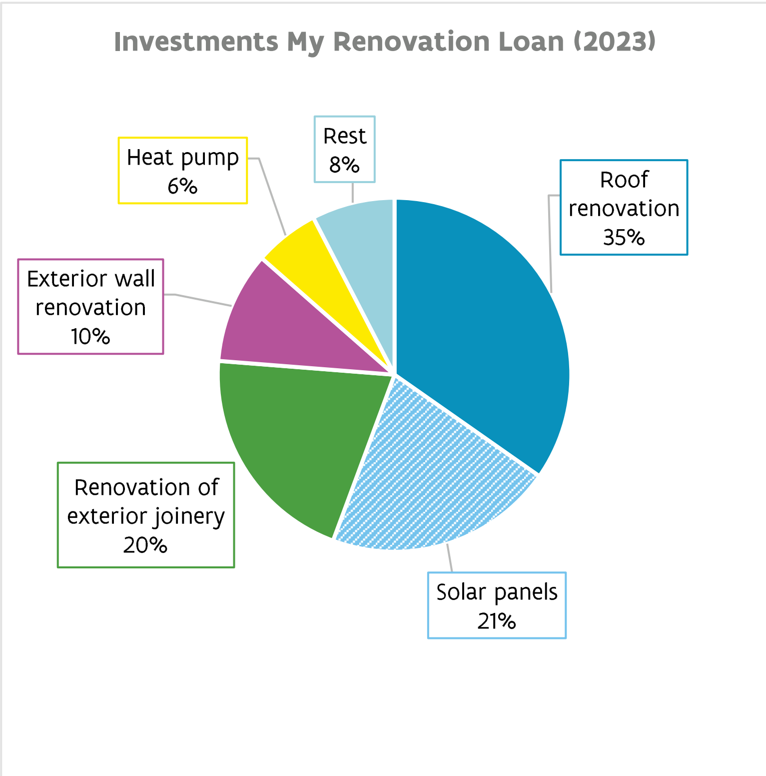
Part of the eligible expenditures within the category *Energy efficiency in buildings* had already been allocated to the sixth sustainability bond of September 2023. As a result, there are no expenditures allocated to the *Energy loans*.

Impact

My Renovation Loan 2023

The most popular investment financed by the *My Renovation Loan* is roof renovation (35%), followed by solar panels (21%) and renovation of exterior joinery (20%).

Type of investments	In euros
Roof renovation	31,639,149.05
Solar panels	19,079,860.66
Renovation of exterior joinery	18,766,586.17
Exterior wall renovation	9,305,751.50
Heat pump	5,412,939.95
Renovation of floors and foundations	1,978,127.23
Interior renovation	1,957,890.20
Heat pump boiler	1,556,453.26
Hybrid heat pump	1,115,980.39
Solar boiler	319,422.58
TOTAL	91,132,161.00



POLLUTION PREVENTION AND CONTROL (INCL. CIRCULAR ECONOMY)

Selection methodology

Which project are eligible?

- Flanders Innovation & Entrepreneurship
- Circulair Werk(t)

Effective allocation

60,011,024.46 euros of the proceeds of the sustainability bond issued in 2024 were allocated to the *Pollution prevention and control* category. That equals **3.69%** of the total nominal amount of the sustainability bond.

Impact

Flanders Innovation & Entrepreneurship[5]

Every year, Flanders Innovation & Entrepreneurship supports **circular economic projects**. These circular economic projects reduce the use of primary resources (such as fossil raw materials, water and space) to meet our needs (such as food, housing, transport, comfort, communication, health). They do this by offering or organizing services in such a way that they require less resource use (dematerialisation), by making products last longer, by keeping materials and water in a better cycle (such as through reuse and recycling) and/or by use of primary resources by using materials, water and food that have less environmental impact across the entire cycle and over multiple cycles.

In 2023, Flanders Innovation & Entrepreneurship supported 126 projects for the circular economy theme for the total amount of 48.9 million euros. These innovation grants are subsidies for innovations that play a key role in the realization of business cases at companies or for the expansion or strengthening of their research and development activities.

Another 49 projects within business economic aid were supported for the amount of 10.9 million euros. This business economic aid refers to support for investments or training and recruitment that enable companies to realize a strategic growth leap or transformation.

[5] Naar een circulaire toekomst | Agentschap Innoveren en Ondernemen (vlaio.be)

Circulair Werk(t): Oproep 520[6] [Circular Work(s): Call 520]

In order to stimulate **social and circular entrepreneurship** on a local level, a call was launched by various parties (including Circular Flanders) to unite in circular hubs. These hubs focus on networks where stakeholders meet and assess concrete collaboration. These collaborations should result in:

- New circular services or assignments for recognized social economic companies, or;
- New circular entrepreneurship with social impact.

The hub looks for economic opportunities or local needs and tests solutions within the network. The new circular services and assignments that result from this, contribute to solutions for local/regional problems. The hub pays particular attention to the added value of social economic enterprises in the circular economy. The hub also works on raising awareness about the added value of social and circular entrepreneurship among citizens and companies. In other words, the hub promotes "circulair werk(t)" in a certain region. The long-term objective of this experimental space for social circular entrepreneurship is to create extra jobs.

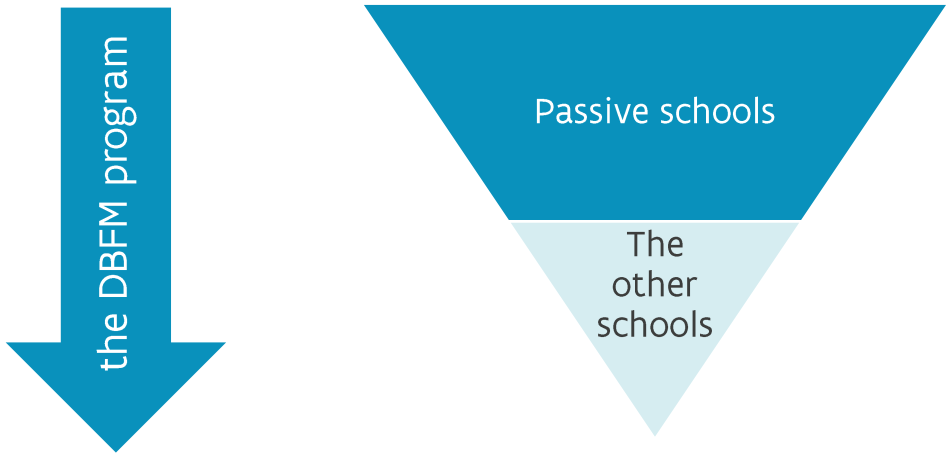
The division ESF & Sustainable Entrepreneurship and the division Social Economy & Workable Work of the Work & Social Economy Department, together with Circular Flanders, will support these local circular hubs financially for a period of 2 years.

For the ESF-call 520 Circulair Werk(t), Circular Flanders subsidized 11 parties in 2023 for 211,024.46 euros.

[6] Over ons | Circulair Werkt

ACCESS TO EDUCATION

Selection methodology



Expenses related to **passive schools** built as part of the DBFM programme Schools of Tomorrow are given priority over expenses related to other schools under the DBFM programme. Within both categories, Flanders selects the schools based on their **E-level**. Schools with the same E-level are ranked chronologically according to their financing date.

Effective allocation

37,977,490.90 euros of the proceeds of the sustainability bond issued In 2024 were allocated to the category *Access to education*. That equals **2.34%** of the total nominal amount of the sustainability bond.

Impact

There were no passive schools selected for the allocation of this sustainability bond.

The selected school provides space for 1,200 students and has an average E-level of 41.

AFFORDABLE HOUSING

Selection methodology

How will the projects be ranked?

- The ranking will be based on the E-level of the building
  - New constructions & renovations: projected E-level
  - Purchase: E-level from the energy performance certificate
- For projects consisting of different units, each with an individual E-level, the average E-level will be taken into account.
- Projects of which the buildings all have an E-level equal and below 60 are considered “green”. Projects which have one or more buildings above E-level 60 or an unknown E-level are considered “social”. Priority will be given to these green projects.
- Buildings with the same E-level will be ranked chronologically according to the financing date
- Buildings of which the E-level is unknown will be ranked chronologically according to the financing date at the end of the list.
- No distinction between social rental projects or social ownership projects.
- No distinction between projects from VMSW or projects from VWF

Which projects are eligible?

Social mortgages granted for the following purposes qualify :

- To buy and renovate, improve or adjust a dwelling
- To buy a (social) dwelling
- To renovate, improve or adjust an owner – occupied dwelling
- To preserve a dwelling
- To buy social building land

Financing of social housing projects (building of new buildings or the renovation of existing building)

The projects of VWF are ranked at the end of the list because the E-level is unknown.

Effective allocation

1,435,859,210 euros of the proceeds of the sustainability bond issued in 2024 were allocated to the *Affordable housing* category. That equals **88.36%** of the total nominal amount of the sustainability bond. The selected projects concern projects from both VMSW and VWF.

In EUR	Effective allocation
Green investments VMSW 2023	480,995,193.47
Social investments VMSW with known E-level 2023	18,763,681.52
Social VMSW investments with no known E-level 2023	235,399,957.67
Social VWF investments with no known E-level 2023	700,700,376.88
TOTAL	**1,435,859,209.54**

Impact

Green investments VMSW 2023

Green investments VMSW - 2023	
Owner-occupied homes	2,476
Rental properties	12,064
TOTAL	14,540

The green projects that fall within this scope, have an average E-level[7] of 42.42. Of these projects, 82.97% are rental properties and 17.03% are owner-occupied homes.

E-level	Owner-occupied homes	Rental properties
[10 – 15[	4	196
[15 – 20[	25	0
[20 – 25[	11	69
[25 – 30[	64	300
[30 – 35[	86	455
[35 – 40[	125	564
[40 – 45[	218	830

[7] The average E-level was calculated based on the known E-levels.

[45 – 50[	315	949
[50 – 55[	202	706
[55 – 60[	115	302
< 60[8]	1,311	7,693

Social investments VMSW with known E-level (2023)

Social investments VMSW with known E-level - 2023	
Owner-occupied homes	157
Rental properties	1,813
TOTAL	**1,970**

The average E-level of these social projects was 69.61. Of these projects, 92.03% were rental properties and 7.97% were owner-occupied homes.

E-level	Owner-occupied homes	Rental properties
[60 – 65[	77	129
[65 – 70[	0	299
[70 – 75[	80	1,163
[75 – 80[	0	119
[80 – 85]	0	103

Social investments with no known E-level (2023)

These investments include projects from both VMSW and VWF.

Social investments with no known E-level (VMSW) - 2023	
Owner-occupied homes	0
Rental properties	26,068
TOTAL	**26,068**

[8] Since 2015, new VMSW projects have an E-level less than 60. A specific E-level is no longer tracked for some of these projects.

All these VMSW projects with no known E-level were rental properties.

Social investments with no known E-level (VWF) - 2022	
Number of investments	1,485
Number of people who benefited from these investments	4,830
TOTAL	325,701,775.54

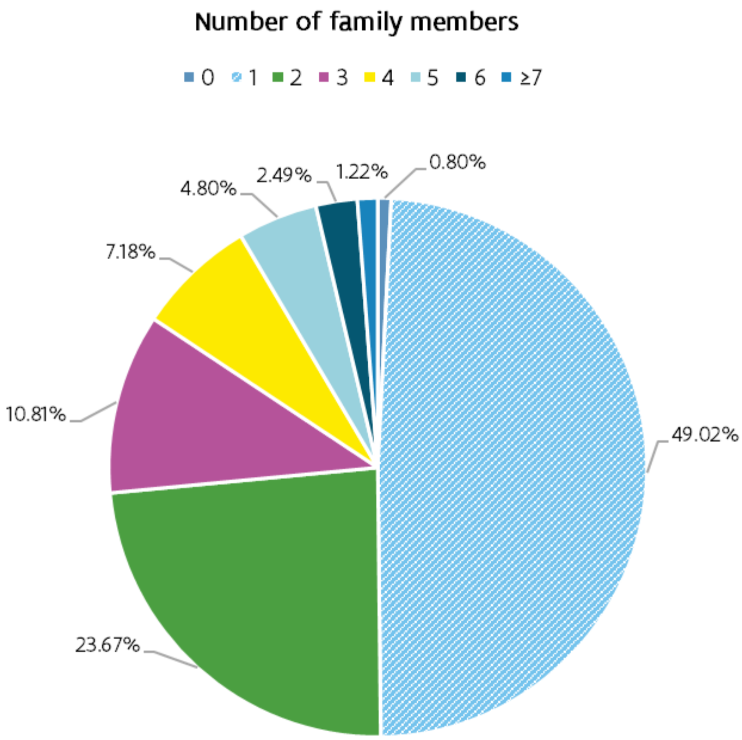
3,159 VWF investments were selected for a total of 700,700,376.88 euros. A total of 10,354 people benefited from these selected VWF investments.

VWF Investments		
	Number of family members	Total amount
1	710	134,326,837.68
2	443	95,526,773.68
3	611	134,894,890.08
4	630	147,080,825.07
5	404	98,008,328.13
6	237	58,741,515.58
7	72	17,744,234.66
8	25	6,560,307.00
9	19	5,601,652.00
10	4	1,148,990.00
11	2	612,223.00
12	1	342,500.00
13	0	0.00
14	1	111,300.00

VMSW statistics[9]

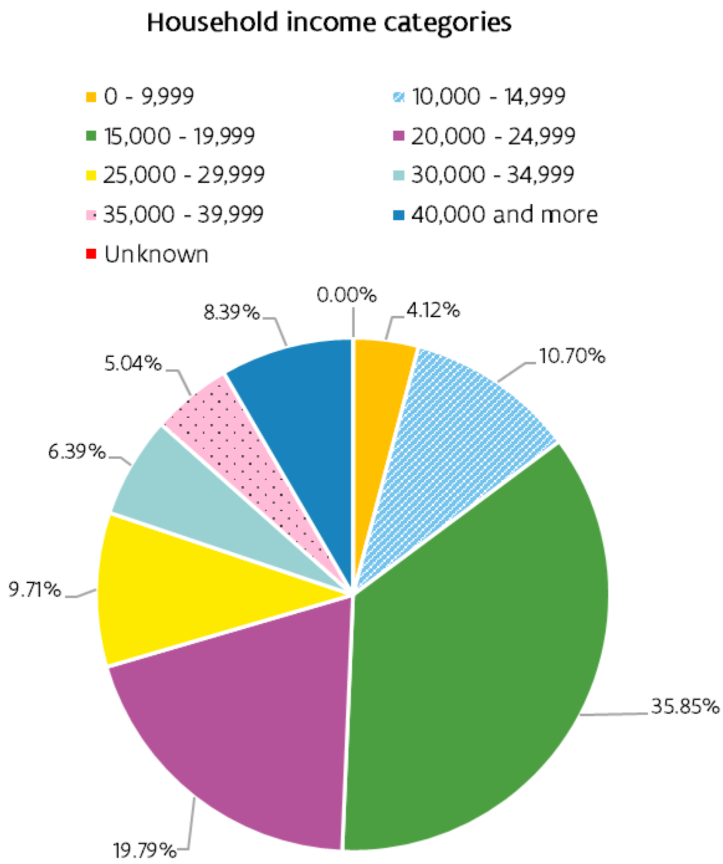
The two following graphs and figures give a global overview of the tenants supported by VMSW at the end of 2023.

Number of family members (31/12/2023)	
0	1,176
1	72,019
2	34,774
3	15,886
4	10,550
5	7,049
6	3,660
7	1,269
8	372
9	104
> 9	46



[9] No specific statistics were available for the selected projects.

Household income[10] categories in EUR (31/12/2023)	
0	1,895
0.01 – 2,499	752
2,500 – 4,999	677
5,000 – 7,499	907
7,500 – 9,999	1,819
10,000 – 12,499	2,741
12,500 – 14,999	12,984
15,000 – 17,499	18,926
17,500 – 19,999	33,739
20,000 – 22,499	18,259
22,500 – 24,999	10,817
25,000 – 27,499	8,333
27,500 – 29,999	5,934
30,000 – 32,499	4,901
32,500 – 34,999	4,488
35,000 – 37,499	3,973
37,500 – 39,999	3,431
40,000 and more	12,325
Unknown	4



[10] Household income = the available household income comprises all income of the household members from economic activity, from property and from social transfers (social security and social assistance benefits).

The following table gives an overview of the renovation of the social patrimony in 2023.

Social patrimonium renovation (cost renovation higher than 15,000 euros per residence)	
Number of residences	
Preliminary draft	1,095
Award	635
Delivery	1,724
Number of projects	
Preliminary draft	15
Award	18
Delivery	43
Total net cost	
Preliminary draft	€ 61,094,230.48
Award	€ 110,265,810.23
Delivery	€ 181,501,734.20
Total investment (allocations)	
Award	€ 165,338,127.11
Delivery	€ 239,773,517.50

The EPB-requirements for housing for the period 2023 are:

- For construction: maximum E30 per housing unit
- For major energetic renovation: maximum E60 per housing unit

VWF statistics – Flemish housing loan[11]

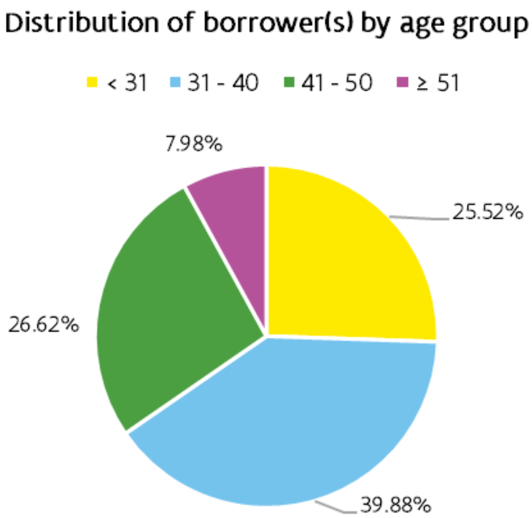
The following graphs and figures give a global overview of the new borrowers supported by VWF at the end of 2023.

The monthly net family income (including any growth package) of families who acquired their own home in 2023 thanks to the Flemish housing loan is on average 3,023.97 euros.

The average amount of a housing loan provided by VWF was 222,281.12 euros in 2023.

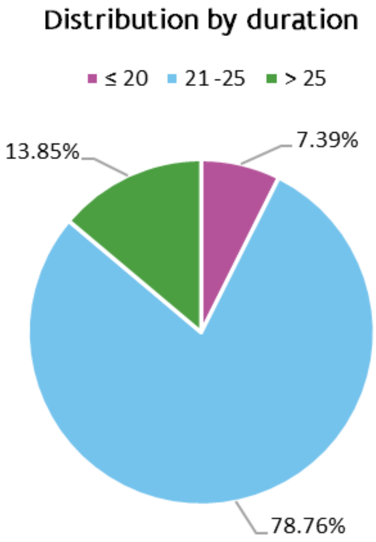
Number of loans	Cost of the house	Sources of funding					
	Average	Flemish housing loan		Own savings		Other contributions[12]	
		Average	%	Average	%	Average	%
6,469	€ 265,523.19	€ 222,281.12	83.72	€31,528.77	11.87	€ 11,713.30	4.41

Distribution of borrower(s) by age group	
< 31 years	25.52%
31 – 40 years	39.88%
41 – 50 years	26.62%
≥ 51 years	7.98%



[11] No specific statistics were available for the selected 1,485 projects.
[12] Mainly additional loans

Loan duration	Number of Loans	%
≤ 20 years	478	7.39%
21 – 25 years	5,095	78.76%
> 25 years	896	13.85%
TOTAL	6,469	100%



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