

# Framework Overview and Second-Party Opinion

## Obvion Green STORM 2018

### Evaluation Summary

Sustainalytics is of the opinion that Green STORM 2018 is credible and impactful, and aligns with the four core components of the Green Bond Principles 2017. This assessment is based on the following:



**USE OF PROCEEDS** The eligible use of proceeds category, Green Buildings, is recognized by the Green Bond Principles as a project category having positive environmental benefits. Additionally, green residential mortgage-backed securities are aligned within the four recognized types of green bonds described in the Green Bond Principles 2017. Sustainalytics is of the opinion that Obvion's mortgages backed by green buildings lead to positive environmental impact in the Dutch residential sector.



**PROJECT EVALUATION / SELECTION** Obvion's project evaluation and selection process is executed through a working group including Obvion's members of its Funding & Risk Management team, and Rabobank's Debt Capital Markets (Securitization & Covered Bonds and Sustainable Markets teams). The working group will select mortgages for the inclusion in the Green STORM 2018 based on the defined eligibility criteria presented below (3.1 Use of Proceeds). Sustainalytics assesses this approach to be in line with market practices.



**MANAGEMENT OF PROCEEDS** Obvion's management of proceeds is aligned with market practices and includes a direct and full allocation of the green bond proceeds to fund eligible mortgages in the portfolio, leaving no balance of funds to be invested. In case any loan fails to comply with the eligibility criteria, it will be purchased back by the seller (Obvion) and substituted by another loan that complies with the criteria.



**REPORTING** Obvion commits to provide (i) an annual allocation report comprising the composition of the mortgages in terms of the eligibility criteria, which will be made available on Bloomberg as well as on the website of the Dutch Securitization Association, and (ii) with regards to impact reporting, Obvion will provide a third-party CO<sub>2</sub> calculation study to demonstrate the climate impact of Green STORM 2018, which will be included in the investor package. Sustainalytics is of the opinion that Obvion's approach to allocation and impact reporting is in line with current market best practices.

|                        |                          |
|------------------------|--------------------------|
| <b>Evaluation date</b> | May 2018                 |
| <b>Issuer Location</b> | Heerlen, the Netherlands |

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## 1. Introduction

Obvion N.V. (“Obvion”), a Dutch mortgage provider and a wholly owned subsidiary of Rabobank<sup>1</sup>, has engaged Sustainalytics to review its planned green residential mortgage-backed security (RMBS) issuance (“Green STORM 2018”) and provide an opinion as to its alignment with ICMA’s Green Bond Principles<sup>2</sup>. As part of this engagement, Sustainalytics has held conversations with both Obvion’s treasury team and Rabobank’s sustainability and capital markets structuring teams to understand the use of proceeds, management of proceeds and reporting aspects of this transaction, as well as the sustainability strategy of the Rabobank Group (Obvion’s parent company). Sustainalytics also reviewed relevant public and internal documents to assess the expected impact of Obvion’s Green STORM 2018.

This document contains three sections: Overview of the issuer; Green Bond Framework Overview – summary of Obvion’s framework for the bond; and Sustainalytics’ Opinion – an opinion on the framework.

## 2. Overview of Issuer

Obvion, the issuer of Green STORM 2018, is a subsidiary of Rabobank, an international cooperative bank focused on providing financial services in the Netherlands and involved in retail and wholesale banking, and food and agriculture internationally. Rabobank has the largest mortgage-lending business in the Netherlands, which is complemented with a lending portfolio that is directed towards retail customers and corporates. Rabobank has identified responsible finance as a key differentiator and strategic opportunity for the bank. As such, it has implemented numerous initiatives to promote sustainable financial services and products, including impact loans and specialized green financing. The breadth of its offerings is strengthened by a commitment to provide EUR 40 billion in sustainability-related financing by 2020. In addition, Rabobank has a Sustainability Policy Framework<sup>3</sup> which includes several responsible investment policies and guidelines with respect to its credit and loan business.

## 3. Framework Overview

Obvion is planning to issue a green RMBS. The security will be part of Obvion’s residential mortgage securitization program known as STORM, which has approximately EUR 17.6 billion of outstanding securities, and will be structured in line with other transactions in the STORM program. The aim of the Green STORM 2018 issuance is to refinance a mortgage asset pool with added environmental value, mainly focusing on energy efficiency and energy performance. The securities will refinance an existing mortgage loans portfolio with residential buildings in the Netherlands that meet the eligibility criteria described below. Furthermore, the transaction will be in alignment with the Green Bond Principles. Green STORM 2018 will be a fully revolving transaction up to the first optional redemption date (“FORD”, 22 May 2023). In this transaction, the available principal will be used to purchase additional loans in order to limit amortization and are expected to be repaid at the FORD as a bullet payment. Additional purchase criteria are in place to maintain the credit quality of the underlying pool, and all newly added loans must comply with the eligibility criteria (including the green eligibility criteria as defined in Section 3.1 of this document).

### 3.1 Use of Proceeds

The proceeds of the Green STORM 2018 will be used to refinance existing mortgage loans from Dutch residential buildings that represent the top 15% in terms of energy performance in the Netherlands, or which

<sup>1</sup> Statutory name: Coöperatieve Rabobank U.A.

<sup>2</sup> ICMA’s Green Bond Principles available at <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

<sup>3</sup> <https://www.rabobank.com/en/images/sustainability-policy-framework.pdf>

have achieved at least a 30% improvement in energy efficiency, as detailed below. The mortgages to be refinanced reflect a diversified portfolio in terms of geography and building types.

#### Eligibility Criteria

- Residential buildings which have obtained a 'provisional' Energy Performance Certificate ("EPC") of "A" in accordance with the Methodology Energy Performance Certificate, or;
- Residential buildings that have achieved at least a 30% improvement in energy performance (at least a two-notch upgrade to a 'definitive' EPC of "C" or "B" or an upgrade to an EPC "A") compared to an average house within the same building period.

### 3.2 Project Evaluation and Selection Process

Obvion's database of mortgages has been matched against the external data provided by Calcasa, a Dutch valuation service agency. Calcasa sourced the underlying data with regards to Energy Performance Certificates directly from the Netherlands Enterprise Agency (RVO). Where definitive Energy Performance Certificates were not available, Calcasa calculated them using the RVO's methodology for determining Dutch residential Energy Performance Certificates. From the asset pool that has been classified by EPCs, Obvion has selected mortgages for inclusion in the Green STORM 2018 based on the defined eligibility criteria (see section 3.1). For detailed information on the project evaluation and selection process see Appendix A. To evaluate and select eligible loans, Obvion and Rabobank created a working group that includes Obvion's members of its Funding & Risk Management team, and Rabobank's Debt Capital Markets (Securitization & Covered Bonds and Sustainable Markets teams).

### 3.3 Management of Proceeds

#### Management

Net proceeds from the issuance of the mortgage-backed notes shall be used to fund eligible mortgages in the portfolio, and thus there will be no balance of funds to be invested. Therefore, only mortgages meeting the eligibility criteria will be backing Green STORM 2018. The eligible loans that serve as collateral will be documented, and this information will be checked by an auditor.

#### Tracking

A third party (Intertrust) will report monthly on, for example, the portfolio regarding size, prepayments, defaults, and losses. Any new mortgage loans that are added to the transaction due to the revolving structure have to meet the eligibility criteria (see Section 3.1 above). In case any loan fails to comply with the eligibility criteria, it will be purchased back by the seller (Obvion) and substituted by another loan that complies with the criteria.

### 3.4 Reporting

#### Allocation Reporting

Due to the nature of the Green RMBS, proceeds of the transaction will be 100% allocated upon issuance to refinance the eligible portfolio. The information made available to investors will provide loan by loan data on the underlying pool of eligible assets. As mentioned in Section 3.3, an external party will publish a monthly report providing information regarding the mortgages included in Green STORM 2018, and Obvion will report yearly on the composition of the mortgages in terms of the Green Eligibility Criteria. This information will be available on Bloomberg and on the website of the Dutch Securitization Association.

#### Impact Reporting

As part of the requirements for the Climate Bond Standard for Low Carbon Buildings, Obvion appointed a third party to perform a CO<sub>2</sub> calculation study to demonstrate the climate impact of Green STORM 2018. This estimate is based on a breakdown of the portfolio by Energy Performance Certificate. This report will be included in the investor package and made available to potential investors. The CO<sub>2</sub> calculation is based on the real energy consumption of the properties and uses an assumed emissions intensity of 505 g/kWh for electricity and 1.78 kg/m<sup>3</sup> for natural gas.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green STORM 2018

#### Summary

Sustainalytics is of the opinion that Green STORM 2018 is credible and impactful, and aligns with the four core components of the Green Bond Principles 2017. Some of its key strengths are that:

- The eligible use of proceeds category (i.e. mortgages backed by green buildings) is recognized by the Green Bond Principles as a project category having positive environmental benefits, and Sustainalytics views these projects as having a positive environmental impact. For additional information, please see Section 3 for Sustainalytics' assessment on the use of proceeds;
- Obvion issued a Green STORM in 2017 using an approach similar to the one defined in this framework. Sustainalytics is of the opinion that in comparison to its 2017 framework, Obvion has strengthened its 2018 eligibility criteria to include only (i) Residential buildings which have obtained a provisional Energy Performance Certificate (energy label) of "A", instead of "A" and "B", labels in accordance with the Methodology Energy Performance Certificate, and (ii) Residential buildings that have achieved at least a 30% improvement in energy performance.
- Obvion's project evaluation and selection process is executed through a working group including members of Obvion's Funding & Risk Management team, and Rabobank's Debt Capital Markets (Securitization & Covered Bonds and Sustainable Markets teams). The working group will select mortgages for the inclusion in the Green STORM 2018 based on the defined eligibility criteria presented above (3.1 Use of Proceeds). Sustainalytics assesses this approach to be in line with market practices;
- Obvion's management of proceeds is aligned with market practices and includes a direct and full allocation of the green bond proceeds to fund eligible mortgages in the portfolio, leaving no balance of funds to be invested. In the case any loan fails to comply with the eligibility criteria, it will be purchased back by the seller (Obvion) and substituted by another loan that complies with the criteria;
- Obvion commits to provide (i) an annual allocation report comprising the composition of the mortgages in terms of the green eligibility criteria which will be made available on Bloomberg as well as on the website of the Dutch Securitization Association. (ii) With regards to impact reporting, Obvion will provide a third-party CO<sub>2</sub> calculation study to demonstrate the climate impact of Green STORM 2018, which will be included in the investor package. Obvion commits to reporting its impact metrics following the Climate Bond Standard for Low Carbon Buildings technical criteria<sup>4</sup>. Sustainalytics is of the opinion that Obvion's approach to allocation and impact reporting is in line with current market best practices.

#### Alignment with Green Bond Principles 2017:

Sustainalytics has determined that Obvion's Green STORM 2018 aligns with the four core components of the Green Bond Principles 2017. For detailed information please refer to Appendix B: Green Bond / Green Bond Programme - External Review Form.

### Section 2: Sustainability Performance of the Issuer

#### Contribution of framework to issuer's sustainability mandate

##### *Rabobank and Obvion: strong sustainability performers*

Based on Sustainalytics' ESG research, Rabobank<sup>5</sup> is assessed as a leader among its banking peers. Although Rabobank has faced some business ethics issues in recent years, it demonstrates strong performance on the key issues of responsible finance and financial product governance. Responsible finance refers to practices

<sup>4</sup> <https://www.climatebonds.net/standard/buildings>

<sup>5</sup> As a wholly owned subsidiary of Rabobank, Sustainalytics' assesses Obvion's sustainability performance under its parent.

and strategies employed by banks to integrate sustainability criteria into financial lending and investment decisions.

Sustainalytics recognizes that Rabobank has strong credit and loan standards, strengthened by a list of industries that are excluded from financing for sustainability reasons. Additionally, Rabobank outperforms its peers with regards to financial product governance: the company has implemented strong programmes to integrate customer feedback and market its products and services responsibly. Notably, Rabobank is a member of the executive board of the Green Bond Principles.

The bank has an important presence in the Dutch housing and real estate market and has enacted sustainability policies for the real estate sector that aim to promote higher energy efficiency, a circular economy, lower greenhouse gas emissions, and the use of more renewable energy in housing and real estate. Additionally, Rabobank supports Dutch retail customers investing in home improvements to improve energy efficiency, by acting as a co-financer of the Dutch National Energy Saving Fund (Nationaal Energiebespaarfonds). This fund allows home owners to invest in energy-saving measures with favorable conditions. Local Rabobank branches in the Netherlands are also organizing Smart Refurbishment meetings, where retail customers can meet experts in the field of energy conservation and the generation of sustainable energy. Furthermore, the company is a signatory to the Dutch Energy Agreement for Sustainable Growth<sup>6</sup>.

Obvion (and its legal predecessor) has been investing in the Dutch housing market for over 30 years and, alongside its parent Rabobank, is using its presence in the local market to promote the country's transition towards a sustainable economy. Obvion has also demonstrated a strong commitment to responsible lending through its Job Coach programme, which supports customers having difficulty making their payments with career support.

These activities provide evidence that both Obvion and Rabobank are, in Sustainalytics' opinion, well positioned to issue green RMBS. In addition, Sustainalytics considers that this issuance will provide a positive contribution to the efforts towards improving the environmental impact of the Dutch housing and real estate market.

#### **Well positioned to address common environmental and social risks associated with the projects**

The Rabobank Group has a *Sustainability Policy Framework* which includes several responsible investment policies and guidelines with respect to its credit and loan business, communicating the company's stance and due diligence process to avoid potential social and environmental risks stemming from the financed projects. For instance, the group has position papers setting expectations on compliance with human rights issues and animal welfare, and has published several sector statements that serve as a guide for its credit policy. Overall, Sustainalytics considers that these policies and due diligence efforts strengthen the bank's ability to address and mitigate risks in its loan portfolio.

### **Section 3: Impact of Use of Proceeds**

#### **Alignment with the Dutch government's energy efficiency improvement initiatives**

The Dutch government has implemented a comprehensive Energy Policy, with an important focus on saving energy in homes and other buildings<sup>7</sup>. In 2013, after extensive consultations with stakeholders, the Netherlands issued its Energy Agreement for Sustainable Growth, a roadmap towards ensuring a sustainable, long-term energy supply for the country. Alongside commitments by industry, the plan also highlighted that the energy efficiency of residential buildings was key to ensuring a successful execution of the Agreement and, more broadly, the shift to a sustainable economy. As part of this policy framework, the Dutch government also made mandatory the energy labelling for all privately owned and rented homes, indicating the level of energy efficiency and raising awareness of energy consumption. Furthermore, the government and other Dutch stakeholders have implemented stricter energy efficiency requirements for new homes, striving for "zero-energy by 2020"<sup>8</sup>. Considering this local context and the clear policy directives established by the Dutch government, Sustainalytics is of the opinion that the asset selection criteria defined by Obvion is aligned with

<sup>6</sup> <https://www.energieakkoordser.nl/energieakkoord.aspx>

<sup>7</sup> <https://www.government.nl/topics/energy-policy/saving-energy>

<sup>8</sup> This means that new homes must generate almost as much energy as they consume by 2020. To achieve this aim, the energy performance coefficient (EPC) will be reduced gradually.

the Dutch government's initiatives to improve energy efficiency in the housing sector and contribute to the overall efforts to achieve commitments.

The assets selected represent the top 10.1% in terms of energy ratings ("A" level), or demonstrate a significant improvement in performance over time (at least 30%).

#### **Climate Bond Initiative Certification**

Sustainalytics has provided a Pre-Issuance Verification Letter on the Climate Bond Standard, ensuring that Obvion's proposed Green STORM 2018 is in alignment with the Low Carbon Buildings: Residential Property Eligibility Criteria and Guidelines<sup>9</sup>.

#### **Conclusion**

Obvion's Green STORM 2018 will refinance existing mortgage loans from Dutch residential buildings within the top 15% in terms of energy performance in the Netherlands, or with at least 30% energy efficiency improvement. The security will be part of Obvion's residential mortgage securitization program known as STORM. Given the established process to select eligible mortgages by deriving energy performance information from credible third parties, Sustainalytics is confident that the refinanced loans will adhere to the eligibility criteria. The information made available to (potential) investors will be transparent and detailed by providing loan-by-loan data on the underlying pool of eligible assets. In Sustainalytics' opinion, Obvion's Green STORM 2018 is in alignment with the Green Bond Principles' four components: the use of proceeds, project evaluation and selection process, management of proceeds and reporting requirements. Furthermore, Obvion's Green STORM 2018 has been certified under the Climate Bonds Standard. Overall, Sustainalytics is of the opinion that Obvion's Green STORM 2018 is credible and transparent.

<sup>9</sup> <https://www.climatebonds.net/standards/certification>

## Appendices

### Appendix A: Green STORM 2018 - Energy efficient properties selection

This memo describes the methodology that Obvion applies to select energy efficient mortgage loans for its green RMBS programme in line with the Green Bond Principles; a selection of Dutch residential properties within the top 15% in terms of energy efficiency and a selection of improved (refurbished) properties with at least 30% energy efficiency improvement.

#### Dutch housing energy performance methodology

The Green STORM 2018 green selection methodology is based on:

- (i) the latest calculation methodology version 1.2 of the Netherlands Enterprise Agency Rijksdienst voor Ondernemend Nederland (RVO) which states the provisional Energy Performance Certificates (EPC) as stated in Figure 1 below and the Energy Index (EI) which is used to determine definitive EPCs;
- (ii) the Dutch Buildings Directive "Bouwbesluit" which sets the Dutch Energy Performance Coefficient (EPCof) requirements as shown in Table 1, and is in line with the European Buildings Directive

EPC ranks houses based on their environmental impact with A being the best and G being the worst category, where EPCof is the minimum environmental standard for newly built residential buildings.

Every house in the Netherlands has received a provisional EPC based on property characteristics such as construction year and property type (see Figure 1 and 2). Home owners are required to register a definitive EPC before the relevant property is sold or can register it on their own initiative. A definitive EPC has been audited by an expert; the expert does not visit the property in all cases but verifies the evidence provided by the home owner (such as pictures or invoices). Using definitive EPCs increases the certainty of selecting mortgages that have actually been improved by a minimum of 30%.

| PROPERTY TYPE (C)          | CONSTRUCTION PERIOD (J) |           |           |           |           |           |           |           |           |                |
|----------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
|                            | up to 1945              | 1946-1964 | 1965-1974 | 1975-1982 | 1983-1987 | 1988-1991 | 1992-1999 | 2000-2005 | 2006-2013 | 2014 and later |
|                            | J1                      | J2        | J3        | J4        | J5        | J6        | J7        | J8        | J9        | J10            |
| C1 Detached house          | G                       | F         | D         | C         | C         | B         | B         | B         | A         | A              |
| C2 Semi-detached house     | G                       | F         | D         | C         | C         | C         | B         | B         | A         | A              |
| C3 Terraced house (corner) | G                       | F         | D         | C         | C         | C         | B         | B         | A         | A              |
| C4 Terraced house (mid)    | F                       | E         | C         | C         | C         | C         | B         | A         | A         | A              |
| C5 Multi-family home       | Single-story            | G         | E         | E         | B         | C         | C         | B         | A         | A              |
|                            | Multi-story             | F         | E         | C         | B         | C         | C         | A         | A         | A              |

Figure 1. Schematic overview of provisional Energy Performance Certificates based on building period and housing type (source: RVO, methodology version 1.2)

| PROPERTY TYPE (C)          | CONSTRUCTION PERIOD (J) |                  |                  |                |                |                |                |                |                |                |
|----------------------------|-------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                            | up to 1945              | 1946-1964        | 1965-1974        | 1975-1982      | 1983-1987      | 1988-1991      | 1992-1999      | 2000-2005      | 2006-2013      | 2014 and later |
|                            | J1                      | J2               | J3               | J4             | J5             | J6             | J7             | J8             | J9             | J10*           |
| C1 Detached house          | 266,688                 | 114,103          | 101,304          | 93,179         | 37,169         | 51,196         | 136,005        | 57,583         | 49,677         |                |
| C2 Semi-detached house     | 167,147                 | 121,531          | 131,203          | 75,619         | 43,613         | 65,687         | 139,302        | 53,339         | 51,309         |                |
| C3 Terraced house (corner) | 169,568                 | 186,619          | 254,999          | 165,939        | 64,576         | 51,832         | 74,496         | 44,650         | 33,111         |                |
| C4 Terraced house (mid)    | 350,674                 | 304,247          | 437,978          | 326,243        | 176,446        | 93,667         | 173,296        | 97,802         | 101,400        | 206,442        |
| C5 Multi-family home       | Single-story            | 310,048          | 386,856          | 437,485        | 210,740        | 172,402        | 80,479         | 197,612        | 154,540        | 191,249        |
|                            | Multi-story             | 87,875           | 7,777            | 7,095          | 13,504         | 4,221          | 1,626          | 3,734          | 1,496          | 7,419          |
| <b>Total</b>               | <b>1,351,998</b>        | <b>1,121,133</b> | <b>1,370,064</b> | <b>885,224</b> | <b>498,427</b> | <b>344,487</b> | <b>724,445</b> | <b>409,410</b> | <b>434,165</b> | <b>206,442</b> |
| <b>% of total</b>          | <b>18.4%</b>            | <b>15.3%</b>     | <b>18.7%</b>     | <b>12.1%</b>   | <b>6.8%</b>    | <b>4.7%</b>    | <b>9.9%</b>    | <b>5.6%</b>    | <b>5.9%</b>    | <b>2.8%</b>    |

Figure 2. Division of provisional Energy Performance Certificates based on the number of houses according to WoON2012 until J9.

\* J10 has been determined on the basis of the number of newly built houses between 1-1-2014 and 31-12-2017 (source: CBS)

#### Dutch housing energy performance methodology – calculating efficiency improvement

Energy Index (EI) is the measure that is used to determine the definitive EPC. Since 2015 it is based on the norm NEN7120+NV, before it was based on the old norm ISSO 82.3. NEN7120+NV is an improvement of the

old norm ISSO 82.3. According to the Second Opinion Inijking Energielabels<sup>10</sup>, the new norm is equal to the old norm in complexity, but the most important difference is that the old norm is based on the original construction quality of the houses, while the new norm takes into account the fact that many people did the most obvious energy improvements over the past years (e.g. double glazing). Consequently, under the new norm, older houses have on average a better EPC/EI. By using the new norm, the selection for refurbished houses will be stricter because the initial EPC/EI is better and therefore a refurbished property will need to improve to a higher EPC in order to be eligible. In other words, the selected properties will have a 30% additional energy efficiency improvement compared to an average home from the same building period.

### Identification of top 15% most energy efficient houses

The provisional EPCs rank houses based on their environmental impact with A being the best and G being the worst category. Table 1 shows that the EPCof norm has become more stringent from 1996 onwards by lowering the Energy Performance Coefficient norm for all newly build properties (the lower the coefficient, the more energy-efficient the property).

| Date in Dutch Building Directive | EPCof required for a building permit |
|----------------------------------|--------------------------------------|
| 1-1-1996                         | 1.4                                  |
| 1-1-1998                         | 1.2                                  |
| 1-1-2000                         | 1.0                                  |
| 1-1-2006                         | 0.8                                  |
| 1-1-2011                         | 0.6                                  |
| 1-1-2015 (current norm)          | 0.4                                  |

Table 1. Historic EPCof per start date in the Dutch Building Directive

To identify a portfolio consisting of the top 15% most energy efficient properties, all houses with an A label can be considered as a more energy efficient selection than houses with a lower energy label. In fact, properties with an A label constitute the top 10.1% of the Dutch housing market and therefore remains well within the top 15%. A more graphical display of the selection is shown in the red area in Figure 3 below.

| PROPERTY TYPE (C)          | CONSTRUCTION PERIOD (J) |           |           |           |           |           |           |           |           |                |
|----------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|
|                            | up to 1945              | 1946-1964 | 1965-1974 | 1975-1982 | 1983-1987 | 1988-1991 | 1992-1999 | 2000-2005 | 2006-2013 | 2014 and later |
|                            | J1                      | J2        | J3        | J4        | J5        | J6        | J7        | J8        | J9        | J10            |
| C1 Detached house          | G                       | F         | D         | C         | C         | B         | B         | B         | A         | A              |
| C2 Semi-detached house     | G                       | F         | D         | C         | C         | C         | B         | B         | A         | A              |
| C3 Terraced house (corner) | G                       | F         | D         | C         | C         | C         | B         | A         | A         | A              |
| C4 Terraced house (mid)    | F                       | E         | C         | C         | C         | C         | B         | A         | A         | A              |
| C5 Multi-family home       | Single-story            | G         | E         | E         | B         | C         | C         | C         | B         | A              |
|                            | Multi-story             | F         | E         | C         | B         | C         | C         | A         | A         | A              |

Figure 3. Selection of houses with an A label constitute the top 10.1% of the Dutch housing market

### Identification of refurbished houses with at least 30% energy efficiency improvement

Although the most efficient A label properties represent the best-in-class properties in terms of energy efficiency, home improvements (refurbishments) of older properties are another important contributor to energy savings within the housing market. Therefore, it is important that the selection also includes these older refurbished properties that have improved their Energy Performance Certificate. According to the Climate Bond Standard, properties that have realized at least 30% improvement in energy performance qualify for the standard. Figure 4 quantifies the improvements and shows that improvement of the Energy Index of at least 30% is equal to an increase of 2 notches in EPC (with a minimum of C label). Improvements to definitive label A are considered eligible in any case since this would be an improvement to the best possible energy certificate.

<sup>10</sup> A.F. Kruihof and H.J.J. Valk, Nieman, Second Opinion Inijking Energielabels, 2015

|      |   | TO  |      |      |      |      |      |
|------|---|-----|------|------|------|------|------|
| EPC  |   | A   | B    | C    | D    | E    |      |
| EI   |   | 0.6 | 1.2  | 1.4  | 1.8  | 2.1  |      |
| FROM | C | 1.4 | -57% | -14% |      |      |      |
|      | D | 1.8 | -67% | -33% | -22% |      |      |
|      | E | 2.1 | -71% | -43% | -33% | -14% |      |
|      | F | 2.4 | -75% | -50% | -42% | -25% | -13% |
|      | G | 2.7 | -78% | -56% | -48% | -33% | -22% |

Figure 4. Change in Energy Index (EI) and from the original EPC (rows) to the improved EPC (column). A lower Energy Index represents an improvement. The lower boundary of the EI was used. EI Values according to NEN 7120+NV.

### Matching Obvion’s mortgage loans with EPC-data

In order to identify the current Energy Performance Certificates of Obvion’s mortgage pool, Obvion matched the postal codes and addresses of the residential buildings that serve as collateral to the mortgage loans with externally provided EPC data. The data was provided by real estate data provider Calcasa. Calcasa has provided an overview of the energy performance certificates issued in respect of the properties that secure the relevant mortgage loans. For properties in respect of which definitive EPCs have been issued, Calcasa relied on the information given to it by the RVO. Since the RVO has not provided Calcasa with the provisional EPCs in respect of the properties, Calcasa calculated these provisional EPCs in accordance with the EPC methodology and by research of the Dutch residential housing market.

### Obvion’s green pool selection

Based on the analysis above, Obvion selected mortgage loans connected to houses with an A label on the basis of the relevant property type and construction period (red area in Figure 3). Additionally, Obvion selected older houses that have improved (refurbished) their energy efficiency to at least a definitive label A and those houses that have improved by at least two notches from the provisional EPC as per Figure 1 to the definitive Energy Performance Certificate B or C (as a proxy for at least 30% improvement of energy efficiency) provided by the RVO database. Since Obvion’s housing type data does not 1-on-1 match with the classifications used by the RVO, this was approached conservatively by classifying the properties in either an apartment (C5) or detached house (C1), and all other residential buildings as terraced houses (C4).

The above selection methodology leads to a total eligible provisional pool of assets for Obvion’s Green RMBS. Obvion will randomly select a final pool from the provisional pool to match the final note size. The proceeds of the notes will be used to refinance these existing mortgage loans following the transaction documentation.

## Appendix B: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

|   |                  |
|---|------------------|
| Issuer name:  | Obvion N.V.      |
| Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>   | Green STORM 2018 |
| Review provider's name:   | Sustainalytics   |
| Completion date of this form:   | May 2018         |
| Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i> | May 2018         |

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input checked="" type="checkbox"/> Verification                                | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify):</i>                         |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Obvion's Green STORM 2018 Framework and Second Party Opinion Document above.

## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The security will be part of Obvion's residential mortgage securitization program known as STORM. The proceeds of the Green STORM 2018 will refinance an existing mortgage loans portfolio with residential buildings in the Netherlands, respecting the Green Bond Principles, as well as the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard, namely: (i) Dutch residential properties within the top 15% in terms of energy performance in the country, and (ii) improved (refurbished) properties with at least 30% energy efficiency improvement. Overall, Sustainalytics considers that this issuance will provide a meaningful environmental contribution and improve the environmental impact of the Dutch housing and real estate market, and therefore contribute to the Dutch government's climate targets.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Obvion's database of mortgages has been matched against the external data provided by Calcasa, a Dutch valuation service agency. Calcasa sourced the underlying data with regards to Energy Performance Certificates directly from the Netherlands Enterprise Agency (RVO). Where definitive Energy Performance Certificates were not available, Calcasa calculated them using the RVO's methodology for determining Dutch residential Energy Performance Certificates. From the asset pool that has been classified by EPCs, Obvion has selected mortgages for inclusion in the Green STORM 2018 based on the following eligibility criteria: (i) Residential buildings which have obtained a 'provision' Energy Performance Certificate of "A" in accordance with the Methodology Energy Performance Certificate or (ii) Residential buildings that have achieved at least a 30% improvement in energy performance (at least a two-notch upgrade to a 'definitive' EPC of "C" or "B" or an upgrade to an EPC "A") compared to an average house within the same building period. This ensures that

the process to select an eligible pool of assets is credible. Sustainalytics is of the opinion that this selection process for eligible assets is transparent and ensures that the refinanced loans adhere to the eligibility criteria.

**Evaluation and selection**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

**Information on Responsibilities and Accountability**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (*if applicable*):

**Management**  
 Net proceeds from the issuance of the mortgage-backed notes shall be used to fund eligible mortgages in the portfolio, and thus there will be no balance of funds to be invested. Therefore, only mortgages meeting the eligibility criteria will be backing Green STORM 2018. The eligible loans that serve as collateral will be documented, and this information will be checked by an auditor.

**Tracking**  
 A third party (Intertrust) will report monthly on, for example, the portfolio regarding size, prepayments, defaults, losses. Any new mortgage loans that are added to the transaction due to the revolving structure have to meet the Green Eligibility Criteria as described in the Eligibility Criteria section (see Section 3.1 above). In case any loan fails to comply with the Eligibility Criteria, it will be purchased back by the seller (Obvion) and substituted by another loan that complies with the criteria. Sustainalytics considers this process to be robust and transparent.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

**Additional disclosure:**

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

##### Allocation Reporting

Due to the nature of the Green RMBS, proceeds of the transaction will be 100% allocated upon issuance to refinance the eligible portfolio. The information made available to investors will provide loan by loan data on the underlying pool of eligible assets. As mentioned in section 3.3, an external party will publish a monthly report providing information regarding the mortgages included in Green STORM 2018, and Obvion will report yearly on the composition of the mortgages in terms of the Green Eligibility Criteria. This information will be available on Bloomberg and on the website of the Dutch Securitization Association.

##### Impact Reporting

As part of the requirements for the Climate Bond Standard for Low Carbon Buildings, Obvion appointed a third party to perform a CO<sub>2</sub> calculation study to demonstrate the climate impact of Green STORM 2018. This estimate is based on a breakdown of the portfolio by Energy Performance Certificate. This report will be included in the investor package and made available to potential investors. The CO<sub>2</sub> calculation is based on the real energy consumption of the properties and uses an assumed emissions intensity of 505 g/kWh for electricity and 1.78 kg/m<sup>3</sup> for natural gas.

Sustainalytics considers Obvion's allocation and impact reporting to be strong and to provide sufficient transparency in terms of impact.

#### Use of proceeds reporting:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

#### *Information reported:*

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

#### *Frequency:*

- |   |                                      |
|---|--------------------------------------|
| <input type="checkbox"/> Annual                                     | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): Monthly |                                      |

#### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Annual  | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): at the time of the transaction |                                      |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                         |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators (please specify): |

**Means of Disclosure**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input type="checkbox"/> Other (please specify):                        |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                                   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

**Review provider(s):**

**Date of publication:**

**ABOUT THE ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the

establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.

- ii. **Verification:** An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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