

OBVION GREEN STORM 2017

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD – VERIFICATION LETTER

Issuing entity: Obvion N.V.

Type of engagement: Assurance Engagement

Period engagement was carried out: May 1st to May 10th 2017

Approved verifier: Sustainalytics US Inc.,

Contact address for engagement: 24 School Street, Suite 803, Boston, MA, 02108, U.S.A.

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Scope and Objectives:

Obvion N.V. (Obvion), a Dutch mortgage provider and a wholly owned subsidiary of Rabobank¹, has engaged Sustainalytics to review and verify that Obvion's Green Storm 2017 meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard.

Eligibility criteria:

The security will be part of Obvion's residential mortgage securitization program known as STORM. The aim of the Green Storm 2017 issuance is to refinance a mortgage asset pool with added environmental value, focusing namely on energy efficiency and energy performance. The security will refinance an existing mortgage loans portfolio with residential buildings in the Netherlands that comply with the following eligibility criteria:

1. New residential buildings (built after 2002²) that represent the top 15% in terms of energy performance:

Buildings that have obtained an Energy Performance Certificate (energy label) of "A" or "B" by the Netherlands Enterprise Agency.³ Currently, "A" or "B" labeled residential buildings that received their building permit after the year 2000 represent the top 15%⁴ in terms of energy performance in the Dutch residential market.

¹ Statutory name: Coöperatieve Rabobank U.A.

² Accounting for a two-year building period from the moment of obtaining the building permit.

³ Rijksdienst voor Ondernemend Nederland or RVO.

⁴ Specifically, for the Green STORM 2017 transaction, "A" and "B" labels after 2000 represent the top 13.6% of the Dutch residential market.

2. Residential buildings built before 2002 that have achieved at least a 30% improvement in energy performance:

- Buildings that received the highest possible final Energy Performance Certificate (“A”) due to the improvements made to the property, or
- Buildings with a definitive⁵ Energy Performance Certificate of “C” or higher that have demonstrated an improvement of two levels in the Energy Performance Certificate. This has been calculated to represent a minimum improvement of 30% in terms of energy efficiency compared to an average home from the same building period.

Sustainalytics considers that this issuance will provide a positive contribution to the efforts of the Dutch government,⁶ Obvion and Rabobank to improve the environmental impact of the Dutch housing and real estate market by targeting energy efficient assets and therefore reducing GHG emissions.

Climate Bonds Standards Criteria:

Climate Bond Standards Version 2.1

- Low Carbon Buildings Criteria
 - Residential Property Climate Bonds

Issuing Entity’s Responsibility

Obvion was responsible for providing information and documents relating to:

- The details about the nominated residential buildings underlying the mortgage loans chosen for refinancing;
- The details concerning the selection process for the eligible mortgage loans;
- The process of management and disbursement of proceeds;
- The details about the reporting commitments including frequency, key performance indicators and expected impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Obvion’s Green Storm 2017, issued to refinance (i) Dutch residential properties within the top 15% in terms of energy performance in the Netherlands, and (ii) improved (refurbished) properties with at least 30% energy efficiency improvement, and provided an independent

⁵ Prior to receiving a definitive Energy Performance Certificate, residential buildings are assigned a provisional Certificate. This Certificate provides only a performance estimate based on general information such as the type of building, floor area and the year of construction. In order to acquire a definite Certificate, energy efficiency information will be verified by an expert.

⁶ The Dutch government has implemented a comprehensive Energy Policy, with an important focus on saving energy in homes and other buildings (<https://www.government.nl/topics/energy-policy/contents/saving-energy>).

opinion informing Obvion as to the conformance of the Green Storm 2017 with the Low Carbon Buildings criteria of the Climate Bonds Standard. Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with Obvion's treasury team and Rabobank's sustainability and capital markets structuring teams to confirm the transaction's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Green Storm 2017 with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Buildings for Residential Property;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements.

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give reasonable assurance that Obvion's Green Storm 2017 meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Obvion will ensure compliance with Climate Bond Standard requirements.

Sustainalytics has relied on the information and the facts presented by Obvion. Sustainalytics is not responsible for any aspect of the Nominated Projects referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Obvion's management and used as a basis for this assessment were not correct or complete.

Opinion

Based on the limited assurance procedures conducted of Obvion's Green Storm 2017 under the Low Carbon Buildings criteria of the Climate Bonds Standard, Sustainalytics believes that, in all material respects, this transaction is in conformance with the Low Carbon Buildings criteria of the Climate Bonds Standard Pre-Issuance Requirements.



[Signature of engagement team leader]

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April 10th, 2017
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Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

Green STORM 2017 - Portfolio evaluation and selection process

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

Dutch Energy Performance Certificate (EPC) methodology – newly built houses

The analysis is based on the latest calculation methodology version 1.2 of the Dutch residential Energy Performance Certificates (EPC) presented in the official Energy Performance Certificate calculation documents and tables and the Dutch Buildings Directive “*Bouwbesluit*” which sets the Dutch Energy Performance Coefficient requirements, and is in line with the European Buildings Directive. EPC is the minimum environmental standard for newly built residential buildings and ranks houses based on their environmental impact with A being the best and G being the worst category. See Figure 1 and 2 for the energy labels per building period and the number of corresponding properties in each category.

	WONINGTYPE (C)	BOUWPERIODE (J)										
		T/M 1945	1946-1964	1965-1974	1975-1982	1983-1987	1988-1991	1992-1999	2000-2005	2006-2013	2014 en later	
		J1	J2	J3	J4	J5	J6	J7	J8	J9	J10	
C1	Vrijstaande woning	G	F	D	C	C	B	B	A	A	A	
C2	Twee / één kapwoning	G	F	D	C	C	C	B	B	A	A	
C3	Rijwoning hoek	G	F	D	C	C	C	B	B	A	A	
C4	Rijwoning tussen	F	E	C	C	C	C	B	A	A	A	
C5	Meergezinswoning	Flat/appartement*	G	E	E	B	C	C	C	B	A	A
C6		Maisonnette**	F	E	C	B	C	C	A	A	A	A

Figure 1. Schematic overview of Energy Performance Certificates based on building period and housing type by RVO, methodology version 1.2

	WONINGTYPE (C)	BOUWPERIODE (J)									
		T/M 1945	1946-1964	1965-1974	1975-1982	1983-1987	1988-1991	1992-1999	2000-2005	2006-2013	2014 en later
		J1	J2	J3	J4	J5	J6	J7	J8	J9	J10*
C1	Vrijstaande woning	266,686	114,103	101,304	93,179	37,169	51,196	136,005	57,583	49,677	143,895
C2	Twee / één kapwoning	167,147	121,531	131,203	75,619	43,613	65,687	139,302	53,339	51,309	
C3	Rijwoning hoek	169,568	186,619	254,999	165,939	64,576	51,832	74,496	44,650	33,111	
C4	Rijwoning tussen	350,674	304,247	437,978	326,243	176,446	93,667	173,296	97,802	101,400	
C5	Meergezinswoning	310,048	386,856	437,485	210,740	172,402	80,479	197,612	154,540	191,249	
C6	Maisonnette	87,875	7,777	7,095	13,504	4,221	1,626	3,734	1,496	7,419	
		1,351,998	1,121,133	1,370,064	885,224	498,427	344,487	724,445	409,410	434,165	143,895
		18.6%	15.4%	18.8%	12.2%	6.8%	4.7%	9.9%	5.6%	6.0%	2.0%

* New buildings between 01-01-2014 and 31-12-2016 (Source: CBS)

Figure 2. Division of Energy Performance Certificates based on number of houses according to WoON2012 until J9. For J10 Obvion determined the number of new built houses

Dutch Energy Index (EI) methodology – existing houses

While EPC considers newly built properties, Energy Index (EI) is the measure that is used to express energy efficiency for existing properties and is based on the norm NEN7120+NV since 2015. NEN7120+NV is an improvement of the old norm ISSO 82.3 that was used until 2015. According to the Second Opinion Inijking

Energielabels¹ is the new norm equal to the old norm in complexity. 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 higher EPC/EI. By using the new norm the selection for refurbished houses will be stricter because the initial EPC/EI is higher 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 EPCs rank houses based on their environmental impact with A being the best and G being the worst category. The Energy Performance Coefficient norm has become more stringent from 1996 onwards by lowering the Energy Performance Coefficient norm for all newly builds (Table 1)

Date in Dutch Building Directive	Energy Performance Coefficient 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 Energy Performance Coefficients 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 or B label that were built from 2000 onwards (Energy Performance Coefficient ≤ 1.0) can be considered as a greener selection than properties that were constructed before 2000. Properties with A and B labels that were built after 2000 constitute the top 13.6% 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 square in Figure 3 below.

	WONINGTYPE (C)	BOUWPERIODE (J)									
		T/M 1945	1946-1964	1965-1974	1975-1982	1983-1987	1988-1991	1992-1999	2000-2005	2006-2013	2014 en later
		J1	J2	J3	J4	J5	J6	J7	J8	J9	J10
C1	Vrijstaande woning	G	F	D	C	C	B	B	B	A	A
C2	Twee / één kapwoning	G	F	D	C	C	C	B	B	A	A
C3	Rijwoning hoek	G	F	D	C	C	C	B	B	A	A
C4	Rijwoning tussen	F	E	C	C	C	C	B	A	A	A
C5	Meergezinswoning	G	E	E	B	C	C	C	B	A	A
C6	Flat/appartement* Maisonnette**	F	E	C	B	C	C	A	A	A	A

Figure 3. Selection of houses with A and B labels that were built after 2000 constitute the top 13.6% of the Dutch housing

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

Although the most efficient A and B 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 realised 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.

		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 all 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 dataprovider Calcasa. The original source of the data is the Netherlands Enterprise Agency "Rijksdienst voor Ondernemend Nederland" (RVO) and contains both provisional and definitive Energy Performance Certificates. In case the definitive EPCs were not available the label was calculated by Calcasa based on the official EPC methodology version 1.2. Every house in the Netherlands has received a provisional EPC based on property characteristics such as construction year and property type (see Figure 1). 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%.

Obvion's green pool selection

Based on the analysis on page 10 and 11, Obvion selected mortgage loans connected to buildings with an A label or B label with a construction year from 2002 onwards. Because the Energy Performance Coefficient norm change in the year 2000 applies to the date of the building permit (as opposed to the actual date of building completion), Obvion only selected those A and B labels with a construction date from 2002 onwards in order to account for a building period of at least 2 years.

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 original 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, both according to norm NEN7120+NV. In order to establish the energy efficiency improvement, Obvion has determined the original EPC of every house in the mortgage portfolio by means of the building period and the housing type as per the Figure

1. 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 transaction size. The proceeds of the transaction will be used to refinance these existing mortgage loans.

Schedule 2A: Criteria of the Climate Bonds Certification Pre-Issuance Requirements

<p>Selection of Nominated Projects and Assets:</p>	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
<p>Internal Processes and Controls</p>	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
<p>Reporting Prior to Issuance</p>	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

Schedule 2B: Conformance to the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p>1.1 The objective of the bond is to primarily use proceeds to refinance a mortgage asset pool with (i) Dutch residential properties within the top 15% in terms of energy performance in the Netherlands, and (ii) improved (refurbished) properties with at least 30% energy efficiency improvement.</p> <p>1.2 Obvion has a detailed process in place to select and evaluate loans in line with the eligibility criteria, which meets the Low Carbon Buildings criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • mortgage loans that rank in the top 15% in terms of energy performance (using an approved proxy standard) • mortgage loans for refurbished properties – with at least 30% energy efficiency improvement. <p>1.4 Obvion’s management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 Obvion’s management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p>2.1.1 Obvion’s management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to refinance eligible loans.</p> <p>2.1.2 Obvion’s management confirms that all proceeds will be immediately allocated upon issuance to refinance eligible loans; hence no proceeds will be left unallocated.</p> <p>2.1.3 Obvion’s management has confirmed that the proceeds from the Green Storm 2017 will be fully</p>	None

	allocated upon issuance; hence a process for earmarking funds is not applicable.	
Verification of requirements specified under Reporting Prior to Issuance	<p>3.1.1 Obvion’s management confirms that the proceeds of the transaction will primarily be used to refinance mortgage loans that meet the eligibility criteria. These fall under the ‘Local Carbon Buildings’ classification of the Climate Bonds Taxonomy.</p> <p>3.1.2 Obvion’s management confirms that proceeds will be fully allocated upon issuance to refinance eligible loans.</p> <p>3.1.3 The Green Storm 2017 information package confirms that an approved third party verifier has been appointed to confirm the bond’s conformance with pre-issuance requirements of the Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>3.1.4 The Green Storm 2017 information package confirms that an approved third party verifier will conduct post-issuance assurance exercise within a year’s time to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.</p>	None

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The client is fully responsible for ensuring its commitments` compliance, implementation and monitoring.

SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

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Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.

SUSTAINALYTICS At a Glance

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Michael Jantzi, CEO

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