

# Green Bond Framework

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## 1 Introduction

A Green Bond is a senior unsecured bond issued by ABN AMRO whereby ABN AMRO commits itself to use the proceeds of the bond for a pre-defined number of categories of assets with a sustainable character. The assets are not ring-fenced and remain in the business line. Investors do not bear the credit risk of the assets and rank pari-passu with existing senior unsecured bondholders.

The rationale of issuing such a bond:

- ABN AMRO has chosen Sustainability as one of the core values and business principles of the organisation
- ABN AMRO is continuously looking for diversification in investor base and products
- Green bonds create the perfect opportunity to connect sustainable parts of the business with dedicated investor demand
- This practical exercise increases discussions on sustainability criteria and business opportunities
- With clear focus on sustainable criteria, ABN AMRO is able to have a strategic discussion on sustainability and its impact on clients and loan portfolios

This document is based on the internal Green Bond process document and describes the Green Bond framework including all the steps taken by ABN AMRO in order to ensure that there is a robust process chain regarding the issuance and the maintenance of green bonds, including reporting.

## 2 Green Bond Framework

For Green Bonds issued by ABN AMRO a Green Bond Framework has been created. The Green Bond Framework has the goal to assure transparency, disclosure, integrity and quality of the Green Bond issue. This framework is build following the Green Bond Principles (GBP) and other criteria where applicable such as criteria of the Climate Bond Initiative.

ABN AMRO is a member of the GBP and follows the four components as described by the GBP:

1. Use of Proceeds
2. Selection Process
3. Management of Proceeds
4. Reporting

### 2.1 Use of Proceeds

An amount equivalent to the net proceeds of the bonds will be used exclusively to finance and refinance 'Eligible Loans' related to 'sustainable real estate', in whole or in part, defined through the 'Eligibility Criteria'.

'Eligible Loans' mean:

- residential mortgage loans for recently built energy efficient residential houses
- commercial real estate loans for energy efficient buildings that comply with Eligibility Criteria as defined in Annex 2
- The value of loans or investments related to existing residential and commercial property where energy efficiency improvements have been made or will be made that comply with Eligibility Criteria as defined in Annex 2
- Green loans for renewable energy and energy efficiency expenditures for residential housing as described in Annex 2

The real estate related loans are originated in the Netherlands and held by ABN AMRO directly or by its affiliates.

## 2.2 Selection Process

The selection process is set up as follows:

- On a monthly basis the owners of the loans will make a selection based on the eligibility criteria as described in Annex 2. After selection each asset owner will provide a pre-defined report to Treasury Mid Office.
- Based on the information provided by the asset owners, Treasury Mid Office will review that existing and new loans qualify as eligible in accordance with Annex 2.
- The Green Bond Committee will review and approve allocations of bond proceeds of the eligible assets on a monthly basis.

## 2.3 Management of Proceeds

The net proceeds of the outstanding bonds will be moved to a Green Bond portfolio. So long as the Green Bonds are outstanding, ABN AMRO aims to allocate an amount equivalent to the net proceeds of the bonds towards eligible loans. Unallocated proceeds will be invested in short term Money Market products from Sovereigns, Supranationals, Agencies, Development Banks and Financial Institutions which are rated 'Prime' by oekom research AG ("oekom").

Hereto, on a monthly basis, Treasury Mid Office will provide a proposal to the Management Team of Treasury for the distribution of an amount equivalent to these proceeds towards eligible assets (as defined in Annex 2) or to be invested in short term Money Market products as explained above. For an example of this report please refer to Annex 1 (which is similar to the external quarterly report).

The Green Bond Committee will review and approve allocations of bond proceeds of the eligible assets on a monthly basis. The Green Bond Committee includes:

1. At least one of the following sustainability officers:
  - Head sustainable banking
  - Manager sustainability corporate banking.
2. At least one of the following treasury officers:
  - Head of group treasury
  - Head of long-term funding and capital issuance
  - Manager funding

The Green Bond Committee will also approve any future changes/additions to the Green Bond Framework, Use of Proceeds categories, Management of Proceeds etc.

At the moment of issuance ABN AMRO seeks to ensure that the bond proceeds can be directed in full to the eligible assets by limiting the total issued amount of the bond proceeds to 80% of the eligible loans. On a monthly basis Treasury Mid Office will review existing and new loans. In case loans are no longer eligible or loans have been repaid early, ABN AMRO will make an effort to replace these assets with other eligible assets.

## 2.4 External Reporting

### Use of Proceeds

On a quarterly basis Treasury Mid Office will prepare a Management Flow of Funds report to update investors on the outstanding assets (see Annex 1). This report provides information about:

- the allocated assets including a breakdown of exposure by type of assets
- the total outstanding of green bond transactions
- unallocated proceeds



Reporting will take place via the website of ABN AMRO (<https://www.abnamro.com/en/investor-relations/debt-investors/unsecured-funding/euro-medium-term-notes-greenbonds.html>).

Impact reporting

On an annual basis, ABN AMRO will provide an impact report. The methodologies and calculation model used to estimate the impact are independently developed by W/E Consultants, a consultancy firm for sustainability in construction, real estate and area development. The results will be published via either/or the website of ABN AMRO (<http://www.abnamro.com/en/sustainable-banking/reporting/index.html>), newsletters or sustainability reporting.

For an overview of impact reporting indicators please refer to Annex 3.



### **3 Assurance**

#### Second party consultation

To increase transparency, ABN AMRO has appointed an experienced and qualified sustainable second opinion provider (oekom) who will assist with the issuance of the Green bond by verifying and confirming the sustainability added value of this bond using the criteria and indicators of a jointly developed framework concept. This includes, prior to the issuance of the bond, verification of compliance of the financed loans with the framework criteria. After launch of the transaction, verification will take place by an external auditor as discussed in the next paragraph.

#### Third party certification

ABN AMRO aims to obtain a certification of the Climate Bond Initiative (CBI) to confirm that the allocated assets are selected following independent standards on Real Estate, developed by CBI in conjunction with investors and NGOs. oekom is a certified verifier of CBI. Both reports will be published on the ABN AMRO Website.

#### External Audit

ABN AMRO will appoint an external auditor to provide assurance on the use of proceeds of the bonds. The external auditor will examine whether the proceeds of the bonds are either distributed to eligible assets or invested in approved financial instruments. This external audit will take place annually and the report will be published within 120 days after the annual results via the ABN AMRO website or sustainability reporting.

## Annex 1: Management Flow of Funds Report

ABN AMRO Bank N.V. Management of Flow Reports

As of 31 December, 20XX

Amounts in EUR millions

### Net Proceeds from Note Issuance

ABN AMRO Bank x% Notes Due 06/XX/XX 5

### Use of Proceeds as of December 31, 20XX

Asset Area	Asset Category	Current Amount Funded (EUR million)
1. Energy efficiency	Residential Mortgages	2
2. Energy efficiency	Commercial Real Estate	1
3. Energy efficiency	Energy efficiency improvements	1
4. Renewable energy & Energy efficiency	Green Loans	1
<b>Total Use of Proceeds</b>		<b>5</b>
<b>Percentage of Note Proceeds Funding Eligible Green Loans</b>		<b>100%</b>
<b>Excess Net Proceeds invested in short-term financial instruments</b>		<b>0</b>

## Annex 2: Eligibility Criteria

'Eligibility Criteria' are defined as:

1) Mortgage loans on new Residential buildings, which comply with the Dutch Building Decree 2012 (Bouwbesluit 2012: Chapter 5 and NEN 7120) and for which the first quotation occurs after 1 January 2014. The NEN Criteria describe the calculation method of the Energy Performance Standard for Buildings (EPG) and Energy Performance Coefficient;

Or,

2) 'GreenLoans' financing renewable energy and energy efficiency improvements<sup>1</sup> to existing residential property of retail clients originated by ABN AMRO or its affiliates and for which the first drawdown occurs after 1 January 2012.

Or,

3) Commercial Real Estate loans (offices, retail stores, residential housing projects, data centers, leisure and logistics) on new and existing building projects, which fulfil the parameters below:

(i) For existing and new building projects, projects which obtained an Energy performance Certificate as issued by RVO (Netherlands Enterprise Agency, which is the executive body for the implementation of the EU Energy Performance of Buildings Directive in the Netherlands) with a minimum Energy Performance labelled "A" or better (currently ranging up to A++++ and down to G).

And,

(ii) The loans for which the first drawdown occurs after 1 January 2014

(iii) Only for new building projects (started in 2015 or later, under construction), projects which have received an environmental certification, or will receive such a certification within six months after completion of the project.

i. The client has a policy in place for sustainable new-build or for making the existing portfolio more sustainable. As a minimum, this policy complies with the legislation and regulations on the energy efficiency of real estate.

ii. Other sustainable requirements are defined below

iii. Offices:

- Premises with gross floor area > 5,000m<sup>2</sup> have a BREEAM<sup>2</sup> 'Very Good' or LEED<sup>3</sup> 'Gold' or GPR<sup>4</sup> Building score of "7.5" or RVO Green funds sustainable buildings funding scheme 2010<sup>5</sup>

<sup>1</sup> Energy efficiency improvements included can be solar water heating installations, alternative heating systems (pellet heating), heat pumps, floor, wall and roof insulation, energy efficient windows, doors and frames, heat recovery systems, EE pumps and fans, CO2 controlled air ventilation systems, energy efficient boilers. More detailed information on <https://www.greenloans.nl/besparen-lenen/verantwoord-lenen/waarvoor-kunt-u-uw-groene-lening-gebruiken>

<sup>2</sup> BREEAM® is an environmental assessment method and rating system for buildings launched in 1990. BREEAM sets a standard for best practice in sustainable building design, construction and operation and a measure of a building's environmental performance. It encourages designers, clients and others to think about low carbon and low impact design, minimizing the energy demands created by a building before considering energy efficiency and low carbon technologies (please see [www.breeam.org](http://www.breeam.org) for more information)

<sup>3</sup> LEED® or Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve different levels of certification. Prerequisites and credits differ for each rating system, and teams choose the best fit for their project.

<sup>4</sup> GPR Building rating assesses both the environmental impact, energy performance and the design quality of new and existing buildings on five indicators

- Premises with gross floor area < 5,000m<sup>2</sup> have a BREEAM 'Very Good' or LEED 'Gold' indicative label or GPR Building score of "7.5" or RVO Green funds sustainable buildings funding scheme 2010
  - Accessibility by public transport: located a maximum of 1km from two or more public transport modalities (bus, metro, train)
- iv. Retail stores, Logistics, Data centers, Leisure:
- Premises with gross floor area > 5,000m<sup>2</sup> have a BREEAM 'Very Good' or LEED 'Gold' completion certificate or GPR Building score of "7.5" or RVO Green funds sustainable buildings funding scheme 2010
  - Premises with gross floor area < 5,000m<sup>2</sup> have a BREEAM 'Very Good' or LEED 'Gold' indicative label or GPR Building score of "7.5" or RVO Green funds sustainable buildings funding scheme 2010

Or,

- 4) Loans or investments of existing residential and/or commercial property where energy efficiency improvements have been made or will be made. The requirements for these improvements are defined as follows:

- (i) In case of a portfolio of buildings, the weighted average emissions reduction per square meter across the portfolio is 30% or higher for bonds with a tenor of 5 year. For longer maturities, the average required emissions reduction across the portfolio increases with 0.8% per year
- (ii) In case of aggregation of energy efficiency upgrade projects, the individual projects should lead to an emissions reduction of at least 20%
- (iii) In case of building transformation<sup>6</sup> or a renovation that changes the characteristics of the building in such a way that a reliable calculation of energy efficiency improvement is not possible or relevant, the energy emissions reduction of the project will be evidenced by an Energy Performance Certificate labelled "A", issued by RVO (Netherlands Enterprise Agency, Rijksdienst voor Ondernemend Nederland) for the respective asset class.
- (iv) In case the renovation or transformation is not finalized yet, indicative measures will be used and a final score will be required six months after completion of the renovation/transformation.

The energy reduction of the energy efficiency improvements will be determined by an independent EPA advisor in accordance with the requirements of the Energy Performance of Buildings Directive (EPBD) of the European Union. In the Netherlands, the EPA advisor needs to be certified in accordance with the BRL9500 for the respective asset class (NL-EPBD process certificate). The assessment is based on the definitions, methodology and calculation methods as set out in the national norm NEN7120 and ISSO 75.3 (where applicable) or its successors.

The expected emission reduction will be calculated based on the expected energy reduction, the energy mix and the Dutch greenhouse gas conversion factors of the UK Department for Environment, Food and Rural Affairs.

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<sup>5</sup> The RVO Green funds scheme sustainable building 2010 or 'Regeling groenprojecten Duurzaam Bouwen 2010 (category H)'. is part of the governmental green project framework and managed by RVO. The guidelines include focus on energy performance of the building but also includes a focus on sustainable produced wood in line governmental guidelines. The criteria are in line with Appendix 1, which relates to article 2, part h, sub 5. (Bijlage 1, behorende bij artikel 2, onderdeel h, onder 5°, van de Regeling groenprojecten 2010)

<sup>6</sup> Transformation means the change of vacant or old buildings into a new function. Well known examples of transformation are the transformation of old factories or office buildings into apartments



## Annex 3: Sustainability and Impact Reporting

### Category A (mortgage loans):

- Percentage of residential buildings for which primary energy consumption is below 70 kWh/m<sup>2</sup>.
- Percentage of residential buildings that comply with the Dutch Building Decree 2012 (Bouwbesluit 2012: Chapter 5 and NEN 7120).
- Distribution of Energy Performance Coefficient levels among the buildings.
- Average energy consumption of residential buildings (in kWh/m<sup>2</sup>) financed through the loans compared to the average energy consumption of residential buildings in the Netherlands.
- Average CO<sub>2</sub> emissions of residential buildings (in g/m<sup>2</sup>) financed through the loans compared to the average CO<sub>2</sub> emissions of residential buildings in the Netherlands (based on the carbon intensity of the Dutch energy mix)

### Category B (green loans):

- Annual energy production of solar panels installed (in kWh) as well as total energy production of solar panels installed (in kWh) within 25 years based on actual data from previous years and expected averages for future years.
- Annual avoidance of CO<sub>2</sub>-emissions in g related to these loans as well as avoidance of CO<sub>2</sub>-emissions in g related to these loans within 25 years (based on above energy production and average carbon intensity of the Dutch energy mix).

### Category C (commercial real estate)

- Percentage of offices that are located within a maximum of 1 km from two or more modalities of public transport (newly constructed buildings).
- Percentage of residential buildings and retail stores that are located within a maximum of 1 km from one or more modalities of public transport (newly constructed buildings).
- Percentage of new buildings that are developed on brownfield sites (newly constructed buildings)
- Percentage of building projects for which the implementing construction companies are required to comply with appropriate standards concerning the use of ecologically preferable products (100% FSC/PEFC timber) (newly constructed buildings).
- Percentage of residential buildings that comply with the Dutch Building Decree 2012 (Bouwbesluit 2012: Chapter 5 and NEN 7120).
- Distribution of Energy Performance Coefficient levels and Energy Performance Certifications (“Energy labels”) among the buildings.
- Percentage of building projects with gross floor areas bigger than 5,000 m<sup>2</sup> which have a BREEAM “Very Good” or LEED “Gold” completion certificate (newly constructed buildings) or GPR<sup>7</sup> Building score of “7.5” or RVO Green funds sustainable buildings funding scheme 2010<sup>8</sup>.
- Percentage of building projects with gross floor areas smaller than 5,000 m<sup>2</sup> which have a BREEAM “Very Good” or LEED “Gold” indicative label (newly constructed buildings) or GPR<sup>9</sup> Building score of “7.5” or RVO Green funds sustainable buildings funding scheme 2010<sup>10</sup>.

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<sup>7</sup> GPR Building rating assesses both the environmental impact, energy performance and the design quality of new and existing buildings on five indicators

<sup>8</sup> The RVO Green funds scheme sustainable building 2010 or ‘Regeling groenprojecten Duurzaam Bouwen 2010 (category H)’. is part of the governmental green project framework and managed by RVO. The guidelines include focus on energy performance of the building but also includes a focus on sustainable produced wood in line governmental guidelines. The criteria are in line with Appendix 1, which relates to article 2, part h, sub 5. (Bijlage 1, behorende bij artikel 2, onderdeel h, onder 5°, van de Regeling groenprojecten 2010)

<sup>9</sup> GPR Building rating assesses both the environmental impact, energy performance and the design quality of new and existing buildings on five indicators

<sup>10</sup> The RVO Green funds scheme sustainable building 2010 or ‘Regeling groenprojecten Duurzaam Bouwen 2010 (category H)’. is part of the governmental green project framework and managed by RVO. The guidelines include focus on energy performance of the building but also includes a focus on sustainable produced wood in line governmental guidelines. The criteria are in line with Appendix 1, which relates to article 2, part h, sub 5. (Bijlage 1, behorende bij artikel 2, onderdeel h, onder 5°, van de Regeling groenprojecten 2010)



- Average annual energy consumption of residential building, office space, retail store or logistics centre (in kWh/m<sup>2</sup>) compared to average energy consumption per residential building, office space or retail store in the Netherlands.
- Average annual CO<sub>2</sub> emissions of residential building, office space, retail store or logistics centre (in g/m<sup>2</sup>) compared to average CO<sub>2</sub> emissions per residential building, office space or retail store in the Netherlands.

Category D (Energy Efficiency improvements):

- Percentage of expected and, if available, realized CO<sub>2</sub> emission reduction related to the upgrade/renovation of commercial and/or residential real estate
- Distribution of Energy Performance Certificate issued by RVO (Netherlands Enterprise Agency, Rijksdienst voor Ondernemend Nederland) before and after the energy efficiency upgrade, except in case of transformation projects. For the latter only the final Energy Performance Certificate will be reported.