

## KBC

### POST-ISSUANCE VERIFICATION LETTER

#### SOLAR ENERGY, WIND ENERGY, MARINE RENEWABLE ENERGY, LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** May 30 – June 5, 2019

**Approved verifier:** Sustainalytics

**Contact address for engagement:** 215 Spadina Avenue, Toronto, ON, M5T 2C7, Canada

**Post-Issuance Engagement Leader:** Zach Margolis, [zach.margolis@sustainalytics.com](mailto:zach.margolis@sustainalytics.com), +1 647 695 4341

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### Scope and Objectives

In June 2018, KBC issued a green bond aimed at financing products relating to a transition to a sustainable economy, namely those related to renewable energy, energy efficiency, clean transportation, green buildings, pollution prevention & control, water management and sustainable land use. In May 2019, KBC engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include those related to:

- Renewable Energy
  - Solar Energy
  - Wind Energy
  - Marine Renewable Energy
- Green Buildings

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

### Issuing Entity's Responsibility

KBC is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each projects, and disbursed amounts.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of KBC's green bond, issued to finance eligible renewable energy projects and mortgage loans for energy efficient residential buildings, and provided an independent opinion informing KBC

as to the conformance of the green bond with the Post-Issuance requirement and Solar Energy, Wind Energy, Marine Renewable Energy, or Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by KBC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by KBC.

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**

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

The work undertaken as part of this engagement included conversations with relevant KBC employees and review of relevant documentation to confirm the conformance of KBC's green bonds with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1 and the relevant sector technical criteria.

### **Exceptions**

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the Solar Energy, Wind Energy, Marine Renewable Energy, Low Carbon Buildings Criteria of the Climate Bonds Standard.

### **Conclusion**

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of EUR 500 million from the KBC green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

## Detailed Findings

| Eligibility Criteria                                              | Procedure Performed                                                                                                                                                                                                                                                                                                                 | Factual Findings                                                                                                                                                                                                                                                                                                               | Error or Exceptions Identified |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| <b>Compliance to Part A: General Requirements</b>                 | Verification of four renewable energy projects and a portfolio of 3,622 loans funded by the green bond in 2018-19 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).                                                                                                                                   | All projects reviewed complied with the General Requirements.                                                                                                                                                                                                                                                                  | None                           |
| <b>Compliance to Part B: Eligible Projects &amp; Assets</b>       | Verification of four renewable energy projects and a portfolio of 3,622 loans funded by the green bond in 2018-19 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet Solar Energy, Wind Energy, Marine Renewable Energy, or Low Carbon Buildings sector technical criteria. | <p>All four renewable energy projects fall under the Solar Energy, Wind Energy, or Marine Renewable Energy Sector criteria and meet the requirements of the technical criteria.</p> <p>All low-carbon buildings projects fall under the Low Carbon Buildings Criteria and meet the requirements of the technical criteria.</p> | None                           |
| <b>Compliance to Part C: Requirements for Specific Bond Types</b> | Bond Type Applicable: Use of Proceeds Bond.                                                                                                                                                                                                                                                                                         | The requirements of Project Holding, Settlement Period and Earmarking have been met.                                                                                                                                                                                                                                           | None                           |

## Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below.

Renewable Energy:

| Location     | Year of closing | Status       | Technology | Annual Energy Generation (MWh) | Allocated Amount (million EUR) |
|--------------|-----------------|--------------|------------|--------------------------------|--------------------------------|
| Flanders     | 2014            | Operational  | Wind       | 114,290                        | 62.45                          |
| Wallonia     | 2017            | Construction | Wind       | 45,000                         | 23.80                          |
| Flanders     | 2010            | Operational  | Solar      | 18,000                         | 20.90                          |
| <b>TOTAL</b> |                 |              |            | 177,290                        | 107.15                         |

Marine Renewable Energy:

| Location              | Year of closing | Status       | Technology | Annual Energy Generation (MWh) | Allocated Amount (million EUR) |
|-----------------------|-----------------|--------------|------------|--------------------------------|--------------------------------|
| Off Shore - North Sea | 2016            | Construction | Wind       | 1,100,000                      | 94.04                          |

Low Carbon Buildings:

| Date of construction | Date of mortgage loan commitment | Asset location        | Number of loans | Outstanding Loan Amount (million EUR) |
|----------------------|----------------------------------|-----------------------|-----------------|---------------------------------------|
| 2016                 | 2016                             | Flanders <sup>1</sup> | 90              | 13.50                                 |
| 2017                 | 2016-2017                        | Flanders              | 1,638           | 277.62                                |
| 2018                 | 2016-2018                        | Flanders              | 1,678           | 237.12                                |
| 2019                 | 2017-2019                        | Flanders              | 216             | 16.04                                 |
| <b>TOTAL</b>         |                                  |                       | 3,622           | 544.28                                |

<sup>1</sup> KBC has confirmed that any buildings Flanders constructed after January 1, 2016 are compliant with the 2014 energy efficiency requirements of the Flemish Region's building code for residential buildings (ie. E-level of 60 or below). This demonstrates compliance with CBI's low-carbon buildings technical standard by way of an approved proxy.

## Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nominated Projects & Assets   | <p><b>4.1</b> Statement on the environmental objectives of the bond</p> <p><b>4.2</b> Nominated Projects meet the Climate Bonds criteria</p> <p><b>4.3</b> Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>                                                                                                                                                                                                                                                                                                                          |
| Use of Proceeds               | <p><b>5.1</b> Net Proceeds of the bond allocated to the Nominated Projects</p> <p><b>5.2</b> Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p><b>5.3</b> Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p><b>5.4</b> Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p><b>5.5</b> Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects &amp; Assets at the time of issuance</p> |
| Non-Contamination of Proceeds | <p><b>6.1</b> Tracking of proceeds</p> <p><b>6.2</b> Managing of unallocated proceeds</p> <p><b>6.3</b> In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>                                                                                                                                                                                                                                                                                                                                 |
| Confidentiality               | <p><b>7.1</b> Information about the Nominated Projects &amp; Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p><b>7.2</b> Issuer should disclose information about the bond and the Nominated Projects &amp; Assets to the market</p>                                                                                                                                                                                                                                                                                                                   |
| Reporting Post-Issuance       | <p><b>8.1</b> Report containing the list of Nominated Projects &amp; Assets to which proceeds of the bond have been allocated</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

| Procedure Performed                                                        | Factual Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Error or Exceptions Identified |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Verification of Nominated Projects & Assets                                | <p><b>4.1</b> The objective of the bond is to primarily use proceeds to finance renewable energy projects and low-carbon buildings (the "Nominated Projects").</p> <p><b>4.2</b> KBC's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p><b>4.3</b> KBC's management confirms that its internal tracking systems ensure that the projects have not be nominated to other Climate Bonds.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | None                           |
| Verification of requirements specified under Use of Proceeds               | <p><b>5.1</b> Net Proceeds of the bond have been allocated to the Nominated Projects, namely four renewable energy projects and a portfolio of 3,622 mortgage loans.</p> <p><b>5.2</b> KBC's management has confirmed that funds have been allocated to Nominated Projects within nine months of the issuance (March 31, 2019).</p> <p><b>5.3</b> KBC's management has confirmed that all Net Proceeds of the bond were used for financing and refinancing, and has provided information on the origination date of various loans.</p> <p><b>5.4</b> KBC's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p><b>5.5</b> KBC's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p> | None                           |
| Verification of requirements specified under Non-Contamination of Proceeds | <p><b>6.1</b> KBC's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p><b>6.2</b> KBC's management confirms that, as of March 2019, the proceeds of the climate bond are fully allocated.</p> <p><b>6.3</b> N/A</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | None                           |
| Verification of requirements specified under Confidentiality               | <p><b>7.1</b> KBC's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p><b>7.2</b> KBC's management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | None                           |

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|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Verification of requirements specified under Reporting Post-Issuance | <b>8.1</b> KBC's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1). | None |
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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

