



ABN AMRO/OVG Green Loan

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Table of Contents

Chapter 1. Introduction 3

- 1.1 Background 3
- 1.2 Environment and Real Estate 3
- 1.4 OVG’s sustainability ambitions..... 4
- 1.6 ABN AMRO and sustainable real estate 5

Chapter 2. Green Loan 6

- 2.1 What is ABN AMRO/OVG Green Loan? 6
- 2.2 Use of Proceeds..... 6
- 2.3 Process of evaluation and selection, Eligibility Criteria & Projects 7
- The selection process is set up as follows: 7
- 2.4 Management of proceeds 7
- 2.5 External Reporting 8

 - 2.5.1 Use of Proceeds..... 8
 - 2.5.1 Impact reporting 8

- 2.6 Assurance 8

Appendix A. Eligible real estate loans: 9

Appendix B. Eligibility criteria: 15

Chapter 1. Introduction

1.1 Background

Buildings are responsible for 40% of energy consumption, and 36% of the total CO₂ emissions within the European Union (EU). Therefore, reduction of energy consumption and the use of energy from renewable sources in the buildings sector are important measures needed to reduce the EU's energy dependency and greenhouse gas emissions.

The key targets and regulation for improving the energy efficiency of the buildings sector are set out in the EU's Energy Performance of Buildings Directive. The directive includes targets for both new buildings and the retrofitting of the existing stock of buildings. International research has indicated that nearly three-quarters of the existing buildings in OECD countries will still be in place in 2050 and it is widely recognized that the retrofitting of the existing stock of buildings is the main challenge¹ to improve the energy performance of buildings. Energy efficiency can be achieved by increasing a building's capacity to generate renewable energy, by improving the buildings energy efficiency, or by a combination of these two measures.

OVG and ABN AMRO have joined forces to contribute to the transition towards sustainable buildings in Netherlands. Not only by building and financing the highest rated and certified buildings in terms of energy efficiency like 'The Edge', but also transforming buildings for new purposes and retrofitting existing buildings to more comfortable, modern and energy efficient buildings. The environment, health and comfort of residents and users of the buildings will substantially improve, but also investors will benefit.

This framework provides clear 'eligibility' criteria to include financing energy efficiency redevelopments and transformations of existing buildings. The guidelines provide a template for other (international) developers, builders and issuers and can also be used in future green bonds by ABN AMRO. The criteria for inclusion of energy efficiency upgrade finance of existing buildings are both ambitious and scalable. To define ambitious yet practical criteria we have studied existing international legislation and measures, current market practice and ambitions, together with input from NGO's, investors and other stakeholders.

1.2 Environment and Real Estate

Europe

The key targets and regulation for improving the energy efficiency of buildings in the European Union are set out in the Energy Performance of Buildings Directive (EPBD). The directive, prescribes that all new buildings have to be 'nearly zero energy buildings' by 2021. Whereas there is no specific regulation with regard to existing buildings, the EPBD states that the buildings sector should contribute to the 20% energy savings target by 2020 as set in the European Energy Efficiency Directive (EED 2012). In 2014, EU countries revised the long term target for energy efficiency and agreed on a new energy efficiency target of 27% or greater by 2030.

¹ Transition to Sustainable Buildings - Strategies and Opportunities to 2050, International Energy Agency, 2014

The Netherlands

The Agreement on Energy for Sustainable Growth sets out the main targets for energy efficiency and sustainable development in the built environment in The Netherlands. In this statement a target energy efficiency improvement of 20% is agreed, in line with EU targets for 2020.

The real estate rental sector has committed itself to ensure an average of EPC Label B for the buildings of social housing corporations and a minimum of Label C for 80% of privately owned buildings by 2020. In addition, implementation of the Environmental Management Act (Wet Milieubeheer) – with an obligation to implement building energy-saving measures with a cost-recovery period of five years or less – will be enforced. Recently the Dutch government announced to introduce measures to set rules to improve non energy efficient commercial buildings.

The Dutch government also initiated the Dutch Long Term Agreement on Energy Efficiency (MJA3), which is an agreement with several business sectors and over 1.100 aiming to improve the energy efficiency with 30% over the period 2005-2020. ABN AMRO participates in the MJA3 agreement for the financial sector.

1.4 OVG's sustainability ambitions

OVG is the largest real estate technology company in the Netherlands. Besides its focus on the Netherlands, OVG has a strong foothold in Germany and is rapidly growing internationally. The company develops smart, high-tech office buildings, always with a sustainable footprint. The core purpose is to create healthier working, living and learning environments by using smart technology. OVG works with a team of enterprising professionals, who have a strong vision on its own field and the world around it. From this angle they extend the boundaries and keep innovating continuously. Real estate development involves much more than creating buildings, it is the design of our environment, the town and the context we live in nowadays.

Never before did so many people live in urban areas. At present it is more than half the world's population and still increasing. This new reality is a world wherein more and more people live, work, recreate and travel within a small geographical area.

How can we keep our habitat healthy? How can we most efficiently use natural resources? And how can we cleverly implement the use of new technologies in this respect?

OVG Real Estate seeks answers to these questions on a daily basis, because it believes that buildings are more than merely a combination of materials. Buildings are places where we meet, work together with colleagues, where we are inspired to bring out the best in ourselves as well as others. Therefore, OVG Real Estate demands the highest standards from these places.

In order to get the best results, OVG became active members of the international knowledge networks, such as the World Economic Forum, Clinton Global Initiative, Corenet Global and Duurzaamgebouwd (Sustainability). The company closely collaborates with partners who are worldwide leaders within their expertise. This enables us to signal relevant trends at an early stage and to apply them within in the field.

OVG explores new ways with its projects time after time, using unprecedented building methods, technologies and innovations. Many industry awards and sustainability certificates given to OVG prove how successful the company is, in doing so.

Nevertheless, OVG keeps forcing ourselves to do better, to learn from the acquired knowledge and to progress continuously. They are convinced that there is always a better way: greener, smarter, healthier. This belief is put into practice through three pillars, which are the foundation of the OVG method: Sustainability, Technology and Living & Working. This illustrates how OVG Real Estate works on tomorrow's living environment.

1.6 ABN AMRO and sustainable real estate

As a provider of financial services, ABN AMRO is strongly committed to be a value-adding partner towards its clients in the Commercial Real Estate sector.

ABN AMRO believes that clients who pro-actively manage the sustainability aspects of their business are more successful in the longer term. Therefore, the bank's policy is to closely manage the sustainability aspects related to its Commercial Real Estate clients and to integrate these in the bank's appraisal and decision-making processes.

ABN AMRO wants to accelerate the transition to sustainable commercial property in the Netherlands. The sector is facing the challenge of reducing the large number of vacant offices, shops and industrial premises. At the same time, the property market wants to make clear progress in terms of innovation and bringing down CO2 levels. In 2015, ABN AMRO presented its new strategy for this dynamic sector, revealing its ambition of becoming the most sustainable property bank in the Netherlands.

ABN AMRO's new strategy will help improve the sustainability of commercial property in the Netherlands. Current trends in the economy as well as in technology and society are redefining today's property market. ABN AMRO is taking this opportunity to use sustainability as a key criterion for its commercial property financing. ABN AMRO sees sustainable commercial property as future-proof and anticipates social and technological trends. Its value is more stable, its profitability is higher and its risk profile is lower than that of non-sustainable real estate. As a result, it constitutes an attractive investment for investors and financiers.

To accelerate the transition to sustainable buildings, ABN AMRO is offering a tool to calculate and execute energy efficiency measures and has set aside EUR 1bn to finance these renovations. Additionally, ABN AMRO developed specific targets for its Commercial Real Estate portfolio. By the end of 2018 the portfolio:

- 1) has contributed to the sustainable transformation of over 300,000 m² of building space
- 2) consists of 30% 'A' energy labels²
- 3) includes thirty Green Landmark projects

² The energy label indicates how energy efficient a building is compared with similar buildings. The categories run from A+++ to G, with A+++ being the most energy efficient and G being the least

The bank will engage with the sector aiming to accelerating the process. In this way, it is able to act as pioneer in this market. This framework and transaction is a clear example of this ambition.

Chapter 2. Green Loan

2.1 What is ABN AMRO/OVG Green Loan?

The Green Loan Framework developed in cooperation between OVG and ABN AMRO provides a clear and transparent set of criteria which enable investments in energy efficient projects that support the reduction of carbon emissions and the transition to a low carbon environment. The selected assets prove that it is possible to build, redevelop, renovate and transform buildings in a sustainable and technological advanced way, beneficial to both environment and the health of the people who live or work in them. OVG and ABN AMRO invite other issuers, investors and advisors to use the framework as a way to promote and increase the number of future energy efficient buildings, renovations and transformation projects.

The Green Real Estate Loan Framework is consistent with the Green Bond Principles (GBP)³, of which secretariat lies with the ICMA. The GBP is designed and supported by Banks, Investors and NGO's to support transparency in the Green Bond market. The key principles of the GBP are described in the following paragraphs focussing on use of proceeds, selection and evaluation process, management of proceeds and reporting.

2.2 Use of Proceeds

An amount equivalent to the net proceeds of the loan 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:

- Commercial real estate loans for energy efficient buildings that comply with Eligibility Criteria as defined in Annex B
- The value of loans and/or investments related to existing residential and commercial property where energy efficiency improvements, renovations and/or transformations have been made or will be made that comply with Eligibility Criteria as defined in Annex B
- The loans are originated in the Netherlands and held by:
 - OVG Redevelopment Venture B.V.,
 - Redevelopment Property II B.V.,
 - Redevelopment Property III B.V.,

³ <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>

- Redevelopment Property IV B.V.,
 - Redevelopment Property VI B.V.
- Details specific for the eligible assets are written in the loan documentation. A summary is provided in appendix A.

2.3 Process of evaluation and selection, Eligibility Criteria & Projects

The selection process is set up as follows:

The selection of sustainable buildings is an integral part of the strategy of OVG and proposed projects of related to new transformation or renovation projects that comply with the eligibility criteria as defined in Appendix B, will be ultimately approved by the managing board. The projects will be financed from proceeds of the green real estate loan as described in the loan documentation.

2.4 Management of proceeds

All eligible assets related cash flows will be routed via a separate account at ABN AMRO.

The loan facility will be made available via one or more loan agreements which are all subject to the General Conditions of ABN AMRO.

An amount equivalent to the loan will be only provided to OVG after providing evidence based on prove of progress of the renovation, property rental contracts etc. as described in the loan documentation.

Signed invoices related to the renovation of the specific property will be provided to the Bank combined with a (electronic) drawing request form. The format and content of the invoices should be acceptable to the bank. The invoices will be paid directly from the credit facility to the creditors.

For this loan, assets, including those which are financed are serving as collateral. A borrower of such loan will typically only be able to draw down such loan on the basis of perfected security documents including i.a. a mortgage over the asset. Perfection of such documents is typically either a condition precedent or condition subsequent to drawdown. Should the financed assets be disposed by the borrower, a mandatory prepayment event is triggered. This is in line with the concept of asset-based financing, such as real estate finance, where the lender needs to remain certain that the intended use of proceeds is adhered to.

Prove of the Energy Performance Certificate with a minimum label of “A” will be provided within 6 months after the renovation project is finalised. The certificate is provided by a licensed certifier according to Dutch building regulations.

The bank will require checks on the progress and value of renovation projects, executed via external architects, RICS certified valuers or renovation/building management companies. These companies have to report to the bank in an acceptable format and outcome.

Details of the management of proceeds (repayment, prepayment and cancellation), conditions precedent and subsequent and other topics are further described in the loan documentation dated 18 May 2016.

2.5 External Reporting

2.5.1 Use of Proceeds

- On at least an annual basis OVG will prepare a report to update ABN AMRO on the outstanding eligible assets. This report provides information about:
- The allocated loan amounts including a breakdown of exposure by type of buildings and type of energy efficiency improvements (renovation, transformation)
- The total outstanding of green loan drawings under the loan
- The unallocated loan amount

2.5.1 Impact reporting

On an annual basis, OVG will produce and provide a report containing:

- Expected energy usage and savings based on primary energy consumption
- Expected and, when available, realized percentage of energy efficiency improvement based on the primary energy consumption
- Expected amount of CO2 avoided based on energy savings mentioned above
- Distribution of Energy Performance Certificate issued by the Netherlands Enterprise Agency (RVO: Rijksdienst voor Ondernemend Nederland) before and after the energy efficiency upgrade

2.6 Assurance

OVG and ABN AMRO aim 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. The certification includes a check on compliance with the Green Bond Principles. Certification according to the CBI standards is provided via oekom Research AG, which is a certified verifier of CBI standards. The confirmation letter of the certification will be published on the OVG website.

OVG will inform the Bank in case of new rental contracts and purchase agreements, disposal (of part) of the property, total loss and significant damage and other events as specifically described in the executed Loan Agreement dated 18 May 2016.

Appendix A. Eligible real estate loans:

Green loan details:

Maximum Combined Loan Amount:	EUR 80,000,000
Legal Maturity:	36 months
Borrower:	OVG Redevelopment Venture B.V., Redevelopment Property II B.V., Redevelopment Property III B.V., Redevelopment Property IV B.V., Redevelopment Property VI B.V.
Lender:	ABN AMRO Bank N.V.
Eligible real estate assets:	Spark Amsterdam New Tide Rotterdam Maxium Rotterdam Boutique Offices Amsterdam
Green Loan Structurer Real Estate upgrade Standard CBI verifier	ABN AMRO Climate Bond Initiative Oekom Research AG
Underlying documentation:	ABN AMRO/OVG Green Real Estate Loan dd. 18 May 2016

Project 1: SPARK



Adres:	Orlyplein 10, Sloterdijk, 1043 EP Amsterdam
Original building year	1992
Activity:	Redevelopment, renovation, energy efficiency upgrade
Energy Label before renovation	G (1.86)
Energy Label after renovation	A (EI 0.79)

Improvements:

- Climate installation with sophisticated energy efficient climate areas
- Solar reflecting and heat insulating HR++ glazing
- LED lighting
- Water saving taps
- Energy generating elevators
- Energy monitoring
- Use of FSCE wood

Project 2: New Tide



Adres:	Marten Meesweg 35, Rotterdam
BVO	16.441m ²
Original building year	1989
Activity:	Redevelopment, renovation, energy efficiency upgrade
Energy Label before renovation	E (EI 1.54)
Energy Label after renovation	A (EI 1.1)

Improvements:

- Heat and cold storage
- Climate installation with energy efficient cooling machines
- LED lighting
- Water saving taps
- Energy monitoring
- Use of FSCE wood

Project 3: Maxium



Adres:	Marten Meesweg 25, 3068 AV Rotterdam
Original building year	1990
Activity:	Redevelopment, renovation, energy efficiency upgrade
Energy Label before renovation	C (1.18)
Energy Label after renovation	A (EI 0.89)

Improvements:

- Re-use of rainwater (water efficient toilets and washbasins)
- Placing pv-panels on the building
- Climate installation with sophisticated energy efficient climate islands
- Solar reflecting and heat insulating HR++ glazing
- LED lighting
- An atrium functional as energy buffer linked to the climate installation
- Water saving taps
- Energy generating elevators
- Energy monitoring
- Use of FSCE wood

Project 4: Boutique Offices



Adres:	Fred Roeskestraat 115,117,123, 1076 EE Amsterdam
Original building year	1993
Activity: upgrade	Redevelopment, renovation, energy efficiency
Energy Label before renovation	G (EI 1.79)
Energy Label after renovation (expected)	A (EI 0.85)

Improvements:

- Re-use of rainwater (water-efficient toilets and washbasins)
- Climate installation with sophisticated energy efficient climate islands

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- Solar reflecting and heat insulating HR++ glazing/ triple glass
 - LED lighting
 - An atrium functional as energy buffer linked to the climate installation
 - Water saving taps
 - Energy generating elevators
 - Recycling of the nature stone in the façade as a new floor in the renovated building
 - Dismountable wood construction for the new stories, this enables easy replacement and recycling if the building is transformed in the future
 - The façade of the roof is fully cradle to cradle
 - Energy monitoring
 - Use of FSCE wood
 - Smart IT Back bone as implemented in 'The Edge' (Amsterdam)
 - o Connects all technical installations, lightning, HCAP, access control, ICT etc. To take the usage and maintenance of this building to a new level

Appendix B. Eligibility criteria:

'Eligibility Criteria' are defined as:

- 1) Loans or investments of existing commercial property where energy efficiency improvements, redevelopments, renovations and/or transformations 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 loans with a tenor of 5 year or shorter. 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 transformation⁴ where a reliable calculation 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 the Dutch Agency RVO (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 within six months after completion of the renovation/transformation.

The (expected) emissions reduction of the energy efficiency improvements will be determined by an 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 (NL-EPBD process certificate).

The assessment is based on the definitions, methodology and calculation methods as set out in the national norm NEN7120 or its successors.

⁴ 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