Second-Party Opinion

Obvion N.V.

Green STORM 2019

Securitisation of prime Dutch residential mortgage loans

Evaluation Summary

Sustainalytics is of the opinion that the Green STORM 2019 Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

- **USE OF PROCEEDS** The eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that mortgage loans for energy efficient buildings will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 7 and 11.

- **PROJECT EVALUATION / SELECTION** A dedicated internal team consisting of representatives from the Funding & Portfolio Management team of Obvion, and the Securitisation & Covered Bonds team and Sustainability Capital Markets team of Rabobank will select the eligible mortgages, using data provided by real estate data provider Calcasa. This is in line with market practice.

- **MANAGEMENT OF PROCEEDS** Obvion will allocate the full amount of net proceeds of the RMBS transaction to refinance eligible assets at the time of closing of the issuance. A third-party will verify that the included loans are eligible on an ongoing basis. Obvion commits to purchasing back any loans which are no longer compliant and substituting any ineligible mortgages. This is in line with market practice.

- **REPORTING** Obvion intends to report on the allocation of proceeds in a monthly report to investors. In addition, a third party has been selected to perform an assessment of quantitative impacts, based on the actual energy use of households within the portfolio. This assessment will be made available to investors at the time of issuance. This is in line with market practice.
Introduction

Obvion N.V. ("Obvion"), the issuer of Green STORM 2019, is a subsidiary of Rabobank, an international cooperative bank focused on providing financial services in the Netherlands and involved in retail and wholesale banking, as well as 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.

Obvion has developed the Green STORM 2019 Green Bond Framework (the “Framework”) under which it intends to issue a green residential mortgage-backed security (RMBS) and use the proceeds to finance or refinance, in whole or in part, Obvion’s mortgage asset pool with relevant energy-efficient characteristics. This Framework follows the 2016 and 2017 Green STORM Frameworks, which applied to prior issuances under the same programme.

The Framework defines eligibility criteria in two areas:

1. Residential buildings that have obtained an Energy Performance Certificate of "A" by the Netherlands Enterprise Agency and which are amongst the top 15% of most energy efficient properties in the Netherlands
2. Residential buildings that have obtained an Energy Performance Certificate of "B" or "C" by the Netherlands Enterprise Agency and that have realised at least 30% improvement in energy performance quality compared to an average house within the same building period

Obvion engaged Sustainalytics to review the Green STORM 2019 Green Bond Framework, dated June 2019 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Obvion’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Issuer’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Green STORM 2019 Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
² The Green STORM 2019 Framework has been produced by Obvion and may be made available by the Bank at their discretion.
Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Green STORM 2019 Green Bond Framework

Summary

Sustainalytics is of the opinion that the Green STORM 2019 Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Obvion’s Framework:

- **Use of Proceeds:**
  - The use of proceeds aligns with the GBP categories of green buildings and energy efficiency.
  - The threshold for energy efficient buildings, namely the top 15% of the Dutch market, is aligned with the criteria for low carbon buildings of the Climate Bonds Initiative\(^3\) and is considered impactful by Sustainalytics. Furthermore, for the 2019 issuance, buildings must have an Energy Performance Certificate “A” label and, depending on the building type, must have been built since 1992-2006; these more stringent criteria reflect ongoing improvements to the Dutch building stock. Sustainalytics considers the methodology used to delineate the top 15%, based on construction date and EPC data, to be robust and credible. (please see Appendix for further details on the methodology used)
  - The threshold for energy efficiency improvements, namely those with an increase of at least 30%, is aligned with the criteria for low carbon buildings upgrades of the Climate Bonds Initiative\(^4\) and is considered impactful by Sustainalytics. Based on EPC Energy Index data, Obvion has defined as eligible a two-notch improvement resulting in at least a “C” rating or any improvement leading to an “A” rating. Sustainalytics considers the use of the EPC Energy Index to delineate the 30% improvement to be robust and credible.

- **Project Evaluation and Selection:**
  - Obvion has defined the steps that it will take to match Obvion’s mortgage loans with qualifying EPCs, based on data and research from Calcasa, a third-party real estate data provider. The final selection of eligible mortgages will be carried out by an internal team set up for this purpose, consisting of representatives from the Funding & Portfolio Management team of Obvion, the Securitisation & Covered Bonds team and Sustainability Capital Markets team of Rabobank.
  - Based on the use of third-party data to support the decision-making, and the establishment of a cross-functional team to carry out the process, Sustainalytics considers this to be in line with market practice.

- **Management of Proceeds:**
  - As part of the RMBS structure, at closing, the net proceeds will be allocated in full to finance eligible loans. A third-party will track the portfolio on a monthly basis or size, repayments, defaults, and other factors which may affect the balance of loans outstanding. Obvion will, as needed, repurchase any loan which no longer complies with the eligibility criteria and replace it with a compliant asset.
  - Based on the structure of the security, as well as the commitment to ongoing tracking, Sustainalytics considers the management of proceeds to be in line with market practice.

- **Reporting:**
  - Obvion will make available to investors loan data on the underlying asset pool, including a monthly summary report as well as an annual statement demonstrating compliance with the eligibility criteria. A third-party has been appointed to calculate the impact, in the form of CO\(_2\) reductions achieved based on real energy consumption, which will be made available to investors at the time of issuance.
  - Based on the commitment to ongoing allocation reporting, and the intention to make available quantitative impact data, Sustainalytics considers this to be in line with market practice.

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Alignment with Green Bond Principles 2018
Sustainalytics has determined that the Obvion Green STORM aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer’s sustainability strategy
Rabobank’s overall sustainability approach is underpinned by its mission statement “Growing a better world together”. To achieve this objective, the Bank has developed four core policies in the areas of environment, human rights, labour standards and anti-corruption which apply across its operations, as well as a variety of thematic or sectoral policies.

With specific reference to mortgage lending, Rabobank 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, the Bank supports Dutch retail customers investing in home energy efficiency improvements, by acting as a co-financer of the Dutch National Energy Saving Fund (Nationale Energiebespaarfonds). This fund allows homeowners to invest in energy-saving measures with favourable conditions. Local Rabobank branches in the Netherlands are also organising 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.

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 JobCoach 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 a green RMBS.

Well positioned to address common environmental and social risks associated with the projects
While the provision of mortgages for energy efficient properties is anticipated to have overall positive impacts, as with any undertaking there may be environmental or social risks; these risks may include worker health and safety during building construction or upgrade, as well as financial risks related to credit and securitization. Obvion and Rabobank have policies in place which support in the mitigation of these risks. 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. Sustainalytics also notes the regulatory context, as the Netherlands is known to have robust workplace protections and health and safety regulations in place and large European banks such as Rabobank are subject to liquidity coverage regulations under the terms of Basel III.

Overall, considering the market and regulatory context, Sustainalytics considers that these policies and due diligence efforts strengthen the bank’s ability to address and mitigate risks in its loan portfolio, that Rabobank’s risk mitigation procedures are robust, and that the bank is well-positioned to mitigate relevant environmental and social risks associated with the green bond projects.

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Section 3: Impact of Use of Proceeds

The use of proceeds category is recognized as impactful by the GBP. Sustainalytics has elaborated below on how the impact is relevant in local context.

Importance of energy-efficient buildings in the Netherlands

The Dutch Government has laid out a multi-sectoral approach to reducing greenhouse gas emissions, which is intended to be aligned with the EU’s overall climate strategy.\footnote{Government of the Netherlands, “Dutch goals within the EU”, https://www.government.nl/topics/climate-change/eu-policy} This approach includes the construction and housing sector, which are the source of approximately 15% of emissions in the Netherlands.\footnote{Government of the Netherlands, “Measures to reduce greenhouse gas emissions”, https://www.government.nl/topics/climate-change/national-measures} One of the action areas to address the industry’s emissions is the requirement that all homes, commercial buildings, and public buildings receive EPCs.\footnote{Government of the Netherlands, “Mandatory EPCs for buildings”, https://www.government.nl/topics/energy-performance-certificates-for-homes-and-buildings/mandatory-epcs-for-buildings} The Government intends to gradually make EPC requirements to obtain building permits more stringent, so that new buildings are continually more efficient; the next update to this system is intended to move beyond EPCs to a new system based on the BENG,\footnote{"BENG" is the Dutch acronym for almost net-zero buildings.} which is compliant with near-net-zero energy buildings, and will occur no earlier than 2020.\footnote{Government of the Netherlands, “Energieprestatie – BENG”, https://www.rvo.nl/onderwerpen/duurzaam-ondernemen/gebouwen/wetten-en-regels-gebouwen/nieuwbouw/energieprestatie-beng}

Considering the goals and policy directives of the Dutch government, Sustainalytics is of the opinion that the asset selection criteria defined by Obvion is aligned with 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 15% in terms of energy ratings ("A" ratings), or demonstrate a significant improvement in performance over time.

Adjustments in comparison to Obvion’s Green STORM 2018

Obvion issued a Green STORM in 2016, 2017, and 2018 using an approach similar to the one defined for this issuance. In comparison to the most recent prior issuance, Obvion has selected a new eligible pool of assets in line with updated EPC data from Calcasa.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

<table>
<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>SDG</th>
<th>SDG target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>7. Affordable and Clean Energy</td>
<td>7.3 By 2030, double the global rate of improvement in energy efficiency</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>11. Sustainable Cities and Communities</td>
<td>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</td>
</tr>
</tbody>
</table>

Conclusion

Obvion has developed the Green STORM 2019 Framework, under which it intends to issue green residential mortgages backed securities to refinance eligible mortgages to properties among the top 15% most energy efficient in the Netherlands or those that have demonstrated energy efficiency improvements of at least 30%. Sustainalytics has conducted a pre-issuance verification for alignment with the Climate Bonds Initiative Low Carbon Residential Buildings Criteria and expects Green STORM 2019 to receive certification under this standard.
The use of proceeds category specified in the Framework is aligned with those of the Green Bond Principles 2018; Obvion has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the investments funded by the Green Bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular Goals 7 and 11.

Based on the above, Sustainalytics is confident that Obvion is well-positioned to issue green residential mortgage backed securities, and that the Obvion Green STORM 2019 Framework is robust, transparent, and in alignment with the Green Bond Principles 2018.
Appendices

Appendix 1: Illustrative graphics of eligible EPCs for top 15% energy efficient properties and refurbishments leading to 30% energy improvements

The following figures summarize the eligible mortgage loans for Green STORM 2019. The first graphic displays which subset of EPCs is eligible for inclusion (which has been calculated using the top 15% methodology), while the second figure illustrates which building upgrades, resulting in an increase in EPC, are eligible.

Eligible EPCs for Green STORM 2019 (outlined in red):

Eligible refurbishments for Green STORM 2019 (text in green):
Appendix 2: 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: [specify as appropriate] Green STORM 2019

Review provider’s name: Sustainalytics

Completion date of this form: June 17, 2019

Publication date of review publication: [where appropriate, specify if it is an update and add reference to earlier relevant review] This Framework follows similar frameworks that were applicable to the 2016 and 2017 Green STORM RMBS issuances

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:

☒ Use of Proceeds
☒ Process for Project Evaluation and Selection
☒ Management of Proceeds
☒ Reporting

ROLE(S) OF REVIEW PROVIDER

☒ Consultancy (incl. 2nd opinion) ☐ Certification
☐ Verification ☐ Rating
☐ Other (please specify):

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 Evaluation Summary 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 eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that energy efficient mortgage loans will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 7 and 11.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated internal team consisting of representatives from the Funding & Portfolio Management team of Obvion and the Securitisation & Covered Bonds team and Sustainability Capital Markets team of Rabobank will, making use of data provided by real estate data provider Calcasa, select the eligible mortgages. This is in line with market practice.

Evaluation and selection

- [☑] Credentials on the issuer’s environmental sustainability objectives
- [☑] Documented process to determine that projects fit within defined categories
Defined and transparent criteria for projects eligible for Green Bond proceeds  
Documented process to identify and manage potential ESG risks associated with the project

Summary criteria for project evaluation and selection publicly available  
Other (please specify):

Information on Responsibilities and Accountability

Evaluation / Selection criteria subject to external advice or verification  
In-house assessment

Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Obvion will allocate in full the net proceeds of the RMBS transaction to refinance eligible assets at the time of closing. A third-party will verify that the included loans are eligible. Obvion commits to purchasing back any loans which are no longer compliant and substituting an eligible mortgage. This is in line with market practice.

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:

Allocations to future investments only  
Allocations to both existing and future investments

Allocation to individual disbursements  
Allocation to a portfolio of disbursements

Disclosure of portfolio balance of unallocated proceeds  
Other (please specify):

4. REPORTING

Overall comment on section (if applicable):
Obvion intends to report on the allocation of proceeds in a monthly report to investors. In addition, a third party has been selected to perform an assessment of quantitative impacts, based on the actual energy use of households within the portfolio, that will be made available to investors at the time of issuance. This is in line with market practice.

**Use of proceeds reporting:**

- [ ] Project-by-project
- [X] On a project portfolio basis
- [ ] Linkage to individual bond(s)
- [ ] Other (please specify): 

**Information reported:**

- [X] Allocated amounts
- [ ] Green Bond financed share of total investment
- [ ] Other (please specify): 

**Frequency:**

- [ ] Annual
- [X] Semi-annual
- [X] Other (please specify): monthly update, full annual report

**Impact reporting:**

- [ ] Project-by-project
- [X] On a project portfolio basis
- [ ] Linkage to individual bond(s)
- [ ] Other (please specify): 

**Frequency:**

- [ ] Annual
- [X] Semi-annual
- [X] Other (please specify): pending outcome of third-party study, to be available at time of issuance

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

- [X] GHG Emissions / Savings
- [ ] Energy Savings
- [ ] Decrease in water use
- [ ] Other ESG indicators (please specify): 

**Means of Disclosure**

- [ ] Information published in financial report
- [X] Information published in sustainability report
- [ ] Information published in ad hoc documents
- [ ] Other (please specify): 
- [ ] 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.)

https://www.obvion.nl/homepage.htm

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)  ☐ Certification
☐ Verification / Audit  ☐ Rating
☐ Other (please specify):

Review provider(s):  Date of publication:

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

i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.
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Sustainalytics

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For more information, visit www.sustainalytics.com

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