

NIBC MATERIALITY ASSESSMENT

February 2020

2019 Materiality Assessment

Introduction

NIBC believes transparency facilitates trust between an organisation and its stakeholders. The materiality assessment process helps us understand which financial and non-financial aspects our stakeholders find most relevant and material. Our Annual Report provides an overview of the themes and indicators we have identified as most relevant to us as a company and to our stakeholders.

NIBC recognises its responsibilities towards stakeholders, regularly engages with them and considers their interests in its day-to-day decisions and activities. Engaging with stakeholders in a proactive way and on a continuous basis is central to our strategy and purpose of making a difference at decisive moments for our clients.

We define stakeholders as any group or individual affected directly or indirectly by our activities. We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations. We actively seek these connections to the world around us to ensure we reflect on our business, understand our impact and to continue to innovate .

Our engagement with these groups takes place via different channels that range from ongoing dialogue to direct requests for feedback. To ensure our long-term success, we acknowledge the need to strike a careful balance between the interests of all our stakeholders.

The views of NIBC's stakeholders are continuing to evolve, influenced by the world around us. There is a rising expectation that financial and non-financial aspects need to be in balance. At the same time, our stakeholders expect NIBC first and foremost to be a financially healthy company with strong risk management which protects the integrity of the financial system. They also expect that we strongly consider environmental concerns, human rights risks and good governance in our own operations and in our financings and investments. Sustainability is a core component of our business strategy.

This document gives an overview of the materiality assessment process and the outcomes. It describes how we identified our sustainability context and relevant topics and (ii) determined the most material themes and aspects.

Transparency & Disclosures

In addition to our Annual Report, we publish a number of additional disclosures:

- **Pillar 3:** NIBC's capital adequacy and risk management report contains information that enables an assessment of the risk profile and capital adequacy of NIBC Holding N.V.
- **NACE Report:** NIBC discloses our financing activities by NACE sector in accordance with our commitments as a member of the NVB (Dutch Banking Association).
- **Global Reporting Initiative (GRI):** NIBC has applied the GRI Standards guidelines core option to its 2019 annual report. This report provides transparent and comparable information and links to where important environmental, human rights, and governance topics are mentioned in our annual report and other disclosures.

- **Equator Principles:** NIBC is one of 94 financial institutions in 37 countries which have adopted the Equator Principles (EP). As such we provide an annual update to EP as well as a more detailed overview on our corporate website.
- **UN Global Compact:** NIBC is a signatory of the UN Global Compact. Each year we provide an updated commitment on progress (COP) reaffirming our commitment to the ten principles and a description of our progress.
- **Modern Slavery Statement:** This statement provides an update in regard to NIBC's efforts to support good corporate practices and end human rights abuses in supply chains.
- **Sustainability Report:** This report provides a comprehensive overview of NIBC's progress in regard to sustainability and further detailed figures on sustainability aspects.
- **TCFD Report:** For 2019, NIBC will publish its first TCFD report during H1 2020, providing interested stakeholders further insights into climate-related risks.

NIBC is committed to be fully transparent towards its stakeholders and to focus its resources toward those reports and disclosures which are most relevant to our stakeholders for our business.

Determining Relevant Themes and Aspects

For 2019, our stakeholder consultation was performed across a range of stakeholder groups representing our clients, investors, regulators, civil society and employees

Stakeholder representatives were asked to rank each material topic on a scale of 1 to 10 (1 = least important; 10 = most important).

We used this opportunity to ask for more specific feedback in regard to diverse issues such as climate risk, ethics, human rights, diversity, data privacy and others. They were also invited to add material topics of their own. The location of each topic within the graph represents the result of their response.

What is Material ?

NIBC adhered to the updated definition of material impact clarified in the GRI Standards: the effect NIBC has on the economy, the environment, human rights and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development. NIBC did this from two perspectives:

1. Based on the importance to our stakeholders; and,
2. Based on the impact and influence of NIBC.

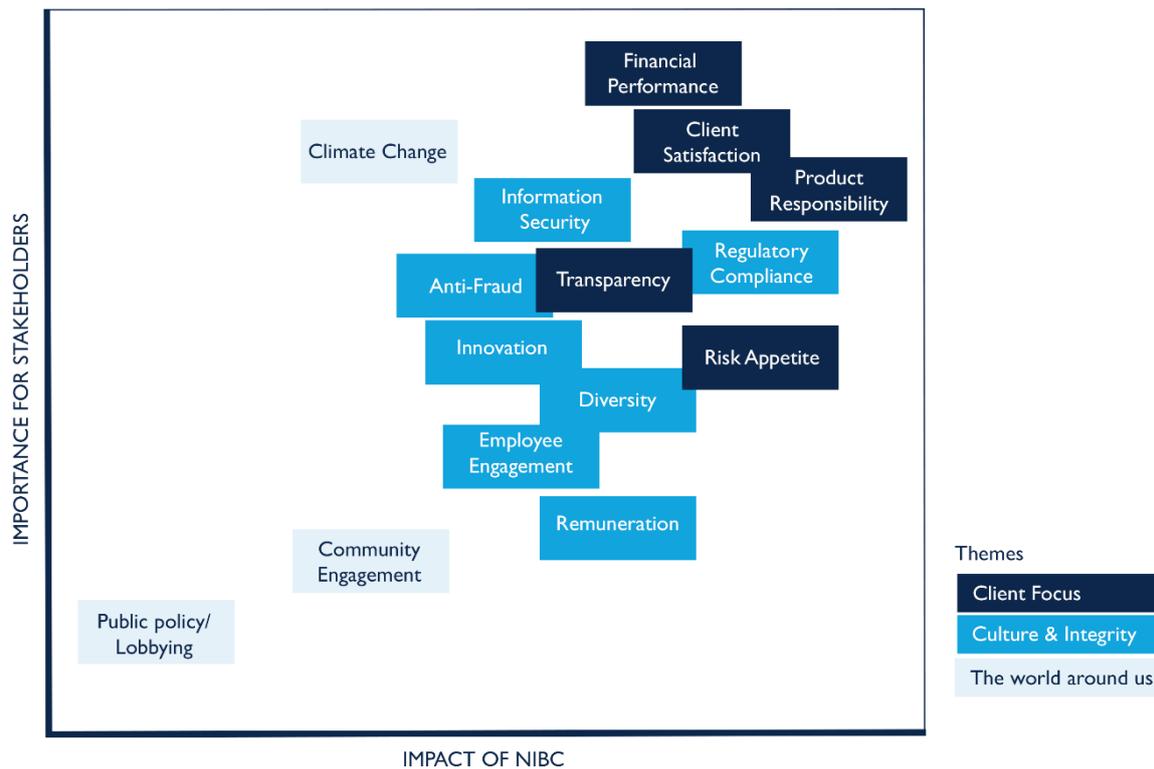
Assessment Outcome

Internal advisors responsible for stakeholder groups summarized and helped to compile our annual reflection on aspects which stakeholders find most material and to reflect on our own impact.

We have grouped the topics that stakeholders deemed material into the following themes:

1. Client focus
2. Culture & integrity
3. The world around us

The materiality matrix (below) provides a visual summary of aspects by importance to stakeholders and the impact that NIBC has on each aspect.



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Material Aspects

The four most material aspects for stakeholders were financial performance, client satisfaction, climate change and product responsibility.

Financial performance was of high importance to our stakeholders. The financial landscape is changing rapidly, influenced by low interest rates, increased regulatory scrutiny, and the emergence of fintechs. Stakeholders have expressed the importance that they place on NIBC focusing on its financial targets, maintaining its cost efficiency, building financial resilience and delivering on its promises.

Client satisfaction was seen by stakeholders as very material. They believe that high client satisfaction is an indicator of the strength of our franchise. The primary measurements of client satisfaction used by NIBC are the NPS score for corporate banking and the client satisfaction survey results for NIBC Direct. We also closely monitor feedback received across all communication channels. During 2019, our Non Financial Key Figures in our Annual Report show that client satisfaction decreased. We believe that this may have been in part related to the intensity of KYC and related due diligence activities.

Climate change increased in importance to our stakeholders during 2019. External stakeholders and NIBC employees alike signaled increased concerns about climate change and its impacts. They appreciated NIBC's efforts in reducing its fossil fuel exposure and see NIBC as having a role in influencing corporate clients to adapt to the energy transition. During 2019 regulators formalised and expressed their view of

climate risks as financial risks. A number of employees mentioned sustainability as a reason that they want to work at NIBC. This is reflected in the results of our Employee Engagement survey reported in the Our People section of our Annual Report. NIBC reports indicators regarding its emissions, energy efficiency and environmental performance in its Sustainability Report.

Product responsibility and ethical conduct continued to be very important. Stakeholders view this as an area of strength for NIBC. Our retail clients expressed appreciation for our online platform and clear terms and conditions. Investors liked NIBC's transparency, willingness to strengthen ESG standards and effort to open the leveraged loan market for increased responsible investment with the North Westerly VI CLO. Further product developments were made during 2019 in the preparations for the launch of Lot Hypotheken, a new sustainable mortgage label.

The boundary for product responsibility is broad. It is closely connected with our code of conduct and duty of care towards clients. For example, our retail savings clients expect a safe online environment. All customers expect clear, understandable, and fair term and conditions. Retail and corporate clients expect privacy and protection of their information. NIBC reports the percentage of corporate loans screened for ESG and significant fines and sanctions as Non Financial Key Figures in our Annual Report.

Information security and data privacy remained important to stakeholders. Our stakeholders have high awareness of data protection regulations such as GDPR. Statements on NIBC's website provide clarity to our customers. Within the Risk Management chapter of our Annual Report, we report on our efforts to manage these risks and the results.

Stakeholders also mentioned the importance of diversity. They appreciated NIBC's efforts to take action on diversity and improve gender equality. Having a diversity committee to oversee progress within the company, focus on improving gender equality, and improved diversity in senior management and in our Supervisory Board is seen as tangible and meaningful. During 2019, our Non Financial Key Figures in our Annual Report show that gender diversity at NIBC modestly improved, continuing the progress made over the past few years. Additional indicators such as gender pay equity are disclosed in our Sustainability Report.

NIBC's Stakeholders

NIBC consults with a broad range of stakeholders on a continuous basis. This helps to deepen our understanding of their evolving expectations and concerns and allows us to communicate with them on how we are responding to their priorities and concerns. Stakeholder engagement takes place in different forms, from regular and ongoing dialogues to direct feedback requests and specific consultation sessions.

Throughout 2019, there have been regular interactions with a broad range of stakeholders. Examples of these engagements included:

- **Customers** – client meetings, daily feedback received via our call center, online inquiries, client due diligence and social media.
- **Employees** – meetings with NIBC's employee council, weekly team meetings, and internal social media platforms;
- **Investors & Analysts** – briefings and meetings, semi-annual interim reports, and capital markets updates;
- **Civil Society Organizations** – formal and informal meetings and regular phone calls, working groups, surveys, written correspondence related to key issues; employee volunteering and support for projects;

- **Regulators and Authorities** – reviews, industry forums, and meetings;
- **Suppliers** – supplier due diligence, performance reviews, and regular meetings with individual suppliers;
- **Press & Media** – press releases, press briefings, and interviews.

The wide range of discussion topics included financial issues as well as non-financial dilemmas and concerns. We held one-on-one meetings with individual stakeholders, received and responded to customer queries, participated in stakeholder events, conducted employee surveys, discussed evolving societal issues with civil society organisations, held briefings with analysts, hosted capital markets days for shareholders, engaged with rating agencies, and held formal and informal discussions with employees.

Dialogue with civil society organizations was frequent throughout 2019. Regular discussions with civil society were important, particularly in light of climate change and the Madrid COP25 climate conference, the need to address human rights impacts in sectoral supply chains and efforts to make substantive progress towards the Sustainable Development Goals (SDGs). Examples included Maatschappelijke Alliantie, Missing Chapter, Pax, Voedselbank Haagenland, Shipbreaking Platform, Stichting Vitalis, Amnesty, Buddy Network, Child & Youth Finance, Friends of the Earth (Milieudefensie), and Banktrack, among others.

Examples of Stakeholder Dialogue

North Westerly VI CLO

With institutional investors, we discussed financial, environmental and social objectives and shared value creation. One outcome of these discussions was the North Westerly VI CLO which NIBC launched in November. The emphasis on ESG and our approach on applying sustainability in the development of the CLO was guided by input from both investors and civil society organisations. During its launch in November, North Westerly VI was widely praised for pushing the envelope in regard to sustainability and opening the CLO asset class for responsible investment.

Equator Principles

NIBC is one of 101 financial institutions in 38 countries worldwide which have officially adopted the Equator Principles (EPs). The EPs are a risk management framework for determining, assessing and managing environmental and human rights risks in project finance transactions. The development and ratification process for Equator Principles 4 (EP4) attracted high interest from civil society stakeholders, trade unions, national authorities and peer banks.

An outcome of these discussions was that NIBC advocated within the EP Association to strengthen standards and more closely align with the UN Guiding Principles on Business and Human Rights, OECD Guidelines for MNEs, and the targets of the Paris Climate Agreement.

IRBC agreement for the Dutch banking sector

NIBC continued its commitment towards the International Responsible Business Conduct (IRBC) agreement for the Dutch banking sector. The initiative aimed to improve human rights practices related to project and corporate financings.

One outcome of our engagement in the agreement was that NIBC added language in its human rights policy to help ensure lawful activities of human rights defenders are well protected. We used the IRBC

platform to share knowledge and engage with civil society organisations, authorities, clients, and financial sector peers. NIBC actively participated in working groups focused on knowledge sharing and enabling effective grievance and remedy mechanisms.

We engaged on human rights with business partners, clients, civil society organisations and employees. Attention was given to increasing transparency of corporate human rights commitments and practices with a view towards influencing long-term positive improvements. NIBC's commitment toward the IRBC Agreement and our Modern Slavery Statement were signed by members of our managing board.

Climate Accord

NIBC discussed carbon emissions targets, potential climate risks, and best practices in reporting with regulators, civil society organisations, peer banks and clients. NIBC's CEO engaged in these discussions and signed the Climate Accord alongside his peers from other Dutch financial institutions.

As a result of these discussions, NIBC joined the Partnership for Carbon Accounting Financials (PCAF) to further engage on emerging carbon accounting standards in the financial sector with our financial peers. This will also help to develop NIBC's own disclosures.

Responsible Shipping

NIBC continued to take a proactive role in addressing environmental and human rights issues in shipping value chains.

During 2019, we met with representatives of local trade unions from India and Bangladesh to listen to their views on priority areas in regard to human rights and environmental practices at shipbreaking yards. We met with civil society organisations to discuss access to yards and the challenges faced by human rights defenders.

Importantly, we took additional steps. We met with inspectors of yards from Alang, India to encourage higher standards, increased cooperation with trade unions and improved access for civil society organisations.

Based on these sessions, we can conclude that the efforts of NIBC and the nine other banks involved in Responsible Ship Recycling Standards (RSRS) are having a positive influence on the shipping value chain. Since 2014, 100% of NIBC's new financings in shipping have included RSRS, achieving our target. It is a significant achievement more than 90% of NIBC's shipping portfolio at year-end 2019 includes RSRS commitments.

Stakeholder engagement and dialogue are disclosed in NIBC's Annual Report and in other corporate and sustainability disclosures. For example, clear examples related to the Sustainable Development Goals are reported in our UN Global Compact Communication on Progress.

Boundaries

The boundaries for each material aspect are described in the statements above. The material aspects and figures reported have been identified as relevant to our stakeholders and NIBC. Certain environmental and social themes may also have an impact in relation to our clients and investors. The non-financial key figures that evaluate these impacts for our clients are:

- Percentage of new corporate loans screened against sustainability policy

- Number of new corporate clients with increased sustainability risk assessment

Our statements on management approach in our GRI Standards Content Index disclosure provide further information about how NIBC manages its direct and indirect impact on the environment, society and people.

Our impact on environment and on people results from our own operations as well as from our clients' business activities. NIBC's relationship with its clients is largely defined by the products and services that we offer. These have direct and indirect impacts, positive and negative. Given the increasingly global nature of supply chains, we are also mindful that the boundary of our impact is situation-specific and can extend beyond the operating locations of NIBC, its clients and its suppliers.

Saliency

NIBC supports the UN Guiding Principles on Business and Human Rights (UNGPs) and the responsibility of businesses to also consider salient aspects relative to their business and operations and provide disclosures on these aspects. NIBC reports these in our Annual Report, our Sustainability Report and in other statements and disclosures.

The main salient human rights risks for NIBC are labour conditions and worker safety in corporate client supply chains. NIBC manages these risks through stakeholder engagement, client and transaction due diligence and by raising awareness with corporate clients. Full transparency into supply chains is an ongoing challenge for mid-market corporate businesses, since their capacity and influence are less than for large corporates and multinationals. NIBC therefore applies proportionality in accordance with the UNGPs and is guided by the balanced views of stakeholders in its own approach.

Other Relevant Aspects

Our Annual Report contains information on themes and indicators that are most material to our stakeholders and to NIBC.

The topics that are not labelled material are not considered unimportant; these are considered basic conditions or 'hygiene factors' that stakeholders expect us to have in place but are not the most material ones relative to our financings or our business. As we still wish to show our stakeholders that these topics are indeed addressed, these are either reported in the Annual Report, in NIBC's GRI Standards Content Index, in our Sustainability Report and/or in other statements, disclosures and policies.