

NIBC 2019 EQUATOR PRINCIPLES REPORT

July 2020

For the period 1 January 2019 to 31 December 2019

About The Equator Principles

The Equator Principles (EPs) are a risk management framework developed by financial institutions for determining, assessing and managing environmental and human rights risks in project finance transactions. Project finance is often used to fund the development and construction of major infrastructure and industrial projects.

The EPs have also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry, including the US Carbon Principles and the international Climate Principles and provide a platform for engagement with a broad range of interested stakeholders, including non-governmental organisations (NGOs), clients and industry bodies.

Equator Principles and NIBC

NIBC is one of 108 Equator Principles Financial Institutions (EPFIs) in 38 countries worldwide which have officially adopted the EPs. As part of this commitment, we have implemented the EPs in our sustainability policies, procedures and standards for financing projects and will not provide Project Finance or Project-Related Corporate Loans where the client will not, or is unable to, comply with these principles.

Our corporate client offering consists of the full range of products such as financial structuring, collateralised lending, corporate lending, advisory, mezzanine and equity. Since 2019 our corporate client segment is organised along a number of product market combinations, focused on origination, execution and portfolio management of its core products based on specific client needs. We aim to further rebalance activities and exposure, as we become more active in high growth areas acting as a growth enabler for our clients. Our portfolios revolve around two main themes: Sustainability & Transformation and Growth & Innovation. These two themes provide us with a strong basis to increase focus and fully utilise our core competence of developing solutions for complex financial questions in specific underserved market segments. together with our clients.

Only a limited number of NIBC's transactions typically fall within the scope of EP. However, NIBC applies the Equator Principles methodology of determining, assessing and managing ESG risks also for other types of (asset or project) financing transactions that technically do not fall within the scope of EP. These transactions are not included in this report.

By following the EP guidelines we ensure financings for projects and assets are done in a responsible manner reflecting sound human rights and environmental management practices. For further details on NIBC's sustainability framework, please [click here](#).

Equator Principles Data Report

NIBC applies the EPs to all Project Finance transactions, including project finance advisory transactions. Since 1 January 2014, NIBC has applied EP III. Our 2019 report is based on the EP III reporting standards. Statements in our Annual Report further mention NIBC's commitment to the Equator Principles and sustainable business.

In 2019, NIBC closed no new project finance transactions that fell within scope of EP. Further information is available online at equator-principles.com/index.php/members-reporting

Projects reported 2019

In accordance with our commitments under the Equator Principles, NIBC voluntarily reports project finance transactions for which we have received client consent for disclosure. These projects are also disclosed publicly on the EP website. In most cases, clients have agreed to disclose these financings when requested.

Comparison to Prior Years

NIBC reported no EP-qualifying project finance transactions which reached financial close in 2019. NIBC reported 5 transactions for 2018, and 7 transactions for 2017.

Sustainable Development Goals

Project financings in recent years which qualified under the EP guidelines contributed to SDG8 Decent Jobs and Economic Growth, SDG 9, Industry, Innovation, and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, and SDG 13 Climate Action.



In support of the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and our communities' transition toward a more sustainable future, NIBC also provided loans, investments and other financial services to digital infrastructure, renewable energy, organic food & agri, recycling, healthcare, and real estate sectors during 2019. However, some of these financings did not meet the necessary criteria for this report (see below) as defined

by the EPs.

Excluded Activities

NIBC is active in those sectors which are clearly stated on our website. Certain other activities are excluded by policy in NIBC's sustainability policies.

In practice during 2019 NIBC did not provide corporate loans, project financings or make other types of investments in:

- large-scale water projects (such as dams or large-scale hydroelectric),
- forestry, pulp and paper companies or agricultural projects with a large impact on forests (i.e. deforestation) peatlands or other projects in or near high-value conservation areas,
- coal-or lignite-fired power generation, fossil fuels extracted from liquefied coal, nuclear power generation,
- mining (i.e. coal mining, mountaintop removal mining, uranium mining, mining or trade in conflict minerals),
- arctic/antarctic or unconventional oil & gas projects (fracking, tar sands, shale oil & gas, and other extreme hydrocarbon extractions).
- weapons manufacturers or weapons-related projects.

Further,

- In cases where CO² was compensated by companies or projects, it was compensated according to the Gold Standard;
- No new projects were financed in areas where water-scarcity was pre-existing and operations would compete with the needs of communities;
- NIBC did not provide financing for projects or companies active in conflict zones, occupied territories, or locations where we determined that the impacts on people or the environment might be unmanageable.

Risk Assessments

In our due diligence and monitoring, transactions are assigned a sustainability rating (low, medium, high, maximum) across possible human rights, environment, and governance risk factors. In 2019, no new transactions were approved with a high or severe rating. As is mentioned in the non financial key figures in our Annual Report, increased risks (level: medium) were identified for 10 possible clients or transactions. Our sustainability risk assessment process is further described in our Sustainability Framework.

Equator Principles Reporting Scope

The EPs apply globally and to all industry sectors. The EPs apply to the four financial products described below when supporting a new project:

- ✓ **Project Finance Advisory Services** with total Project capital costs of US\$10 million or more;
- ✓ **Project Finance** with total Project capital costs of US\$10 million or more.
- ✓ **Project-Related Corporate Loans** (including Export Finance in the form of Buyer Credit) where all four of the following criteria are met:
 - The majority of the loan is related to a single Project over which the client has Effective Operational Control (either direct or indirect).
 - The total aggregate loan amount is at least US\$100 million.
 - The EPFI's individual commitment (before syndication or sell down) is at least US\$50 million.
 - The loan tenor is at least two years
- ✓ **Bridge Loans** with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described above

Equator Principle Categories

Project categorisation is mandatory for all project-financings considered by NIBC. The assigned category determines the level of due diligence and magnitude of mitigation planning required. Category-based screening enables the bank to focus its time and resources on the analysis of higher risk projects, while saving time and resources on lower risk projects. This screening is based on the environmental and social categorisation process of the International Finance Corporation (IFC).

- ✓ **Category A:** projects with potential significant adverse social and environmental risks and/or impacts that are diverse, irreversible or unprecedented;

- ✓ **Category B:** projects with potential limited adverse social and environmental risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- ✓ **Category C:** projects with minimal or no social and environmental risk and/or impacts.

The 10 Equator Principles in brief

	Principle		What this means
1	Review and Categorisation	➔	Classify projects in Category A, B or C
2	Environmental and Social Assessment	➔	Borrower conducts a Social and Environmental Assessment for Category A and B projects
3	Applicable Environmental and Social Standards	➔	IFC: Performance Standards, World Bank EHS Guidelines. Designated Country National Laws & Regulations
4	Environmental and Social Management System and Equator Principles Action Plan	➔	For all Category A and B projects borrower prepares Action Plan on how it mitigates, monitors and manages impacts and risks
5	Stakeholder Engagement	➔	For all Category A and some B projects the borrower consults with project affected communities in a structured and culturally appropriate manner
6	Grievance Mechanism	➔	The borrower will establish a grievance mechanism as part of the management system for all Category A and some Category B projects
7	Independent Review	➔	For all Category A and some Category B projects an independent social or environmental expert will independently assess EP compliance
8	Covenants	➔	For all Category A and B projects the covenants linked to compliance are incorporated in the financial documentation
9	Independent Monitoring and Reporting	➔	Consult or independent expert for all Category A and some Category B projects to verify monitoring information of borrower
10	Reporting and Transparency	➔	Report publicly at least annually about its Equator Principles implementation processes and experience

For more information, visit the Equator Principles website at www.equator-principles.com

NIBC's Implementation of the Equator Principles

- **Roles and responsibilities**
NIBC adopted the EPs on 9 November 2010. In line with NIBC's Know-Your-Customer process and Sustainability Policy Framework all new clients and transactions are subject to an Environment &

Social risk assessment. NIBC's online sustainability toolkit supports commercial staff with assigning a category which reflects the appropriate risk of the specific project or transaction.

NIBC has a dedicated Sustainability Officer that supports the commercial staff in managing and mitigating potential E&S risks. The Sustainability team is contacted in case of Category A risk project in high-income OECD countries or Category B or A projects in non high-income OECD countries. The Sustainability team provides support on management of E&S risks and advises relevant decision-making committees. Final decision making regarding E&S issues lies with NIBC's Transaction Committee and/or Engagement Committee.

- **Equator Principles 4 (EP4)**

Later in 2020, Equator Principles IV will come into effect. The fourth iteration of the Equator Principles was launched at the opening of the annual general meeting of the association in November 2019 following a two year review period. All stakeholder feedback was reviewed and debated in detail.

During these discussions, NIBC advocated for a strong alignment with the UN Guiding Principles on Business and Human Rights, the Paris Climate Agreement, and a strengthening of environmental standards to protect biodiversity. Amendments to EP and new commitments were made by the association in relation to human rights, climate change, Indigenous Peoples and biodiversity. The scope of the EPs was also extended to capture more Project-related transactions.

During the transition period we will work to train relevant staff about the changes compared to EP3. Considering the limited number of financings by NIBC that fall within scope of Equator Principles, we do not anticipate any major issues or dilemmas during the transition.

- **2017 IMVO Covenant Dutch Banking Sector**

In November 2017, NIBC signed the IMVO covenant of the Dutch financial sector. The covenant aims to address human rights issues related to project financings and corporate loans. The agreement also aims to strengthen stakeholder engagement and improve grievance and remedy mechanisms. Other signatories include Dutch national authorities and civil society organizations (NGOs).

- **Human Rights, Climate Change, Biodiversity and the Environment**

By policy, NIBC expects the project financings it supports to adhere to international conventions and guidelines to respect human rights and the environment. Human rights aspects include safety, FPIC, avoiding conflicts over land rights and acquisition of natural resources, fair wages and benefits for workers, and accessible effective grievance and remedy mechanisms. Environmental aspects include emissions, pollution, biodiversity, water scarcity and taking appropriate climate adaptation measures in support of the Paris Climate Agreement.

These aspects are elaborated in our sustainability policies and are considered in our due diligence. Stakeholders have not raised significant human rights or environmental concerns in regard to NIBC's project financings in recent years. At the same time we remain alert to the potential for adverse environmental and human rights impacts related to investments in large-scale projects.

- **Complaints and Grievances**

NIBC has an online complaints procedure which is accessible to external parties in case an issue or grievance should arise related to one of our financings or investments. We also cooperate with external sectoral mechanisms, national contact points, and other recognised mechanisms that provide fair adjudication of grievances. For further information, please visit our [corporate website](#).

- **Training and awareness**

Environmental, human rights and governance issues are regularly discussed with stakeholders and NIBC staff. Our internal toolkit includes digital links to numerous references to ensure our bankers are aware of the latest discussions and developments. An Equator Principles course and other sustainability courses are included in our development offerings for employees.

Additionally, employees can find information about the Equator Principles on NIBC's intranet. Through newsletters, sustainability presentations and/ or specific training, relevant updates on EP are communicated to project finance teams.

Cautionary statement

The information presented in this report are unaudited.

Certain statements in this report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC's business, risks, plans, objectives, goals, strategies, future events, future performance, plans or intentions, as well as assumptions thereof. These statements are based on NIBC's current view with respect to future events and performance. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks. NIBC's view may change. The risks and uncertainties as addressed in this report, the occurrence of which could cause NIBC's actual results and/or performance to differ from those predicted in such forward looking statements and from past results.

The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers, employees do make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Feedback Welcome

NIBC welcomes feedback on our Equator Principles disclosures from our stakeholders.

We believe that dialogue on the risks issues and dilemmas that we face is an opportunity for NIBC to not only improve its practices and strengthen its disclosures, but importantly to create value for our clients, investors and other stakeholders.

Please submit any feedback, ideas and suggestions to csr@nibc.com