NIBC

TCFD REPORT

2019 CLIMATE-RELATED FINANCIAL DISCLOSURE

July 2020

Taskforce on Climate-related Financial Disclosures (TCFD)

NIBC has assessed the risks related to climate change related to our lending and investment portfolios. Climate and the environment are also among the financial and non-financial environmental risks and opportunities which are taken into account as part of NIBC's core business strategy.

To support the transition to a net-zero economy, strengthen the climate resilience of the financial sector and future proof our business model, NIBC is taking a precautionary approach and is committed to implement the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). This report follows the recommendations of the TCFD in regard to climate-related disclosures. Climate and environmental risks and opportunities are also summarised in relevant sections of our 2019 Annual Report.

We recognise the urgency to keep global warming below 1.5 degrees and are taking practical steps in support of this goal. We will continue to evolve our approach and disclosures over time as our understanding of the potential impacts deepens.

About NIBC

NIBC is a retail and commercial bank headquartered in the Hague serving retail and mid-sized corporate customers in selected sectors across Northwest Europe. We are present in four countries – the Netherlands, Germany, the UK and Belgium.

Our business model is differentiated from peers by the fact that we do not operate a brick and mortar branch network, nor do we offer retail current accounts, corporate current accounts, transaction banking or other "flow" financial products. Instead we focus on products and services that provide support to our clients at decisive moments, for example retail mortgages for when our retail customers make the life-changing decision to purchase a home. For corporate clients, key acquisitions, leveraged buyouts, and structured solutions which transform growth for a company are decisive moments.

Climate and Environmental Risk Governance

Our governance revolves around a system of checks and balances which ensures material sustainability (environment, human rights and governance) risks are taken into account in our decision-making processes.

NIBC's Managing Board is ultimately responsible for all sustainability matters. ExCo members discuss and advise on sustainability strategy, targets, and planning. The ExCo is also responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct. Any significant updates to the sustainability framework and policies are reviewed and approved by NIBC's Risk Management Committee.

Responsibility for overseeing NIBC's sustainability agenda is delegated to the Sustainability Officer but is primarily managed by and embedded in each business unit. Processes, roles and responsibilities are defined to manage sustainability and take a precautionary approach.

The NIBC Sustainability agenda is led by a dedicated full-time senior sustainability officer who is responsible for catalysing sustainability and corporate social responsibility within the organisation. The officer is responsible for the set-up and implementation of the sustainability strategy, including targets, planning and budget. He is up to date on all sustainability developments and is responsible for engaging with our external stakeholders. The officer meets regularly with each business unit to discuss progress and evaluate activities. Sustainability matters are monitored and reported periodically to the ExCo and the Risk Policy & Compliance Committee (RPCC), a subcommittee of NIBC's Supervisory Board.

Supervisory Board	NIBC Supervisory Board's Risk Policy & Compliance Committee (RPCC) monitors and periodically discusses sustainability matters. The Audit Committee receives any findings from Internal Audit and our external auditors in regard to the Non Financial Key Figures reported in NIBC's Annual Reports.
Managing Board & ExCo	NIBC's Managing Board is ultimate responsible for all sustainability matters. ExCo members discuss and advise on sustainability strategy, targets, planning and budget. The ExCo is also responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct.
Risk Management Committee	Updates to NIBC's sustainability framework and underlying policies are reviewed and approved by NIBC's Risk Management Committee. The RMC also sets NIBC's risk appetite, sets portfolio limits, governs model validation, and approves new products (NPARP).
Transaction, Investment, & Engagement Committees	Sustainability risks related to corporate clients and transactions are presented in transaction proposals at the relevant risk committee (TC/ IC/ EC, depending on product or service offered by NIBC). These issues are included in their risk assessment and are part of NIBC's informed decision-making. The Sustainability Officer reviews assessments and is invited to join committee meetings in the event increased sustainability risks have been identified and further discussions are warranted.
Internal Audit	Processes and controls are audited by NIBC's internal auditors. External third party audits may also be performed on non-financial key figures reported in NIBC's Annual Report.
Senior Sustainability Officer	Responsibility for overseeing NIBC's sustainability agenda. The officer is responsible for the set-up and implementation of the sustainability strategy, including targets, planning and budget. The Officer also provides advices on transaction proposals, new products, and significant changes to existing products. The officer is up-to-date on all sustainability developments and is responsible for engaging with our external stakeholders on sustainability matters. The officer meets regularly with each business unit to evaluate activities, discuss progress, and plan future developments.

Three Lines of Defense

Our sustainability governance revolves around a system of checks and balances to ensure stakeholders can be part of decision-making processes. NIBC operates a 'three lines of defence' risk management model . In this model, the first line comprises the business units; the second line is risk management and the other control functions and the third line is Internal Audit.

The three lines of defence model is used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision-making, risk and control, and to achieve effective governance, risk management and assurance. All three lines are dedicated to maintaining a strong internal control framework which protects NIBC's stakeholders.

Business Units	Risk Management	Internal Audit
Ownership	Control	Assurance
The **Business Units** themselves are primary responsible for the results, the execution, the compliance and the effectiveness of sustainability risk management	**Sustainability Officer** is responsible for setting policies, advising, monitoring and reporting on the execution, management, control and reporting of risks	**Internal Audit** is responsible for independent assurance on the setup and functioning of the internal control framework

Charters and Principles

NIBC reviews its corporate governance and sustainability policies annually. When revisions are needed, these are reviewed, approved and republished.

A number of externally-developed economic, environmental and social charters, principles, or other initiatives are endorsed and applied within NIBC's sustainability and corporate governance policies.

These include:

- Dutch Banking Codes
- Dutch Corporate Governance Code
- Equator Principles (member institution)
- UN Global Compact (signatory)
- UN Guiding Principles on Business and Human Rights (by policy)
- IFC Performance Standards (by policy)
- Dutch IMVO/SER banking sector agreement (signatory)
- Universal Declaration of Human Rights (by policy)
- OECD Guidelines for Multinational Enterprises (by policy)
- ILO Core Conventions (by policy)
- UN Principles for Responsible Investment - UNPRI (by policy)
- UNEP FI (by policy)
- UN Convention on the Elimination of All Forms of Discrimination against Women (by policy)
- UN Declaration on the Rights of Indigenous Peoples (by policy)
- UNICEF Convention on the Rights of the Child (by policy)
- Wolfsberg Principles (by policy)
- FATF recommendations (by policy)
- Partnership for Carbon Accounting Financials – PCAF (member)

Additional principles and charters applied by NIBC are mentioned in our sector and issue-specific policies.

Climate & Environmental Strategy

Sustainability is a part of NIBC's core business strategy. Our climate and environmental strategy is to understand and mitigate financial risks related to climate change, biodiversity and other environmental aspects. While managing these climate and environmental risks, we are also taking steps to pursue sustainable business opportunities and to build resilience in the communities we serve. By doing so, we aim to create long-term value for our clients and stakeholders.

Our climate adaption strategy is to curb potential climate, biodiversity and other environmental risks through client and transaction due diligence, stakeholder engagement, by supporting companies and consumers in their transition toward a sustainable future. For example, NIBC's Commercial Real Estate team is supporting entrepreneurial companies which develop near 'energy neutral' buildings (Bijna Energie Neutral Gebouw, 'BENG'), pushing further innovation in energy efficiency. This approach also contributes to national and European objectives to increase resource efficiency of real estate in line with commitments under the Paris Climate Agreement.

Several Sustainable Development Goals (SDGs) have been selected which frame our business strategy. This is based both on internal reflections as well as on discussions with clients and other stakeholders. These SDGs include Responsible Consumption and Production (SDG12), Economic Growth (SDG8), Industry & Innovation (SDG9), Sustainable Communities (SDG11), and Clean Energy (SDG7). Each of these SDGs have clear environmental targets. By focusing on these SDGs, we believe we will also contribute towards several other goals including Climate Action (SDG13) among others.

Importantly, we have used the SDGs and UN Global Compact principles to guide business opportunities within our corporate and retail businesses. During 2019, NIBC developed a new sustainable mortgage label, Lot Hypotheken which was launched in 2020. Lot is designed with sustainability at its core, bringing affordability and incentivizing energy efficiency improvements which are evidenced by energy audits and certified installers. By incentivizing these improvements, NIBC hopes to contribute to reductions in greenhouse gases related to heat and electricity use in apartments and homes.

For each Lot mortgage two trees are planted – one in the Netherlands and one abroad. This is organized through Trees for All, an organization which restores forests in order to strengthen biodiversity and reduce carbon emissions.

During 2019, NIBC pursued a new Sustainable Finance Framework to support corporate and retail clients in their sustainability ambitions and create new opportunities. Though this Framework NIBC can develop innovative green, social and sustainable financing solutions and to enable access to sustainable finance.

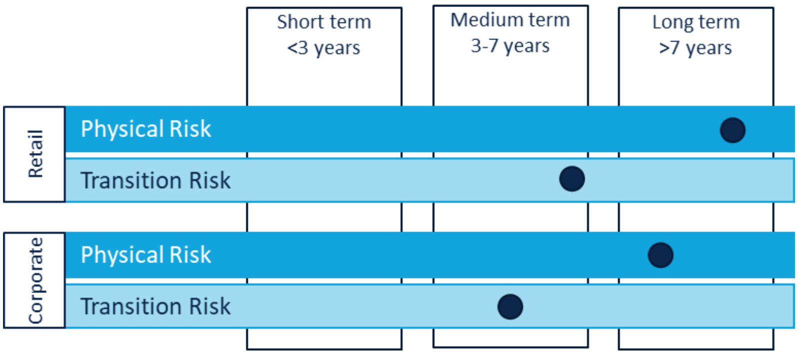
The Framework was developed based on leading guidelines such as the ICMA Green Loan Principles and Social Loan Principles and with a view towards the upcoming EU Green Taxonomy. As a signatory of UN Global Compact, we also aligned eligibility criteria with the principles of UNGC and mapped expected impacts to the underlying targets of the UN Sustainable Development Goals. A strong external second party opinion on our Framework has been received from Sustainalytics during Q1 2020. The Framework and opinion are available on NIBC's corporate website.

All employees within our corporate bank took part in a "Sustainable Future" initiative during 2019. The goal of the initiative was to increase awareness of each of the 17 SDGs, improve everyone's understanding of the underlying targets, increase awareness of climate and environmental risks, and identify opportunities for NIBC to develop solutions and support clients in their transition.

Climate & Environmental Risk Management

NIBC has a risk management approach in place with regard to ESG risks, including climate and environmental risk. This is supported by clear oversight, a robust sustainability risk management framework and increasing disclosures in support of our commitments, recognised standards, and regulatory requirements.

Climate-related risks related to NIBC's current exposures (portfolio as of 31 December 2019)



This is a snapshot of our view of the time-base likelihood of climate risks, physical and transitional, based on our lending and investment portfolio as of year-end 2019.

Climate risk analysis for loans and investments is still at a very early stage. Techniques used throughout the financial sector are just developing. Metrics mostly rely on modelled estimates. The models themselves use different approaches, some of which are not fully tested. Climate models and estimates will become more robust over time. Some stakeholders are calling for new regulation to require environmental and human rights due diligence for all companies. This could strengthen management of these risks throughout organisational supply chains as well as increase public disclosure statements of climate and environmental risks.

These developments will contribute to a significant improvement in the quality of data and our ability to analyse these risks over time. NIBC will continue to monitor developments and improve our understanding of the climate-related risks related to our financings and operations.

As stated in our sustainability policies and elsewhere in this report, NIBC avoids lending or investing in a number of activities. We have excluded many "brown" activities which are viewed to cause increased climate risks to occur, including coal-fired power and extreme fossil fuels (tar sands, fracking and liquefied coal, arctic oil & gas exploration and production).

We also work to avoid financing or investing in projects located in or near High Conservation Value and marine conservation areas and other areas of high biodiversity importance. For companies with the possibility of harmful environmental impacts in supply chains, we encourage participation in sectoral initiatives such as the Roundtable Responsible Soy (RTRS) and Roundtable on Sustainable Palm Oil (RSPO) which have developed specific approaches to ensure responsible sourcing and avoid deforestation, the risk of biodiversity loss, increased greenhouse gas emissions and other harmful impacts.

Physical Climate and Environmental Risks

Climate risk and certain other sustainability risks are increasingly becoming financial risks, while in the past these were seen primarily as non-financial and reputational risks. Our current assessment is that physical climate risk is a medium to long term financial risk as related to our corporate and retail clients.

We have not yet seen significant physical risk impacts on corporate clients' own operations and only isolated disruptions in corporate client supply chains. These have been the result of acute risks such as extreme weather events, such as flooding, drought or dangerous storms due to rising global temperatures.

Looking ahead, it is likely these types of events will occur more frequently, reach additional regions and more visibly impact the supply chains of our clients. Flooding or drought could also become chronic risks over time. These changes increase the risk of other chronic environmental impacts such as loss of biodiversity and habitat. Our corporate clients are increasingly aware of these risks and are developing climate adaption strategies to make their supply chains and processes more climate resilient.

While most of the physical climate risks currently seem to be longer term for NIBC's corporate clients, our corporate portfolio is medium term in duration overall. 83% of our corporate portfolio has a facility end date of 2027 or sooner. It is likely that many will be repaid or refinanced even sooner. This creates flexibility and agility in NIBC's business and should allow us to continue to reshape our portfolio. It is well understood that despite the medium term nature of our corporate exposures, we should continue to try to influence positive outcomes in the longer term to the extent possible and practical.

Deforestation is a less obvious but important climate risk. Sustainable development related to land use is vital to curb climate change. Deforestation has clearly contributed to loss of biodiversity. Forests are a natural carbon sink to sequester carbon. Deforestation risk to companies include the potential for stranded land, operational risk, reputational risk, legal risk, and regulatory risk among others. For NIBC, risk of deforestation is most likely in the supply chains of food processing, agriculture, and paper/packaging used by companies that we finance.

Water scarcity is considered a risk, although most financial impact on companies currently financed by NIBC may emerge in the medium to long term. Within our portfolio we have identified the use of water in greenhouse agriculture and the use of water in manufacturing processes as activities that may be exposed to the risk of increased water scarcity.

Mining of metals and rare earth elements needed for electronics and technology can create water pollution and other environmental risks. These materials include cobalt, lithium, copper and other materials. Public acknowledgement of the environmental and human rights risks in supply chains of technology companies remain disappointingly rare. For NIBC, these risks are likely to exist in the supply chains of companies we finance as well as in our operational supply chain due to our use of technology in our own operations.

There are no indications of material acute or chronic physical climate impacts to date in our retail portfolio. A long term physical risk is related to water levels relative to homes in the Netherlands. This may result in damage to wooden pilings used as foundations or may be in the form of floods. If this risk materialises, the impacts will be regional and/or national, likely impacting the portfolios of all mortgage loan providers including NIBC. The Netherlands has had a national action plan in place to help address and mitigate these risks at the national level. The plan is expected to be renewed during 2020.

We are looking at possibilities to analyse our Retail portfolio for potential flood impacts according to different scenarios in order to better understand how our portfolio might be impacted. This data might help to create a foundation for further analysis such as calculating the probability of such risks occurring and the potential impacts. This may also help us to identify possible data gaps which we may need to work with stakeholders to address.

Transitional Climate Risks

Transitional climate risks related to our portfolios are increasing in likelihood and may materialize in the medium to long-term. The change to net zero greenhouse gas emission economy will involve significant change effecting all aspects of the economy.

Climate regulation is influenced by the short-termism inherent in political cycles and differences in societal views. This is increasing the risk of large-scale social unrest during the transition and the potential for widespread job losses if comprehensive national plans are not developed. Recent protests by the agriculture and construction sectors on the Malieveld are one manifestation of this.

Carbon emissions taxes will likely be introduced in Europe. These could increase the operating costs of companies, impact their supply chains and potentially change trading patterns if import tariffs are introduced. Most models suggest that inter-regional trade would likely be adversely impacted and that most costs would be passed along to consumers in the form of higher price of goods.

Environmental regulation is being weakened in certain countries, leading to potential variations in standards applied to different parts of a company's supply chain. In the long-term retail clients may be impacted by socially-related climate impacts such as net reduction of income due to increased costs or job loss. This also is an indication that certain transition risks may be non-linear.

Technology risks may be the most prevalent transitional climate risk for NIBC. For example in the shipping sector, improvements once a ship is built are costly, therefore the age of a vessel is a significant factor. NIBC mitigates transition risks in our shipping portfolio by applying a policy restriction based on vessel age. Currently this is set at 12 years of age, though some exceptions are occasionally allowed for specialty vessels or shipowners who have a demonstrated track record of responsible business conduct. The typical life of a vessel can be as much as 25-30 years, depending on the vessel type. The restriction ensures that NIBC's portfolio is relatively young and technologies used are current.

In our Offshore Energy portfolio, NIBC has already significantly reduced its exposures in Offshore Energy, particularly as related to offshore exploration and production companies. This reduction in exposures reduces transition risks such as the risk of stranded fossil fuel assets in NIBC's portfolio. This also will have the added benefit of reducing related GHG emissions of which indirect emissions (Scope 3) are likely the most significant.

Some offshore energy services clients have begun a shift towards proving services to the renewables sector and/or decommissioning services. If successful, this should help to reduce transitional financial risk of declining income for companies or job losses for workers. At the macro level this trend is quite important since according to some reports there are six services workers for every worker directly in the oil & gas sector in the Netherlands.

In Commercial Real Estate, energy labels of commercial offices are required to be C or higher in the Netherlands by 2023. NIBC has already achieved this for about 75% of the total exposure in our CRE office portfolio, a strong indication of the tangible progress our clients have already made. In our own facilities, NIBC has achieved. We do not currently anticipate any significant issues related to the transition for the remaining 25%. At the same time, we anticipate additional statutory requirements may be introduced in the medium to long term which may require additional steps.

In Retail, the main transition risks are impacts of energy labels on WOZ values and any potential impacts that might effect retail customers incomes. For example job losses or significant social disruptions leading to an economic decline and reduced income. To date, we have not seen signs of these risks materializing within NIBC's portfolio. These risks may become more prevalent if the supply of housing stock in the Netherlands increase to a level where demand is fully met.

Climate & Environmental Metrics and Targets

Core commitments

NIBC recognises our corporate responsibility to respect the environment, protect biodiversity, and take action to mitigate climate change risks and impacts in support of the Paris Climate Agreement and SDG13 Climate Action.

Our long-term objective is to achieve these targets in our operations and financings ahead of the national, EU and global timelines. We are committed to disclosing meaningful climate and environmental metrics related to our operations and financings. Our policies and efforts are informed by IPCC climate scenarios and IEA energy scenarios and annual world energy outlooks.

2019 Non Financial Key Figures

NIBC publishes several Non-Financial Key Figures which are related to climate and environmental risk in our Annual Report each year which focus on the governance of these risks.

Non Financial Key Figures [1]	2019	2018	2017
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	10	25	23
Fines or sanctions for non-compliance with laws and regulations	0	1	1

% of new Corporate loans screened against sustainability policy framework

All new corporate loans are assessed for social and environmental risks by NIBC. A deal may include one or more underlying facilities with different tenors as part of a deal or loan structure.

Sustainability impacts, greenhouse gas emissions, climate risk, human rights and good corporate governance are among the financial and non-financial aspects taken into consideration during NIBC's corporate client engagement and financing decision processes. Screenings are performed by corporate banking account managers as part of NIBC's ongoing and mandatory due diligence process using a third party toolkit system.

Number of New clients/transactions with increased sustainability risk assessment

We report the number of new (potential) clients/transactions for which increased sustainability risks were identified during our assessment. Climate and environmental risks are among the risks which trigger a increased risk assessment. In these situations, NIBC performs enhanced sustainability due diligence into potential material environmental, social, and governance aspects that are of potential concern.

Fines or sanctions for non-compliance with laws and regulations

We also disclose the number of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations. The definition is limited to fines from a regulator. We define significant: values of fine > EUR 10.000 (in line with category 2 and 3 fines of AFM). NIBC includes non-punitive fines agreed as part of settlement of regular tax audits within its interpretation of the definition for this indicator.

2019 Emissions Performance Indicators

The GHG Protocol Corporate Standard[2] classifies a company's GHG emissions into three 'scopes'. NIBC has recategorised emissions from2018 and 2017 to ensure consistency with the GHG protocol going forward in accordance with the GHG Protocol. This change means that some emissions previous reported as Scope 1&2 are now recategorized as Scope 3.

- Scope 1 (GRI 305-1) covers direct emissions related to energy consumption for owned and leased offices;

[1] 2019 NIBC Holding Annual Report, p14

[2] Greenhouse Gas Protocol https://ghgprotocol.org/

- Scope 2 (GRI 305-2) covers indirect emissions related to purchased electricity for owned and leased offices;
- Scope 3 (GRI 305-3) covers upstream and downstream emissions including office paper consumption, employee travel (car, air, public transport) for our operations, as well as emissions related to NIBC's financings and investments. An emissions estimate for waste is included in this figure for 2019. We have also including estimated emissions related to our financings and investments in these figures for the first time in 2019.

2019 NIBC Emissions: Summary by Scope

	2019	2018	2017	Unit
Scope 1: direct emissions - energy	170	416	283	tCO_2e
Scope 2: indirect emissions- purchased electricity	0	0	0	tCO_2e
Scope 3: other indirect emissions	1,296,023	377	741	tCO_2e
Paper, business travel, waste, other	*1,023*	*377*	*741*	*tCO_2e*
*Financings & investments**	*1,295,000*	*n/r*	*n/r*	*tCO_2e*
Total Emissions	**1,296,193**	**793**	**1024**	**tCO_2e**

* 2018 and 2017 totals exclude NIBC's financed emissions

We also provide two emissions intensity figures (GRI 305-4), first related to our balance sheet and second as related to total FTEs. These should help to provide further insights into our performance over time.

Emissions Intensity

	2019	2018	2017	Unit
NIBC balance sheet	22,375	21,550	22,148	EUR mln
Intensity: Balance sheet	57.93	n/a	n/a	tCO_2e per mln NIBC balance sheet
Intensity: FTE	1,823	n/a	n/a	tCO_2e per FTE

As is true with most companies, the emissions reported by NIBC are estimates and involve many sources. Our Scope 3 emissions and emissions related to paper consumption and public transportation are calculated by Climate Neutral Group. Air travel and car travel emissions figures are provided directly by our travel services and lease partners.

We have published our Scope 1 &2 emissions since 2010 In our Sustainability Report and in prior Environmental Report supplements and throughout this document mention base year figures to give meaningful context regarding our progress. Scope 1&2 emissions reported by NIBC also include energy and electricity used by commercial and civil society organisations which are tenants within our facility in the Hague.

Although the majority of waste produced at NIBC offices is recycled, we have included an estimate for emissions related to waste in our 2019 Scope 3 emissions. We have also increased the amount of estimated travel in kilometers by public transport. Both of these changes have been made in accordance with the precautionary principle under the GHG protocol. NIBC also purchases carbon offsets for these.

NIBC is also disclosing emissions estimates related to our financed portfolios under Scope 3. Estimates of financed emissions present challenges for financial institutions and all companies to report, since they rely on reporting by others. For these we use Partnership for Carbon Accounting Financials (PCAF) methodologies which are also used by other financial institutions, adapted where needed to our exposures. We are publishing Scope 3 emissions estimates for our financings for the first time, which results in a large difference from what was reported in 2018 and prior years.

Methodologies and practices in regard to the reporting of emissions are evolving, particularly as related to accounting of emissions in the portfolios of financial institutions. Therefore NIBC may and likely will recalculate figures in the future as new data is reported and collected, existing methodologies are improved or new methodologies are adopted. We will restate these only if creates more than a 10% change in total figures that we have previously reported in accordance with our goals of completeness, transparency and comparability.

We do not recalculate emissions for organic growth or decline. This means not recalculating previous year totals as businesses are acquired or divested, changes in product mix, or other similar changes. These are simply counted as an increase or a decrease in our overall profile over time.

Carbon Neutral in own operations

A target of NIBC is to be carbon neutral in our own operations. NIBC has achieved this objective each year since 2012. We work to reduce our own emissions and purchase certified gold standard offsets from Climate Neutral Group to fully offset all operational emissions reported in this statement. We "round up" emissions when purchasing offsets to ensure that we also offset any operational emissions which we are not yet capturing or accounting for.

The offsets which are purchased also include offsets for emissions related to heat and electricity for commercial and civil society tenants (NIBC NGO Boulevard) of NIBC's facility in the Hague to help each organization in its goal towards net zero emissions well ahead of national and international goals.

Past offsets have supported the building, renovating and maintenance of boreholes in Africa, providing clean drinking water to communities, reducing the need to boil water to kill bacteria and viruses. The project also reduces local deforestation and promotes gender equality and social development of women.

NIBC Financed emissions

The overview above provides estimated emissions for 84% of NIBC's balance sheet total [3] as reported in the 2019 Annual Report of NIBC Holding NV. As of 2019, we have included these emissions estimates in our Scope 3 emissions reporting.

These figures include NIBC's retail mortgage portfolio and the majority of NIBC's corporate client loans and investments.

Estimated Emissions related to NIBC financings and investments	2019	2018	2017	2010	unit
Retail real estate portfolio	239	n/a	n/a	n/a	tCO_2e
Commercial real estate emissions	n/a	n/a	n/a	n/a	tCO_2e
Corporate client emissions	830	891	957	1,289	tCO_2e
Total	**1,295**	**891**	**957**	**1,289**	**tCO_2e**
% of NIBC total exposures included in emissions estimate	84%	40%	42%	51%	

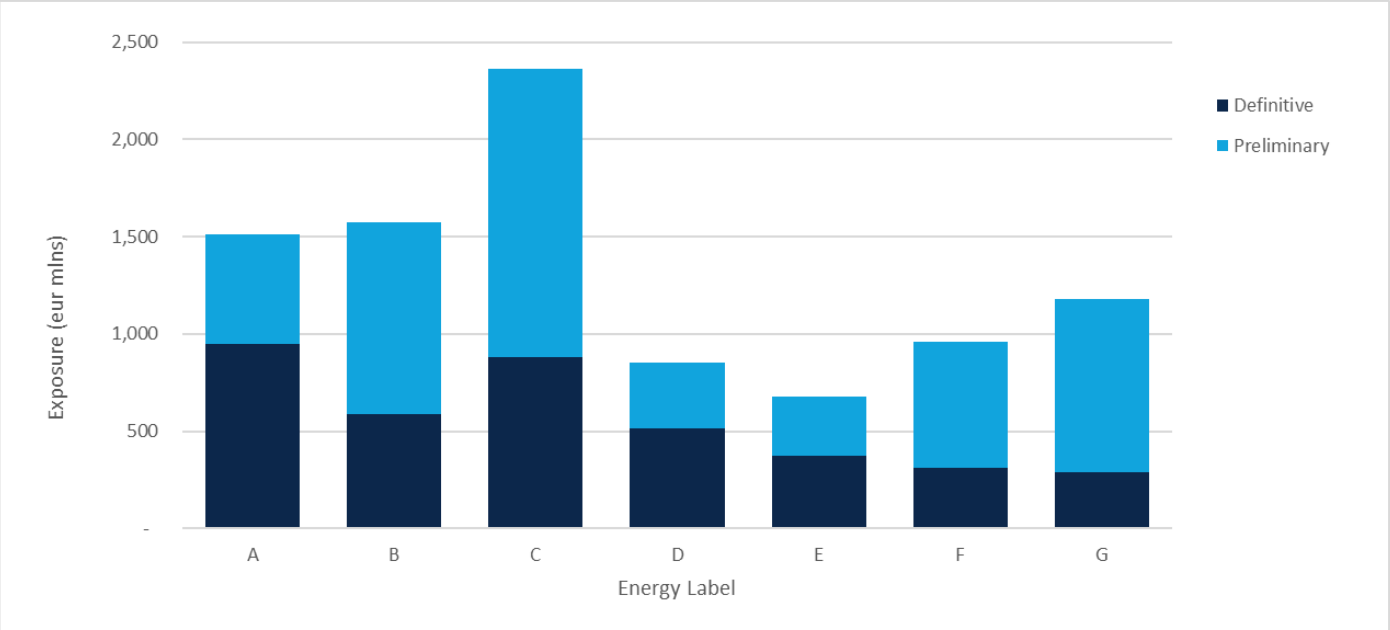
[3] 2019 NIBC Holding NV Annual Report, p14

Exposures to governments and central banks are not currently included in these estimates. Commercial real estate is not currently included in these estimates figures as we continue our work to build estimates for this portfolio. In the meanwhile we have provided a view into the energy labels of offices which are in our commercial portfolio. Emissions related to financial leases are currently excluded.

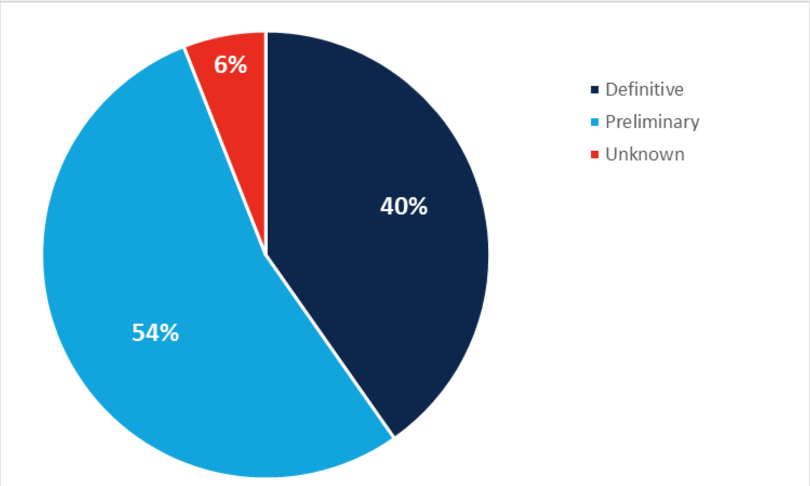
Historical data in regard to energy labels and energy performance of retail or commercial real estate in NIBC's portfolio is not available. Therefore we can not provide emissions estimates related to these portfolios at this time for prior years.

Energy Efficiency in NIBC's Real Estate portfolio

Retail Real Estate exposure by energy label, year end 2019



As of year end 2019, 56% of NIBC's retail mortgage portfolio (including Buy-to Let) had an energy label of A, B or C. 38% of the portfolio had an energy label D, E, F or G, and 6% remained unknown. Retail real estate including mortgages and buy to let mortgages comprise EUR 9.8 bln of NIBC's total client exposures.

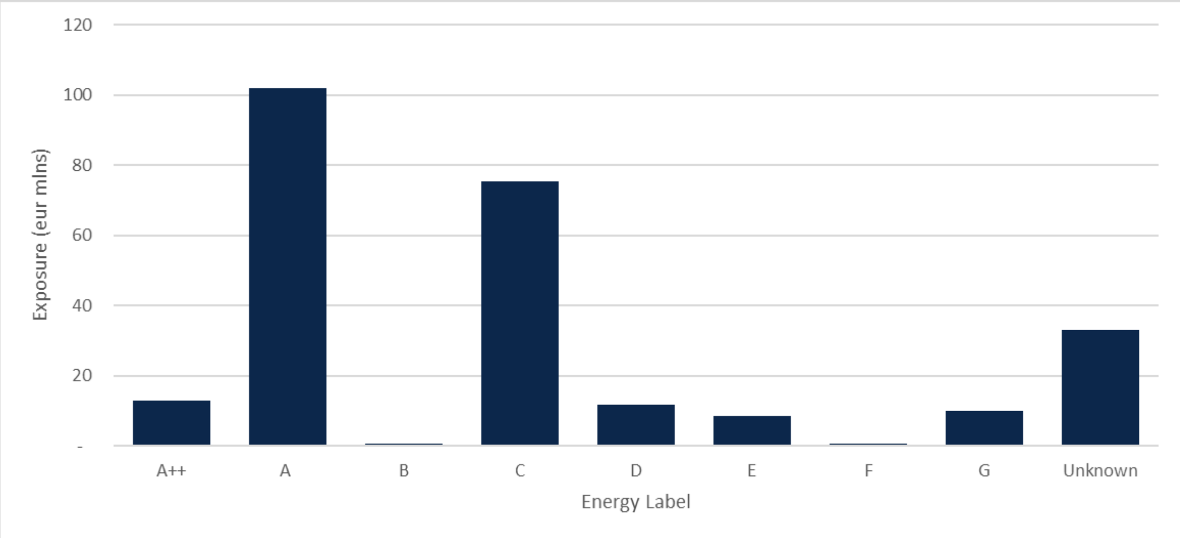


According to the RVO energy label database, the majority of energy labels in our retail mortgage portfolio are preliminary, 40% are definitive while 54% are preliminary.

WoON 2018 has researched the average gas and electricity per household per energy label in the Netherlands, the results of this analysis have been published in '*Cijfers over wonen en bouwen 2019*'. The average gas consumption in total results in 1382 m3/year. The average electricity consumption is equal to 2922 kWh/year (no data per energy label was available for this analysis). These numbers on average consumption can be multiplied by the emission factors provided by the CO2 database www.co2emissiefactoren.nl.

The emission factor for electricity from an unknown origin results in 0.405 kg CO2/kWh (TTW), for natural gas this factor results in 1.785 kg CO2/m3. By bringing together the average gas and electricity consumption with the emission factors, we have calculated per label the emissions per household per energy label.

Commercial Real Estate, Commercial Office exposure by energy label, year end 2019



As of year end 2019, more than 75% of NIBC's Commercial Real Estate office portfolio is energy label C or better. Several recent transactions have supported development of near 'energy neutral' buildings (Bijna Energie Neutral Gebouw, 'BENG'), pushing further innovation in energy efficiency. This approach also contributes to national and European objectives to increase resource efficiency of real estate in line with commitments under the Paris Climate Agreement.

We aim to show further progress on our emissions reporting related to commercial real estate exposures in future reports.

Estimated GHG emissions related to NIBC Corporate Loans and Investment Loans

excludes Commercial Real Estate

NACE Sector Category	Total Exposure	Total GHG emissions In tCO2e	tCO2	tCH4	tN20
A. Agriculture & Food	144,005,705	123,751	41,015	2,242	86
B. Mining & Minerals	757,083,004	60,799	45,666	597	0
C. Industry	1,113,987,483	47,311	45,094	16	5
D. Utilities	194,969,308	117,899	117,366	8	1
E. Water distribution	81,210,426	45,849	44,054	24	4
F. Construction	693,263,566	18,206	17,365	1	0

G. Retail	471,378,136	3,752	3,620	0	0
H. Transport	1,186,141,735	207,662	204,613	6	7
I. Leisure	68,077,712	2,381	2,145	0	0
J. Information & communication	589,604,982	1,020	1,012	-	0
M. Consultancy & technical activities	49,791,679	250	248	0	0
N. Administrative services	645,357,913	14,409	14,300	1	0
O. Public Infrastructure	163,846,510	116,624	101,525	521	7
P. Education	330,967,884	39,671	39,422	6	0
Q. Healthcare	396,458,377	30,170	28,725	6	2
R. Recreation	24,318,835	871	866	0	0
Total	6,910,463,258	830,625	707,037	3,426	112

To generate these estimates, NIBC has used Dutch national sectoral emissions[4] and financial balances[5] figures to calculate an emissions factor which we to estimate the emissions related to each financing. Most of NIBC's corporate clients are mid-sized, family-owned private companies operating in the Netherlands or nearby countries in Northwest Europe. Therefore we are applying PCAF methodologies and adapting these for our financings and investments.

The factors include all nationally reported greenhouse gases. We have chosen to show CO2, CH4 and N20 individually to provide additional clarity for stakeholders. These are brought together in the total greenhouse gas (CO2 equivalent) total which is shown. NIBC uses these factors with the exposure figures as reported in our 2019 Annual Report to calculate financed emissions.

The latest emissions factors which have been published are for 2016. Therefore we have used these 2016 factors to provide preliminary figures for 2017, 2018 and 2019. Figures for each of these years will be updated as newer or more accurate emissions data becomes available.

It is likely that the national figures do not capture Scope 3 upstream and downstream emissions for most companies, so this likely means that the Scope 3 component of emissions is likely underreported. Similarly, national figures likely do not capture emissions related to international activities of companies. This is relevant for NIBC's activities in Offshore Energy, Transportation, and Technology.

Although PCAF allows adjustments for "avoided emissions", NIBC has chosen not to apply avoided emissions adjustments for solar power, wind power, or other green activities. Similarly we do not apply avoided emissions in the calculations of emissions for our own operations and facilities. The science shows that these activities take many years to reach net zero lifecycle emissions due to the emissions generated by materials, construction, and maintenance. Since most NIBC corporate loans are medium-term in nature, not applying avoided emissions seems the most appropriate approach and in line with the precautionary principle.

Looking ahead, as we receive more specific emissions data directly from companies. If national or European ESG database are developed and provide more accurate emissions data, we will adjust our methodology and our reported figures accordingly.

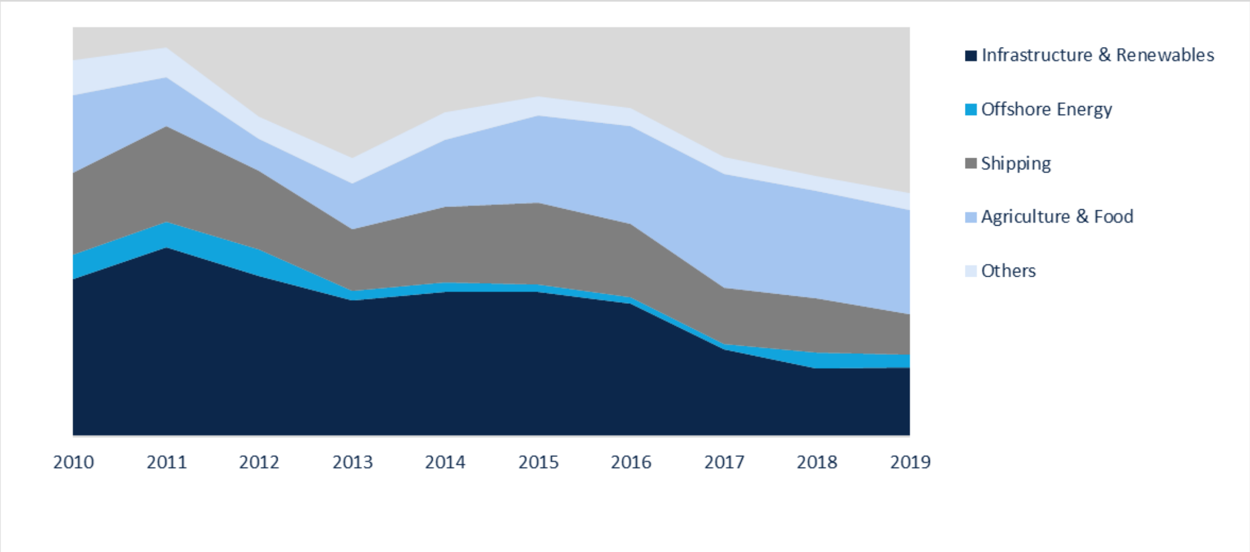
[4] CBS statline, as of 16 March 2020 https://opendata.cbs.nl/statline/#/CBS/nl/dataset/83300NED/table?dl=B3E2

[5] CBS statline as of 16 March 2020: https://opendata.cbs.nl/statline/#/CBS/nl/dataset/81837NED/table?ts=1585240534038

Corporate Portfolio development, 2010-2019

We have also developed a high level mapping of emissions to national emissions data to understand the emissions composition of our non-real estate corporate portfolio and our progress on financed emissions, and the composition of our corporate portfolio over time.

Total Estimated Financed Emissions by corporate sector (ex Real Estate), 2010-2019

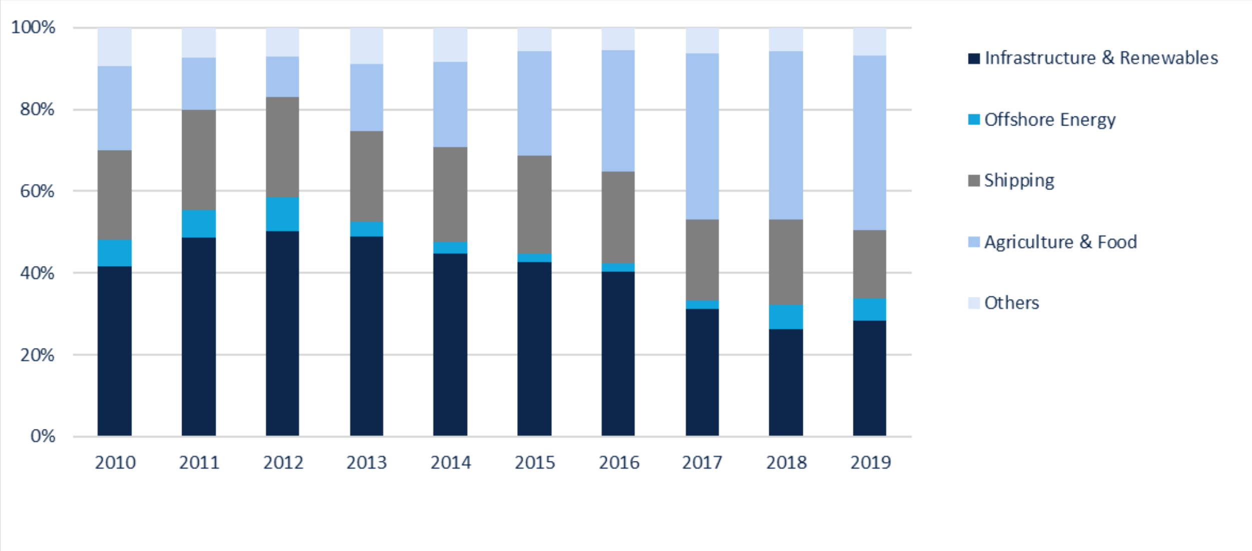


This view uses Dutch national estimates to create factors which have been applied across NIBC's corporate portfolio. These factors have been applied at a sectoral grouping level, not at a per asset level to create this historical profile.

Global emissions will need to reach net zero by 2050 to stay on track for 1.5C, according to the International Panel on Climate Change (IPCC). Based on the view above, NIBC's financed emissions related to corporate banking (ex real estate) have decreased by about 35% since 2010.

One factor is that the sectoral mix within our portfolio has continuously changed, reflecting the flexibility embedded in NIBC's business strategy. A second factor is the steady improvement of emissions performance across the sectors that NIBC is active. At the same time, we remain cautious, since these figures are based on NL national sectoral averages and likely do not fully include Scope 3 emissions. A third factor is strategy and the strategic decisions effecting portfolio composition taken throughout this timeframe. We have much work to do, since subsequent reductions in emissions may be more difficult to achieve.

Estimated Financed Emissions composition by corporate sector (ex Real Estate), 2010-2019



These views are based on data for exposures at default (EAD) by NIBC sector as reported in NIBC's Pillar III reports since 2010. The calculated emissions using this sector mapping produce a modestly different result than mapping each exposure individually.

These graphs are most useful as a directional view, not an absolute one. Although the trend of decreasing emissions is clear, one conclusion is that the national figures that we are using likely do not capture or at least fully capture Scope 3 emissions. Globally, downstream Scope 3 emissions related to fossil fuel production are the largest source of greenhouse gas emissions. Although offshore fossil fuel energy exposures within NIBC's balance sheet have decreased significantly over the past few years, it is reasonable to expect that if Scope 3 were included, this would be a much higher percentage of the total emissions within the historical view into our portfolio. At the same time, if scope 3 was fully captured and given our decrease in exposure to the offshore energy sector, it is also logical that the decrease of total portfolio emissions over time may be larger than we have estimated so far.

Scenario analysis

One challenge that we face is that science based target (SBT) methodologies which have been developed for investment portfolios are tailored for publicly listed companies and multinationals. This makes the direct utilization of SBT methods and comparison to SBT pathways difficult for unlisted companies and private debt. Nearly all of NIBC's corporate clients are unlisted, private companies.

Like all financial institutions, our financed emissions are on a different scale than the emissions linked to our own operations. NIBC's current progress and pathway for financed emissions is aligned with the 1.5 degree scenario pathway of the IPCC and the goal of net zero by 2050. If NIBC continues to make progress at the same pace as we have since 2010, a linear projection from the 2010 base year can be made which shows a 60% reduction in our financed emissions may be achieved as of 2030, an 80% reduction as of 2040, and net zero emissions may be achieved in 2047-48.

While this is positive, we remain very cautious about any long-term forward projections, since the realisation of any projections will depend on data quality, data availability, changes to public policy, energy technology advancements, supply and demand in addition to the actions NIBC itself takes. We also recognise the need to mitigate and avoid unintended social impacts during the transition.

In their World Energy Outlook 2019 [6], the IEA estimates that demand for fossil fuels will peak and flatten in the 2030's. The IEA anticipates an annual rise in global energy demand of 1.3% per year to 2040. They also anticipate meaningful CO2 emission reductions only from 2030. If correct, this will create challenges for all companies including financial institutions and NIBC. We are well aware that globally, emissions are continuing to rise. This only increases the urgency and the opportunity for NIBC to act on this challenge.

It Begins with Us: Own Operations

A theme within NIBC is that it begins with us and how we act in our own operations. We learn quite a lot about the challenges involved in improving operational efficiency and reducing climate risk and environmental risks as we undertake initiatives in our own operations. The lessons that we learn help to inform our approach in regard to our financings and investments.

In 2019, additional renovations were performed at NIBC's headquarters in the Hague. These improvements are part of an Environmental Management System by NIBC's Facilities Services team. The continuous improvement programme within our EMS has significantly cut the use of gas for heating and cooling. These efforts benefit both the environment (reduced emissions) and NIBC's shareholders (reduced costs).

NIBC locations, energy label and source

Location	Energy Label	Electricity Source	Size (sqm)	Status
The Hague	A	Wind	24,513	Owned
Amsterdam	A / BREAAM	Wind	1,200	Leased
Frankfurt	Leed Platinum	Renewable Mix	2,362	Leased
London	D	Renewable Mix	493	Leased
Brussels	n/a	Renewable Mix	270	Leased
Beequip	C	Wind	400	Leased
Lendex	B	Wind	400	Leased
Total		100% renewables	29,638	

Most office facilities used by NIBC have energy efficiency labels or ratings assigned that we can monitor. During 2019, our team in London moved into an efficiently-designed office space in the heart of the City, reducing the amount of space that we occupy in that location by about 50%. In the Hague, new energy efficient glass was installed in the "winter garden" section of the building. The improvement to an average energy label A for our building complex in the Hague is significant, since this has been improved from an average energy label of D in 2012. From time to time, second party energy audits are performed on NIBC-owned facilities to optimize this installation and ensure it is running as efficiently as possible.

According to external sources, up to 40% of all carbon emissions are related to the "built" environment in the Netherlands. This includes energy to heat, cool or operate equipment from homes, offices, schools, industrial buildings and hospitals. This also means that some of the quickest gains can be made by companies in their own direct operations by sourcing responsibly and through continuous improvement programmes and/or environmental management systems.

[6] International Energy Agency World Energy Outlook 2019 https://www.iea.org/reports/world-energy-outlook-2019

NIBC has embraced this approach and focused on steadily and substantially improving the efficiency of our own operations, well ahead of national and EU climate targets.

Electricity

	2019	2018	2017	Unit
Fossil Fuel Electricity	0	0	0	kWh
Renewable Electricity	3,523,194	3,380,124	3,072,872	kWh
% Renewable Electricity	100%	100%	100%	kWh
Intensity: Office size	118.8	115.6	101.62	kWh per sqm
Intensity: FTE	4,955	4,893	4,460	kWh per FTE

Renewable electricity is used in all NIBC offices. Our locations in the Netherlands use 100% wind power. In other locations a mix of renewable electricity sources are used. In our emissions calculations, we assume zero greenhouse gas emissions for renewables.

NIBC has continuously invested in efficiency improvements of facilities across all locations to LED lighting, energy star-rated office equipment, and taken other actions to improve energy efficiency in our operations. New electric car charging points were installed in NIBC's guest parking and garage, facilitated by Colectric. Figures from the Hague include (external) commercial and civil society tenants of NIBC's facility.

At our facility in the Hague about 54% of the space is leased to other occupants including the civil society organisations operating in the NIBC NGO Boulevard, the Zone and commercial tenants. This means that these other organisations are also benefitting from NIBC's responsible sourcing and investments in energy efficiency.

Heating and Cooling

To further reduce greenhouse gas emissions related to heating and cooling , a geothermal system is in operation and substantial renovations continue to be made at our headquarters in the Hague. The geothermal system makes use of groundwater beneath our building for heating in the winter and cooling in the summer. This has helped to substantially reduce our use of gas to heat and cool the complex.

This also is to the benefit of the other tenants of the complex including the NGOs which operate from NIBC's NGO Boulevard. For clarity tenants are not included in the FTE, and intensity calculations, even though they are substantial users of the space within our complex in the Hague.

	2019	2018	2017	Unit
Gas	59, 679	100,700	232,404	m3
Calculated CO2 for heating/cooling	163	275	416	tCO_2e
Intensity: Office size	2.0	3.4	7.8	m3 per sqm
Intensity: FTE	83.9	144.9	337.3	m3 per FTE

Our facility in the Hague is more than 80% of the total office space occupied by NIBC. For heating/cooling, we have used actual figures for the Hague and have conservatively calculated estimates for leased locations based on energy label and following the precautionary principle.

The main change visible in the figures above is related to the optimization of our geothermal system in the Hague which was performed following an energy audit. By rebalancing the system, we've managed to improve our energy efficiency performance. Other actions to improve efficiency in our facilities such as improved insulation and glass replacement have also been part of recent renovations.

These actions allowed NIBC to reduce its dependency on gas for heating and cooling. At the same time the severity of weather and extreme periods of summer heat and winter freezing play a key role in the amount of heating and cooling required in our operations.

Figures from the Hague include (external) commercial and civil society tenants of NIBC's facility. This means that these other organisations have also benefited from NIBC's geothermal system and efficiency gains.

Water

Actual water usage is currently only reported for our main office in the Hague. Estimates are used for other NIBC locations.

	2019	2018	2017	Unit
Water usage3	6,925	3,018	7,560	m3
Water source	Municipal mains	Municipal mains	Municipal mains	
Intensity: office size	0.23	0.10	0.25	m3 per sqm
Intensity FTE	9.7	4.3	11.0	m3 per FTE

In all locations, NIBC's offices are supplied from connections to municipal mains, the main local water supply. Figures from the Hague include (external) commercial and civil society tenants of NIBC's facility. The increase in usage may be due to an increase facility occupancy by tenants, increased catering as well as renovation work that was undertaken at NIBC's headquarters in the Hague. NIBC does not withdraw from groundwater or surface water in its own operations. No known discharges of pollutants to water were made in NIBC's operations.

Paper Consumption

NIBC continues to strive for a paperless office. Over the past few years we have significantly reduced the use of paper within our offices. During 2019, employees received a regular update on the amount of paper used for printing and copying and were encouraged to further reduce the amount of paper.

	2019	2018	2017	Unit
Standard office paper	0	0	0	kg
Responsibly sourced office paper	5,103	7,319	7,798	kg
% from responsible sources	100%	100%	100%	
Paper Intensity	8.1	10.5	11.3	kg per FTE

In 2012, NIBC's paper usage totaled 25,855 kg of standard office paper, 0kg of recycled office paper. Our 2019 totals represent an 80% reduction since 2012. Since 2015, paper that is used within NIBC offices is responsibly sourced, either recycled or Forest Stewardship Council (FSC) certified in order to minimize harmful environmental impacts and the potential harmful impacts of deforestation in our supply chain.

Reduction in the consumption of paper has also influenced a reduction in office paper waste for NIBC, therefore helping to control the financial cost of buying paper and the financial cost of recycling paper.

WWF has reported [7]that there are measureable benefits to the local environment and local communities due to FSC. These include reduced air pollution, reduced soil erosion, and fewer respiratory diseases among workers and nearby residents.

Waste

Paper and cardboard waste are the largest waste stream within NIBC's operations. Efforts are made to separate paper, plastic and glass in order to recycle these materials. Internal awareness campaigns have been organized in order to increase employee awareness of the need to separate waste. This has created a healthy dialogue, where employees have contribute ideas and input to further reduce waste and improve waste collection.

	2019	2018	2017*	Unit
Paper & cardboard	52,681	84,592	66,703	kg
Plastics	5,558	4,417	3,878	kg
Glass	963	868	770	kg
Other waste	48,977	60,709	54,138	kg
Total	108,178	150,586	125, 489	kg
Waste intensity	152.1	216.7	182.1	kg per FTE

** 2017 reported for the Hague location only. Estimates for other locations included in totals for 2018 and 2019.*

NIBC is able to gather the actual waste data for its facility in the Hague, but not for most of its leased locations. Therefore we have made estimates for leased locations.

Figures from the Hague include (external) commercial and civil society tenants of NIBC's facility. In the Hague, additional food-related waste streams exist due to the catering facilities which do not exist in our other locations.

Business Travel

	2019	2018	2017	Unit
Car	499	340	366	tCO_2e
Air	358	213	298	tCO_2e
Public Transport (train / tram /bus)	59	13	13	tCO_2e
Bicycle / Walk	0	0	0	tCO_2e
Total	972	784	1024	tCO_2e
Travel intensity	1.3	0.7	0.9	tCO2e per FTE

Emissions figures for car and air travel are provided by our travel partners. For both car travel and air travel, total travel increased compared to 2018. No deduction was made for private use of leased cars.

[7] WWF – What is FSC certification and is it working https://www.worldwildlife.org/stories/what-is-fsc-certification-and-is-it-working

NIBC calculates estimates for public transport. Although public transportation providers such as NS in the Netherlands source green electricity and focus on circular business operations, we have increased our emissions estimates for public transport in 2019 to follow a precautionary approach. If we can replace estimates for public transport in the future with actual data, we will do so.

An internal survey within NIBC has revealed that about 25% of NIBC employees travel to work by bicycle. We have assumed no emissions related to this form of business travel.

Cautionary statement

The figures presented in this report are unaudited. Most are estimates and apply new methods and principles which are at an early stage and still being developed.

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 first TCFD report from our stakeholders. We intend to further improve and strengthen our climate and environmental disclosures in future years.

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