

# NIBC SUSTAINABILITY REPORT

July 2021

# NIBC 2020 Sustainability Report

## About this Report

NIBC is pleased to share this Sustainability Report to give further insights into our progress during 2020 in sustainability and corporate social responsibility (CSR).

This Report is for the year ending 31 December 2020 unless otherwise stated. It aims to provide expanded commentary, metrics and targets related to sustainable business practices at NIBC. This serves as the main sustainability report for both NIBC Holding and NIBC Bank and as a public guide to our policies and practices.

It also supplements the most material sustainability aspects and statements which are disclosed in our Annual Reports.

## Where to find more information

Additional information on our financial and non-financial performance is reported in NIBC's Annual Reports, GRI Content Index, Pillar III report, TCFD Report and other disclosures. For example, our TCFD Report serves as NIBC's climate risk disclosure and our UN Global Compact COP serves as NIBC's sustainable development goal ( SDG ) report. Additional information regarding NIBC's corporate governance and sustainability policies are available on our website.

## Reports

- NIBC Annual Reports: [nibc.com/about-nibc/investor-relations/annual-reports/](http://nibc.com/about-nibc/investor-relations/annual-reports/)
- NIBC Pillar III: [nibc.com/about-nibc/investor-relations/annual-reports/](http://nibc.com/about-nibc/investor-relations/annual-reports/)
- NACE supplement: [nibc.com/about-nibc/investor-relations/annual-reports/](http://nibc.com/about-nibc/investor-relations/annual-reports/)
- NIBC Sustainability Report: [nibc.com/about-nibc/sustainability/](http://nibc.com/about-nibc/sustainability/)
- NIBC GRI Content Index: [nibc.com/about-nibc/sustainability/](http://nibc.com/about-nibc/sustainability/)
- NIBC UN Global Compact COP: [nibc.com/about-nibc/sustainability/](http://nibc.com/about-nibc/sustainability/)
- NIBC Equator Principles: [nibc.com/about-nibc/sustainability/](http://nibc.com/about-nibc/sustainability/)
- NIBC Modern Slavery Statement: [nibc.com/about-nibc/sustainability/sustainability-regulatory-disclosures/](http://nibc.com/about-nibc/sustainability/sustainability-regulatory-disclosures/)
- NIBC TCFD Report: [nibc.com/about-nibc/sustainability/](http://nibc.com/about-nibc/sustainability/)
- SFDR Principle Adverse Impact ( PAI ) Statement: [nibc.com/about-nibc/sustainability/sustainability-regulatory-disclosures/](http://nibc.com/about-nibc/sustainability/sustainability-regulatory-disclosures/)

## Past Non-Financial Reports

- Archive: [nibc.com/about-nibc/sustainability/archive-non-financial-reports/Policies](http://nibc.com/about-nibc/sustainability/archive-non-financial-reports/Policies)
- Corporate Governance Policies: [nibc.com/about-nibc/corporate-governance/](http://nibc.com/about-nibc/corporate-governance/)
- Compliance Policies: [nibc.com/about-nibc/corporate-governance/compliance](http://nibc.com/about-nibc/corporate-governance/compliance)
- Sustainability Policies: [nibc.com/about-nibc/sustainability/sustainability-governance/](http://nibc.com/about-nibc/sustainability/sustainability-governance/)

## Feedback Appreciated

Your feedback on our sustainability disclosures is appreciated.

If you have any questions, can't find something, prefer that we begin to report an aspect that we haven't or have feedback that you would like to share, please contact us at [csr@nibc.com](mailto:csr@nibc.com) or use the contact details available on our corporate website [www.nibc.com](http://www.nibc.com)

## About NIBC

Established in 1945 to help rebuild the Netherlands after the Second World War, NIBC is strongly rooted in its obligations towards society. Today our purpose is much the same – making a difference at decisive moments. Our purpose and values define our ambition and help to guide our day-to-day decisions.

At NIBC, we work in a professional manner and with integrity. We comply with all relevant legislation, and look to treat people, the environment and the communities in which we operate, with the greatest possible care. We also strive to ensure our services are responsible and sustainable, and that the companies we finance operate in a sustainable manner.

## Making a difference at decisive moments

We aim to support our clients in achieving their ambitions and enable them to build a better society for future generations. We take our obligations seriously and look to build long-lasting client relationships based on products and services that are transparent, trustworthy and sustainable.

Sustainability goes beyond the responsibilities we have towards the next generation. By being a sustainable company in the way we do business and the clients we service, we are also better suited to face future challenges and tap the most promising opportunities in our markets.



# NON-FINANCIAL HIGHLIGHTS

## Corporate lending NPS score

2020

+30%

2019: +47%

2018: +63%



## NIBC Direct customer survey score

2020

7.9

2019: 7.9

2018: 7.7



## Sustainability ratings

2020

ISS  
(formerly Oekom)

C+

/Prime

Sustainalytics

22

RepRisk

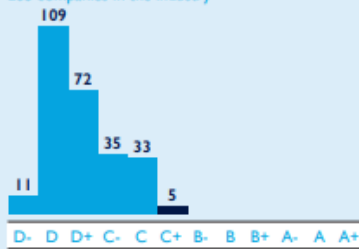
AA

MSCI

BBB

## Distribution of Oekom rating

265 companies in the industry



Not updated by ISS (formerly Oekom) since June 2019

## Screening corporate loans

2020

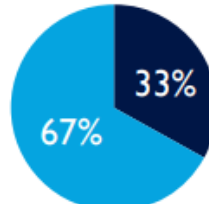
100%

2019: 100%

2018: 100%

## Male/female ratio

2020

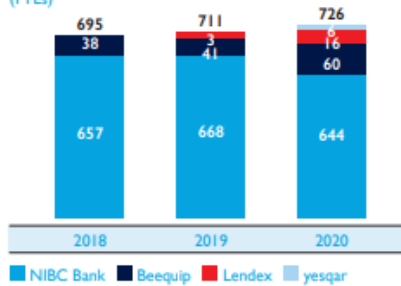


2019: 68% / 32%

2018: 69% / 31%

## Number of employees

(FTEs)



## Non Financial Key Figures

### NIBC Holding

	2020	2019	2018
NPS score corporate lending clients	+30%	+47%	+63%
NIBC Direct customer survey score	7.9	7.9	7.7
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	14	10	25
Fines or sanctions for non-compliance with laws and regulations	-	-	1
Total number of FTEs end of financial period	726	711	695
Male/female ratio	67%/33%	68%/32%	69%/31%
Male/female ratio top management	82%/18%	85%/15%	85%/15%
Training expenses per employee (EUR)	1,767	3,352	3,101
Absenteeism (trend total)	1.6%	2.0%	2.1%
Employee turnover (employees started)	18.7%	20.6%	19.2%
Employee turnover (employees left)	16.9%	18.6%	18.5%

### NIBC Bank

	2020	2019	2018
NPS score corporate lending clients	+30%	+47%	+63%
NIBC Direct customer survey score	7.9	7.9	7.7
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	14	10	25
Fines or sanctions for non-compliance with laws and regulations	-	-	1
Total number of FTEs end of financial period	644	667	657
Male/female ratio	67%/33%	67%/33%	68%/32%
Male/female ratio top management	83%/17%	85%/15%	85%/15%
Training expenses per employee (EUR)	1,882	3,504	3,206
Absenteeism (trend total)	1.6%	2.0%	2.1%
Employee turnover (employees started)	13.2%	20.6%	16.9%
Employee turnover (employees left)	16.9%	18.6%	18.4%

Definitions for each non-financial key figure are provided in NIBC's Annual Reports and show the linkage to material topics as defined by our stakeholders. The methodologies used are clearly stated and where relevant further details are provided.



### Differentiated Approach

NIBC serves a corporate and retail client franchise, with a differentiated approach, bringing bespoke financial solutions to clients in chosen sectors and with a continuous focus on optimising the offering to our clients in line with the strategic objectives of the bank. We are client-oriented, present at their decisive moments. We offer a broad and relevant product suite for these entrepreneurial clients.

### What we do and where we do it



NIBC Bank is distinguished from many of its banking sector peers in that it is not a general bank.

We do not have a brick and mortar bank network presence. We also may be the only bank in Europe which does not offer retail or corporate current (payment) accounts, credit cards, or transaction banking.

These attributes also differentiate NIBC in terms of the ESG risks and opportunities in its operations and value chain. By focusing on certain activities, asset classes and sectors where we create impact, NIBC achieves increased operational efficiencies and limits its exposure to potential ESG risks while conducting business in a responsible manner.

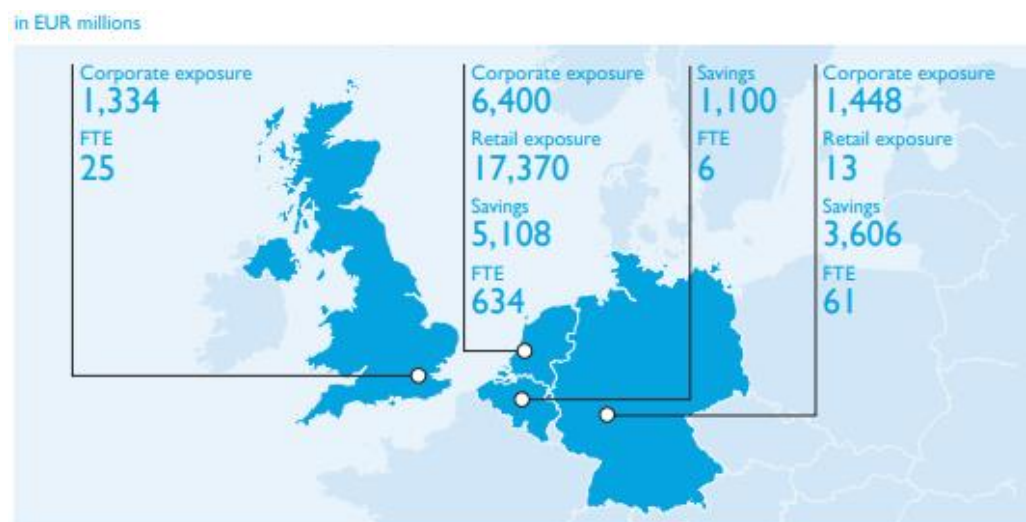
## Retail Banking

NIBC's retail product offerings include residential owner-occupied mortgages, buy-to-let mortgages, online savings and investment brokerage products. NIBC originates mortgage loans under the NIBC Direct<sup>1</sup>, Hypinvest Hypotheek<sup>2</sup> and Lot Hypotheken<sup>3</sup> labels through our online portals as well as through third party intermediaries.

Our mortgage offerings include value added products like buy-to-let and mortgages for underserved segments, helping people to get onto the "property ladder" and thereby increasing and broadening financial inclusion.

## Our Markets

A focus on north-western Europe



## Corporate Banking

NIBC offers advice and debt, mezzanine and equity financing solutions to corporate clients in select sectors and sub-sectors in which we have strong expertise and market positions. Our focus is on mid-sized, often family-owned companies and entrepreneurs in the Netherlands, Germany and the UK.

Our corporate banking products are:

- Financing services such as Corporate Lending, Structured Finance, Asset Finance, and Leveraged Finance.
- Investing services, such as Mezzanine & Equity Investments, Originate-to-Manage portfolios and collateral management for the North Westerly CLO program.
- Corporate Finance services such as Mergers & Acquisitions and Equity & Debt Advisory.

The mid-sized companies served by NIBC are in a limited number of sectors and asset classes including Financial Sponsors, Fintechs, Digital Infrastructure, Real Estate, Technology and Shipping.

## Subsidiaries

NIBC Bank, Beequip<sup>4</sup>, Lendex<sup>5</sup> and Fin Quest (YesQar)<sup>6</sup> are among the principal subsidiaries of NIBC Holding. Of

<sup>1</sup> NIBC Direct, <https://www.nibcdirect.nl/> <https://www.nibcdirect.de/>

<sup>2</sup> Hypinvest, <https://www.hypinvest.nl/>

<sup>3</sup> Lot Hypotheken, <https://www.lothypotheken.nl/>

<sup>4</sup> Beequip equipment leasing, <https://www.beequip.nl/>

<sup>5</sup> Lendex, <https://www.lendex.nl/>

<sup>6</sup> Fin Quest / Yes Qar, <https://yesqar.nl/>

these NIBC Bank is by far the most significant, by most measurements comprising 90% or more of NIBC Holding’s total activities. Beequip (equipment leasing), Lendex (consumer & SME lending) and Fin Quest (automotive leasing) are scale ups and start ups within the NIBC financial platform. The list of principal subsidiaries is published in NIBC Holding’s Annual Report <sup>7</sup>.

All of NIBC's business units are responsible for managing sustainability risks and opportunities as part of their regular activities. Although NIBC's subsidiaries operate independently, they follow the governance, compliance and sustainability approach of NIBC Bank. They have adapted this to their scale and complexity. As they scale up, proportionality, reasonableness and common sense are being applied as described in international standards. They also regularly engage with colleagues within NIBC Bank to discuss approaches to the risks and opportunities that they and their stakeholders face.

Additional information and figures are available on our corporate website, in our Annual Report, and in our Pillar III disclosure <sup>8</sup>.

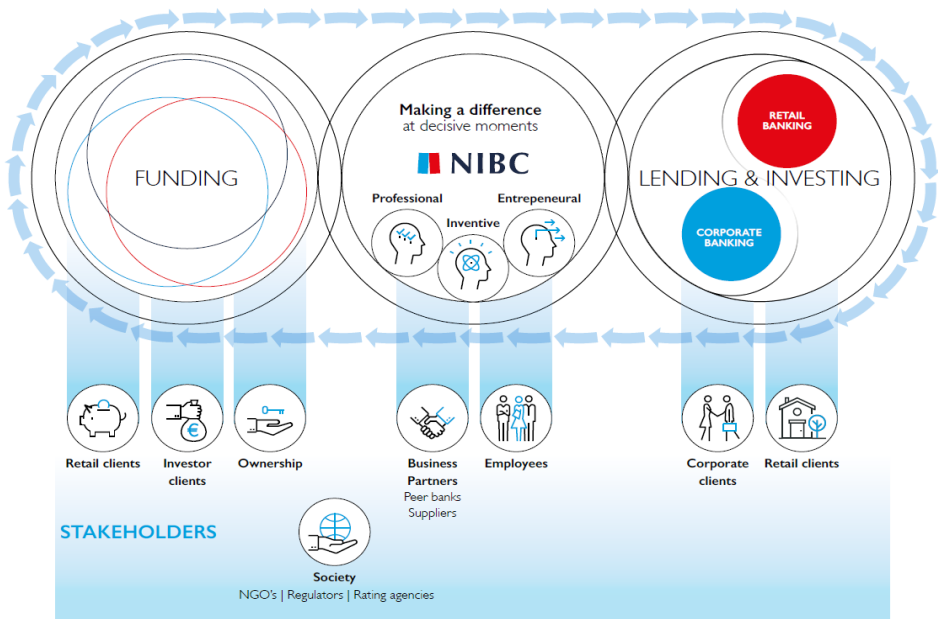
**NIBC’s Value Chain**

NIBC’s 2020 disclosures including this Sustainability Report contain information on topics which are material to our stakeholders. As part of this process, we have evaluated NIBC’s value chain, assessing the different areas of the value we create and the capital we control. This is done not only in terms of our products and services to our clients, but also in terms of the value we deliver to those who invest in us and provide funding.

We have encapsulated the results into a ‘value flow’ diagram which provides clarity regarding our value creation model. While a simplified view, it reflects our client-first business agenda and our business principles which will enable our future financial and non-financial performance.

**Value Creation Model**

Our value creation model reflects the capitals of the Integrated Reporting Council. Materiality is used as a basic principle for reporting of the activities and impacts within our value chain.



<sup>7</sup> 2020 NIBC Holding Annual Report, p320, <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>  
<sup>8</sup> 2020 NIBC Pillar III Report, <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>



We create value by transforming capital inputs. These inputs include the professionalism and inventiveness (intellectual capital) of the people within NIBC, financial capital from investors and savings from retail customers, and services provided by our suppliers and outsourcing partners. We build relationships with corporate and retail clients as well as business partners, generating social capital. Our employees are our human capital. We transform these inputs into value outputs so that they positively contribute to building the resilience of the communities that we serve while staying within ecological limits of the planet.

We operate in a services sector, therefore manufactured capital (i.e. buildings and other physical assets) and natural capital (natural resources as an input to our work) have less direct relevance than they do in other sectors.

A core societal benefit is that this capital is efficiently invested back into communities that we serve – directly to mid-sized family owned businesses in north-west Europe, in the mortgages of our retail customers and to SMEs through our fintech partnerships. This helps to contribute to financial resilience at different levels throughout these communities while delivering a good financial return for our investors.

### Business Partners & Suppliers

NIBC's strategic business partners and suppliers are largely professional services organisations providing legal, audit, communications, technology, and other specialised services. These partners help NIBC to serve the needs of our stakeholders.

Technology services are provided by Cegeka<sup>9</sup>. Our mortgage business back office is outsourced to Stater. Independent mortgage brokers such as De Hypotheker<sup>10</sup> are used in the origination of mortgages. Professional services are provided by parties such as EY<sup>11</sup> which provides auditing services and KPMG<sup>12</sup> which provides consultancy services. Cerrix<sup>13</sup> provides a SAAS solution for operational risk management. Further business partners include Sopra<sup>14</sup>, Fiducia<sup>15</sup>, and Collectric<sup>16</sup> among others. Our partners vary in size, but each provides their services from operating locations based in the same countries as NIBC.

### Responsible Procurement

NIBC expects its vendors and suppliers to act in accordance with regulations, international conventions, standards and guidelines on human rights and the environment in their own operations and supply chains including subcontractors. We undertake supplier due diligence as part of our "Know Your Supplier" ( KYS ) programme.

We believe that by taking a comprehensive approach to manage systemic supply chain risks and engaging with suppliers and other stakeholders, we are contributing to efforts to strengthen human rights and environmental aspects in regional and global supply chains.

Companies that live up to international ESG standards are companies of the future

<sup>9</sup> Cegeka, <https://www.cegeka.com/>

<sup>10</sup> De Hypotheker, <https://www.hypotheker.nl/>

<sup>11</sup> EY, [https://www.ey.com/nl\\_nl](https://www.ey.com/nl_nl)

<sup>12</sup> KPMG, <https://home.kpmg/>

<sup>13</sup> Cerrix, <https://cerrix.com/>

<sup>14</sup> Sopra, <https://www.soprabanking.com/>

<sup>15</sup> Fiducia, <https://www.fiduciagad.de/>

<sup>16</sup> Collectric, <https://www.collectric.com/>

NIBC includes ESG requirements in its vendor and supplier contracts and engages with these business partners to ensure a high level of sustainability performance and responsible business conduct. We focus on the most material aspects while also expecting core foundational policy commitments. Our expectations are clearly stated in our Supplier Code of Conduct<sup>17</sup>.

We undertake supply chain ESG due diligence, monitor, and work with external stakeholders to ensure any material concerns are raised and addressed. We use internally developed due diligence tools, external sources and also directly ask our business partners about their policies & reporting, supply chain and approach.

NIBC itself is a mid-sized company and we know that there are limits to our influence. No company is perfect, but we do expect a governance approach which ensures suppliers promote equality and good employment standards, eradicate modern slavery and child labour, and has zero tolerance for discrimination of any kind. We prefer that a supplier's core corporate policy commitments are publicly visible and transparent to stakeholders.

For example during 2020 NIBC directly influenced a number of business partners to make public commitments to take actions to reduce emissions in support of the Paris Agreement, to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights, and to publicly commit to respecting the OECD Guidelines for Multinational Enterprises.

We believe that companies that live up to these leading international ESG standards are companies of the future. These commitments are the foundation for much of the recent and upcoming EU ESG regulation including the EU Social Taxonomy. The more that we can help our business partners to commit to and excel beyond these minimum standards, the more we reduce the sustainability risks within our value chain.

When adverse incidents occur, we expect our partners to constructively engage with those who have been affected, take action to effectively remedy the situation and improve future performance. If there is no evidence of improvement or willingness to improve, NIBC will terminate the relationship.

## Balancing stakeholder interests & engaging in dialogue

### Stakeholder Engagement

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 business strategy and ambition to achieve sustainable growth.

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.

#### Types of Stakeholder Engagement

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.

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<sup>17</sup> NIBC Supplier Code of Conduct: <https://www.nibc.com/about-nibc/sustainability/sustainability-governance/>

NIBC aims to continue its long-standing commitment to raise awareness regarding environmental and human rights issues. We greatly appreciate the open and honest feedback of our stakeholders and hope to get back to face-to-face meetings later in 2021 and beyond. Informal dialogue often adds the clarity and insights needed to help companies to take practical steps forward to address complex human rights and environmental issues.

**Engagement Frequency**

Representatives of NIBC at all levels of the organization and in all dimensions including subsidiary organisations took part in relevant discussions. Despite Covid-19 restrictions there was regular engagement with all stakeholder groups during 2020.

**Stakeholder Expectations**

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.

**Summary of outcomes from stakeholder dialogues**

Stakeholder Group	Type of dialogue/channel	Main aspects discussed
<b>Customers</b>	Surveys Deal origination Client meetings Call center	Covid-19 pandemic and its impacts Financial solutions Climate change Client satisfaction KYC & AML
<b>Shareholders</b>	Annual General Meeting Capital Markets Days Shareholder Updates	Financial performance Business strategy Sustainability performance Regulatory ESG developments Economic outlook
<b>Suppliers &amp; Vendors</b>	RFPs Supplier reviews Meetings	ESG due diligence Data security Supply chains NIBC Supplier Code of Conduct Transparency
<b>Authorities</b>	Online Meetings Consultations Sectoral fora Reports	EU Green Taxonomy & ESG regulatory developments Climate risk Biodiversity risk KYC & AML
<b>Civil society organisations</b>	Individual calls Multistakeholder dialogues Informal discussions	Climate change Human rights Due diligence Covid-19 pandemic Fossil fuels Deforestation & land rights

		Working conditions & fair living wages Sectorial value chains
<b>Employees</b>	Team & individual meetings Works Council meetings Events	Covid-19 pandemic Diversity Climate risk Corporate culture Anti fraud, anti-bribery, anti-money laundering Sustainable Development Goals (SDGs)
<b>Peer Banks</b>	NVB meetings, working groups and expert pools Multistakeholder dialogues Sectoral fora	Human rights Climate change/climate risk Data privacy & Information security Due diligence best practices Carbon accounting best practices ESG risk management and stress testing Migrant workers & living conditions

## Examples of Stakeholder Engagement

### North Westerly VI ESG CLO

Together with institutional investors, we discussed financial, environmental and social objectives and shared value creation. A result of these discussions was the North Westerly VI ESG CLO which was launched during Q1 2020. 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. North Westerly VI was widely praised for pushing the envelope in regard to sustainability in the CLO market and broadening the appeal of this asset class to responsible investors.

### Equator Principles

NIBC is one of 114 financial institutions in 37 countries worldwide which have officially adopted the Equator Principles (EPs) <sup>18</sup>. 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. Based on these engagements, NIBC advocated within the EPA 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.

### Human Rights

Although the International Responsible Business Conduct (IRBC) agreement <sup>19</sup> for the Dutch banking sector ended during 2020, NIBC continued its work with stakeholders in the area of human rights. 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. For example, several mid-sized corporate clients

<sup>18</sup> Equator Principles: <https://equator-principles.com/>

<sup>19</sup> IRBC Dutch Banking Sector Agreement: <https://www.imvoconvenanten.nl/en/banking>

added their commitment to respect human rights to their public websites as a result of our discussions. In our own operations these engagements informed NIBC to refine its complaints mechanism<sup>20</sup> as well as sustainability requirements in its standard vendor contracts. NIBC also added an Archive<sup>21</sup> on its website for previous Modern Slavery Statements and sustainability-related reports.

### Climate Accord

NIBC is a signatory of the Climate Accord ( ‘Klimaat Akkoord’ )<sup>22</sup> together with other Dutch financial institutions. NIBC discussed carbon emissions targets, potential climate risks, and best practices in reporting with regulators, civil society organisations, peer banks and clients.

To meet this commitment, we are taking action in our own operations and in our financings and financings and investments to make substantial progress towards a zero carbon economy.

### PCAF

NIBC is an active member of the Partnership for Carbon Accounting Financials ( PCAF )<sup>23</sup> to further engage on emerging carbon accounting standards in the financial sector with our financial peers. PCAF standards and methodologies are being used in NIBC's disclosures of estimated emissions.

Comparability, data quality, report quality and completeness were among the carbon accounting aspects discussed with peers and other stakeholders during 2020. NIBC's voice in these discussions is focused on the asset classes where we are active and mirrors civil society voices which call on financial institutions to follow the science, adhere to the precautionary principle, and responsibly de-carbonise the financial system.

### Responsible Shipping

NIBC continued to take a proactive role in addressing environmental and human rights issues in shipping value chains. During 2020, numerous consultations as part of the development of a revision to the Responsible Ship Recycling Standards ( RSRS )<sup>24</sup>. This included a more explicit alignment to the OECD Guidelines for Multinationals and the UN Guiding Principles on Human Rights. RSRS was expanded to also include floating offshore oil & gas assets.

RSRS aims to help address the environmental and human rights issues in shipping value chains together with ship owners, ship operators and other stakeholders. RSRS members are working to both improve the value chains themselves, but also increase access and ensure safety of NGOs and other organisations that wish to monitor working conditions, environmental issues and other aspects. These challenges require effort from all parties involved in the value chain. In that respect RSRS is just one part of the broader ecosystem that needs to be developed.

Based on discussions with stakeholders, we can conclude that the efforts of NIBC and the eleven other banks involved in 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. More than 90% of NIBC's shipping portfolio at year-end 2020 includes RSRS commitments.

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<sup>20</sup> NIBC Complaints procedure: <https://www.nibc.com/media/1354/nibc-complaints-procedure.pdf>

<sup>21</sup> NIBC archive of non financial reports, <https://www.nibc.com/about-nibc/sustainability/archive-non-financial-reports/>

<sup>22</sup> Klimaat Akkoord, <https://www.klimaatakkoord.nl/>

<sup>23</sup> Partnership for Carbon Accounting Financials, <https://carbonaccountingfinancials.com/>

<sup>24</sup> Responsible Ship Recycling Standards, <https://www.nibc.com/about-nibc/newsroom/newsroom/nibc-supports-improved-standards-for-responsible-ship-recycling/>



## Sustainability Strategy

Sustainability is an integral part of our overall corporate strategy to create financial and non-financial value for our stakeholders. NIBC’s business activities, our value chain and our operational footprint as described earlier in this report and in our Annual Report provide the context for NIBC’s sustainability strategy.

Overall our strategy is to identify sustainable opportunities which create financial and non-financial value for our stakeholders, to support our corporate and retail customers to become more sustainable, and to help the communities that we serve to become more resilient. This is embodied in our purpose, supporting clients at decisive moments. For example, this means supporting retail customers as they purchase a home and to decarbonize and improve the energy efficiency of their homes. For corporate clients, this means supporting mid-sized unlisted corporates in the Netherlands and north west Europe at decisive moments and to take steps in their own operations and value chain aligned to the Paris Climate Agreement, UN Guiding Principles on Business and Human Rights and other leading international standards.

Our sustainability strategy is underpinned by our corporate values and purpose and framed by the UN Global Compact and UN Sustainable Development Goals. These frameworks are pillars which guide us toward responsible business conduct, transparency and ESG best practices. Where possible we aim to quantify both the positive and negative impacts of activities. In numerous initiatives and fora we raise our voice to follow the science, to embrace the facts and take a precautionary approach.



We aim to reduce the environmental and human rights risks inherent in global value chains. This means engaging with a wide range of stakeholders, raising awareness, monitoring progress and working together to reduce any severe adverse impacts to people or planet.

Importantly, this strategy is reflected in the tone at the top of NIBC as well as embraced bottom up within the organization. Our ExCo and Supervisory Board are focused on oversight, ensuring that we do as we have promised. In parallel, our employees take a great deal of pride in our approach, the progress we are making, our entrepreneurialism and finding opportunities even as a relatively small bank and our honest and authentic approach.

Neither NIBC nor our clients are perfect, but we aim to work with companies that are entrepreneurial and are not afraid to address the challenges in difficult sectors and activities. Our “Think Yes” attitude is positive, inclusive and sustainable. Sustainability is progressing hand in hand with technology developments and innovation. Our approach is risk-based and ensures we only finance activities where our clients have appropriate management structures in place to manage and mitigate the risks. We use policy exclusions for those activities which inherently cause harm to people or planet, those which we believe can not transition and companies which are not willing to transition.

## Sustainability Governance

To guide our business activities and client interactions, NIBC applies established principles, sustainability policies and procedures. These include our Code of Conduct, Business Principles, Compliance Framework and Sustainability Framework.

NIBC operates a two-tier board structure. Our Managing Board and Executive Committee ( ExCo ) are ultimately responsible for all sustainability matters. The ExCo is also responsible for policies that impact NIBC’s culture and ethics, such as the Code of Conduct. Although ESG aspects are a standing quarterly topic on our ExCo agenda, in practice discussions with ExCo and individually with its members are more frequent. Sustainability matters are also presented and discussed on a quarterly basis with NIBC’s Supervisory Board.

Updates to the sustainability framework and sustainability policies are reviewed and approved by NIBC’s Risk Management Committee ( RMC ) and/or within its sub-committees. A substantive update on sustainability developments is provided to RMC at least semi-annually. This includes topics such as climate-related issues, human rights, and performance indicators.

NIBC’s Transaction Committee ( TC ) is the main approval body for senior debt and counterparty exposure transactions, lending and underwriting. The Investment Committee ( IC ) is the approval body for equity, mezzanine and subordinated debt transactions and revaluations. The Engagement Committee approves client engagements and reviews potential conflicts of interest. Our Strategic Investment Committee (SIC) approves strategic investments. NIBC’s Asset and Liability Committee ( ALCO ) approves NIBC’s corporate debt issuances such as covered bonds or green bonds. Sustainability is well-represented among the aspects considered in the balanced decision-making by each of these committees

Internal Audit, an independent and objective assurance function, reviews NIBC’s processes and controls, including those related to NIBC’s non-financial key figures.

Day to day responsibility for managing sustainability issues is delegated by the Executive Committee to a Senior Sustainability Officer who reports on these issues to the Chief Risk Officer ( CRO ). Each person within NIBC is responsible for identifying and mitigating sustainability risks within their own area of responsibility.

NIBC's Senior Sustainability Officer acts as a catalyst for sustainability with NIBC, responsible for preparing and implementing sustainability strategies, targets, planning and budgets, and engaging with internal and external stakeholders. Processes and controls are audited by NIBC's internal auditors. Any findings are reported to the Risk Policy and Compliance Committee (RPCC) of NIBC's Supervisory Board.

Role	Responsibility
<b>Supervisory Board</b>	Sustainability matters are discussed on a quarterly basis with NIBC's 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.
<b>Managing Board &amp; ExCo</b>	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 responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct and approves certain public reports, such as NIBC's Modern Slavery Statement.
<b>Risk Management Committee ( RMC )</b>	New sustainability policies and material changes 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, approves new products ( NPARP ) and approves significant changes to existing products ( SCARP ).
<b>Transaction, Investment, &amp; Engagement Committees</b>	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 committees weigh the financial and sustainability risks associated with a client or a transaction and how these risks are mitigated or managed in order to reach well-informed decisions.  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.
<b>Asset &amp; Liability Committee ( ALCO )</b>	NIBC's ALCO and its Green Bond Working Group (GB WG) are responsible for any Green Bond Issuances.  The GBWG is responsible for identifying eligible assets according to the criteria of NIBC's Green Bond Framework and monitoring their eligibility.
<b>Internal Audit</b>	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.

<b>Senior Sustainability Officer</b>	<p>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.</p> <p>The Officer provides advices on transaction proposals, new products, and significant changes to existing products. The Officer chairs the GBWG which monitors the eligibility of green assets according to the criteria set in NIBC's Green Bond Framework.</p> <p>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.</p>
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### Three Lines of Defence

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.

#### *NIBC Three Line of Defence model, applied to Sustainability*



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.

#### Application of International Standards

Our policies are informed by leading international sustainability frameworks such as UN Global Compact and the Sustainable Development Goals (SDGs). 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.

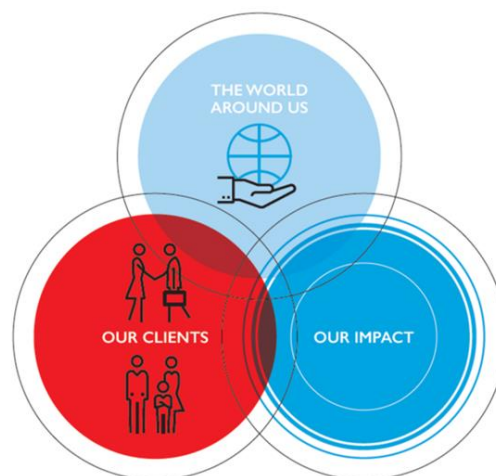
These include:

- Dutch Banking Codes
- UN Global Compact (signatory)
- UN Guiding Principles on Business and Human Rights (by policy)
- Equator Principles (member institution)
- 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 institution)

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

## Corporate Culture

Investing in our people, culture and innovation is one of the strategic priorities mentioned in NIBC's Annual Report. Sustainability is one of the drivers of our corporate culture. This means that it is integrated into our day-to-day responsibilities and that we make ongoing efforts to increase awareness about sustainability risks and the opportunities.





A variety of communications are used to maintain and build internal awareness. These include our corporate website, intranet, social media, events and workshops, and meetings. External criticisms and praises are shared internally in order to learn and foster continuous improvement.

### Our Values

Three values best sum up NIBC and what we stand for. They are the basis of what we do, how we choose to do it and the way we measure our success.



#### Professional

Our in-depth sector knowledge, expert solutions and tailored risk and portfolio management are the foundation of our success. We are firmly focused on the future, and work hard to anticipate trends and the impact they could have on our clients and their needs



#### Entrepreneurial

We are a sound and enterprising bank focused on decisive moments in our clients' business and in life. Our clients require a bank that can respond to their needs in an agile way. We cultivate what we call the 'THINK YES' mentality.



#### Inventive

We provide bespoke solutions and encourage our people to think creatively to meet clients' needs. Structuring is part of our DNA. Our inventiveness ensures we can adapt to our fast-changing world and seize opportunities.

### Responsible Business Conduct

NIBC has a Code of Conduct<sup>25</sup> which all employees including consultants and temporary staff are required to sign when they begin to work at NIBC. Our Code lays out what is expected in terms of how we conduct ourselves and what we expect of each other in our internal and external relationships. This provides a strong foundation for responsible business conduct.

NIBC's Code of Conduct was redeveloped in recent years to reflect our changing world and increasing expectations from our stakeholders. NIBC policies, including the Code of Conduct and its guidance, are reviewed at least annually and updated when deemed necessary. All policies are approved at senior management levels within our organization. For example any material changes to the Code of Conduct are approved by NIBC's Executive Committee and Managing Board.

All employees are required to sign our Code of Conduct. Training on the Code of Conduct is conducted annually and is mandatory for all employees. Expectations are discussed with new employees as part of our new employee introduction sessions, usually led personally by our CEO. Clear guidance is also offered alongside the Code of Conduct, emphasising NIBC's speak up culture and whom to approach when there are questions or doubts.

#### Inspired by the world around us

At the same time, our culture is innovative, inspired by our entrepreneurial clients and developments in the world around us. We know that we are not perfect. Employees are encouraged to not be afraid of making mistakes, but expected to "own it" when they do. This builds a culture of trust, encourages learning and inspires continuous improvement.

<sup>25</sup> NIBC Code of Conduct and guidance, <https://www.nibc.com/about-nibc/corporate-governance/>

### Trust must be continuously earned

Banking is based on relationships and trust. Consequently, it is crucial for us to adhere to the letter and spirit of all laws and regulations in the countries in which we do business and to maintain high ethical standards.

Our internal policies and procedures are in place to achieve this and all decisions shall be in line also with them. Regular training is provided for all staff so that they will know how to act in different situations.

### Do as we say we will

Our mantra is “to do as we say we will”. This means being accountable, getting the basics right and adhering to best practices in corporate governance, compliance and ESG. In practice we take a precautionary approach, carefully consider our corporate commitments and avoid overestimating positive impacts or underestimating potential harms.

### Compliance

Compliance is an important part of good corporate governance. NIBC is committed to comply with relevant laws, regulations and professional standards in each of the markets in which we operate and protecting the integrity of the financial system. We also are committed to comply with internal standards and values as defined in NIBC’s Code of Conduct, business principles and our policies.

Based on the Financial Supervision Act (Wet op het financieel toezicht) and the Decree on Prudential Rules Wft (Besluit Prudentiële Regels Wft), NIBC is required to have policies and procedures in place for adequate management of the risks to which it is subject and in relation to various other specific matters required by law. Policies are among the instruments that NIBC uses to communicate and define rules, values and objectives within NIBC.

The Managing Board of NIBC is ultimately responsible for business ethics and ensuring compliance within NIBC. Managing compliance risk and complying with applicable laws, regulations and standards in both personal and business conduct is the responsibility of every employee or contractor working for NIBC.

## Compliance is an important part of corporate governance

NIBC’s Compliance department is responsible for independent and objective oversight of policies, procedures and core processes to ensure that NIBC and its employees act with integrity and in conformity with all applicable laws and regulations. These responsibilities are embedded in our Compliance and Regulatory charter. NIBC’s Regulatory Affairs team is responsible for identifying and tracking new or changed conduct-related laws and regulations applicable to NIBC or its subsidiaries. This team also coordinates and facilitates policy management within NIBC.

A Regulatory Expert Network ( REN ) with NIBC monitors regulatory developments across all disciplines and provides updates to NIBC’s Risk Management Committee. A sub group of REN involving Legal, Regulatory Affairs and Sustainability monitors regulatory developments related to ESG, identifies gaps and potential next steps. This has proven important given the volume and pace of ESG regulatory developments at the EU and national levels.

NIBC runs a compliance & integrity awareness programme that is based on our Code of Conduct, and reflects the most up-to-date standards in our industry. This dedicated programme is required annual training for all employees. Compliance & integrity training is also obligatory for all new employees when they join NIBC.

### Customer Due Diligence

NIBC has made considerable investments in recent years in reviewing and assessing Know Your Customer ( KYC ) practices and in the maintenance of risk management, legal and compliance procedures. We consider KYC, compliance practices, our duty of care, and regulatory requirements to be a part of our license to operate.

Due diligence is the responsibility of all employees within their area of responsibility, though this typically is primarily a responsibility and process initiated in the first line of defence. NIBC has an internal Client Due Diligence policy to prevent money laundering, the financing of terrorism, fraud, to meet all sanction regulations and to protect the reputation of NIBC and the financial market in general.

NIBC's sustainability policies further commit us to performing ESG due diligence and assessments of relevant and material environmental risks, climate risks, biodiversity risks, human rights risks and governance risks for all corporate clients and transactions. We aim to assess 100% of our new corporate loans. In our Non Financial Key Figures, we have reported that ESG due diligence and assessments were performed by NIBC for 100% of new corporate loans, an indicator that we are living up to this commitment.

### Anti-Fraud, Anti-Bribery, Anti-Corruption

As summarized in our Fraud Prevention Policy <sup>26</sup>, NIBC does not want or accept any involvement in fraud. Managers and employees are obliged to report actual or suspected fraud or misconduct to our compliance department, who will determine appropriate follow-up action.

NIBC defines fraud as any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and / or the perpetrator achieving a gain. Internal fraud is described as employees (including contractors) who intentionally deceive others to achieve an advantage, benefit or gain. External fraud is best described as clients, business partners or other third parties who are deceiving NIBC employees to achieve a gain.

Employees are provided a clear definition of bribery in our Anti-Bribery and Corruption Policy <sup>27</sup>. Guidelines of what is considered to be acceptable and unacceptable behaviour are provided. Regular training and updates are provided to our staff in order to maintain awareness and address any emerging areas of concern. Testing is also conducted to ensure a good comprehension of our policy.

NIBC strongly values the reputation and integrity of the bank and its employees. It supports and protects the reporting of wrongdoing. Since employees can often be the first to recognise wrongdoings, like misconduct, fraud and corruption, NIBC promotes a "speak-up" culture and is committed to ensure that there is a climate of transparency in which employees can voice genuine concerns safely and without fear of reprisal.

### Anti-Money Laundering and financing of terrorism

Money laundering is the process whereby money from an illegal source is converted into funds that appear to be legitimate. This covers more than just cash transactions. Financing of terrorism is the funding of terrorism and other severe crimes both through legal and illegal funds.

NIBC adheres to the Wolfsberg Principles <sup>28</sup> and the Financial Action Task Force ("FATF") Recommendations.

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<sup>26</sup> NIBC Fraud Prevention policy summary, <https://www.nibc.com/about-nibc/corporate-governance/compliance>

<sup>27</sup> NIBC Anti-Bribery and Corruption Policy summary, <https://www.nibc.com/about-nibc/corporate-governance/compliance>

<sup>28</sup> NIBC Wolfsberg Questionnaire, <https://www.nibc.com/about-nibc/corporate-governance/compliance/>

Knowing and understanding our clients are important measures to prevent money laundering and financing of terrorism. In our role as a gatekeeper of the financial system, we have the responsibility to identify and prevent undesirable elements from entering the system and to prevent undesirable transactions.

Most recent instances of money laundering which have involved European financial institutions have been related to money flows and facilitation through current accounts. NIBC is different from its peers in that it does not provide or offer current accounts. This does not mean that we believe we are immune from the risk of money laundering, only that risks related to payments and the sources of these risk are inherently different from our peers.

## NIBC promotes a “speak up” culture

### Conflicts of Interest

We have a Conflicts of Interest policy in order to ensure that any (potential) conflicts are identified in a timely manner and adequately managed. We prevent and manage conflicts by means of an internal control framework which includes policies and procedures as well as systems and controls. For example, NIBC has a private investment transaction policy to prevent conflicts of interest, insider dealing, the misuse of inside information, and market abuse. We also have an additional functions policy to prevent actual or perceived conflicts of interest.

### Whistleblowing

NIBC promotes a “speak up” culture in its day-to-day business operations. This is introduced to employees during new employee introduction sessions. All staff completed a mandatory e-learning on NIBC’s whistleblowing policy<sup>29</sup> in 2020.

NIBC’s staff is obliged to report actual or suspected fraud or misconduct. We do not accept nor tolerate any instance of fraud, bribery or corruption. Genuine concerns are handed fairly and investigated appropriately. Concerns may be reported to designated internal Trust Representatives or anonymously in accordance with our Whistleblowing policy.

### Grievances and Complaints

It is important to NIBC that we maintain good relations with our clients and stakeholders.

NIBC Bank has a complaints mechanism<sup>30</sup> available on our corporate website to facilitate the receipt and handling of grievances of our stakeholders or their appointed representatives. During 2020, we revised this complaints procedure to ensure our commitment and visibility of our alignment to leading international standards such as the UNGPs and OECD Guidelines for Multinationals.

Our core criteria include legitimacy, accessibility, predictability, equitability and transparency aligned to these international standards. NIBC is committed to cooperate in legitimate external grievances and remedy processes to the extent reasonable and practical.

Our mechanism is available to all stakeholders and their legitimate representatives. Complaints received for other subsidiaries of NIBC Holding will be forwarded to the processes and procedures for those subsidiaries and reported to the corporate secretary of NIBC Holding.

<sup>29</sup> NIBC Policy on Whistleblowing, <https://www.nibc.com/about-nibc/corporate-governance/compliance/>

<sup>30</sup> NIBC complaints form and procedure, <https://www.nibc.com/about-nibc/contact/complaints-form/>

A dedicated call center is available for our retail customers to answer questions and receive feedback. We cooperate in external national and sectoral grievance and remedy mechanisms when appropriate. Additional alternatives are also available.

#### Sanctions compliance

Sanctions and embargoes are political trade restrictions with the aim of maintaining or restoring international peace and security. NIBC is obliged to adhere to applicable sanction laws and regulations in all countries where NIBC operates. These commitments are embedded in NIBC's Sanctions policy. NIBC also complies with all sanction regimes in effect in those jurisdictions that are applicable in relation to specific transactions of clients.

#### Gifts and entertainment

Business decisions taken by NIBC staff, clients or other associated parties must not be influenced improperly. No conflict or appearance of conflict must exist or arise between the interests of NIBC and our clients or others with whom we do business. These commitments are embedded in NIBC's Gifts and Entertainment policy.

We must not allow ourselves to be influenced by anything other than business considerations, nor should we influence clients or potential clients in this respect. Staff must register the giving or accepting of all gifts and entertainment worth more than EUR 100 and must never accept or offer money from/to clients or other business partners.

#### Lobbying and political contributions (GRI 415-1)

NIBC made no direct political contributions during 2020 (2019:0; 2018:0). Beyond our participation in trade associations like the Nederlandse Vereniging van Banken (Dutch Banking Association), NIBC does not employ or engage professional lobbyists or make direct political contributions.

#### Prevention of Tax Evasion

NIBC has an internal Prevention of Tax Evasion policy which aims to prevent the facilitation of tax evasion offences. The policy requires NIBC staff to disclose and escalate all suspicions relating to illegal tax evasion where they arise. The policy is supplemented by NIBC's Tax Position Statement disclosure which summarises our approach and is published on our corporate website.

#### Banking on trust

At NIBC we are mindful of our responsibility towards helping build and maintain trust in the financial services industry. We believe trust is the foundation on which our sector must be based, and we have consistently looked to make it the basis of our own company's culture. To support this aim, we have continued to run our Banking on Trust programme and made concerted efforts through our focus on sustainable culture, ethical business conduct and responsible behaviour.

During the year, we continued the Compliance & Integrity awareness programme that is based on our revised Code of Conduct, and reflects the most up-to-date standards in our industry. This dedicated programme has continued to raise employees' awareness about our Compliance & Integrity policy framework for dealing with integrity-related matters, e.g. through a mandatory Code of Conduct/Compliance e-learning. Compliance & Integrity training is also obligatory for all new employees when they join NIBC.

#### Data Privacy

NIBC strives to protect the privacy and the confidentiality of personal data that NIBC processes in connection with the services it provides to customers. NIBC will process personal data carefully and always in accordance with applicable rules and regulations.



NIBC is committed to notify data subjects in a timely manner in case of policy changes or a data breach. NIBC has appointed dedicated data protection officers ( DPOs ) for its legal entities and branches - each has a DPO. Our DPOs are available to answer any questions in regard to the processing of personal data by NIBC.

The Privacy Statement on our corporate website provides a clear overall of the personal data that we might collect, how this information is stored, data retention, the protections that are in place and the rights of data subjects under the European General Data Protection Regulation ( GDPR ).

Trainings on data privacy and information security are mandatory for all staff. Recent trainings have focused on digital privacy and security aspects and aim to mitigate the potential for breaches or harm.

### Information Security

NIBC's Managing Board is overall responsible for privacy and security. They have designated a Corporate Information Security Officer ( CISO ) to be responsible for the development of information security policies and to support and advise on their implementation.

NIBC's information security policies are based on NEN ISO/IEC 27001 and 27002:2013 standards, also known as Information Security Management Systems (ISMS) and code of practice for information security controls. NIBC is a member of the FI-ISAC, Information Security working group of the Dutch Payments Association and other sectoral working groups to share best practices and stay informed about latest threats and developments in the field of cybercrime.

Our ISMS is supported by regular external and internal audits. We maintain and regularly test business continuity plans. Furthermore there is significant oversight by regulators and authorities, which also require reporting in the event of breaches and other issues.

### Testing & Monitoring

The potential impact and likelihood of IT & cybercrime risks are continuously tested through NIBC's IT and Information Security Control Framework. Security incident and event monitoring is in place and acts on "notable events". Such events include occurrences that can indicate potential malicious behaviour, like elevation of privileges, unauthorised connections to databases, login attempts, and network screening.

Periodic internal vulnerability scanning and penetration testing is performed to identify possible vulnerabilities/weaknesses on NIBC's IT infrastructure. Testing is executed by reputable external parties, which are changed periodically in order to keep a fresh eye on NIBC's defence against cybercrime.

NIBC's Operational Risk Management ( ORM ) department monitors our business continuity management and preparedness. Periodic tests and scenarios are performed in order to ensure preparedness and that business continuity plans perform as expected. Physical climate risks which might affect the availability of NIBC's facilities is one of the scenarios which have been considered and planned for. Policy expectations are documented in NIBC's internal Business Continuity Management policy.

### Vendor Management

NIBC increasingly outsources IT services to external vendors. Human rights, environmental performance and corporate governance are among the aspects which are assessed for significant new contracts and contract renewals. Significant outsourcing arrangements are reported to our supervisory authorities.

Vendors are expected to adhere to GDPR, appropriate information security and business continuity standards, provide proof of certifications, and to adhere to NIBC's Supplier Code of Conduct. Certifications may include ISO 20000, ISO 27001, NEN 7510, and ISO 22301 among others depending on the vendor and the product or service

which we are seeking.

Specific requirements for vendors are in addition to the requirements previously explained in the Responsible Procurement section of this Report.

## Managing Sustainability Risks

As part of our client risk-assessment process, the sustainability standards we expect our clients to meet are clearly set out in our Sustainability Policy. These are based on international conventions, codes of conduct and are regularly updated based on stakeholder feedback.

We also operate a Sustainability Framework, which describes the processes and tools we use and designates those responsible for these processes at NIBC. We use a sustainability toolkit to assess environmental (including climate risks and biodiversity risks), human rights and governance risks related to corporate clients and transactions. Central to the assessment of ESG risks is an understanding of the relevant positive and adverse ESG impacts associated with a client's activities and the commitment and capacity to manage any adverse ESG impacts.

We also apply sector-specific policies where our involvement may be restricted or prohibited entirely, as is the case with the weapons industry. ESG sector policies are also in place for those sectors where we are active. These policies outline the risks we have identified and our approach to those sectors.

### 2020 Policy Updates

During 2020, all of NIBC's sustainability policies were reviewed and many were updated. External stakeholders, including NGOs, were proactively consulted during this process. Many offered upfront feedback and input which allowed NIBC to consider further policy changes or clarifications in existing policies.

### Sustainability Due Diligence and Screening

As part of due diligence processes at NIBC, all corporate clients and transactions are assessed for environmental (including biodiversity & climate risks), social risks and governance risks using a sustainability toolkit. Human rights due diligence and environmental due diligence are integrated parts of this screening and assessment process.

The toolkit integrates NIBC's sustainability policies and applies the latest international conventions and standards appropriate for mid-sized corporates in our geographies and sectors. This screening process is described in detail in our Sustainability Framework<sup>31</sup>.

In our assessments, corporate transactions are assigned a sustainability risk rating (low, medium, high, maximum) across possible human rights, environment, and governance risk factors. This assessment is performed based on public information sources, bad press checks as well as information provided by the company themselves.

In 2020, no new transactions were approved with an internal high or maximum sustainability risk rating (2019:0; 2018:0). Increased risks (level: medium) were identified for 14 potential corporate clients and transactions which were considered during the year (2019: 10; 2018:25). This is reported in our Annual Reports as part of our Non Financial Key Figures<sup>32</sup> as well as on page 4 of this Sustainability Report.

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<sup>31</sup> NIBC Sustainability Framework, <https://www.nibc.com/about-nibc/sustainability/sustainability-governance/>

<sup>32</sup> NIBC Holding Annual Report, page 14, <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>

These assessments are primarily made by NIBC business units, the first line of defence in our three lines of defence model. Our Senior Sustainability Officer independently monitors these assessments and has the opportunity to provide a sustainability advice in our lending and investment decision processes. Internal audits are performed to ensure that sustainability assessments are on file for all corporate clients. This is also externally audited as deemed necessary.

#### NIBC Policy Framework and Sustainability Policies

NIBC's policy framework consists of corporate governance, compliance, and sustainability policies which provide clear policy guidelines within the bank.

#### Corporate Governance Policies

- NIBC Code of Conduct
- NIBC Bankers Oath
- Anti-Bribery and Corruption Policy
- Policy on Whistleblowing
- Gifts and Entertainment Policy
- Corporate Information Security Policy

#### Sustainability Policies

- Sustainability Framework
- Sustainability Policy
- Human Rights Policy Supplement
- Environment Policy Supplement
- Commercial Real Estate Policy
- Financial Institutions Policy
- Food, Agri, Retail & Health Policy
- Indirect Investment Policy
- Industrials Manufacturing Policy
- Infrastructure Policy
- Offshore Energy Policy
- Renewables Policy
- Retail Services
- Shipping & Intermodal Policy
- Weapons and Defence Policy
- Supplier Code of Conduct

#### Financial Frameworks

- Sustainable Finance Framework (launched March 2020)
- Green Bond Framework (launched June 2021)

Additional corporate governance and compliance policies are mentioned throughout this report and are available on NIBC's website or internally on our corporate intranet.

## How we review new products and services

When NIBC decides to enter a new activity or sector, a New Product Approval and Review Process ( NPARP ) is conducted to establish the parameters under which we will engage. Significant changes to existing products undergo a Significant Change Approval and Review Process ( SCARP ) approval process.

Both processes involve a sustainability assessment to identify positive ESG product design opportunities as well as to analyze and mitigate any potential adverse risks to people, the climate and the environment.

### What we didn't finance or support

Certain activities are excluded by NIBC's sustainability policies. At the same time stakeholders occasionally inquire about exclusions in certain corporate sectors and activities, even if not within NIBC's focus sectors or activities,. Our ESG due diligence and risk assessment processes are further described in our Sustainability Framework. During 2020:

- No new financings were made for companies or projects in marine protected areas or other areas of high biodiversity importance or high conservation value;
- No new financings were made for companies or projects in areas where water-scarcity was pre-existing and operations would compete with the needs of communities;
- No new financings were provided 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;
- In cases where CO2 was compensated by companies or projects, it was compensated according to the WWF Gold Standard.

For transparency to our stakeholders, during 2020 NIBC did not provide financial services or investments which supported:

Topic	In 2020, NIBC did <u>not</u> finance or support
<b>Extreme Fossil Fuels</b>	<ul style="list-style-type: none"> <li>• arctic / antarctic or unconventional oil &amp; gas projects,</li> <li>• oil &amp; tar sands,</li> <li>• shale oil &amp; gas (fracking),</li> <li>• fossil fuels extracted from liquefied coal,</li> <li>• other extreme hydrocarbon extractions;</li> </ul>
<b>Power Generation</b>	<ul style="list-style-type: none"> <li>• coal-or lignite-fired power generation,</li> <li>• nuclear power generation,</li> <li>• large-scale water projects (such as dams or large-scale hydroelectric),</li> </ul>
<b>Mining</b>	<ul style="list-style-type: none"> <li>• coal or lignite mining,</li> <li>• mountaintop removal mining,</li> <li>• uranium mining,</li> <li>• mining or trade in conflict minerals,</li> </ul>
<b>Land biodiversity and deforestation</b>	<ul style="list-style-type: none"> <li>• agricultural or other projects with a large impact on forests (deforestation), peatlands or high conservation areas;</li> </ul>
<b>Marine biodiversity and overfishing</b>	<ul style="list-style-type: none"> <li>• drift net or dynamite fishing</li> <li>• shark finning</li> <li>• other harmful fishing techniques</li> </ul>
<b>Nuclear</b>	<ul style="list-style-type: none"> <li>• nuclear power generation</li> <li>• nuclear weapons</li> <li>• nuclear waste decommissioning, transport or disposal</li> </ul>

<b>Weapons</b>	<ul style="list-style-type: none"> <li>• manufacturing, supply or development of weapons and/or weapons systems</li> <li>• cluster munitions, nuclear weapons, robotic weapons, or other highly controversial weapons</li> </ul>
<b>Animal Welfare</b>	<ul style="list-style-type: none"> <li>• animal testing for cosmetic purposes</li> <li>• genetic modification of animals</li> <li>• use of animals for entertainment</li> <li>• trade or manufacture of fur products</li> <li>• use of endangered species or wild animals</li> </ul>

For transparency and comparability in regard to our existing financings, an overview of NIBC Bank's corporate balance sheet exposures as of year end 2020 is provided in a NACE Supplement<sup>33</sup> which accompanies NIBC's Annual Reports. For additional transparency 2020 NACE Supplement also contained an indicative Green Asset Ratio (GAR) for our corporate balance sheet based on the draft EU JRC Taxonomy coefficients available at the time of publication.

## Innovation

Innovation and sustainability often drive the development of new products and are a driver of product refinements which are at the center of NIBC's client-centric approach.

### Lot Hypotheken

NIBC has developed a new sustainable mortgage label, Lot Hypotheken which was launched in the first quarter of 2020. Lot is ambitious, offering substantial benefits to mortgage customers which want to make energy efficiency improvements. At its launch, Lot was the most affordable mortgage offering in the Netherlands, the first to break the 1% interest rate barrier.

At the same time, Lot is set up to further expand NIBC's Originate-to-Manage mortgage proposition. This way NIBC increases its ability to serve a broader range of clients, intermediaries and institutional investors. Lot will help to increase access of these investors to sustainable mortgages and is a good example of how NIBC acts to build value in the financial ecosystem for the benefit of people and planet.

### Northwesterly VI ESG CLO

In November NIBC successfully launched North Westerly VI, a product that many investors saw as the first collateralized loan obligation (CLO) which is fully compliant with ESG best practices. The CLO applies ESG criteria for socially responsible investments which prevents the fund from investing in controversial sectors (such as coal power and mining, extreme fossil fuels, weapons and firearms, tobacco, gambling, among others) and adheres to NIBC's robust sustainability framework and policies.

NIBC ensures this through pre-investment positive and negative screening, borrower/transaction due diligence, NIBC's internal assessments, monitoring and review processes. We provide transparency through detailed quarterly investor reporting and analysis.

### NIBC Sustainable Finance Framework

In 2020 NIBC launched a new Sustainable Finance Framework to support corporate and retail clients in their sustainability ambitions and create new opportunities. The Framework is guiding NIBC's development of innovative green, social and sustainable financing solutions. It is based on the ICMA Green Loan Principles and Social Loan Principles and with a view towards the EU Green Taxonomy. As a signatory of UNGC, we also aligned eligibility criteria with the principles of UNGC and mapped expected impacts to the underlying targets of the SDGs. The Framework received a strong second-party opinion from Sustainalytics and is available on NIBC's

<sup>33</sup> NIBC 2020 NACE Supplement, <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>

corporate website.

The main use of the Sustainable Finance Framework during 2020 was indirect. It enabled NIBC's involvement in a number of sustainability-linked loans, usually as part of a "club" deal with other banks. Our focus in sustainability-linked lending is to influence the use of meaningful key performance indicators which in turn help to incentivise and increase the speed of greenhouse emissions reductions, use of renewables, improved conditions for workers, strengthened public policy commitments, or other areas in which substantive improvements are needed.

#### NIBC Green Bond Framework

During 2020, NIBC pursued a new Green Bond Framework to support corporate and retail clients in their sustainability ambitions and create new opportunities. The Framework was launched in 2021. The Framework focuses on on-balance sheet assets across three categories: retail residential real estate, commercial residential & office real estate and renewable energy. Each category is aligned to the technical screening criteria ( TSC ) and do no significant harm criteria ( DNSH ) of the EU Green Taxonomy, the targets of the SDGs, and the ten principles of the UN Global Compact ( UNGC ). As our asset base develops over time, the framework allows us to expand to other green asset categories.

When used for a debt issuance, our intention is to also obtain external assurance and an independent second-party impact report.

#### NIBC Innovation Lab

NIBC's culture is innovative, inspired by our entrepreneurial clients and developments in the world around us. We have a culture of trust, encourage learning and aim to continuously improvement.

Our Innovation Lab catalyses innovation within NIBC by organising inspiration sessions, by connecting employees with innovative companies, and by providing opportunities for employees to get involved in new innovation projects. Numerous pilots have been launched as a result including a chatbot, voice to text, savings analyses and dashboards.

During 2020 NIBC's Innovation Lab continued its refinement of NIBC's sustainability analytics tools which are helping to further strengthen due diligence and monitoring of environmental risks and human rights risks of corporate clients, suppliers, vendors and their supply chains.

Dashboards were conceptualized and developed to strengthen internal management oversight. We expect this will be a point of attention for at least the next few years as more quantitative ESG becomes available for a broader range of companies.

The benefits of these developments may eventually stretch beyond NIBC. Transparency in supply chains is a significant practical challenge for mid-sized and smaller businesses. Few tools exist to support these companies to map their full supply chain and to pinpoint adverse impacts so that they can act.

These developments support NIBC's ambition to be a sustainability leader for European private corporate debt and is a good example of our "Think Yes" mentality to turn practical sustainability challenges into tangible opportunities.



## Human Rights

NIBC believes that respect for human rights is a basic corporate responsibility; towards our own employees, but also towards those people who are affected directly or indirectly by our actions.

NIBC endorses human rights as formulated in the Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights ( UNGPs ). Our human rights policy commitments also include the ILO core conventions, UNICEF Convention on the Rights of the Child, UN Convention on the Elimination of All Forms of Discrimination against Women ( CEDAW ), and the UN Declaration on the Rights of Indigenous Peoples.

### Governance of respect for human rights

Respecting people and their human rights is embedded in NIBC's Code of Conduct which underpins NIBC's corporate values. NIBC's Human Rights policy supplement guides our approach to mitigating human rights risks within the context of our business strategy, the markets we serve, and the people who may be impacted by our financings.

Governance within NIBC for human rights risks and other sustainability risks and the processes we use to manage them are described in brief in this Report and in more detail in our Sustainability Framework.

Our Human Rights policy supplement was reviewed during 2020. Human rights due diligence is integrated into NIBC's sustainability due diligence and monitoring processes for financings and investments to identify and manage potential human rights risks. NIBC uses an integrated toolkit to guide our staff in the assessment of these risks in our corporate financings.

## Respect for human rights is a core corporate responsibility

In our due diligence and monitoring, we focus our attention on the most severe risks to people and prioritise our efforts accordingly. In alignment with the UNGPs, we take into account the size, sector and operational context of a company as well as the severity of the potential impacts on people.

We expect companies to have in place policies and processes appropriate to their size and circumstances. Saliency in regard to human rights means that we focus on the risks to people who may be adversely impacted and their rights.

### Reporting on human rights issues

NIBC reports on human rights risks in its Annual Report, in this Sustainability Report, in our annual UN Global Compact report and in our annual Modern Slavery Statement.

One of our commitments is that we aim to assess human rights risks and other ESG risks for 100% of our new corporate loans. In our Non Financial Key Figures of our Annual Report, we have reported that ESG due diligence and assessments were performed by NIBC for 100% of new corporate loans, an indicator that we are living up to this commitment.

Severe adverse human rights incidents related to NIBC's financings during 2020 were acted upon in accordance with our duty of care under the leading international human rights standards to which we are committed. For example, NIBC chose not to proceed with a transaction due to serious human rights concerns. Risks were identified during our due diligence process leading to this decision.

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 continues to be a significant challenge for corporate clients.

We continue to recognise the need to deepen and strengthen our due diligence, monitoring and understanding in regard to potential adverse human rights risks.

### Managing human rights risks

The potential salient human rights risks that we have identified are at lower levels in the supply chain of clients, for instance a supplier to our clients' suppliers. To address these risks, NIBC expects clients and suppliers to have appropriate management systems in place to manage potential human rights and environmental risks. Our integrated sustainability due diligence and monitoring includes human rights due diligence and monitoring. Our sustainability policies mention requirements in terms of international standards NIBC expects our business partners to follow and relevant certifications that should be obtained as evidence of a responsible supply chain.

Transparency into supply chains is a significant practical challenge for mid-sized and smaller corporates. This is an area where NIBC and the corporates we support are working to gain greater insights. NIBC engages regularly with NGOs, unions and other civil society stakeholders to deepen our understanding of their concerns and to explore possible practical solutions. Stakeholder engagement is briefly reported in our Annual Report, in our Materiality Assessment, in this report and in other sustainability-related disclosures on our corporate website.

A growing risk is security of client data. To mitigate this we do not leave client information unattended and we have policies such as a clear desk policy, information security policies, and additional security controls. All staff completed mandatory trainings on data privacy and information security during 2020. Our approach to information security is led by a dedicated Corporate Information Security Officer ( CISO ) and is further described in the Information Security section of this report.

NIBC offers an online complaints mechanism on its website and is available to any stakeholder or third party in accordance with the UNGPs and OECD Guidelines. We also support the development of corporate and sectoral grievance mechanisms which raise the bar in terms of access for affected stakeholders and effectiveness. Internal whistleblower procedures are available to employees on NIBC's intranet. These mechanisms are included in guidance provided to employees for NIBC's Code of Conduct and mentioned in our Annual Report.

### IRBC Agreement

NIBC is a signatory of the International Responsible Business Conduct ( IRBC ) agreement for the Dutch banking sector. The initiative aims to improve human rights practices related to project and corporate financings and is guided by the OECD Guidelines for multinational enterprises and UN Guiding Principles on Business and Human Rights.

The IRBC platform enabled NIBC to share knowledge and engage with civil society organisations, authorities, and financial sector peers. During 2020 while the Agreement reached its conclusion, the work with various parties has continued. NIBC has continued as an active voice in the Dutch Banking Association's responsible business conduct working group and its efforts to create an independent expert panel which can advise on certain activities, scenarios or cases. One of the initial projects will be to establish a theory of change for the Dutch banking sector.

We continue address our commitment to report on human rights aspects in accordance with the IRBC Agreement and our policy commitment to the UN Guiding Principles, and OECD Guidelines for Multinational Enterprises, NIBC publishes a human rights section in this Sustainability Report which addresses the main points of the UNGP

Reporting Framework. We report our salient human rights risks in our Annual Report, supported by two Non Financial Key Figures which illustrate our human rights and sustainability due diligence process.

Further we updated our complaints and grievance procedure during 2020 to ensure a close and visible tie to the UNGPs and OECD Guidelines. Our core criteria for our procedure include legitimacy, accessibility, predictability, equitability and transparency aligned to these standards. The procedure applies to NIBC Holding, NIBC Bank and other subsidiaries.

### UN Global Compact

2020 marked 75 years of freedom in the Netherlands, 75 years of the United Nations ( UN ) and 75 years of NIBC. Following World War II, on 24 October 1945, the UN was founded with the main objective of promoting peace, security and human rights in the world. Within a few weeks, NIBC was established to support similar objectives for the Netherlands, to instill societal resilience and self-reliance by financing the visionary entrepreneurs who helped rebuild the Netherlands after the war.

During each of these 75 years we have continue to be inspired by the UN and have been committed to continue to do our part to advance peace, human rights, environmental, and responsible conduct practices.

NIBC has been a signatory of UN Global Compact ( UNGC ) since 2010. and supports the ten principles of the UNGC with respect to human rights, labour, environment and anti-corruption as well as the broader UN goals. We state this commitment in our Annual Report each year and report on it in our UN Global Compact Commitment on Progress ( UNGC COP ) report. Our UNGC COP also serves as NIBC's main Sustainable Development Goal ( SDG ) report.

By incorporating the Global Compact principles into our strategy, policies and procedures, and establishing a culture of integrity, NIBC aspires to not only uphold our basic responsibilities to people and planet, but also set the stage for the long-term success of our stakeholders and our communities.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

### Responsible Business

NIBC's commitment to responsible business is central to our vision, embedded in our business strategy, articulated in our Code of Conduct, and carried out in our day-to-day relationship with all stakeholders. Our approach is further supported by our governance framework, policies and processes.

For example, NIBC has embedded the SDGs in our Sustainable Finance Framework and our Green Bond Framework by aligning the eligible categories to the targets which underpin the 17 SDGs. This will allow us to provide future investors in NIBC Green Bonds a quantitative impact assessment of the contribution towards the goals.

### UNGC Communication on Progress

Each year, we have published a Communication on Progress (COP) on our corporate website and on the UNGC website<sup>34</sup>. Our COP provides insights into how NIBC is progressing in regard to each of the ten principles, the SDGs, human rights, and the environment. In our most recent UNGC COP we expanded our disclosures to provide tangible examples of actions we've taken in accordance with our commitments.

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<sup>34</sup> UN Global Compact <https://www.unglobalcompact.org/what-is-gc/participants/12853-NIBC#cop>

## Preventing Financial Distress

NIBC is committed to making sure that the retail banking products that we offer are accessible, have clear and understandable terms and conditions ('direct duidelijk'), and do not lead to overindebtedness.

During the pandemic, we have kept an proactive dialogue with clients and been responsive to their needs. NIBC has offered payment holidays to give our clients flexibility when and where needed. This helped our clients to serve their other stakeholders, protected jobs, and hopefully will help them to be part of a healthy and green recovery from the pandemic.

### NIBC Special Servicing Mortgages

NIBC has for many years had in place an extensive support programme for mortgage clients whose payments are in arrears. NIBC Special Servicing Mortgages sets up debt repayment schemes together with these clients. If the scheme fails or cannot be implemented, we discuss the options for restructuring the loan with the client.

We call in a mortgage advisor to help us assess whether the interest rate could be lowered by such actions as interest rate averaging or mobilising the client's savings or investments to enable early redemption of part of the loan. And if a mortgage client is unable to repay their debt due to unemployment, we can call in a job coach.

### Financial Coaching

Since 2017 NIBC Special Servicing Mortgages has focused its efforts on further developing this approach. Our new business coaching programme for motivated self-employed entrepreneurs with payment problems is unique in the Netherlands. Some self-employed entrepreneurs are highly qualified professionals who lack expertise in marketing or administrative matters. The coach provides them with the help they need to permanently boost their income.

### Supporting Vulnerable Clients

Special Servicing Mortgages has also implemented a new client-first way of working. Mortgage clients whose payments are in arrears are immediately assigned to a single point of contact who deals with their case – a client-friendly approach that speeds up the process of finding solutions. We also try to observe at an early stage that clients might run into problems, for example by encouraging clients to report to us in advance that they might be laid off soon.

To prevent future payment problems, we proactively review redemption-free mortgage loans, particularly when clients are a bit older or their mortgage interest tax relief will soon expire. In such cases, we inform the client about the imminent change in their financial situation and in some cases sit down with them to draw up a plan that will facilitate repayment of the loan.

## Equator Principles

The Equator Principles ( EPs ) are a risk management framework developed by financial institutions for determining, assessing and managing environmental and social ( E&S ) 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.

NIBC is one of 114 Equator Principles Financial Institutions (EPFIs) in 37 countries worldwide which have officially adopted the EPs. As part of this commitment, we have implemented the EPs in our sustainability policies, due diligence 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.

Only a limited number of NIBC's transactions fall within the scope of EP. In 2020 as in 2019, NIBC did not finance any project finance transactions that fell within the scope of EP. By comparison, NIBC reported five transactions for 2018, and seven transactions for 2017.

NIBC applies the Equator Principles methodology of determining, assessing and managing E&S risks also for other financings that do not fall within the technical scope of EP.

The fourth revision of the Equator Principles was launched in 2020. Standards in project finance can and should continue to evolve to mitigate adverse human rights impacts, adverse biodiversity impacts, and to reduce GHG emissions in accordance with COP21 Paris Agreement targets.

Free, prior and informed consent (FPIC) related to large scale projects is increasingly a concern for some stakeholders. None of the financings of NIBC in recent years have been found to have adverse impacts on indigenous peoples, land rights or other FPIC-related impacts. FPIC is recognised in the UN Declaration on the Rights of Indigenous Peoples which is among the international conventions embedded in NIBC's policy commitments.

## Corporate Citizenship

NIBC wants to be a good corporate citizen by contributing to the well-being of the communities which we serve. We encourage our employees to volunteer their time and expertise to community projects and support their initiatives by matching the money they raise for good causes. In addition, NIBC runs its own social projects, some of which are focused on helping to educate youngsters about prudent money management.

Engagement with civil society organisations was severely disrupted during 2020. Face to face meetings which have been the norm for many years were no longer possible due to the pandemic. Instead we continued regular dialogue through digital meetings, email, and other means. We look forward to returning to more normal dialogue post pandemic. Regular discussions were important particularly in light of the UN Sustainable Development Goals (SDGs), our cooperative efforts to increase responsible business, and the upcoming COP26 climate conference.

### NIBC NGO Boulevard

In 2015, we launched the NIBC NGO Boulevard, a unique initiative that makes modern office space and professional facilities available to good causes. Civil society organisations in the NIBC NGO Boulevard include Maatschappelijke Alliantie, Stichting Vitalis, Schuldhulpmaatje, SDG Charter and Buddy Network. One focus area for all of these organisations and NIBC has been to contribute to Dutch efforts towards the SDGs through activities and initiatives.

Our daily interactions, joint initiatives and workshops, and other activities have significantly increased awareness at NIBC staff of the environmental and social challenges faced by the world around us.

NIBC aims to help these civil society organisations to be effective and increase their impact. At the same time, since we share the same facilities, these organisations inspire us and help raise the awareness amongst NIBC's employees of societal challenges. Interaction with these civil society organisations has led to joint initiatives on societal challenges in areas such as financial education, blue economy, waste as a resource, circular economy, and mobility as part of NIBC's Talent Programme. New initiatives are underway in 2021.

## Financial education & financial inclusion

Although NIBC has a limited product range, we aim to be inclusive in our financings and investments. For example, during 2020 NIBC's Infrastructure team provided financing to expand digital services to underserved rural populations. By doing so, NIBC is supporting its corporate clients to enable high-speed access, enabling jobs, and providing digital access to education and learning opportunities.

Our retail mortgage offerings include affordable Nationale Hypotheek Garantie (NHG) social mortgages. We also offer mortgages for starters, self-employed and the elderly, populations which are underserved by many of our competitors. The affordable interest rates of Lot Hypotheek mortgages provide broader accessibility and affordability of energy efficiency improvements.

NIBC employees were active in a wide range of initiatives in our communities during 2020. Unfortunately Week van het Geld (Global Money Week) activities were curtailed by the pandemic. Typically within this initiative bankers provide fun lessons about money to primary school children. Annually about 700 primary school children participated in this Bank voor de Klas program with NIBC staff.

## Food Banks

NIBC donated food and dozens of our employees packed holiday food parcels to support families which rely on the Dutch Foodbanks. We partnered with employees of other leading corporates such as Unilever, Mars, Shell, Dr Oetker and Upfield to ensure that the families reliant on the Foodbanks received a holiday food parcel.

## Vulnerable children

In December, employees in The Hague supported Stichting Vitalis in what has become an annual tradition at the bank. Vitalis is a professional non-profit organisation that supports vulnerable children so they can avoid intensive professional youth counselling programmes. Despite the pandemic, NIBC employees provided personalised holiday gifts for more than 100 children in a special corona-proof Christmas event for the children.



## Human Capital: Our People

At NIBC we strongly believe that our people represent our three core competences, entrepreneurial, professional and inventive, towards the outside stakeholders. For serving our clients our people are our key assets. Consequently, NIBC continuously invests in the development of its people to enable them to grow in order to make a difference at decisive moments for its clients.

### Number of FTEs as of 31 December <sup>35</sup>

	2020	2019	2018
<b>Total FTEs</b>	726	711	695
<b>FTEs by Unit</b>			
NIBC Bank	644	667	657
NIBC Bank (within NL)	552	560	538
NIBC Bank (outside NL)	92	107	119
Beequip (NL)	60	41	38
Lendex (NL)	16	3	-
Fin Quest (NL)	6	-	-
<b>FTEs by Country</b>			
Netherlands	634	603	495
Germany	61	76	133
United Kingdom	25	27	59
Belgium	6	5	8
<b>FTEs by Business Unit</b>			
Corporate Clients	433	506	517
Retail	185	147	131
Treasury & Group Functions	108	58	47

### Recruitment

Recruitment efforts have continued to include engagement with selected student associations, for which we organised several in-house days and attended various recruitment events. Targeted in-house recruitment events help us to create more diversity in our organisation. Since learning and development is pivotal within NIBC, we continued to give working students internship opportunities in our organisation. We have a hands on approach in these internships, encouraging students to broaden their skills, become comfortable in a business environment, but at the same time making meaningful contributions within NIBC.

### NIBC New Employees Introduction Program

The NIBC Introduction Program was organised on a regular basis in 2020 to enhance the onboarding of new employees. In addition to presentations on the strategy of the bank and on various parts of organisation, special attention was paid in regard to our corporate values, culture, anti-corruption, climate change and human rights.

All new bank staff have taken the Bankers' Oath and have signed the "Bankierseed" mirror in the public lobby of our office in the Hague led by and in the presence of our CEO one or more of our Executive Committee members. These new joiners were also introduced to sustainability, encouraged to embrace sustainability in their day to day work and to look for opportunities to continuously improve. Many of the best ideas come from those that have just joined NIBC and the diversity of ideas, backgrounds and skillsets that they represent.

### Performance Reviews

NIBC has adjusted our feedback and performance review procedures, moving from a yearly, fixed procedure of

<sup>35</sup> NIBC Holding 2020 Annual Report, pages 163, 172 <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>

goal-setting and performance evaluation to more agile, frequent feedback sessions. The aim is to make employees the main actors of their development and also provide more transparency to them on the merit rewards and promotion procedures.

### Training & Development

Complementary to the attention given to feedback, is our long-running commitment to training. At NIBC, each employee gets a personal development budget of EUR 2,000 for two years. The average spending on training was EUR 1,767 per employee. We also kept up with our dedicated training programmes for our talents, both in their early and mid-career, respectively with the Talent Program and the Dare to Develop programme.

#### NIBC Talent Program

The Talent Program is a one year talent development programme which we offer to recent university graduates to kick-start their career at NIBC. The programme is designed to help our young analysts to thoroughly get to know the bank, themselves and each other and provides an opportunity to develop personal and professional skills and knowledge.

#### Dare to Develop

The Dare to Develop programme is a one year invitation-only programme aimed at our talented young professionals at mid-career level. The programme is developed in close cooperation with the participants and enhances personal effectiveness in influencing, consulting, negotiation and innovation.

#### Employee Benefits

NIBC also uses a modern set of employee benefits, which are flexible and well aligned with the realities of our business. An important aspect is the discretionary approach to compensation and benefits, which takes into account a range of considerations, including performance indicators and country-wide benchmarks. This enables us to reward our talented staff and retain them. However, since 2020, NIBC does, for the largest share of its employees in the Netherlands, not consider bonuses to be a pertinent reward tool and therefore these have been abolished and partly converted into the fixed remuneration. Internationally, bonuses are still applied to match the local sector practice.

#### NIBC Works Council

Given the challenges facing NIBC and the banking sector, the Council remains focused on the employability of NIBC's staff and on NIBC's competitive position as an attractive employer. This was reflected in the Council's position with respect to reorganisations, diversity and labour agreements.

The Council has also been actively involved with multiple other developments such as mobility policies and employability while also maintaining regular contact with the Works Councils of other Dutch banks and financial institutions in order to exchange best practices

NIBC invests significantly in human capital, developing its people personally and professionally, and providing a stimulating work environment that values diversity and treats everyone with respect.

### Promoting Diversity & Inclusiveness

We believe that diversity is critical to NIBC's ability to succeed and achieve sustainable success. We are committed towards improving our corporate diversity. As such we are committed to creating a stimulating work environment for people from all backgrounds and an environment that is open to different ways of thinking.

## Number of FTEs as of 31 December <sup>36</sup>

	2020	2019	2018
<b>Total FTEs</b>	726	711	695
<b>Employees by Gender ( GRI 405-1 )</b>			
Female	33%	32%	32%
Male	67%	68%	68%
<b>Gender in Top Management ( GRI 405-1 )</b>			
Female	18%	15%	15%
Male	82%	85%	85%
<b>Employees by Age * ( GRI 405-1 )</b>			
≤29 years	19%	21%	19%
30≤39	30%	28%	26%
40≤49	28%	29%	32%
50≤59	19%	18%	18%
≥60	4%	5%	4%
<b>Diversity of workforce by nationality *</b>			
Dutch	88.2%	90.8%	n/r
Non-Dutch	11.8%	9.2%	n/r
# of nationalities	36	n/r	n/r
<b>Discrimination ( GRI 406-1 )</b>			
Number of incidents	0	0	0

\*data for NIBC Bank

NIBC has zero tolerance for all forms of discrimination with respect to employment and occupation including verbal, physical and sexual harassment. Furthermore, we have systems and processes in place to actively manage and stimulate equal compensation. We comply with national employment legislation in the countries in which we are active and make use of best practices. Respecting and protecting human rights and embracing diversity are embedded in our Code of Conduct.

Diversity at NIBC comprises different gender, nationalities, ages, cultures, as well as social or personal differences. The Exco approved a coherent set of measures and targets – also incorporating a broader diversity scope – which will help us to deliver results. Within the pillars inflow, career, outflow, and awareness we set several targets and measures.

## NIBC ensures fairness in pay by gender and function and rewards performance without bias

We have a Diversity Committee in place which is tasked with researching our current behaviours and recommending ways to achieve a more inclusive environment at NIBC. Also the Managing Board continues to address this topic as high-priority. Furthermore, we work closely with entities such as Talent to the Top. Moreover, diversity in general, and the male-female balance specifically, are explicitly considered in our talent programmes and performance management. To address gender imbalances, we have introduced engagements, like mentorships and dedicated workshops and programmes, aimed at retaining and further developing talented female employees. In the case of a vacancy in our Executive Committee or in our Supervisory Board, our policy

<sup>36</sup> NIBC Holding 2020 Annual Report, pages 163, 172 <https://www.nibc.com/about-nibc/investor-relations/annual-reports/>

is to request an Executive Search firm to provide a shortlist with at least 50% female candidates, although final selection is ultimately based on the suitability for a specific position.<sup>37</sup>

During 2020, the gender diversity of our organisation improved slightly to 33% female staff (2019: 32%). Gender diversity of senior management improved to 18% (2019: 15%). We are continuing to focus on strengthening diversity at NIBC and have continued to refine our hiring policies to address gender diversity. Our overall diversity target remains to have a minimum of 30% of women. Improving diversity, and in particular male/female ratios is a long-term process and we will continue to strive to meet our ambitions. Diversity across age segments continued to show balance: 19% of our employees were under 30 and 23% of employees were 50 or older.

## Pay Equality

	2020	2019	2018
<b>Entry Level Wage Fairness ( GR! 202-1 ) *</b>			
Female	1.92	2.15	2.35
Male	1.92	2.20	2.31
Overall	1.92	2.18	2.32
<b>Gender Pay Ratio by level ( GRI 405-2 ) *</b>			
Professional Support	0.81	0.85	0.84
Analyst	1.03	1.02	1.00
Associate	1.04	1.06	1.05
Vice President	1.07	1.12	1.15
Associate Director	1.08	1.07	1.09
Director	1.03	1.02	1.01
Managing Director	0.86	0.89	0.89
Average	.99	1.00	1.00
Weighted Average	.97	n/r	n/r
<b>Additional Gender Ratios *</b>			
% full-time contracts held by female employees	28.7%	26.8%	n/r
% part-time contracts held by female employees	58.0%	55.2%	n/r
% permanent contracts held by female employees	33.7%	32.1%	n/r
% temporary contracts held by female employees	38.2%	39.3%	n/r

\*data for NIBC Bank

NIBC's ExCo consists of the three Managing Board members and three non-statutory members representing the commercial roles. At year-end 2020, the ExCo consisted of two female members and four male members. The Supervisory Board of NIBC consisted of six members with extensive and international expertise in fields such as banking and finance, corporate governance and corporate management. At year-end 2020, the Supervisory Board consisted of two female members and four male members.

Gender pay equality and fairness in pay is closely monitored at NIBC. We aim to ensure fairness in pay by gender and function and to reward performance without bias. The figures reported in this report only show part of the story, since there are also differences in the composition of staff by location.

NIBC realises that improving diversity ratios is a long-term process which requires continuous attention. We will continue to strive to meet our ambitions.

## Performance Reviews

<sup>37</sup> 2020 NIBC Holding Annual Report, pages 85, 95

We are dedicated to ensure that each of our people can grow and develop to make a difference. Therefore, we have adjusted our feedback and performance review procedures, moving from a yearly, fixed procedure of goal-setting and performance evaluation to more agile, frequent feedback sessions. The aim is to make employees the main actors of their development and also provide more transparency to them on the merit rewards and promotion procedures. ESG is one of the aspects integrated into performance reviews.

## Training & Development

To compete effectively in our industry, we must develop ourselves at a faster pace and to a higher standard than many of our (larger) competitors. Competition is tough within the financial services industry as a whole and in the labour market the banking sector is still perceived as less attractive than before the financial crisis. But, as a mid-sized bank we have, in some ways, a more compelling offer for employees than our larger peers; one in which they will have greater responsibilities, influence and impact from the start. The 'Think YES' campaigns have helped to position NIBC in the highly competitive labour market.

Complementary to the attention given to feedback, is our long-running commitment to training. At NIBC, each employee gets a personal development budget of EUR 2,000 for two years. The average spending on training was EUR 1,767 per employee.

We also kept up with our dedicated training programmes for our talents, both in their early and mid-career, respectively with the Talent Program and the Dare to Develop programme. The Talent Program is a one year talent development programme which we offer to recent university graduates to kick-start their career at NIBC. The programme is designed to help our young analysts to thoroughly get to know the bank, themselves and each other and provides an opportunity to develop personal and professional skills and knowledge. Sustainability challenges are integrated into the program, offering our young talents the opportunity to develop and present sustainable business proposals or address a societal need.

NIBC's Dare to Develop programme is a one year invitation-only programme aimed at our talented young professionals at mid-career level. The programme is developed in close cooperation with the participants and enhances personal effectiveness in influencing, consulting, negotiation and innovation.

### Inhouse courses at NIBC

Using our own training facilities, NIBC offered over 25 inhouse courses, either facilitated by internal or external trainers. We see an increased drive and willingness with our own employees who are subject matter experts to teach and share knowledge. Popular topics facilitated by NIBC colleagues are introductions to financial expertise of specific teams, swaps, excel, data management, learning & development, lean foundation and social media training.

### Health and safety

A healthy workforce is of vital importance to our ability to achieve our financial and non-financial objectives. The COVID-19 pandemic has deeply changed our ways of working. Throughout the year, NIBC has looked at ways of keeping its people healthy which led us to maximise working from home. During most of the year, only a skeleton team worked from the office, the rest of our people working remotely. Technology investments made in previous years paid off with no critical interruptions observed to date. However, working remotely for most of the year comes with its challenges that NIBC has addressed in several ways.

## 2020 Health & Safety Figures

	2020	2019	2018
<b>Total FTEs</b>	726	711	695
<b>Health &amp; Safety (GRI 406-1) *</b>			
Number of Onsite Injuries or Deaths	0	0	0
Sickness Rate	1.6%	2.0%	2.1%
Frequency	.34%	.62%	.89%

\* NIBC Bank only

Although the health and safety figures reported above are limited to NIBC Bank, they are likely representative for other subsidiaries of NIBC Holding, since no material adverse situations were reported.

We have built new ways for our employees to interact, maintain contact with colleagues and continue to feel part of an active community, offering sports classes online, virtual events or conversations with our Executive Committee members or other people from the bank, sending care packages and other tokens of appreciation. We celebrated the 75<sup>th</sup> anniversary of NIBC with a bank-wide online event. We set up a webshop for our people to spend a total budget of EUR 300 per person on office supplies to upgrade the home office and prevent health issues related to inadequate working conditions.

### Absenteeism & Vitality

Recognising the importance of a healthy workforce, we are very happy to continue a very low absenteeism rate of 1.6 % in 2020 (2019: 2.0%).

To support and enhance the health and vitality of our people we offered a variety of programmes and initiatives to enable a healthy lifestyle and work attitude. Despite the pandemic, our NIBC Vitality team offered a lot of triggers that made employees more aware on three vitality pillars: physical health, mental health and nutrition.

Throughout the year campaigns were organised awareness on the impact of food on health, by means of food boxes delivered to employees with healthy ingredients. Employees were offered training courses focusing on mindfulness, reducing stress and building on resilience, and alternative ways of using our brainpower. This followed NIBC's renewed focus on activity-based working over the past few years.

These attractive initiatives have contributed to NIBC's low absenteeism rate.

### The NIBC Employee Experience

Measuring our employee experience again in 2020, we set out an Employee Experience Survey to gain insights into how our employees rate our culture, our leadership and their work experience by measuring the levels of engagement and commitment in our organisation. The four pillars of this survey are Engagement, Commitment, Employership and Leadership.

### Positive and Open Culture

The survey is in line with NIBC's effort to build a positive and open culture in which we recognise employees by celebrating their success and sharing feedback. Each manager leading a team with more than five employee responses received a feedback report. Managers and employees jointly discussed the outcomes of the Employee Experience Survey to develop an action plan.

The overall conclusion of this survey is that in general employees find NIBC a good organisation to work for and our employees are proud to work for NIBC.



Engagement and commitment of our employees, as measured by our Employee Experience Survey, continues to improve. From 75% in 2019, committed employees are now 80%. We have also improved engagement level to 37% from 35% last year. Over 90% of respondents express satisfaction with NIBC.

We continue to raise awareness and understanding of health and wellness issues amongst our employees to keep on boosting their vitality and productivity. Furthermore we continue to invest in the development of our employees by offering them feedback, coaching and training, development programmes and e-learning.

#### Young NIBC

The Young NIBC network is focused on connecting younger NIBC staff to each other and the bank. Young NIBC identifies their needs and facilitates matching events, with a focus on learning about NIBC's organisation and culture and creating a professional network.

In December, NIBC colleagues participated in a Christmas Box Packaging Event at the 'Voedselbank' in Rotterdam. NIBC's involvement in this was initiated by Young NIBC in 2019. For the third year in row a lot of colleagues participated in this very energetic and positive event that focused on helping those in need.

## Environment, Climate & Biodiversity

We operate in a complex world, where population growth, climate change, biodiversity loss and water scarcity are creating significant sustainability challenges and unprecedented pressures on natural and human systems.

There is increasing scientific certainty in respect to influence of mankind on climate change. Global temperatures are rising, drought and wild fires are starting to occur more frequently, rainfall patterns are shifting, and glaciers and snow are melting. The sea level is rising, our oceans are acidifying, while biodiversity is rapidly declining. Climate change, environmental changes, overexploitation and pollution are accelerating the extinction of species needed to keep ecosystems in place. Land conversion and use of nitrogen and phosphate are further accelerating negative impacts. The private sector, public sector and society have a responsibility to act urgently in order to address these impacts and promote positive

### Paris Climate Agreement

Humankind is pushing the planet's ecological limits and impacting our natural capital. Commitments by country signatories to the Paris Climate Agreement aim to prevent global warming from rising above 2° and preferably no more than 1.5°.

NIBC recognises our corporate responsibility to respect the environment, protect biodiversity, and take action to mitigate climate change in support of the Paris Climate Agreement and SDG13. Laws in our operating locations of the Netherlands, Germany, the UK and Belgium have set legal reduction targets of 95%-100% reduction by 2050 in regard to greenhouse gas emissions. The urgency and scale of the global impact necessitate a substantial reduction in emissions by 2030.

## NIBC sources 100% renewable energy for its own operations

NIBC's target is to achieve zero emissions before 2050 and achieve at least a 55% reduction in emissions by 2030 in accordance with the EU target and at least a 49% reduction according to the Dutch national target.

Like most financials and particularly as one which does not have brick and mortar branches, the most material part of NIBC's emissions are not related to our operational footprint, but instead to the activities that we finance. Our climate and environmental strategy is to influence and support companies and people to transform, particularly in the way that they source and consume. Product life cycle analysis, eliminating emissions at source to contribute to global emission reduction targets is crucial.

It is likely that this will not always be convenient and may not always be popular. Because each company, activity and sector is different, progress will most likely occur at different speeds depending on the attitudes of companies, the complexities of their value chains, and the barriers and timeframes over which technologies that are available.

### Natural Capital & Innovation

NIBC is taking responsibility and has continued its support for innovation that contributes to a cleaner environment. As part of our commitment to make a contribution to a more sustainable society for future generations, NIBC supports clients in our chosen sectors in their transition to better environmental and social business practices. Looking ahead, we will continue to develop our knowledge in the latest environmental developments and support clients as they invest in best available technologies.

Innovation and energy transformation are two themes which we will continue to see across our business. For example, zero emission fuel and propulsion technologies which are not commercially available today will be needed in the shipping sector. We currently estimate that these technologies may not be available on a widespread basis before 2030. At the same time we view the shipping sector as an activity which will continue to be need beyond 2050. Therefore our strategy is to support ship owners as they prepare for this transition and in the meantime take meaningful steps through the use of existing technologies such as use of low sulfur fuels, emissions scrubbers, and best operational practices such as regular hull cleaning.

### Zero Emissions

At the same time, it has to begin with us - in our own operations. NIBC has achieved its objective of 100% renewable electricity in its own operations since 2012. To further reduce greenhouse gas emissions, a geothermal system is in operation and have made substantial renovations in our headquarters in the Hague. These steps have contributed to an estimated 57% reduction in Scope 1 and 2 emissions since 2010, well ahead of the national and EU targets for companies.

One learning has been that actual emission reductions have not been linear despite our high ambition. Transformations also require recalibration and optimisation in order to avoid unintended consequences. For example our groundwater system has required fine-tuning in order to maximise its efficiency and reduce our reliance on gas for heating and cooling.

We believe that the development of clean, renewable power generation and increasing energy efficiency is essential in the transition towards a sustainable low carbon economy. This is needed to counter the increased threat of climate change and to sustain the economic development of emerging and industrialised markets.

### Carbon Pricing

Previously according to the 2017 Report of the High-Level Commission on Carbon Prices, a minimum carbon price of US\$50 would be consistent with achieving the Paris temperature target. This is near the current pricing level of EU carbon certificates. Some NGOs and academics are now advocating for even higher carbon prices.

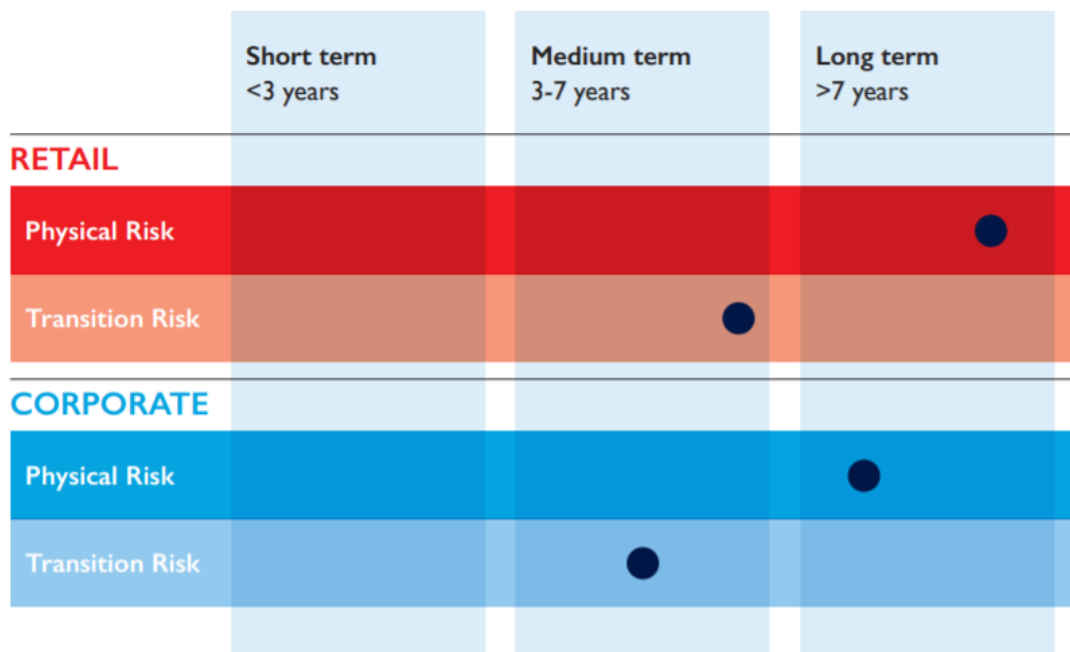
At the same time approximately 85% of global emissions currently are not priced and 75% of the priced emissions are priced below US\$10 per tonne of CO<sub>2</sub>. The pace and scale of greenhouse gas reductions that are needed may need to be complemented by global policies which address the shortcomings.

As financial markets price in climate risk, all companies must focus on their direct and indirect emissions in order to contribute to positive change.

## Climate Risk Management

NIBC has a risk management approach in place with regard to ESG risks, including climate risk. This is supported by management and 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)*



The image above provides a snapshot of our current assessment of the time-base likelihood of climate risks, based on our lending and investment portfolio as of year-end 2020.

As stated in our sustainability policies and Sustainability Report, NIBC avoids lending or investing in a number of activities. As part of our climate adaptation strategy, we exclude many of the activities which likely contribute to increased climate risks, including coal-fired power, extreme fossil fuels ( tar sands, fracking and liquefied coal ), and activities linked to deforestation. We have also responsibly decreased other fossil fuel exposures while supporting infrastructure and offshore services companies to transition to renewables. Total exposure to NACE category B was 40% lower than at year-end 2019 (2020: 458 mln; 2019:757 mln) with a similar reduction in estimated emissions.

To date none of NIBC's corporate clients are known by NIBC to have published a TCFD report or equivalent which explicitly mention climate risk. This is not surprising since most are unlisted mid-sized corporates which have limited sustainability reporting. In cases where sustainability reporting was available, it was largely hygienic and didn't provide much in terms of indepth risk insights. We expect these reporting practices will change in the coming years with the introduction of the recent changes to the NFRD and other EU and national reporting requirements.

Most public research to date has been done on large-cap listed multinationals and listed companies. No significant publicly-available studies have been done on unlisted and mid-sized companies, nor are independent ESG ratings and research widely available for this segment. This is guiding our approach and where we are putting our efforts in regard to quantifying climate risk, biodiversity risk and other sustainability-related risk themes for corporates.

In July 2020, NIBC published its first TCFD climate risk report. This provided a first public view of our estimated financed emissions and was intended to provide transparency to stakeholders ahead of EU NFRD disclosure requirements. We are continuing to build on this work.

NIBC has developed experimental tools in our Innovation Lab. We used these tools to analyse the public reports, websites and policies of corporate clients and listed small cap corporates in north west Europe. We also analysed midcaps and large caps active in our sectors of interest. We searched for mentions of physical and transition climate risks, biodiversity risks, and other environmental risks to enhance our understanding in each sector activity. We looked for public policy commitments and other evidence of actions taken by corporates to align with Paris targets. We also looked for mentions of climate, biodiversity and environmental risks related to corporate supply chains.

## NIBC views climate risks and other sustainability risks as potential drivers of financial risk

### 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. For NIBC, we currently assess physical climate risk to be a medium to long term financial risk as related to our corporate and retail clients.

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 land subsidence, damage to wooden pilings used as foundations or may be in the form of floods. If flood risk materialises, the impacts will most likely be inland along rivers and near weakened dikes and as a result of extreme weather. The Netherlands has had a national action plan in place<sup>38</sup> to help address and mitigate these risks at the national level. We expect the plan to be renewed during 2021.

We have made some progress to develop tools to analyse certain portfolios for potential water impacts. A premise is that land subsidence may represent a growing physical risk in the medium term to real estate and certain types of infrastructure. Land subsidence typically occurs in low-lying delta areas with dense populations and high levels of groundwater withdrawal<sup>39</sup>. The Netherlands has been identified as one of the geographies with increased risk. This may be caused by drought or may be human-induced, for instance by extraction of water for agriculture. NIBC gathered initial data in Q4 2020 and Q1 2021 and is currently being analysed. It is too early to say that we have quantified these risks, but we are taking steps to collect data and making progress toward risk quantification.

We have not yet seen significant physical risk impacts on corporate clients' 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. At the same

<sup>38</sup> National Water Plan 2016-2021, <https://www.government.nl/documents/policy-notes/2015/12/14/national-water-plan-2016-2021>

<sup>39</sup> Mapping the global threat of land subsidence <https://science.sciencemag.org/cgi/doi/10.1126/science.abb8549>

time our corporate clients are increasingly aware of these risks and are developing climate adaptation 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. Most of our corporate portfolio has a facility end date of 2027 or sooner. Many of these will be repaid or refinanced even sooner. This should allow us to adjust the portfolio and our risk appetite ahead of any significant financial implications. It is well understood that regardless we should continue to try to influence positive outcomes in the longer term to the extent that we can.

Water scarcity is considered a risk, though the financial impact may only be seen in the medium to long term. Across our portfolio we recognise the use of water in greenhouse agriculture and the use of water in manufacturing processes. In both of these situations, it is more likely to be passed on by producers in terms of the cost of goods for consumers.

### Transitional Climate Risks

Transitional climate risks related to our portfolios are increasing in likelihood and may materialize in the medium to long-term.

Transitional climate risk related to regulation continues to increase. During 2020 the sheer velocity and volume of regulatory change related to climate aspects was very high. Recent regulatory developments lack consideration in regard to proportionality for non-listed companies and non-multinationals. This would be a resource, expertise and data challenge for mid-sized and smaller companies in normal times. This risk may be exacerbated due to the consequences of the pandemic.

For NIBC retail clients, the main transitional climate risks are related to energy use and efficiency. NIBC is able to gather and report energy label data for its retail portfolio, but transition risks remain a challenge to quantify. But there are data challenges beyond this in part due to GDPR. If they become available energy use, energy cost and other factors that could be used to assess LTI, VAR, PD and LGD. Housing demand data suggests that there will likely continue to be high demand for residential real estate across all energy labels for the foreseeable future.

Transitional climate risks are highly interconnected with other sustainability and financial risk categories. For example, retail clients employed in fossil fuel-related activities may face social impacts such as job loss. Reports suggest that for every worker employed in the fossil fuel sector in the Rotterdam harbor area, as many as six additional jobs are involved in support services, logistics and distribution across the Netherlands. If the transition is well-organised at the national level, these risks can be minimized. The main risk to NIBC is where the transition measures are implemented without consideration for societal impacts, therefore resulting in disruptions. For example if carbon pricing were introduced, it would impact those who can typically least afford energy efficiency upgrades, such as starters and the elderly.

In our Energy portfolio, we aim to mitigate climate risk including energy transition risk by responsibly reducing our exposure and by continuing to support offshore energy services companies which have a transition ambitions towards other services such as renewables and decommissioning. As reported in our 2020 year end figures, we have decreased our exposures in Energy by about 50% since year end 2018. This decreases the likelihood of stranded assets as a credit or valuation risks which may materialise in the longer term. Environmental risks and human risks are often intertwined. Our approach should help to reduce potential human rights risks (unemployment, safety) which may occur if the transition for mid-sized energy service companies is not well-supported.

Climate transition related litigation risk is not zero but it likely has been mitigated by the preemptive actions which NIBC has already taken in relation to our portfolio exposures mentioned above. NIBC's policy approach to



avoid “extreme fossil fuels” such as tar sands, coal and lignite, or shale and our efforts to provide transparent reporting also are seen as mitigants. Litigation impacts to the financial sector have been highest in relation to involvement in financings of extreme fossil fuel exploration and production, greenwashing and duty of care. Any legal actions will most likely target the largest multinational producers, a segment where NIBC has not been active, the largest financiers, and those whose marketing is greater than their actions. According to *climatecasechart.com*, there have been 44 legal cases to date brought against corporates outside of the US. Of these the one case involving a Dutch financial institution was resolved through remediation.

The energy transition will ultimately impact oil demand as the transition takes hold. Around 1/3 of global oil demand is related to use as a refined fuel for cars and trucks. Transport overall accounts for about 60% of global oil demand according to the IEA<sup>40</sup>. Regulation is stimulating a transition to electrics and hybrids in all major markets and will clearly impact consumption in this segment over time. The IEA now predicts only gradual growth in the coming years. \$40 per barrel continues to be seen as a critical price limit for offshore exploration and production. A significant amount of current global production becomes unprofitable at \$40 and financially unviable if prices fall much lower. Current industry forecasts predict pricing levels to remain above this level in the medium term. Industry bulls disagree that demand will eventually plunge due to the transition<sup>41</sup>. However the longer this remains the case, the less likely Paris Agreement targets will be achieved and the more likely that global warming will exceed 2 degrees.

LNG demand is expected to remain resilient, growing through 2035 according to a McKinsey study<sup>42</sup>. McKinsey predicts demand for gas to peak in 2037. We expect this to be an important both as a transition fuel in long-distance transport and to eliminate fossil fuel lock-ins, since it paves the way for clean hydrogen which can use some of the same distribution infrastructure.

Technology risks are the most prevalent transitional climate risk in the transportation sector and NIBC’s shipping portfolio. Improvements once a ship is built are costly, therefore the age of a vessel is a significant factor. NIBC currently applies a policy restriction based on a vessels age, set at 12 years of age or younger. The typical life of a vessel can be as much as 25-30 years, depending on the vessel type. This restriction is likely an aspect that we will revisit, since the zero-emission technologies needed for offshore shipping will likely only become commercially available in future years.

### 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.

NIBC’s primary climate-related target is Paris-aligned, client-aligned and follows the science. We aim to achieve zero greenhouse gas emissions in our lending and investment portfolio and in our operations before 2050. A second goal is to achieve substantial reductions to the extent that this is possible by 2030. Our 2030 target is aligned to the Dutch ambition of a 49% reduction and the revised European target of a 55% reduction. We aim to do our part to keep global warming below 1.5 degrees and together with our clients we are taking the practical steps necessary in support of this goal.

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.

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<sup>40</sup> <https://www.iea.org/articles/global-energy-review-co2-emissions-in-2020>

<sup>41</sup> <https://oilprice.com/Energy/Crude-Oil/Argus-Oil-Demand-Will-Not-Plunge-Because-Of-The-Energy-Transition.html>

<sup>42</sup> <https://www.mckinsey.com/industries/oil-and-gas/our-insights/global-gas-outlook-to-2050#>

## 2020 Emissions Performance Indicators

The GHG Protocol Corporate Standard<sup>43</sup> classifies a company's GHG emissions into three 'scopes'.

- Scope 1 (GRI 305-1) covers direct emissions related to energy consumption for owned and leased offices;
- 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, waste) for our operations, as well as emissions related to NIBC's financings and investments. We have also including estimated emissions related to our financings and investments in these figures.

### 2020 NIBC Emissions: Summary by Scope

	2020	2019	2018	Unit
Scope 1: direct emissions - energy	197	170	416	tCO <sub>2</sub> e
Scope 2: indirect emissions- purchased electricity	0	0	0	tCO <sub>2</sub> e
Scope 3: other indirect emissions	1,033,552	1,296,023	377	tCO <sub>2</sub> e
<i>Paper, business travel, waste, other</i>	2,361	1,023	377	tCO <sub>2</sub> e
<i>Financings &amp; investments*</i>	1,031,191	1,295,000	n/r	tCO <sub>2</sub> e
<b>Total Estimated Emissions</b>	<b>1,033,749</b>	<b>1,296,193</b>	<b>793</b>	<b>tCO<sub>2</sub>e</b>

\* 2018 totals exclude NIBC's financed emissions

The main differences between 2020 and 2019 are related to the use of the latest available emissions data from CBS (Dutch national accounts) and changes to the composition of NIBC's balance sheet.

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

	2020	2019	2018	Unit
NIBC balance sheet	21,055	22,375	21,550	EUR mln
Total estimated tCO <sub>2</sub> e per mln NIBC balance sheet	49.98	57.93	n/a	n/a
Total estimated tCO <sub>2</sub> e per FTE	1,424	1,823	n/a	n/a

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 and Scope 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.

<sup>43</sup> Greenhouse Gas Protocol <https://ghgprotocol.org/>

Although the majority of waste produced at NIBC offices is recycled, we have increased the estimates for emissions related to waste in our 2020 Scope 3 emissions. This change has been made in accordance with the precautionary principle under the GHG protocol.

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 published Scope 3 emissions estimates for our financings for the first time in 2019, which is the main difference compared to 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.

As stated in previous years, 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.

In terms of data quality, we believe our calculations are overall be between 3 and 4 on the PCAF scale of data quality for estimated finance emissions. Transparency and comparability are among our goals among the institutions within PCAF. Methods and sources are mentioned throughout this report in order that interested stakeholders can also take their own view. We endeavor to continue to improve upon this in order to bring our emissions reporting and evidencing to an auditable level. In line with growing expectations, we anticipate having our emissions estimates assured by an independent second party in the coming years.

### Carbon Neutral in own operations

A core sustainability 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. NIBC itself occupies only about 54% of the total office space at our headquarters location in the Hague, implying that we are purchasing substantially more (nearly double) than the actual offsets needed for our office facilities.

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 Estimated Financed Emissions

The overview above provides estimated emissions for 85% of NIBC’s balance sheet total<sup>44</sup> as reported in the 2020 Annual Report of NIBC Holding NV. From 2019, we have included these financed emissions estimates in our Scope 3 emissions reporting.

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<sup>44</sup> 2020 NIBC Holding NV Annual Report, p14

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	2020	2019	2018	2010	unit
Retail real estate portfolio	193	239	n/a	n/a	tCO <sub>2</sub> e thnds
Commercial real estate emissions	n/a	n/a	n/a	n/a	tCO <sub>2</sub> e thnds
Corporate client emissions	612	830	891	1,289	tCO <sub>2</sub> e thnds
<b>Total estimated emissions</b>	<b>1,033</b>	<b>1,295</b>	<b>891</b>	<b>1,289</b>	<b>tCO<sub>2</sub>e thnds</b>
% of NIBC total exposures included in emissions estimate	85%	84%	40%	51%	

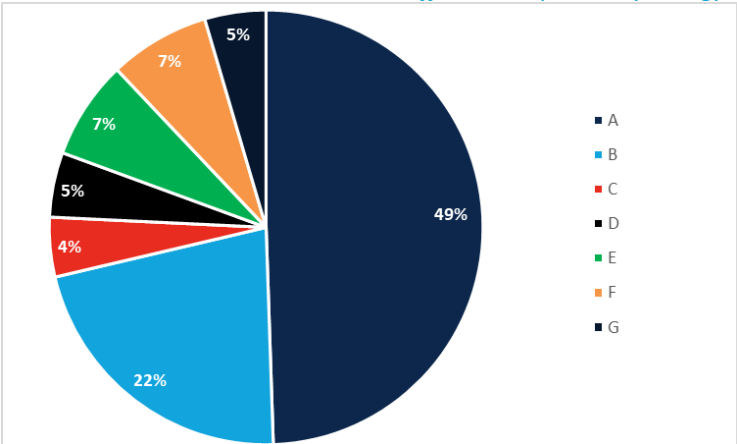
Following the precautionary principle, our Scope 3 totals include an extra factor for emissions that we can not yet estimate. For 2020 and 2019, this extra factor was an additional 228,000 tonnes tCO<sub>2</sub>e of indirect emissions. This was about 17% of total emissions reported for 2019 and we decided to leave it unchanged at 228,000 for 2020. Avoided emissions have not been deducted from any of the estimates reported above.

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. Financed equipment leases are also not yet included. In total, these represent about 8% of NIBC’s balance sheet exposures. Therefore the emissions estimates cover about 92% of our total exposures.

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**

*Commercial Real Estate, Commercial Offices, % exposure by energy label, year end 2020 \**



\* includes both NIBC and Oimio

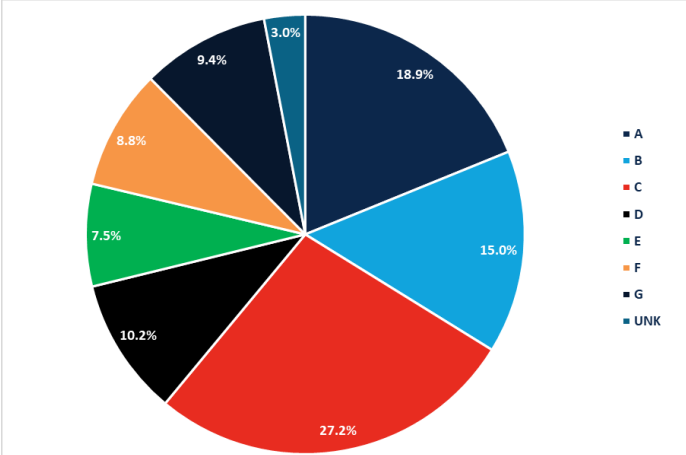
In Commercial Real Estate, energy labels of commercial offices are required to be C or higher in the Netherlands by 2023. NIBC has already achieved this for about 76% of the collateral which have an energy label in our CRE office portfolio.

Across our full CRE portfolio, about 42% of collateral objects have label A, B or C. 13% have label D, E, or F. Finally 14% are not yet known or are currently in development and 32% are ineligible.

One impact of the pandemic is that working from home is expected to be a lasting trend, therefore less single business office space may be needed. This may increase activity in terms of transformations, increasing the number of mixed use developments including shared office spaces. Many transformations also allocate budget for sustainability upgrades as part of the financial plans, so this may be part of a green recovery.

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.

*Retail Real Estate % exposure by energy label, year end 2020*



As of year end 2020, 61% of NIBC’s retail mortgage portfolio (excluding Buy-to Let) had an energy label of A, B or C, 36% had a label D, E, F or G. Quality of the data was good, as a 97% match with Calcasa data was achieved, only 3% remain unknown including monuments. This includes both on balance sheet and off balance sheet exposures. 2020 data for buy-to-let portfolios involving multiple collateral properties under the same lending facility were being still verified therefore have been excluded from this view for the time being.

Retail real estate emissions were 198 tonnes CO2e, a decrease of 17% from figures reported for 2019. The decrease reflects improved energy efficiency and increased sourcing of renewables for electricity in the Netherlands in the latest national figures.

NIBC has looked at WOZ values to evidence if valuations are being impacted by energy labels. For example if a lower energy label results in a reduced valuation. To date the results are inconclusive. While no such correlation has been identified so far, we are continuing to test different hypotheses across available datapoints and as more data becomes available.

## Corporate Portfolio

### 2020 Estimated GHG emissions related to NIBC Corporate Loans and Investment Loans

*excludes Commercial Real Estate, Financial Services and Govt*

NACE Sector Category	Total Exposure	Total GHG emissions In tCO2e	tCO2	tCH4	tN2O
A Agriculture, forestry and fishing	114,236,112	91,591	31,690	1,608	64
B Mining and quarrying	456,911,630	36,711	29,398	286	-
C Manufacturing	808,625,639	35,904	33,953	11	3
D Electricity and gas supply	165,181,586	84,129	83,736	8	1
E Water supply and waste mgmt	79,739,268	43,401	41,616	24	4
F Construction	453,419,682	12,798	12,281	0	0
G Wholesale and retail trade	429,867,352	3,113	3,018	0	0
H Transportation and storage	1,042,326,714	136,340	134,321	4	5
I Accommodation and food serving	104,105,058	3,218	2,945	1	-
J Information and communication	648,240,098	587	581	-	-
M Other specialised business services	30,191,212	119	118	0	-
N Renting and other business support	582,380,988	10,053	9,966	1	0
O Public administration and services	153,473,059	100,265	86,595	475	6
P Education	282,343,389	27,890	27,696	5	-
Q Health and social work activities	364,728,257	25,221	24,192	5	-
R Culture, sports and recreation	23,929,977	715	711	0	-
S, Other Service Activities	5,898,164	297	295	0	-
<b>Total</b>	<b>5,745,598,186</b>	<b>612,351</b>	<b>523,112</b>	<b>2,429</b>	<b>84</b>

To generate these estimates, NIBC has used Dutch national sectoral emissions<sup>45</sup> and financial balances<sup>46</sup> figures to calculate an emissions factor which we use 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 CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O individually to provide additional clarity for stakeholders. These are brought together in the total greenhouse gas (CO<sub>2</sub> equivalent) total which is shown. NIBC uses these factors with the exposure figures as reported in our 2019 Annual Report to calculate financed emissions.

<sup>45</sup> CBS statline, as of 20 November 2020 <https://opendata.cbs.nl/statline/#/CBS/en/dataset/83300ENG/table?ts=1625835015576>

<sup>46</sup> CBS statline as of 31 March 2021: <https://opendata.cbs.nl/#/CBS/nl/dataset/81837NED/table?ts=1625846266492>

The latest emissions factors which have been published are for 2019. Therefore we have used these 2019 factors to provide estimates for 2020. We may update these figures as newer or more accurate emissions data becomes available.

Compared to 2019 reported corporate portfolio figures (2019 NIBC TCFD Report), total CO<sub>2</sub>e decreased by about 17% from 2019 to 2019 (2020: 612,351 tonnes CO<sub>2</sub>e; 2019: 830,625 tonnes CO<sub>2</sub>e). This was a greater reduction than we had anticipated and is due to changes in the composition of NIBC's portfolio as well as overall increased efficiencies in the factors reported for the Dutch economy that were used.

It is very 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 probably most relevant for NIBC's activities in Offshore Energy, Transportation, and Technology. NIBC's emissions related to power generation ( NACE category D ) are likely overstated using this methodology, since the portfolio is focused on renewables.

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 methodologies and our reported figures accordingly.

### 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, private debt, and certain types of lease financings including leasing receivables. 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 before 2050. We expect our progress may flatten during the next few years, particularly if our portfolio grows. If NIBC continues to make reasonable progress, a 60-65% reduction in our financed corporate portfolio emissions from baseline year 2010 may be achieved as of 2030, an 80% reduction as of 2040, and net zero emissions may be achieved in 2047-48. We provide further insights in regard to portfolio emissions over time in our TCFD Report

While this is positive and shows a clear emissions reduction pathway aligned to Paris, 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, technology advancements, and changes in consumption patterns in addition to the actions NIBC itself takes. A linear projection based on the 2010-2020 emission reduction figures would bring NIBC's pathway to zero emissions well forward but seems highly unrealistic. Our emission projections also do not factor in any growth in our balance sheet. The last 30% of emissions reductions will likely be the most difficult to achieve. We also recognise the need to mitigate and avoid unintended social impacts during the transition.



In their World Energy Outlook 2019 <sup>47</sup>, the IEA estimated that demand for fossil fuels will peak and flatten in the 2030's. In their latest analyses <sup>48</sup>, the direction has shifted somewhat, rising until 2026 and flattening thereafter. The change is largely dependent on governmental actions, including the EU's progressive approach to cutting greenhouse gas emissions. They also anticipate meaningful CO2 emission reductions only from 2030. We are well aware that globally, emissions are continuing to rise in the short to medium term. This only increases the urgency for NIBC and other financial institutions 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.

Improvements in NIBC's operational emissions are part of an Environmental Management System led by NIBC's talented 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 ongoing costs).

**NIBC locations, energy label and source**

Location	Energy Label	Electricity Source	Size (sqm)	Status
The Hague	A	Wind	24,513	Owned
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	28,808	

Most office facilities used by NIBC have energy efficiency labels or ratings assigned that we can monitor. NIBC's office in the Hague occupied by NIBC Bank is easily the most material space occupied by any subsidiary of NIBC Holding. During 2020 NIBC discontinued its use of a leased office in Amsterdam, decreasing our total office footprint by 1200 sqm compared to 2019.

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.

<sup>47</sup> International Energy Agency World Energy Outlook 2019 <https://www.iea.org/reports/world-energy-outlook-2019>  
<sup>48</sup> International Energy Agency World Energy Outlook 2020 <https://www.iea.org/reports/world-energy-outlook-2020>

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

### Electricity

	2020	2019	2018	Unit
Fossil Fuel Electricity	0	0	0	kWh
Renewable Electricity	2,813,065	3,523,194	3,380,124	kWh
% Renewable Electricity	100%	100%	100%	kWh
Intensity: kWh per sqm	97.67	118.8	115.6	
Intensity: kWh per FTE	3,875	4,955	4,893	

Our 2020 electricity consumption total is about 15% higher than our baseline 2012 figures for electricity of 2,448,824 kWh, but a 20% reduction from 2019. In 2012, 0% was sourced by NIBC from renewables.

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 and have made conservative assumptions on usage in leased locations. Leased locations are about 15% of our total office space.

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 by other occupants including the civil society organisations operating in the NIBC NGO Boulevard, the Zone and commercial tenants. This means that about 46% of the energy usage at our location in the Hague is related to NIBC's operations even though 100% is allocated to NIBC in our reporting. This also means the other occupants are also benefitting from NIBC's responsible sourcing and investments in energy efficiency.

### Heating and Cooling

	2020	2019	2018	Unit
Gas	66,613	59,679	100,700	m3
Calculated CO2 for heating/cooling	197	163	275	tCO <sub>2</sub> e
Intensity: m3 per sqm	2.3	2.0	3.4	
Intensity: m3 per FTE	91.75	83.9	144.9	

To further reduce greenhouse gas emissions related to heating and cooling, a groundwater heating and cooling system is in operation and substantial renovations continue to be made at our headquarters in the Hague. The groundwater system makes use of the water 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 building 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.

Our facility in the Hague is more than 85% 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. CO2 has been calculated using a calculator provided by Carbon Neutral Group. Although the total usage of gas decreased, the carbon intensity increased according to CNG’s figures. Regardless the decrease in gas for heating and cooling is a 57% reduction from our 2017 baseline figure of 156,567 m3.

From time to time, NIBC optimises the groundwater system at its offices in the Hague. Typically this also involves a second party independent energy audit to help us prioritise where and when to make further improvements. 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 supplement earlier steps such as our green roof and shading.

These actions allowed NIBC to reduce its dependency on gas for heating and cooling despite the increase in extreme temperatures. 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**

	2020	2019	2018	Unit
Water usage <sup>3</sup>	1,158	6,925	3,018	m3
Water source	Municipal mains	Municipal mains	Municipal mains	
Intensity: m3 per sqm	0.04	0.23	0.10	
Intensity: m3 per FTE	1.6	9.7	4.3	

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

During 2020, water usage decreased 83%. We believe the decrease is related to lower usage of NIBC facilities due to the pandemic.

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 decrease in usage is likely due to decreased occupancy due to the pandemic.

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. In most years employees receive a regular update on the amount of paper used for printing and copying and were encouraged to further reduce the amount of paper. During 2020 this was

continued through Q1, but not deemed as necessary for the remainder of the year since most employees were working from home.

	2020	2019	2018	Unit
Standard office paper	0	0	0	kg
Responsibly sourced office paper	1,238	5,103	7,319	kg
% from responsible sources	100%	100%	100%	
Intensity: kg per FTE	1.7	8.1	10.5	

In 2020 total paper usage decreased about 76% from 2019. This change is due both to employee awareness and the pandemic. Our 2020 totals also represent an 95% reduction since a baseline year of 2012. In 2012, NIBC’s paper usage totaled 25,855 kg of standard office paper, 0kg of recycled office paper.

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 <sup>49</sup>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.

	2020	2019	2018	Unit
Paper & cardboard	22,214	52,681	84,592	kg
Plastics	912	5,558	4,417	kg
Glass	350	963	868	kg
Other waste	19,320	48,977	60,709	kg
Total	42,796	108,178	150,586	kg
Waste intensity kg per FTE	58.95	152.1	216.7	

Total waste for 2020 represented a 60% reduction from 2019. This reduction was due to lower use of NIBC’s facilities due to the pandemic.

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 conservative estimates for leased locations.

<sup>49</sup> WWF – What is FSC certification and is it working <https://www.worldwildlife.org/stories/what-is-fsc-certification-and-is-it-working>

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

	2020	2019	2018	Unit
Car	94	499	340	tCO <sub>2</sub> e
Air	47	358	213	tCO <sub>2</sub> e
Public Transport (train / tram /bus)	34	59	13	tCO <sub>2</sub> e
Bicycle / Walk	0	0	0	tCO <sub>2</sub> e
Total	175	972	784	tCO <sub>2</sub> e
Travel intensity tCO <sub>2</sub> e per FTE	0.2	1.3	0.7	

Emissions figures for car and air travel are provided by our travel partners. We are currently able to capture and report business travel figures only for NIBC Bank. For both car travel and air travel, total travel significantly decreased compared to prior years. No deductions were made in our calculations for private use of leased cars.

NIBC calculates estimates for public transport. Public transportation providers such as NS in the Netherlands and Deutsche Bahn in Germany increasingly source green electricity and focus on circular business operations.

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.

## UN PRB Disclosure Index

### Principles for Responsible Banking

The Principles for Responsible Banking (UN PRB) are an international framework that embeds sustainability at the strategic, portfolio and transactional levels and across all business areas. Although NIBC is not a signatory of PRB, we offer this UN PRB disclosure for interested stakeholders.

Principle	Self Assessment	Disclosure References
<p><b>Principle 1: Alignment</b></p> <p>NIBC will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 Business Model Description</p>	<p>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 or corporate current accounts.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p5-7</li> <li>• NIBC Sustainability Report, p5-6</li> <li>• NIBC GRI Content Index, p2-3</li> </ul>
<p>1.2 Business Strategy Alignment</p>	<p>Sustainability is a core part of our business strategy. Responsible business frameworks such as the UN Global Compact, SDGs, and Paris Climate Agreement are embedded in our sustainability policies, guide our decisioning processes and are described in our management reporting.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p23,25,60</li> <li>• NIBC Sustainability Report, p13-14</li> </ul> <p><u>Website:</u></p> <ul style="list-style-type: none"> <li>• NIBC Sustainability Framework</li> <li>• NIBC Sustainability Policies</li> </ul>
<p><b>Principle 2: Impact and Target Setting</b></p> <p>NIBC will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis</p>	<p>NIBC summarises its material environmental impacts and salient human rights impacts in its Annual Report. This includes physical and transition climate risks and potential developments. Further details are disclosed in our Sustainability Report TCFD Report and Modern Slavery Statement.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p62-64</li> <li>• NIBC Sustainability Report</li> <li>• NIBC Modern Slavery Statement</li> <li>• NIBC TCFD Report</li> </ul>
<p>2.2 Target Setting</p>	<p>Quantitative targets are set where possible and practical for our most material aspects. Otherwise qualitative descriptions are provided which demonstrate our commitment and progress. For example, NIBC has a net zero emissions before 2050 target for its financings and operations.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report</li> <li>• NIBC Sustainability Report</li> <li>• NIBC TCFD Report</li> </ul>
<p>2.3 Plan or Target Implementation &amp; Monitoring</p>	<p>Current targets are monitored internally on a regular basis and reported annually in our disclosures. Where possible, these are aligned to international reporting standards.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report</li> <li>• NIBC Sustainability Report</li> <li>• NIBC TCFD Report</li> <li>• NIBC GRI Content Index</li> </ul>

Principle	Self Assessment	Disclosure References
2.4 Progress on Implementing Targets	<p>Additional efforts to develop new monitoring tools and potentially implement additional targets are also described.</p> <p>NIBC monitors its progress on the implementation of targets on a regular basis. Efforts are well-described in our disclosures.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report</li> <li>• NIBC Sustainability Report</li> <li>• NIBC 2020 TCFD Report</li> <li>• NIBC GRI Content Index</li> </ul>
<p><b>Principle 3: Clients and customers</b></p> <p>NIBC will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
3.1 Policies and practices to ensure sustainable and responsible relationships with clients and customers	<p>Our day-to-day business decisions and interactions with clients are guided by established principles and policies set out in our Code of Conduct, Business Principles, Corporate Values, Compliance Framework and Sustainability Framework. These documents are available on our website. For many years, we have steadily developed our sustainability agenda in close consultation with our stakeholders.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p62-63</li> <li>• NIBC Sustainability Report, p24-25</li> <li>• NIBC Code of Conduct</li> <li>• NIBC Sustainability Policies</li> </ul>
3.2 How sustainable practices are encouraged with clients and customers to enable economic activities that create shared prosperity	<p>During 2020, NIBC launched a new mortgage label focused on sustainability, Lot Hypotheken. NIBC brought the first CLO which is fully compliant with best ESG practices to the market. In addition, we developed a new Green Bond Framework.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p60, 68-69</li> <li>• NIBC Sustainability Report, p27-28</li> </ul> <p><u>Website</u></p> <ul style="list-style-type: none"> <li>• NIBC Sustainable Finance Framework</li> <li>• NIBC Green Bond Framework</li> </ul>
<p><b>Principle 4: Stakeholders</b></p> <p>NIBC will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
4.1 Stakeholder engagements and partnerships	<p>Engaging with stakeholders in a proactive way and on a continuous basis is central to our strategy and ambition to achieve sustainable growth. We define stakeholders as any group or individual affected directly or indirectly by our activities.</p> <p>We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations.</p> <p>NIBC is committed to raise awareness about environmental issues, human rights and responsible business conduct with our stakeholders.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p65-67</li> <li>• NIBC Materiality Assessment</li> <li>• NIBC Sustainability Report, p10-11</li> </ul>
<p><b>Principle 5: Governance and Culture</b></p> <p>NIBC will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>		
5.1 Governance Structure	<p>Our Code of Conduct, corporate governance and sustainability governance provide a strong foundation for effective governance. Our mantra is "to do as we say we will". This means being</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p61-62</li> <li>• NIBC Sustainability Report, p14-16</li> <li>• NIBC TCFD Report, p1-3</li> </ul>



Principle	Self Assessment	Disclosure References
5.2 Initiatives and Measures	<p>accountable, getting the basics right and adhering to best practices in corporate governance, compliance and ESG. In turn this approach forces us to carefully consider our corporate commitments and to avoid overstating our achievements.</p> <p>During 2020 we reviewed all of our sustainability policies, updating where necessary to reflect improvements, best practices and relevant societal developments. All new employees of NIBC Bank are informed of our approach to sustainability as part of employee introduction sessions. These sessions include reflections on current topics in the world around us such as climate risks, modern slavery, money laundering, whistleblowing and ethical business conduct.</p> <p>Other subsidiaries of NIBC Holding have adopted the compliance policies and sustainability policies developed for NIBC Bank, adapted these to their businesses and applied these in their operations and client interactions.</p>	<ul style="list-style-type: none"> <li>• NIBC Code of Conduct</li> <li>• NIBC Sustainability Policies</li> <li>• 2020 NIBC Holding Annual Report, p61-62</li> <li>• NIBC Sustainability Report, p18,24,35</li> <li>• NIBC TCFD Report</li> </ul>
5.3 Governance structure for implementation of the principles	<p>NIBC's sustainability governance and corporate governance structure are well aligned to the implementation of the Frameworks which guide us.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report, p61-62</li> <li>• NIBC Sustainability Report, p16-18</li> <li>• NIBC TCFD Report</li> </ul>
<p><b>Principle 6: Transparency and Accountability</b></p> <p>NIBC will periodically review our individual and collective implementation of these Principles and be transparent about and a accountable for our positive and negative impacts and our contribution to society's goals.</p>		
6.1 Progress on implementing the Principles for Responsible Banking	<p>This is the first disclosure index for UN PRB that NIBC has published.</p> <p>At the same time, most of the elements required for PRB have already been in place for a number of years at NIBC and disclosed in our Annual Reports, Sustainability Reports and other disclosures.</p>	<ul style="list-style-type: none"> <li>• 2020 NIBC Holding Annual Report</li> <li>• NIBC Sustainability Report</li> <li>• NIBC TCFD Report</li> </ul>

### Cautionary statement

The figures presented in this report are unaudited. Most are estimates and apply 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.

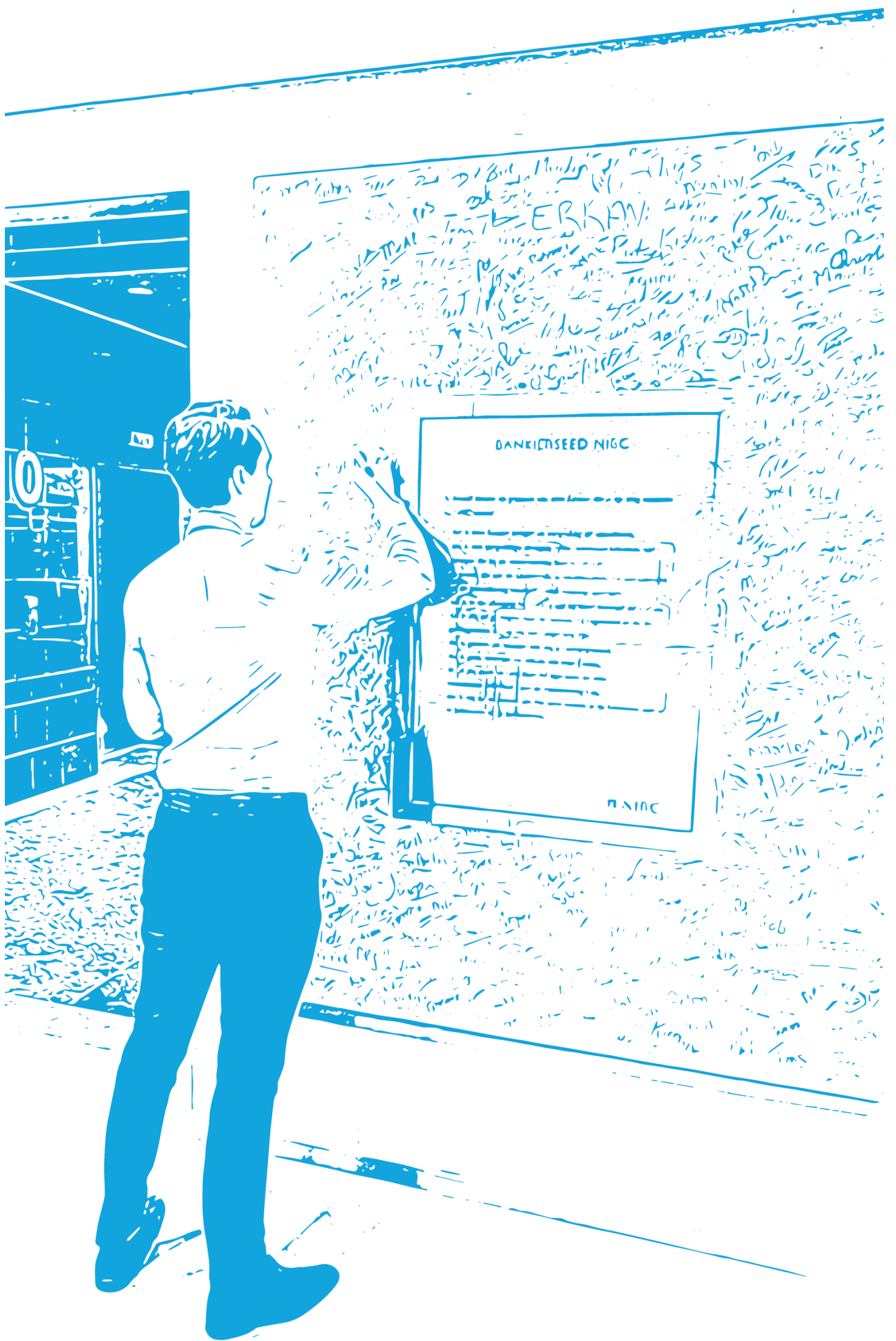
The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers, employees 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 this Sustainability Report from our stakeholders. We intend to further improve and strengthen our sustainability-related 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](mailto:csr@nibc.com)



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