

NIBC 2018 EQUATOR PRINCIPLES REPORT

April 2019

For the period | January 2018 to 31 December 2018

About The 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.

Equator Principles and NIBC

NIBC is one of 94 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, 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.

We provide advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany, Belgium and the United Kingdom. We focus on sectors where we have strong knowledge and expertise. These include Financial Sponsors, Fintech, Infrastructure, Life Sciences, Mid-Market Corporates, Real Estate and Technology. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy and Transportation.

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

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

Equator Principles Data Report

NIBC applies the EPs to all Project Finance transactions, including project finance advisory transactions. Since 1 January 2014, NIBC has applied EP III. Our 2018 report is based on the EP III reporting standards. Statements in our Annual Report further mention NIBC's commitment to the Equator Principles and sustainable business.

In 2018, NIBC closed 5 project finance transactions that fell within scope of EP. All transactions were category C projects in the Netherlands and Germany in the infrastructure and real estate sectors.

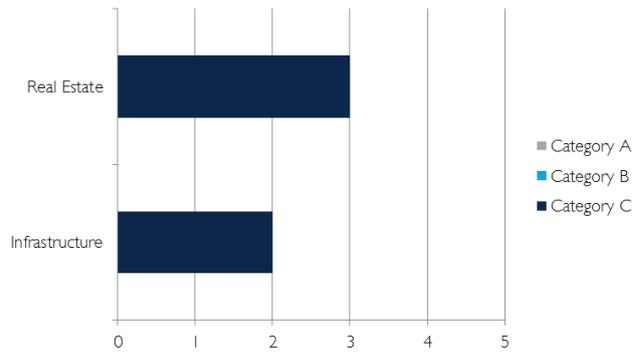
Equator Principle Transactions by Country, 2018

Country	Total
Netherlands	4
Germany	1
Total	5



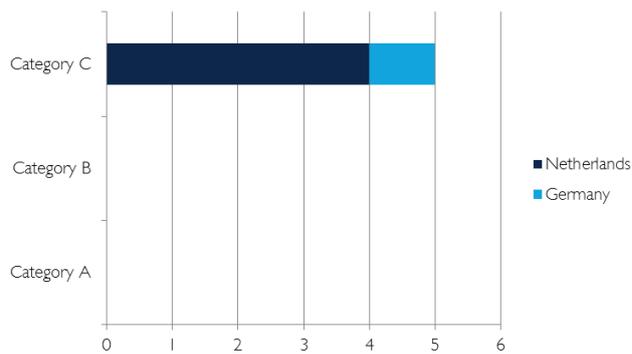
Equator Principle Transactions by Sector and Category, 2018

Sector	Category A	Category B	Category C	Total
Infrastructure	0	0	2	2
Real Estate	0	0	3	3
Total	0	0	5	5



Equator Principle Transactions by Country and Category, 2018

Country	Category A	Category B	Category C	Total
Netherlands	0	0	4	4
Germany	0	0	1	1
Total	0	0	5	5



Further information is available online at equator-principles.com/index.php/members-reporting

Projects reported 2018

In accordance with our commitments under the Equator Principles, NIBC voluntarily reports project finance transactions for which we have received client consent for disclosure. These projects are also disclosed publicly on the EP website. NIBC did not receive client consent for two transactions.

No.	Project Name	EP Sector	Country	Financial Close	EP Category
1	Dutch Datacenter Development	Infrastructure	Netherlands	2018	C
2	Hofplein NewCo	Others (Real Estate)	Netherlands	2018	C
3	Project Westfields	Others (Real Estate)	Netherlands	2018	C
4	Undisclosed at client request	Infrastructure	Germany	2018	C
5	Undisclosed at client request	Others (Real Estate)	Netherlands	2018	C

Comparison to Prior Years

NIBC reported 5 EP-qualifying project finance transactions which reached financial close in 2018. NIBC reported 7 transactions for 2017, and 2 transactions for 2016.

Sustainable Development Goals

The five project financings which qualified under the EP guidelines during 2018 and mentioned in this report also support SDG8 Decent Jobs and Economic Growth, SDG 9, Industry, Innovation, and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, and SDG 13 Climate Action.



In support of the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and our communities' transition toward a more sustainable future, NIBC also provided loans, investments and other financial services to the infrastructure, renewable energy, food & agri, recycling, healthcare, and real estate sectors during 2018. However, some of these financings did not meet the necessary criteria for this report (see below) as defined by the EPs.

Excluded Activities

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

In practice during 2018 NIBC did not provide corporate loans, project financings or make other types of investments in:

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

Further,

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

Risk Assessments

In our due diligence and monitoring, transactions are assigned a sustainability rating (low, medium, high, maximum) across possible human rights, environment, and governance risk factors. In 2018, no new transactions were approved with a high or severe rating. As is mentioned in the key figures in our Annual Report, increased risks (level: medium) were identified for 25 possible clients or transactions. Our sustainability risk assessment process is further described in our Sustainability Framework.

Equator Principles Reporting Scope

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

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

Equator Principle Categories

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

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

The 10 Equator Principles in brief

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

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

NIBC's Implementation of the Equator Principles

- **Roles and responsibilities**

NIBC adopted the EPs on 9 November 2010. In line with NIBC's Know-Your-Customer process and Sustainability Policy Framework all new clients and transactions are subject to an Environment & Social risk assessment. NIBC's online sustainability toolkit supports commercial staff with assigning a category which reflects the appropriate risk of the specific project or transaction.

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

- **Equator Principles III**

Per June 2013 EP III came into effect. NIBC has taken the transition period from June until December 2013 to update internal processes and tools so we were ready to apply EPIII as from 1 January 2014. During the transition period we trained relevant staff about the changes compared to EP II. Considering the limited number of transactions that fall within scope of Equator Principles, the transition did not lead to any major issues or dilemmas.

- **2017 IMVO Covenant Dutch Banking Sector**

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

- **Human Rights and the Environment**

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

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

- **Complaints and Grievances**

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

- **Training and awareness**

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

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