

NIBC 2017 EQUATOR PRINCIPLES REPORT

01/01/2017 - 31/12/2017

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 92 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 to projects where the client will not, or is unable to, comply with the EPs.

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. These include; Food, Agri, Retail & Health; Commercial Real Estate; Industries & Manufacturing; Infrastructure & Renewables; and Technology, Media & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy and Shipping & Intermodal.

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 socially responsible manner reflecting sound human rights and environmental management practices. For further details on NIBC's sustainability framework, please [click here](#).

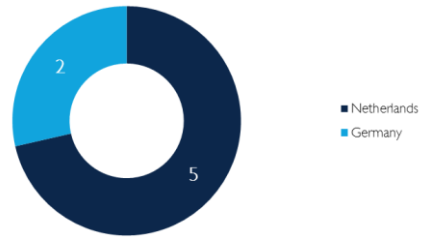
Equator Principles Data Report

NIBC applies the EPs to all Project Finance transactions, including project finance advisory transactions. Since 1 January 2014, NIBC has applied EP III. Our 2017 report is based on the EP III reporting standards. Please see our Annual Report for details.

In 2017, NIBC closed 7 project finance transactions that fell within scope of EP. All transactions were category C projects in the Netherlands and Germany in the power, infrastructure and real estate sectors.

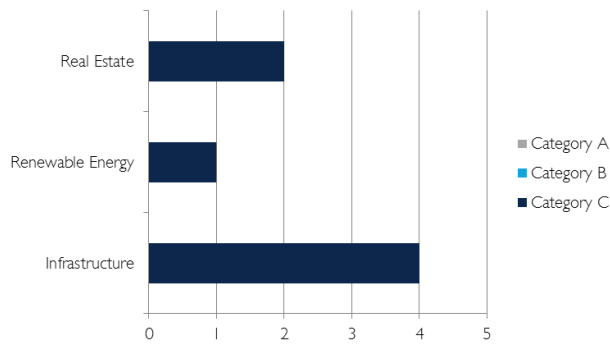
Equator Principle Transactions by Country, 2017

Country	Total
Netherlands	5
Germany	2
Total	7



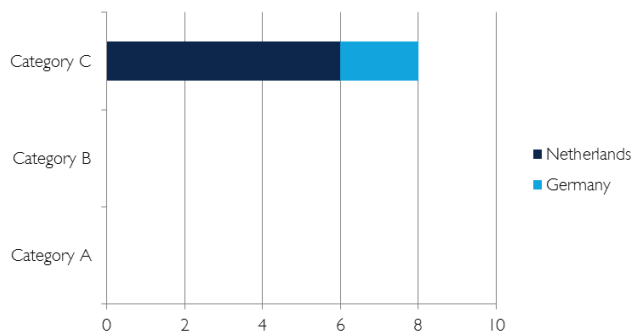
Equator Principle Transactions by Sector and Category, 2017

Sector	Category A	Category B	Category C	Total
Infrastructure	0	0	4	4
Renewable Energy	0	0	1	1
Real Estate	0	0	2	2
Total	0	0	7	7



Equator Principle Transactions by Country and Category, 2017

Country	Category A	Category B	Category C	Total
Netherlands	0	0	5	5
Germany	0	0	2	2
Total	0	0	7	7



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

Projects reported 2017

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 one transaction.

No.	Project Name	EP Sector	Country	Financial Close	EP Category
1	Windpark Schiederhof	Power (Wind)	Germany	2017	C
2	Eosta Waddinxveen	Infrastructure	Netherlands	2017	C
3	Europalaan	Others (Real Estate)	Netherlands	2017	C
4	DC Schiphol	Infrastructure	Netherlands	2017	C
5	Shipdock	Others (Real Estate)	Netherlands	2017	C
6	Zenium	Infrastructure	Germany	2017	C
7	N/A	Infrastructure	Netherlands	2017	C

Comparison to Prior Years

NIBC reported 7 EP-qualifying project finance transactions which reached financial close in 2017. NIBC reported 2 transactions for 2016 which were in scope for the EPs, 6 transactions for 2015, and 9 transactions for 2014.

Additional Information

In support of the Sustainable Development Goals (SDGs), global efforts to limit global temperature rise



to below 1.5°, and our communities' transition toward a more sustainable future, NIBC provided loans, investments and other financial services to the renewable energy, food & agri, healthcare, and real estate sectors during 2017. However, some of these financings did not meet the necessary criteria for this report (see below) as defined by the EPs.

The seven project financings which qualified under the EP guidelines during 2017 and mentioned in this report also reflect NIBC's support of SDG7 Affordable and Clean Energy, SDG8 Decent Jobs and Economic Growth, and SDG 9, Industry, Innovation, and Infrastructure.

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 2017 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) or peatlands,
- 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 2017, 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 23 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).

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

- **Free, Prior and Informed Consent**

By policy, NIBC supports free, informed and prior consent (FPIC) of communities and stakeholders that might be affected by a large scale project. This means that we ask our corporate clients to apply FPIC and avoid conflicts over land rights and acquisition of natural resources where these risks may be present. This is elaborated in our sustainability policies and is considered in our due diligence. FPIC has not been reported by stakeholders as a significant concern for any of the investments made by NIBC in recent years. At the same time we remain alert to the potential for land use, water use and community rights issues related to large-scale projects.

- **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.

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