

NIBC 2016 EQUATOR PRINCIPLES REPORT

01/01/2016 - 31/12/2016

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 only 89 Equator Principles Financial Institutions (EPFI) 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 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: Oil & Gas Services and Shipping & Intermodal.

Only a limited number of NIBC's transactions fall within the scope of Equator Principles. 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 Equator Principles. These transactions are not included in this report.

By following the Equator Principles guidelines we ensure financing for projects and assets are done in a socially responsible manner and reflect sound environmental management practices. For further details on NIBC's sustainability framework, please [click here](#).

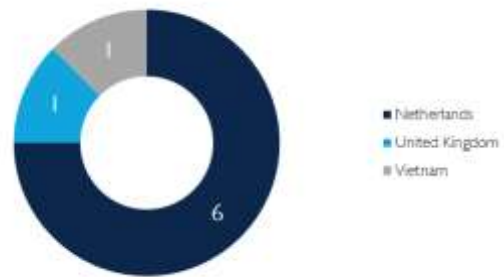
Equator Principles Data Report

NIBC applies the Equator Principles to all Project Finance transactions, including project finance advisory transactions. Since 1 January 2014, NIBC has applied EP III. Our 2016 report is based on the EP III reporting standards. We obtain external assurance on certain non-financial key indicators including the number of Equator Principle transactions. Please see our Annual Report for details.

In 2016, NIBC closed 2 project finance transactions that fell within scope of Equator Principles. Both transactions were category C projects in the Netherlands in the infrastructure sector.

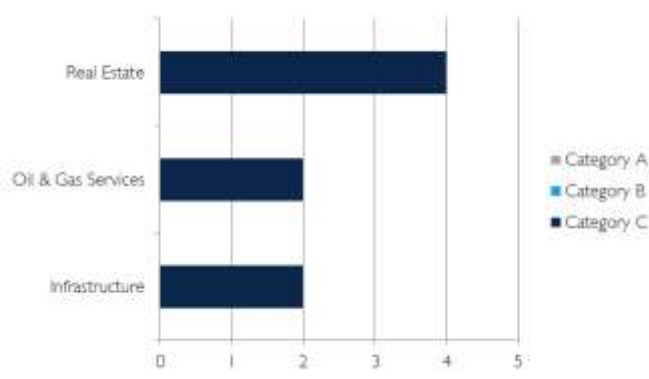
Equator Principle Transactions by Country, 2015 and 2016

Country	Total
Netherlands	6
United Kingdom	1
Vietnam	1
Total	8



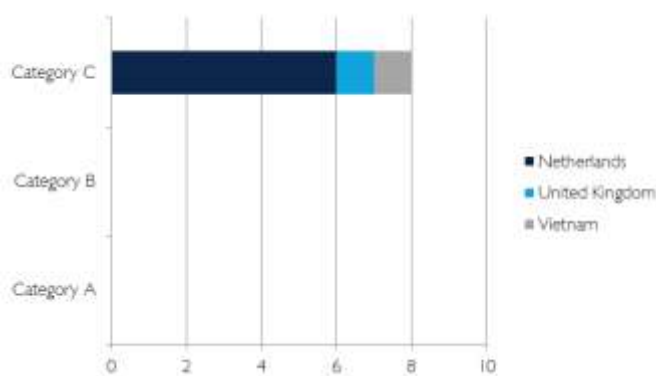
Equator Principle Transactions by Sector and Category, 2015 and 2016

Sector	Category A	Category B	Category C	Total
Infrastructure	0	0	2	2
Oil & Gas Services	0	0	2	2
Real Estate	0	0	4	4
Total	0	0	8	8



Equator Principle Transactions by Country and Category, 2015 and 2016

Country	Category A	Category B	Category C	Total
Netherlands	0	0	6	6
United Kingdom	0	0	1	1
Vietnam	0	0	1	1
Total	0	0	8	8



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

Comparison to Prior Years

By comparison, NIBC reported 6 EP project finance transactions which reached financial close in 2015. NIBC reported 9 transactions for 2014 which were in scope for the Equator Principles, 8 transactions for 2013, and 16 transactions for 2012.

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 2016. However, these financings did not meet the necessary criteria for this report (see below) as defined by the EPs.

The two infrastructure project financings which qualified under the Equator Principles guidelines during 2016 and mentioned in this report also reflect NIBC's support of SDG8 Decent Jobs and Economic Growth, and SDG 9, Industry, Innovation, and Infrastructure.

For additional clarity towards report readers, NIBC did not provide loans, project financings or make other types of investment in the forestry industry, the mining industry, large-scale water projects (such as dams or large-scale hydroelectric), coal-or lignite-fired power generation, or unconventional oil & gas projects (fracking, tar sands, shale oil & gas, and other hydrocarbon extractions) during 2016.




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 Equator Principles 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 team that supports the commercial staff in managing potential E&S risks. During 2016, the Sustainability team worked under responsibility of the Chief Risk Officer. 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.

- **EP III**

Per June 2013 Equator Principles 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.

- **2016 IMVO Covenant Dutch Banking Sector**

In November 2016, 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).

- **Training and awareness**

Following the adoption of Equator Principles in 2010 all commercial employees involved in project finance and asset finance teams received formal EP training. In 2013, all employees active in project finance as well as relevant Legal and Risk teams received Equator Principles refresher training, including an update on environmental and social standards and changes to the Equator Principles.

Throughout the year, this Sustainability Training, including EP, is also offered to new employees for whom this is relevant.

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