

NIBC ENVIRONMENT POLICY SUPPLEMENT

December 2020

Natural Capital

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. The increasing demand for - and scarcity of – natural capital may lead and has led to conflicts, political and economic instability.

Climate change

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, glaciers and snow are melting, and the sea level is rising. Humankind is pushing the planet's ecological limits and impacting our natural capital.

The global community has started to act, signing international agreements to limit greenhouse emissions with the goal of limiting global temperature rises to a maximum 2°, but preferably to less than 1.5°. Emissions reduction and climate adaptation measures will help mitigate these impacts and risks.

While climate change poses physical and transition risks, it also presents opportunities for NIBC to support clients to adapt to these changing conditions and enable transitions towards significantly reduced and preferably near-zero emissions. We believe our biggest contribution to the environment can be in supporting these green transitions.

Biodiversity

Biological diversity systems include the diversity of species, ecosystems and genetic material which are vital for economic and social development. Reports indicate that 52% of the world's wildlife have disappeared during the past 40 years and that as many as 200 species are now lost per day. Climate change, deforestation, overexploitation and pollution are accelerating the extinction of species needed to keep ecosystems in place.

Ecosystems which are species-rich are more resilient and adaptable to external stress than those in which the range of species is limited. Preservation of a wide variety of species is critical to a sustainable future.

Ecosystem services

Ecosystem services include the products and benefits that people, including businesses, derive from ecosystems (e.g. food, drinking water or carbon storage) as well as cultural services and supporting services, which are the natural processes that maintain the other services.

Ecosystem services are essential to humanity. They operate on a wide scale and are so varied and intricate that they may never be fully understood and cannot be replaced by technology.

Sustainable Development Goals and the Environment

Respecting the environment and protecting biodiversity is viewed by NIBC as the solution to manage the pressures of population growth and climate change on the planet.

On 25 September 2015, the 193 countries of the UN General Assembly adopted the 2030 Development Agenda "Transforming our world: the 2030 Agenda for Sustainable Development". The main paragraph outlines 17 Sustainable Development Goals (SDGs) and their 169 associated targets.



The SDGs are an important and necessary next step from the Millennium Development Goals (MDGs), building important linkages to the environment that go beyond certain economic and social rights. They address issues related to the environment, including climate change, water scarcity, deforestation, pollution and loss of biodiversity.

Tackling plastic pollution

Plastic waste and microbeads are found today in the deepest reaches of the ocean. Traces are increasingly found in food, in water. In the coming years 700 marine species may go extinct purely because of plastic pollution.

As part of our commitment to make a contribution to a more sustainable society for future generations, NIBC supports recycling, innovative and responsible waste management, and ending the production and use of single use plastics.

Circularity & material rights

NIBC recognises that the world's resources are finite and waste must be reduced. A global transition is underway from a linear economy and single use of products to a circular economy where materials are reused or recycled, not discarded. This transition is also supported by the Universal Declaration of Material Rights which advocates the right of materials to be preserved and not wasted.

Paris Climate Agreement

The 2015 Paris COP21 Climate Agreement has brought nations together in a common, ambitious effort to combat climate change and adapt to its effects.

The central aim of the agreement is to strengthen the global response to the risk of climate change by limiting global temperature rise to 2° and to pursue efforts to limit the temperature increase even further to 1.5°.

NIBC has shown its commitment to the Paris Agreement by signing the NVB Dutch banks' climate statement, participating in national and sectoral initiatives, by reducing its direct emissions and by continuing its efforts with clients, suppliers and vendors to measure and reduce greenhouse gas emissions.

Climate Science

Science based targets (SBTs) can be an effective mechanism for businesses to address climate change and contribute to the SDGs. While SBT-based models have been created to help analyse the pathway of listed corporates, these same models are not yet available for private debt. At the same time, the science can be used to identify the most material aspects to prioritise and act upon. We use this in our client environmental due diligence and sustainability assessments. The science has also led NIBC to significantly reduce emissions related to our own direct operations since 2010 towards and to compensate for our remaining emissions with gold-standard offsets.

NIBC & the Environment

NIBC recognises our corporate responsibility to respect the environment, protect biodiversity, and take action to mitigate climate change.

Environmental due diligence is part of good risk management, as it may lead to reputation, operational or financial risks. Not respecting the environment and biodiversity can have an impact on business continuity and performance, litigation costs from lawsuits, brand image cost or lowered employee morale.

Scope and Approach

NIBC recognises that the scope of our responsibility to respect the environment is twofold. It concerns the direct impact of NIBC's own activities and our indirect impact on the environment through client relationships. Our indirect impact is much greater than our direct impact.

NIBC looks to work with clients that want to engage in sustainable development, such as reduction of GHG emissions by using best available technologies, energy saving initiatives, compensation of carbon emissions, transition to the use of and production of renewable energy, and the development of energy efficient products or production methods. For companies that compensate for their emissions, we expect certification to the Gold Standard.

In our business activities, we proactively explore new products and services to support our clients in achieving their financial and sustainability ambitions. We do this by maintaining long term relationships, and understanding and anticipating the needs of our clients and provide them with sustainable solutions at decisive moments.

NIBC's Sustainability Framework, including this Supplement, is in place to manage environmental and climate risk in our business relationships.

In addition to the risks and standards mentioned in our Sustainability Policy and sector specific policies, NIBC expects the following:

- Managing operations and supply chain impacts on biodiversity, habitats and ecosystem services;
- Reducing direct and indirect greenhouse gas (GHG) emissions other particulate matter and emission of other harmful substances using best available technologies;
- Avoiding pollution to air, ground water, and land resulting from the company's operations;
- Conserving water resources and preventing negative impacts in water scarce areas;
- Avoiding operations in locations where the consequences of accidents cannot be responsibly managed;
- Managing and processing waste, including extractive waste and plastics in a responsible and preferably circular manner (recycle, reuse);
- Respecting international agreements with regard to trade in hazardous substances, chemicals or pesticides;
- Protecting High Conservation Value (HCV) areas, including old growth forests, peatlands, rainforests, no take zones and other areas with significant biological, ecological, social or cultural value;
- Respecting the High Carbon Stock approach and identifying, managing, and monitoring HCS forests;
- Conserving land resources and preventing negative land impacts and deforestation;
- Avoiding use or trade in illegally cut timber;
- Protecting marine biodiversity by respecting marine conservation areas and no-take zones, minimizing bycatch, protecting stocks and preventing overfishing;
- Protecting endangered species and protecting against invasive alien species;
- Environmental and human rights impact assessments and taking appropriate measures to manage environmental impacts, including policies, management systems, and supply chain and procurement criteria.

Our approach towards the environment, including biodiversity and climate change is an integral part of our commitment to take into account sustainability criteria in every aspect of our business.

OUR POLICY

NIBC is committed to respecting biodiversity and the environment in all of its activities and to support our stakeholders in realizing their environmental obligations.

We will engage with stakeholders whose business practices adhere to the environmental standards as mentioned. Where our stakeholders do not meet with such standards, NIBC will seek to work with them to improve over time, provided the right level of commitment is demonstrated.

Own Operations

NIBC wants to reduce its direct impact on the environment and climate change by being a carbon neutral organization. We calculate the emissions related to our own operations and take actions in order to reduce these as far as possible through energy efficiency initiatives. We compensate any remaining carbon emissions according to internationally recognized standards verified by independent organizations accredited by the United Nations Framework Convention on Climate Change (UNFCCC).

NIBC's carbon reductions are realized through the purchase of Verified Emission Reductions (VER's) which satisfy stringent international criteria, such as:

- UNEP Finance Initiative (UNEP FI)
- Clean Development Mechanism (CDM), which is part of the Kyoto Protocol and administered by the UNFCCC;
- Gold Standard, endorsed by the WWF.

Financings and Investments

NIBC has integrated the due diligence and assessment of environmental risks in our decision-making processes for the provision of financial, advisory and other services.

Conventions and Standards

In our due diligence process for corporate clients, we are guided by the following international conventions, protocols, codes of conduct and industry best practice initiatives with regard to biodiversity and environmental standards:

- UN Global Compact;
- Equator Principles and IFC Performance Standards;
- OECD Guidelines for Multinational Enterprises;
- UN Environment Programme (UNEP);
- International Union for Conservation of Nature (IUCN), including the Red List of Threatened Species and protected areas categories I-VI;
- UN Convention on Biological Diversity, Cartagena Protocol, Nagoya Protocol, and the Bonn Guidelines;
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Forest Stewardship Council (FSC) and the FSC chain of custody criteria.

We encourage companies to take measures reduce their direct and indirect greenhouse gas emissions (GHG) and pollutants. Large companies and multinationals should disclose their GHG emissions and other non-financial aspects in accordance with applicable international and national non-financial reporting directives and guidance. We encourage reuse of existing materials and applying circular economy concepts to avoid unnecessary waste.

Environmental Due Diligence

As part of our due diligence process, we assess the commitment, capacity and track-record of our clients in the field of environmental and human rights standards, including biodiversity and environment standards. This includes an assessment of their approach to manage sustainability risks in their supply chain.

NIBC encourages its stakeholders to include clauses on compliance with environmental, human rights and governance criteria in their contracts with subcontractors and suppliers. These should be evidenced by the companies concerned where practicable via certifications, site visits, and/or audits to help ensure responsible practice throughout their supply chains.

Our environmental due diligence processes and procedures are further elaborated in NIBC's Sustainability Policy Framework.

NIBC expects companies to fully adhere to all local, national and international laws and regulations on environmental aspects and to refrain from efforts to weaken environmental and climate-related regulations.

We will refrain from doing business with stakeholders who have consistently demonstrated to violate the environmental standards mentioned in our policies and do not provide any commitment to improve. NIBC includes sustainability criteria in its review of its own suppliers and encourages companies to integrate sustainability criteria in their value chains.

Application

This policy applies to NIBC's financial, advisory and other corporate services in all geographies as stated in our Sustainability Policy Framework. This policy is applied in addition to the NIBC Sustainability policy and human rights policy supplement.

NIBC's Sustainability Policy Framework includes a general sustainability policy as well as policies for specific sectors. This Supplement on environment, biodiversity and climate change is an overarching policy which is applied in addition to the existing policies and provides further guidance on environmental issues in our interactions with stakeholders.

NIBC applies our sustainability policies with reasonableness and proportionality, taking into account the size and capacity of a company, the complexity of its operations and supply chain, and the likelihood and materiality of potential adverse impacts.

Transparency

In our public reporting, NIBC aims to provide information relevant to our business, markets and focus sectors regarding the environment and climate change.

Our public reporting includes statements which are provided in accordance with EU and Dutch non-financial reporting directives. These statements typically include an explanation of the main environmental risks related to NIBC's financings and operations and the actions that we have undertaken to mitigate or address these risks.

In October 2019, NIBC joined the Partnership for Carbon Accounting Financials (PCAF), a sectoral initiative which aims to develop and support standards for transparent reporting of financed emissions related to lending and investment portfolios.

In July 2020, we launched our first TCFD climate risk and emissions disclosure report, building on our prior greenhouse gas emissions disclosures. Our disclosures also include our own operations such as energy sourcing and usage, energy labels of our offices, waste management and recycling. NIBC intends to further develop our reporting in line with emerging standards and as additional data becomes available.



Updates

NIBC reviews and updates its policies on a regular basis. Our sustainability policies are reviewed at least annually. Reviews do not always result in policy changes. Therefore policy documents will be updated if and when changes are made and have been approved according to NIBCs agreed procedures.

Feedback Welcome

NIBC welcomes feedback on its policies and practices from its stakeholders. We believe that dialogue on issues and dilemmas is an opportunity for NIBC to not only improve its practices and strengthen its policies, but importantly to create value for our clients, investors and other stakeholders.

Even with the best policies and practices in place, NIBC may cause or contribute to an adverse impact that was not foreseen or prevented. If it is identified that NIBC is responsible for such an impact, we will endeavour to remedy or co-operate in the remediation of the situation through legitimate processes. Any person or party who believes that the NIBC has not acted in accordance with this policy, has suggestions on how we can strengthen our policies or has other feedback relating to our sustainability policies is invited to contact us.

Feedback: csr@nibc.com

Grievances: <https://www.nibc.com/about-nibc/contact-nibc/complaints-form/>

Alternatively, you may also write a letter to NIBC at the following address:

NIBC Bank N.V.
For the attention of: The Complaints Commission
PO Box 380
2501 BH The Hague