

NIBC BANK N.V.  
SFDR  
PRINCIPAL ADVERSE  
SUSTAINABILITY IMPACTS  
STATEMENT (PAI)

10 March 2021

# NIBC Bank N.V. PAI Statement

In this PAI statement, we describe how our investment decisions take into account the negative effects on sustainability that these investments may have. PAI stands for Principal Adverse Sustainability Impacts, as referred to in Article 4 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (the **SFDR**).

## I. Summary

NIBC Bank N.V. (**NIBC**) LEI: B64D6Y3LBJS4ANNPCU93 considers the PAI of its investment decisions on sustainability factors. This statement is the consolidated principal adverse sustainability impacts statement of NIBC.

NIBC is licensed as a bank, subject to supervision in the Netherlands by the Dutch Central Bank (De Nederlandsche Bank N.V., **DNB**) and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, **AFM**) including in respect of its investment services which fall within the scope of the SFDR.

This PAI statement regarding sustainability covers the reference period from 1 January 2021 to 31 December 2021.

NIBC wishes to play a role in addressing the environmental and social issues in the communities where we are active by being a responsible corporate citizen. Through our financings and operations, we aim to minimise negative impacts on the environment, to contribute to building a sustainable society for future generations, and to empower clients to transition towards better ways of working. By being a sustainable company in the way we do business and in our way of choosing the clients we service, we are also better suited to face future challenges and tap the most promising opportunities in our markets. We respect and protect human rights. We recognise ecological limits and do not provide financing to clients and projects where social and environmental impacts are not sufficiently managed.

Sustainability is an integrated part of NIBC's business strategy and operations. NIBC has developed a group-wide Sustainability Framework to assess and manage sustainability risks as part of our comprehensive approach to risk management. By doing so, we mitigate risks and identify potential opportunities to improve environmental and human rights practices related to our financings and investments.

NIBC's Sustainability Framework and policies are applicable to all activities of NIBC. The asset management activities that fall within the scope of the SFDR are relatively limited in scale compared to the total activities within NIBC. Nevertheless, where relevant NIBC also applies the Sustainability Framework and policies to NIBC's asset management activities. By complying with and monitoring the Sustainability Framework, the main adverse sustainability effects of our business operations are taken into account.

For proper due diligence on sustainability aspects of investments and the inclusion of negative sustainability impacts in the consideration of investments, the availability of good and reliable data is of great importance. This data is not always available. NIBC actively monitors the development of market standards for sustainability data for the financial sector, and aims to make the best possible use of available data and contribute to improving the availability of such data. NIBC expects that in the coming

years, with the introduction of sustainability regulations and the expansion of transparency requirements, NIBC will be increasingly able to assess and take into account the impact of its investments on sustainability factors. NIBC will therefore periodically update and further refine this statement.

## II. Description of principal adverse sustainability impacts

NIBC defines sustainability (ESG) risks to include environmental, climate, social, human rights, and governance risks. Our Sustainability Framework is supported by a number of sustainability policies, corporate governance policies, and position statements.

As part of our risk management approach, NIBC takes into account the sustainability risks associated with a client or a transaction and how these risks are mitigated or managed, so that we make well-informed decisions for all clients and transactions. The level of due diligence depends on the nature of investment, the service and the ESG profile of the client.

Our goal with these processes is to avoid investments in harmful activities, to work with companies to mitigate the risk of potential harms in their own operations and supply chains, and more generally to simply influence better practices over time. Our approach is guided by leading public frameworks and initiatives such as the UN Sustainable Development Goals (SDGs), UN Global Compact and the Paris Climate Agreement.

NIBC maintains an Exclusion List of companies which NIBC will not finance or invest in due to environmental, human rights, ethics, or other sustainability concerns. The list is maintained by our Sustainability Team. Changes to the Exclusion List are approved by NIBC's Risk Management Committee (**RMC**). Additional sector activity exclusions are mentioned within NIBC's sustainability policies. NIBC's product offerings may also apply additional activity or company exclusions based on human rights, environmental, ethics or other sustainability concerns. Specific additional exclusions for the asset management activities are included in the individual mandate and / or individual client documentation.

In countries and companies that do meet the sustainability criteria of NIBC's Sustainability Framework, and thus contribute to a sustainable society, additional investments are preferred. These are companies and countries that, for example, are committed to energy transition and to combating the risks of climate change. Other themes such as health care and education are also important for NIBC.

## III. Description of policies to identify and prioritise principal adverse sustainability impacts

NIBC's Sustainability Framework is in the forefront of NIBC's approach to reducing any adverse impacts of NIBC investments on sustainability factors. This policy was firstly approved in June 2013. Since then, the Sustainability Framework has been amended several times, most recently in December 2020.

NIBC's Sustainability Framework describes the governance, implementation, and the roles and responsibilities within the organisation with regard to how we identify and mitigate sustainability risks.

The sustainability policies are approved by the RMC and maintained in accordance with NIBC policy standards. Each sustainability policy is reviewed annually by the Sustainability Team. When updates are deemed necessary, these are prepared and presented to the RMC or to a subcommittee thereof for their

approval. NIBC's sustainability policies are published on our corporate website and publicly available wherever possible.

NIBC's Executive Committee is ultimately responsible for the business strategy of NIBC. This includes NIBC's sustainability strategy and our approach toward managing sustainability risks. NIBC's Senior Sustainability Officer has day to day responsibility for managing sustainability issues and reports on these issues to NIBC's Chief Risk Officer. Each person within NIBC is responsible for identifying and mitigating sustainability risks within their own area of responsibility.

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. Findings are reported to the Audit Committee of NIBC's Supervisory Board. From time to time, other third parties may also be engaged to assess, assure or certify NIBC management systems, controls, processes, or reporting.

NIBC ensures that checks are carried out as part of its client risk assessment process. The required checks depend on the type of client relation as well as the potential environmental and social risks related to the client and/ or transaction. In the event that sustainability risks are identified, NIBC's sustainability experts will give advice or recommend certain conditions or provide risk advice for a transaction.

The sustainability risks and mitigating factors that are identified are included in the risk assessment and taken into account as part of NIBC's informed decision-making process, especially in the event that increased sustainability risks have been identified.

NIBC assesses our client's commitment, capacity and track-record in relation to managing ESG risks. NIBC recognises that not all engagements require the same level of due diligence or management attention, and the time and resources dedicated to each business engagement should be commensurate with the ESG risk profile.

Each engagement is categorised according to the relationship with the client or counterparty and its potential ESG risks at an early stage in the engagement approval process. Based on this categorisation, decisions are made relating to the level of ESG due diligence required, the allocation of staff resource and the level of approval authority required.

NIBC will refrain from doing business/ not engage with clients who have consistently demonstrated that they violate the sustainability standards mentioned in our policies and do not provide any level of commitment to improve.

Manual or automated techniques may be used in NIBC's due diligence and ESG risk assessment processes. NIBC has been developing new techniques and tools in its Innovation Lab to reimagine and further strengthen our due diligence and assessment processes. The tools that have been developed by NIBC utilise data science techniques to gather evidence across hundreds of human rights, environmental, and governance aspects.

Sustainability risk assessments are included in the client KYC reviews carried out by NIBC both periodically or when issues arise. In this respect the sustainability due diligence process is ongoing and responsive. NIBC aims to progressively improve its systems and processes to avoid and address adverse impacts on people and the planet.

An assessment of sustainability aspects is expected to be performed at the same time as a client or transaction review. The updated assessment is added to the client file. If a sustainability incident is detected, an updated sustainability assessment is required to be performed to determine the severity and impact and to record the actions which are being taken by the client.

NIBC's Sustainability Framework and policies are applicable to all activities of NIBC. The asset management activities that fall within the scope of the SFDR are relatively limited in scale compared to the total activities within NIBC. Nevertheless, where relevant, NIBC also applies the Sustainability Framework and policies to NIBC's asset management activities. ESG issues are part of our risk assessment, investment analysis, and decision-making processes in our asset management activities. In certain activities, NIBC may apply additional decision trees and workflows in addition to our policies. These are well described to investors and further supported through transparent investment reporting. By complying with and monitoring the Sustainability Framework, the main adverse sustainability effects of our business operations are taken into account.

NIBC's sustainability policies and many of our corporate governance policies are publicly available on our corporate website.

#### IV. Engagement policies

NIBC becomes a shareholder of a company on relatively limited occasions. Where NIBC does become a shareholder, NIBC uses its influence in advisory or supervisory boards at the company to the extent practical and possible. We work together with our portfolio companies to promote sustainability, responsible governance, and transparency. In certain cases, companies have adopted NIBC's approach to sustainability as their own, adjusting the approach to fit their own markets and products.

#### V. References to international standards

NIBC's Sustainability Framework and screening are based on, and as far as possible in line with, international conventions, recommendations, frameworks and guidelines, such as the UN Sustainable Development Goals (SDGs), UN Global Compact, UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and the Paris Climate Agreement.