

NIBC COMMERCIAL REAL ESTATE SUSTAINABILITY POLICY

December 2021

Commercial Real Estate

The commercial real estate (CRE) sector plays a critical role in efforts to develop sustainable cities and communities, countering the increasing threat of climate change.

NIBC provides a range of financial services to the real estate sector. We are committed to continuing to be a long term financial services provider to our clients in this sector, whilst at the same time ensuring that such services are provided in a responsible manner.

We recognise that buildings (commercial and non-commercial) are responsible for approximately 38% of energy use and 36% of greenhouse gas (GHG) emissions in the EU. At the same time, the building industry has the greatest potential for delivering GHG emissions cuts using both best available and mature technologies.

CRE and NIBC

NIBC provides financial services to the real estate sector in the following ways:

- Development & construction finance
- Investment finance

Our clients are essentially high-net-worth-entrepreneurs (HNWEs), small and mid-sized real estate companies and institutional investors involved in the development, operating, renting and selling of residential buildings and all classes of commercial buildings.

The majority of real estate activities financed by NIBC occur in the Netherlands, a high income OECD country. Therefore we rely on the regulatory frameworks which are in place to govern E&S issues like the Energy Performance of Buildings Directive of the European Union.

Sustainability and CRE

Efficient use of Energy: CO2 emissions and waste of water are among the largest contributors to the pollution of the environment. Through rationing water use, adequate isolation and green energy sources, pollution is being decreased and energy is used more economically.

Efficient use of Space: Property vacancy of any kind creates not only financial issues but also waste, such as the inefficient use of space. Abundant space can and should be put to alternative use by i.e. reducing the overcapacity in one market while improving the scarcity in another. Real estate needs the flexibility to comply with the changing building needs during the lifetime of a building, for example the conversion from old and vacant office space into highly demanded modern residential housing and/or other functions.

Efficient use of Material: Current trends like “modular building” and the re-use of material (circularity) contribute to more sustainable property construction through reduced CO2 emissions, lower energy use, lower risk of delays due to weather, and fewer externalities.

Regulatory Compliance: All Dutch office buildings (> 100m²) will require a C energy label as of 2023 and an A energy label as of 2030. Furthermore, the 2015 Paris Agreement and Dutch Energy Agreement for Sustainable Growth set a strict outline for future standards.

NIBC aims to improve the energy, water and waste efficiency of our CRE portfolio each year, in support of national and international efforts aligned to local, national and international efficiency goals and the UN SDGs.

We estimate that up to 20% of our CRE portfolio is improved on one or more of these sustainability aspects each year. More than two thirds of NIBC’s investments in office buildings already have an energy label of C or higher. We encourage our clients to use energy efficiency and low emission best available technologies that are both commercially and technically viable.

Our assessments of E&S risks are based on the understanding of the human rights, social and environmental impacts associated with client’s activity base and its capacity and commitment to manage such E&S impacts.

Our Policy

NIBC recognises that the commercial real estate industry has developed responsible approaches to address the E&S impacts resulting from its activities.

New Buildings

For new real estate, NIBC expects this real estate will meet at least current national and local regulations, such as EPC / BENG (Bijna EnergieNeutraal Gebouw) and a green Energy Label.

Existing Real Estate

For investment in existing real estate we encourage a green Energy Label conforming to national regulations and stimulate the improvement of unsustainable buildings to sustainable buildings.

The sustainability regulations for offices require a green energy label from 2023. Certain exceptions are made for monumental buildings, offices as secondary function (<50%) and office real estate that will be demolished / transformed / expropriated within 2 years after the required deadline in 2023. In this way, NIBC also incentivises the modernisation of old and unsustainable commercial real estate which might not otherwise be sustainably improved.

Conventions and Standards

NIBC is guided by the following industry standards when assessing a client's approach to managing the E&S impacts resulting from its activities.

- World Green Building Council;
- Dutch Green Building Council;
- German Sustainable Building Council;
- BRE Environmental Assessment Methods (BREEAM);
- Leadership in Energy and Environmental Design (LEED);
- IWBI / WELL Building Standard;
- Global Real Estate Sustainability Benchmark;
- ILO Core Conventions;
- Equator Principles for project financings;
- Cement Sustainability Initiative;
- Forest Stewardship Council (FSC).

Additional Considerations

This policy applies to clients of NIBC's corporate bank and new services provided to them by NIBC. This policy is applied in addition to the NIBC Sustainability policy, Human rights policy and Environment & climate policy.

NIBC works with clients who meet or aim to meet our sustainability standards and will review our commitment to any client or transaction where such standards are not or no longer met.

In all cases, the future users of the property and the flexibility to adapt to changing needs should be considered. Aspects like energy efficiency, exposure and use of gas connections, and other characteristics are considered in NIBC's risk assessments. Furthermore, we encourage sustainable neighbourhood planning and close proximity to public transport to ensure mobility.

NIBC prefers a "circular" approach to both new developments and renovations, including the use of recycled and responsibly sourced materials where possible and practicable. We also prefer that materials are reused or recycled in the case of demolition.

In cases where our clients act as lessors of real estate, we expect them to act as good lessors in line with standards as defined in national regulations with respect to tenant rights, FPIC, pricing, service, and maintenance.

NIBC encourages companies to include clauses on compliance with human rights, environmental 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.

We use discretion in the application of this policy, taking into consideration the size and capacity of our client, the size and scope of their investment, and the stage of development.

We acknowledge that legacy issues may arise from continuing engagements entered before the implementation of this policy. Although the policy is not intended to be applied to financing agreements and investments retrospectively, NIBC endeavours to address potentially material legacy issues relevant to a particular engagement whenever a specific issue arises. In addition, clients are assessed against these policies as part of the periodic review process or as they become due for renewal.

NIBC will exercise discretion in deciding whether to apply this policy to the provision of financial services to a company that has only marginal involvement in the CRE sector. NIBC will make such decisions on a case-by-case basis after assessing the materiality of the risk that NIBC is supporting unsustainable activities.



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