



NIBC ENVIRONMENT AND CLIMATE POLICY

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CLIMATE, BIODIVERSITY AND THE ENVIRONMENT

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

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.

The transmission channels by which physical and transitional climate risks drive traditional financial risks are highly complex. Efforts to mitigate and manage the risks and their impacts will require intense transition and adaptation efforts by our clients and collaboration by NIBC with peers and other stakeholder groups. We recognize that these are urgent challenges which require ambition, action and a responsible approach. A responsible approach is needed in order to avoid other unintended adverse impacts.

Climate change 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.

Net Zero

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 demonstrated its commitment to the Paris Agreement by setting net zero greenhouse gas emissions reduction targets, signing the Dutch financial sector climate commitment, participating in national and sectoral initiatives, responsibly phasing out our fossil fuel exposures and operational emissions and working 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. CRREM and SBTi-based models have been created to help analyse the pathway of listed corporates and certain sectors. We use these approaches to analyse our emissions reduction pathway and to identify the most impactful actions to prioritise.

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 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.

Ending Deforestation

Deforestation and other changes in land use are seen as one of the underlying causes of climate change and biodiversity loss. Agriculture is recognised as the largest driver of deforestation globally. Large scale land acquisitions and land-grabbing are growing phenomena which are further exacerbating this challenge.

NIBC supports efforts to end deforestation and protect forests and peatlands as carbon sinks, reducing intensive animal farming and protecting biodiversity and the diverse species which inhabit these ecosystems. Food security and forest protection can be achieved hand in hand through initiatives like REDD+, the FARMs initiative, Roundtable for Sustainable Palm Oil (**RSPO**) and Roundtable on Responsible Soy (**RTRS**). Reforestation, restocking of depleted areas and other regenerative actions can also make important contributions.

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 due to 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, recycling and reuse must increase, 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.

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.

NIBC and 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 credit risk, operational risk (such as litigation risk, reputational risk), and employee satisfaction among others.

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 aims 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, transition to the use of and production of renewable energy, and the development of energy efficient products or production methods. NIBC’s *Sustainability Framework*, including this Policy, is in place to manage environmental and climate risks and adverse impacts in our business relationships. In addition to the risks and standards mentioned in our *Sustainability Policy* and sector policies, NIBC expects the following:

- 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 environmental 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);
- Managing operations and supply chain impacts on biodiversity, habitats and ecosystem services; 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 (**HCS**) approach and identifying, managing, and monitoring HCS forests; Avoiding use or trade in illegally cut timber;

- Conserving land resources and preventing land grabbing, negative land impacts and deforestation;
- 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;
- Respecting international agreements with regard to trade in hazardous substances, chemicals or pesticides;
- 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 POLICY

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

NIBC aims to reach net zero emissions in our financings, investments and operations before 2050 and a 55% reduction in emissions by 2030 compared to 1990 levels. Our commitment is aligned to the Paris Agreement, EU and Dutch national objectives.

Different activities and asset classes have different transition pathways to net zero, depending on available technologies, infrastructure and other developments. We aim to support our clients and suppliers in their journey to prevent adverse impacts and decarbonise, to mitigate and manage risks, and to pursue promising opportunities as they progress along these pathways.

Conventions and Standards

We are guided by the following international conventions, protocols, codes of conduct and industry best practice initiatives with regard to climate, environment, biodiversity, pollution, marine resources and circularity:

- UN Global Compact (UNGC);
- 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;
- Equator Principles and IFC Performance Standards.
- We will not provide financial services to projects and activities prohibited by host country legislation and international conventions, among which include:
 - UNESCO World Heritage Sites;
 - UNESCO Biosphere Reserves;
 - Ramsar Sites: Wetlands of International Importance;
- No-take zones such as marine protected areas, strict nature reserves, and other high conservation areas.

NIBC expects companies to fully adhere to all local, national and international laws and regulations on environmental aspects and not to refrain from efforts to weaken environmental and climate-related regulations.

NIBC measures the carbon intensity of and emissions of our Asset Based Finance (**ABF**), mortgage portfolios and our operations.

NIBC expects ABF clients to develop and implement climate transition plans aligned to the goals of Paris Climate Agreement. NIBC aims to monitor progress as part of annual client questionnaires, credit reviews, and/or sustainability due diligence procedures.

We expect ABF clients to mitigate and reduce greenhouse gas and other harmful emissions using best available practices, to avoid deforestation, and to seek to identify and minimise other adverse environmental impacts in their operations and to the degree reasonable and practical within their value chains.

NIBC aims to engage with clients whose business practices adhere to the environmental standards as mentioned. Where clients 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. We will also refrain from business with parties who have consistently demonstrated to violate the environmental standards mentioned in our policies and do not provide a meaningful commitment to improve.

Activity Exclusions

In our financings and investments, NIBC will not support certain activities such as:

Climate and Greenhouse Gas Emissions

- Fossil fuel (coal, lignite, oil, gas) power generation;
- Fossil fuel (coal, lignite, oil, gas) exploration and production. Extreme examples of fossil fuel activities include fracking, arctic/antarctic, tar sands and extraction from liquefied coal;

Environment, pollution and waste management

- Mountaintop removal mining or uranium mining;
- Nuclear fission power generation;
- Production, use or trade in unbounded asbestos fibers and asbestos-containing products excluding asbestos cement sheeting where asbestos content is less than 20 per cent;
- Production, use or trade in products containing:
 - Unbounded asbestos fibers
 - PCBs (polychlorinated biphenyls);
 - Pesticides, herbicides, pharmaceuticals and other hazardous substances subject to international phase-outs or bans;
 - Chlorofluorocarbons (CFCs), halons and other chemical or ozone depleting substances not in line with international treaties, such as the Montreal Protocol or Stockholm Convention;
- Trans boundary trade in and disposal of hazardous wastes, chemicals or pesticides not in line with the Basel Convention, or the Rotterdam Convention;

Biodiversity and Animal Welfare

- Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Overfishing and harmful fishing techniques such as using dynamite, shark finning and drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
- Animal testing other than for medical purposes; Production, distribution, sale and trade of fur products; Use of endangered species or wild animals for entertainment; Highly restrictive housing methods; Long distance animal transport (maximum 4 hours or less, 200km or less).

Environmental Due Diligence

As part of our due diligence and monitoring processes, NIBC assesses the commitment, capacity and track-record of our ABF 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.

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

Promoting responsible environmental practices

NIBC aims to promote high awareness among its own workforce in regard to climate, pollution, biodiversity, circularity, marine resources and/or other environmental developments. NIBC monitors and measures emissions and other environmental impacts related to our own operations. We take actions in order to reduce these as far as possible through energy efficiency actions and initiatives.

NIBC also encourages its ABF clients and suppliers 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.

Applicability

This Environment and Climate policy is applied to NIBC's products services and operations in all geographies as stated in our *Sustainability Framework*. It is applied proportionately, depending on business context, sustainability risks, impacts and opportunities.

NIBC's *Sustainability Framework* also includes policies for specific asset classes where NIBC is active. This Environment and climate policy 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 towards clients and business partners 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.

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.

Transparency

NIBC is committed to monitor the environmental performance of our financings and investments as well as our own operations. We are committed to regularly and transparently report on climate, biodiversity and environmental impacts and findings, risks and opportunities.