

NIBC SHIPPING SUSTAINABILITY POLICY

November 2021

Shipping

The shipping sector is an integral part of the economy, a key industry for society, the communities we serve and our stakeholders.

Around 90% of world trade is carried by the international maritime transportation industry. Seaborne trade brings significant benefits for consumers and businesses around the world through competitive freight costs.

Shipping at NIBC

NIBC provides a range of financial services to the maritime transportation 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 the potentially material Environmental and Human Rights (ESG) impacts of shipping make this a particularly sensitive sector if these impacts are not managed appropriately. Numerous innovations and initiatives are being explored and pursued by ship owners and operators to address these challenges and contribute to global emission reduction targets.

Greenhouse Gas Emissions

Although shipping remains the lowest emission method of transport of goods over long distances, the sector is responsible for a material amount of global emissions.

Technologies to achieve true zero emissions are not yet commercially available for the segments where NIBC is active. Potential zero emission fuels include green ammonia and green hydrogen among others. Propulsion systems using these fuels are at a research stage. These fuels are not yet produced in sufficient volumes nor is port fuel storage (bunkering) infrastructure widely available.

Substantive visible emissions reductions in this shipping are only likely to occur after 2030. This will be late by comparison to some sectors, but is crucial to ensure the Paris Agreement targets will be achieved.

We recognize that the pathway to zero emissions will be a challenging one for the sector and the changes required will be capital intensive. The sector is a crucial sector for the Dutch economy and for global trade, therefore we aim to support shipowners which are committed in their transition to net zero emissions and adaptation to zero emission technologies.

Responsible Ship Recycling Standards

NIBC is one of 11 leading ship financiers which have committed to the Responsible Ship Recycling Standards (RSRS).

The RSRS initiative aims to promote responsible practices in the shipping value chain by embedding RSRS into internal ESG policies procedures and standards for the financing of shipping assets. RSRS is aligned to leading international standards such as the OECD Guidelines for Multinationals, the UN Guiding Principles on Business and Human Rights and the Paris Agreement.

Although the members are not directly involved in financing the recycling of ships, they recognize that ship recycling is part of the shipping industry supply chain. Furthermore they share concerns that unsustainable shipbreaking can imply adverse environmental and social impacts.

Responsible recycling of ships can help to prevent pollution of water resources, ensure worker safety and health, and protect basic human and labour rights.

Our concerns

The maritime transportation sector is the most efficient form of long distance transport in terms of GHG emissions per tonne per kilometer. At the same time, we recognise the sector is responsible for a substantial amount of GHG emissions and other potential impacts.

Environmental and biodiversity risks in this sector include:

- Greenhouse gas emissions including CO², sulfur oxide, nitrogen oxide, or other emissions; from engine exhaust, shipboard incineration or ozone depleting substances;
- Accidents, oil spills, fires, explosions associated with petroleum and hazardous materials;
- Solid waste generation from domestic waste or hazardous wastes such as solvents and batteries, ship breaking waste potentially containing asbestos, PCBs or CFCs;
- Wastewater and other effluents such ballast water, domestic wastewater and sewage, bilge water and cargo tanks wash waters;

Human rights and social risks in this sector include:

- Operational Health and Safety risks including physical hazards such as slips and falls, manual handling accidents and machine operation accidents, confined working spaces, chemical hazards (exposures by inhalation or skin contact), risk of fires and explosion;
- Community health and safety exposure to spills, accidents, pipeline rupturing;
- Environmental, safety and occupational health risks resulting from the decommissioning of vessels in intertidal zones or in countries with limited ESG regulations;
- Security issues resulting from piracy and armed robbery of vessels.

Potential Climate risks faced by the sector include:

- Dangerous sailing and operating conditions and potential disruptions due to extreme weather;
- Risk of outdated technologies as zero-emission fuels and propulsion systems become available;
- Rising water levels, limiting and disrupting access to port or docking facilities;
- Reputational and legal risks in the case of non-compliance with rapidly developing local or international regulation.

Our view is that, if managed responsibly, the shipping sector can contribute to furthering the sustainable economic and political development of emerging and industrialised markets and States.

Our Policy

NIBC recognises that the transportation industry has developed responsible approaches to address the ESG impacts resulting from its activities.

The safety of shipping is regulated by the International Maritime Organization (IMO) which has developed a comprehensive framework of global maritime safety regulations.

We finance vessels that are 14 years old or younger at the start of our financing. Exceptions to this age restriction may be made for clients that demonstrate performance which meets or exceeds industry environmental and human rights standards.

Greenhouse Gas Emissions

NIBC requires vessels to use low-sulphur fuel, scrubbers and/or other best available technologies to manage and mitigate greenhouse gas emissions.

For each vessel financed by NIBC, we ask clients to share any data required to meet NIBC's EU disclosure requirements and the client's IMO and/or EU disclosure requirements. Disclosure requirements are likely to continue to evolve over the coming years.

Decommissioning

NIBC applies RSRS in all of its ship loans and refinancings. NIBC will not be directly involved in the financing of unsustainable ship recycling facilities or the purchasers of shipping assets intended for unsustainable ship recycling (these intermediaries are sometimes referred to as 'cash buyers').

We support the decommissioning of vessels in line with the letter and spirit of the Hong Kong International Convention and EU Ship Recycling Regulation. In case NIBC has a relation with the vessel at the time of decommissioning, we expect decommissioning to meet or exceed these minimum standards.

Inventory of Hazardous Materials

An Inventory of Hazardous Materials can serve to minimise the dangers associated with (recycling of) hazardous materials on board ships. When financing new ships, we expect these to carry an Inventory. When financing existing ships, we expect owners to establish an Inventory at the next dry-docking at latest.

We will not knowingly provide financial services to vessels that are:

- Not compliant at all times with a reputable classification society;
- Not insured by a reputable Protection and Indemnity Club;
- Single-hull unless used exclusively in a stationary position as a storage facility;
- Operating under any of the unacceptable flags defined by the EU, Asia Pacific or USCG port state control black list;

Conventions and Standards

NIBC will be guided by the following industry standards when assessing a client's approach to managing the ESG impacts resulting from its activities.

- International Convention for the Prevention of Pollution from Ships (MARPOL);
- International Maritime Organisation (IMO);
- International Association of Classification Societies (IACS);
- International Chamber of Shipping (ICS) and the International Shipping Federation (ISF);
- International Labor Organization (ILO);
- Maritime Labor Convention;
- Basel Convention on the Control of the Transboundary Movements of Hazardous Wastes and their Disposal;
- EU Ship Recycling Regulation; and
- Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

We believe that human rights apply at sea, as equally as they do on land. Therefore we are guided by international and maritime labour and human rights standards.

This policy applies to our clients and all new services provided to them by NIBC. This policy is applied in addition to the NIBC Sustainability policy and human rights and environmental policies.

NIBC encourages companies to include clauses on compliance with social economic and environmental 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 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.



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/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