



# NIBC SUSTAINABILITY POLICY

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# SUSTAINABILITY AND NIBC

Sustainability is broad. It includes environmental aspects such as climate change and biodiversity, social aspects such as human rights and gender diversity, and governance aspects including anti-corruption, whistleblowing, grievance mechanisms, tax fairness, and applying the letter and spirit of the law.

We view sustainability as an opportunity for our stakeholders and ourselves. It's an opportunity to engage with our diverse stakeholders, to work with clients to overcome challenging issues, and to innovate and develop better ways of doing business. Understanding environmental and societal issues are keys to managing risks, ensuring a just transition, pursuing opportunities and delivering responsible financial services.

This policy outlines NIBC's overall approach to sustainability and our criteria for the responsible provision of financial services. This policy is supplemented by overarching policy supplements and specific business and sector policies. These additional policies define the sustainability risks and assessment criteria for situations which might arise related to companies and investments.

At NIBC, we recognize that we are not perfect – no one is. However, sustainability is a condition to be created. NIBC and our stakeholders have a responsibility and an opportunity to continuously move towards better ways of doing business, avoiding adverse impacts, managing and reducing risks and pursuing positive impacts on society and the environment.

Within our sphere of influence, we aim to contribute towards a more sustainable society for future generations. We also acknowledge our obligation to ensure that our financings and investments are responsible.



NIBC uses the UN Sustainable Development Goals (SDGs) as a framework in our approach toward sustainability. The SDGs are integrated into NIBC's sustainability strategy. NIBC's sustainability strategy is an integral part of our overall corporate strategy.

## Sustainability Risk Management

As part of our solid risk framework and our commitment to provide responsible financial services, NIBC integrates the assessment of sustainability (ESG) risks into its decision-making processes. Our assessments and processes are based on our business context – the products and services we offer, the asset classes where we are active, the geographies in which we or assets operate, and the related impacts, risks and opportunities which are present or are likely to develop.

### Screening, Assessing, and Monitoring

NIBC has put in place a *Sustainability Framework* and policies that assist us in the due diligence and assessment of clients, assets and transactions, based on a range of sustainability criteria.

Central to the assessment of sustainability risks is an understanding of the relevant positive and adverse sustainability impacts associated with an asset and transaction. and the commitment and capacity of our clients to manage adverse sustainability impacts. We also look at a client's track record to ensure that they are operating in line with the commitments they have set. NIBC assesses the commitment, capacity and track-record of a client to manage sustainability risks.

A sustainability risk assessment is carried out for Asset Based Finance (ABF) clients and/or transactions to identify potential material and salient adverse impacts. We recognise that not all engagements require the same level of due diligence or management attention. When elevated sustainability risks are

identified, an advanced assessment is performed based on the potential risks and impacts associated with the sector, country and supply chain. The type of assessment also depends on the type of products or financial services that NIBC offers and the resulting exposure to ESG risks. These processes are further elaborated in our *Sustainability Framework*.

NIBC also utilises client questionnaires to periodically capture and monitor relevant sustainability risk and impact data. These questionnaires are granular and are formulated for the specific asset classes in which NIBC is active. Such questionnaires help to reduce the reliance on governmental sources and other proxies which are used in the absence of client-verified data.

## OUR POLICY

NIBC will take into account sustainability criteria in every aspect of our business. We will work with clients and suppliers who meet or aim to meet our sustainability standards and will reassess our commitment to any client or suppliers where such standards are no longer met.

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. As an asset based financier, we weigh the financial and sustainability risks associated with an asset or a transaction and how these risks are mitigated or managed so that we can make well informed lending decisions.

NIBC defines sustainability risks to include, biodiversity, climate and other environmental risks, human rights and other social risks, as well as governance risks.

### Core Standards

#### Governance & Responsible Business Conduct

NIBC is committed to responsible business conduct and compliance with all local, national and international laws and regulations.

We are guided by international conventions and protocols, codes of conduct and industry best practice initiatives related to corporate governance and responsible business conduct:

- UN Global Compact (UNGC);
- Sustainable Development Goals (SDGs);
- OECD Guidelines for Multinational Enterprises;
- UN Principles for Responsible Investment (UN PRI).

NIBC expects ABF and suppliers to have effective and appropriate governance and controls in place to ensure no bribery, corruption, money laundering takes place in their operations or supply chain.

NIBC's approach toward corporate governance and responsible business conduct is further elaborated in NIBC's *Code of Conduct*, *Supplier Code of Conduct*, *Anti Bribery and Corruption policy*, *Anti-Fraud policy*, *Responsible Tax policy statement* and other related compliance and corporate governance policies.

#### Environment, Climate, & Biodiversity

NIBC is committed to responsibly support the protection of biodiversity, ecosystem services, natural resources and cultural heritage.

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.

We recognise that 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.

Our approach is guided by the following international conventions and protocols, codes of conduct and industry best practice initiatives:

- UN Global Compact (UNGC);
- OECD Guidelines for Multinational Enterprises;
- UN Environment Programme (UNEP).

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.

Our approach towards managing and mitigating climate, biodiversity and environmental risks and adapting to potential impacts is further elaborated in NIBC's *Environment and Climate policy* and sustainability sector policies.

## Human Rights

NIBC believes that respect for human rights is a basic responsibility; towards our own employees, but also towards those people who are affected directly or indirectly through our actions.

NIBC endorses human rights as formulated in the *Universal Declaration of Human Rights* and the *UN Guiding Principles on Business and Human Rights (UNGPs)*. We confirmed this as a signatory of the UN Global Compact.

Our approach is guided by the following international conventions and protocols, codes of conduct and industry best practice initiatives:

- UN Global Compact (UNGC);
- OECD Guidelines for Multinational Enterprises;
- International Bill of Human Rights;
- Universal Declaration of Human Rights (UDHR);
- UN Guiding Principles on Business and Human Rights (UNGPs);
- European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR);
- ILO conventions.

Our approach towards managing and mitigating human rights, labour rights and social risks is further elaborated in NIBC's *Human Rights policy* and sustainability sector policies.

## Project Finance

NIBC may apply the Equator Principles and IFC Performance Standards as a sustainability due diligence framework for relevant project financings. These standards provide overarching principles and standards that form the basis for financial institutions to consider involvement in large-scale projects. Our approach to specific asset classes and activities is further elaborated in our sustainability sector policies.

## Land Rights

NIBC expects free, informed, and prior consent (**FPIC**) for land users, local communities and others in situations where human rights might be significantly and adversely impacted by a company or project. In these cases, access to a meaningful, effective grievance and remediation process should be available in the event of adverse impacts.

## Liquidity, Trading and indirect investments

NIBC has limited trading and indirect investment activities. We believe that both the influence we have and the sustainability impacts we are exposed to are significantly less than those resulting from our lending activities. In trading and indirect investments, we intend to act consistently with our sustainability policy providing we have sufficient information. However, this may not always be the case prior to closing a trade. In case we become aware of conflicting issues or non compliance with our sustainability policy, we will review our commitments. For NIBC's brokerage activities, we recognize that our ability to apply NIBC's sustainability policies is limited and instead rely on the responsible practices and judgement of our clients.

## Savings and Mortgages

Our approach to savings and mortgages products and services is specified separately in our customer terms and conditions and retail policies. NIBC's offerings include internet saving, internet deposits and residential mortgages, and buy-to-let activities.

Signing a mortgage loan contract is often the most important financial commitment made by a retail customer. NIBC is committed to responsible lending practices and to offer its products and services in a truthful, responsible and fair manner. NIBC aims to support a just transition, social inclusion and to avoid discrimination in our products and practices. We avoid practices that might impose unfair loan terms on borrowers or be perceived as mis-selling of products. Our policies establish requirements to assess borrowers creditworthiness before granting them a mortgage loan.

## Suppliers and Procurement

NIBC's approach towards our own procurement is elaborated in our purchasing terms and conditions. NIBC's suppliers and vendors include technology, legal, communications, and other service companies. NIBC screens suppliers in accordance with our *Know Your Supplier* (KYS) due diligence procedures and standards.

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

## 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 exploration and production activities include fracking, arctic/antarctic, tar sands and extraction from liquefied coal;

### *Environmental*

- 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).

### *Human Rights and Social*

- Manufacture, use, trade, stockpile or service of controversial weapons and munitions;
- Child labour, modern slavery and/or forced labour;
- Any business relating to pornography or prostitution.

### *Vice-related activities*

- Cultivation, production, and/or distribution of tobacco or marijuana;
- Production or distribution/sale of vaping products;
- Gambling.

### *Sustainability claims and transparency*

NIBC supports accountability and expects companies to provide insight into their economic, human rights, environmental and governance performance in a manner appropriate to their size, location and business activities.

In our own operations, NIBC will pursue honest communications and responsible marketing practices. NIBC pledges to avoid greenwashing or other misleading claims and to be honest and accountable in our sustainability reporting. We aim to promote fairness by using clear and unambiguous language which

conforms with applicable legal requirements. We recognise that stakeholders must be able to trust the information that we provide.

NIBC is committed to monitor the ESG performance of our financings, investments and operations and supply chain. Large companies and multi-nationals should disclose their GHG emissions and other non-financial aspects in accordance with applicable international and national non-financial reporting directives and guidance. Material findings are summarized and reported in NIBC's Annual Report and other disclosures. Furthermore we are committed to help increase human rights, climate, biodiversity and environmental awareness and promote best practices with clients, employees, suppliers and other stakeholders.

### Application

This Sustainability 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 Sustainability 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.

### Non-Compliance

NIBC will engage with ABF clients and suppliers whose business practices are in line with appropriate industry sustainability best practices.

Where companies do not meet with such sustainability practices, we will seek to work with them to improve over time, provided the right level of commitment is demonstrated. NIBC will refrain from doing business/ not engage with companies who have consistently demonstrated to violate the sustainability standards mentioned in our policies and do not provide any level of commitment to improve.