NIBC INFRASTRUCTURE SUSTAINABILITY POLICY

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DIGITAL INFRASTRUCTURE

The Infrastructure sector plays a critical role in efforts to transition to a sustainable economy and countering the increasing threat of climate change.

Business context

The business operating context of digital infrastructure and renewable infrastructure is complex and its value chain is extensive. Operational management can be in the control of the owner or it can be in the control of the clients of the infrastructure. This presents a challenge for financiers which aim to measure and promote energy efficiency and responsible sourcing..

To consumers and other end users, many of the components are invisible – backup power supply units, cyber security systems, and network infrastructure to connect all of us. The wider value chain involves the sourcing of IT and communications equipment, sourcing of electricity, and, in the case of data centers, sourcing of water for cooling.

Digital infrastructure plays an important role in the transition to net zero. Digitalisation is crucial for automation, remote monitoring, data-driven forecasting, communication and collaboration. Climate action demands an unrelenting transformation toward a digital society. Digital and renewable infrastructure are in a near constant state of transition and advances in digital technology. Potential adverse sustainability risks in this asset class can become drivers of financial risk if these risks are not well managed and mitigated.

NIBC and Infrastructure

NIBC provides a range of financial services to the infrastructure 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.

NIBC provides financial services to the infrastructure sector in the following ways:

- Rollout and/or expansion of fibre telecommunication networks in underserved communities
- Data centres
- EV charging networks
- Renewable energy storage infrastructure

Demand for infrastructure to support sustainable economic development and growth is high. Sustainability aspects within the regulatory landscape are rapidly evolving and creates risks and provide significant opportunities for NIBC and its clients.

Asset-based financing provided by NIBC is primarily secured financing, collateralised by the asset itself or other asset collateral. The majority of infrastructure activities financed by NIBC are located in the Netherlands and North Western Europe, essentially high income OECD countries. We also partner with other professional parties to finance assets in the UK and other European countries. Therefore we rely on regulatory frameworks and standards for infrastructure including the EU Taxonomy, and applicable certification frameworks applicable telecommunications and data infrastructure.

Sustainability risks related to infrastructure assets can become drivers of financial risk if adaptive capacity is reduced and risks are not well managed and mitigated. Therefore NIBC performs environmental and human rights due diligence, supplemented by research by independent experts, to inform our decision making.

The most material ESG impacts and risks related to infrastructure for NIBC differ across different types of infrastructure. The main overarching concerns within the asset class are energy sourcing, responsible sourcing and recycling of equipment. Additionally for data centers, power usage efficiency and water usage efficiency can be concerns. This assessment is based on consideration of a broad range of ESG impacts and risks described below.

Climate and environmental impacts and risks

The expansion of digital infrastructure in Europe has significant impacts on the climate, both positive and negative. On one hand, the increased use of digital technologies has led to the reduction of greenhouse gas emissions through various means such as virtual meetings replacing business travel and the optimization of energy consumption in data centers. These advancements have contributed to decreased carbon footprints and improved energy efficiency across the continent.

However growth in digital infrastructure has also led to a surge in electricity consumption, particularly as related to data centers. The growth in demand can cause concerns for grid operators which manage network capacity. The need for additional capacity may compete with other users of electricity networks including small businesses and consumers. Therefore power usage efficiency (PUE) and energy sourcing are important aspects to continuously improve and monitor.

The sector has impacts on water resources due to its development and operational activities. Access to clean water is a prerequisite for datacenters which use water for cooling. Therefore water usage efficiency (WUE) is a important metric for this type of infrastructure. High demand for water for cooling systems can put pressure on freshwater resources. Excess heat from datacenters may also become an opportunity, a resource to share with district heating networks or nearby businesses.

Digital technologies enable advancements in conservation efforts and environmental monitoring. Tools such as remote sensing, satellite imagery, and data analytics have enhanced the understanding of ecosystems, species distribution, and habitat mapping, aiding in conservation planning and management. Additionally, digital platforms have facilitated civil society initiatives and public engagement, empowering civil society groups and individuals to contribute to biodiversity monitoring and protection. However the rapid expansion of digital infrastructure has contributed to habitat loss and fragmentation through the construction of data centers. If environmental impacts are not well-managed, development can disrupt ecosystems, disturb wildlife corridors, and fragment habitats, potentially leading to biodiversity loss and decreased genetic diversity. For fibre networks, these impacts can be minimised through the (re)use of existing telecommunication corridors. Green infrastructure planning can also help to mitigate the negative impacts on biodiversity and ensure the coexistence of digital infrastructure and ecological conservation in Europe.

The expansion of digital infrastructure has significant implications for water resources. On one hand, the use of digital technologies can contribute to water conservation and improved water management practices. Smart meters and sensor-based systems enable efficient water usage monitoring, leakage detection, and real-time data analysis, leading to reduced water wastage and enhanced water resource planning. Additionally, virtual communication and remote work options facilitated by digital infrastructure can potentially reduce the need for physical transportation, thereby indirectly reducing water consumption associated with transportation activities. On the other hand, the construction and operation of digital infrastructure, including data centers, require substantial amounts of water for cooling and maintenance purposes. In regions where water scarcity is already a concern, the increasing demand for water by digital infrastructure may exacerbate the stress on local water resources.

The rise of digital infrastructure in Europe has impacts on pollution. On the positive side, the adoption of digital technologies helps to reduce pollution by enabling virtual meetings, remote education, and rural businesses thereby decreasing the reliance on traditional commuting and business travel that contribute to

air pollution from transportation emissions. The implementation of smart systems, data analytics, and artificial intelligence in various sectors can optimize resource utilization and energy efficiency, leading to lower greenhouse gas emissions and pollution. However, the proliferation of data centers and electronic devices, combined with the increasing demand for electricity, has resulted in a surge in electronic waste (e-waste) generation. If not well-managed, e-waste can pose serious environmental and health risks due to hazardous materials such as lead, mercury, and other toxic substances.

Digital infrastructure also has implications for circularity. Digital technologies have the potential to foster circular economy principles by enabling resource optimization, waste reduction, and improved material efficiency. Through data analytics and supply chain management systems, businesses can optimize production processes, reduce material waste, and enhance product lifecycle management. Additionally, digital platforms facilitate the sharing economy, where resources can be shared and utilized more efficiently, promoting the reuse and prolonging the lifespan of products. On the other hand, the rapid turnover of electronic devices and the increasing demand for new technologies contribute to the generation of electronic waste (e-waste). The challenge lies in ensuring proper collection, recycling, and safe disposal of e-waste to prevent environmental contamination and promote circularity.

Human rights impacts and risks

The rapid expansion of digital infrastructure in Europe presents a range of human rights risks. One primary concern is the potential violation of privacy rights, as increased data collection and surveillance can lead to the misuse of personal information. Additionally, the growth of artificial intelligence (AI) and automation technologies may raise concerns about job displacement, impacting individuals' right to work. Digital exclusion is another risk, as marginalized communities might face limited access to online services, exacerbating social inequalities. The concentration of power in tech companies could hinder competition and limit users' choices, affecting their freedom of expression and access to diverse information. Cybersecurity threats also jeopardize individuals' rights by putting their personal data and digital interactions at risk. Addressing these human rights risks requires robust regulatory frameworks, transparency, and ethical considerations in the development and deployment of digital technologies in Europe.

The expansion of digital infrastructure in Europe has brought about significant impacts on affected communities, both positive and negative. On one hand, improved connectivity and access to digital technologies have enhanced communication, education, and economic opportunities for individuals and communities. Digital infrastructure has enabled remote work, online education, and access to information, empowering people to overcome geographical barriers and participate in a global digital economy. Additionally, digital platforms and services have facilitated social connections and community engagement, fostering inclusivity and social cohesion. On the other hand, the deployment of digital infrastructure can also exacerbate existing inequalities, particularly in marginalized or underserved communities. Unequal access to reliable internet connectivity, lack of digital literacy, and limited availability of affordable devices can create a digital divide, further marginalizing certain groups. Moreover, the construction and operation of digital infrastructure can lead to disruptions, displacement, and environmental impacts on local communities. It is imperative for policymakers and stakeholders to prioritize equitable access, digital skills training, and community engagement to ensure that the benefits of digital infrastructure are distributed equitably and that the concerns and needs of affected communities are adequately addressed in Europe.

OUR POLICY

NIBC is committed to taking ESG criteria into account in every aspect of our decision-making for financings and investments in the infrastructure sector. NIBC mainly provides asset-based and specialised lending to the infrastructure sector.

Our clients are active in diverse areas of the infrastructure sector, such as:

- Digital infrastructure (data centres, high-speed fibre networks);
- EV charging networks and infrastructure;
- Renewable energy infrastructure ;
- Renewables, energy, and chemical storage;
- Recycling and waste management.

The Infrastructure activities that we finance occur in high income OECD countries. We rely on the regulatory frameworks in place in those countries to govern ESG issues.

Conventions and Standards

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

- OECD Due Diligence Guidelines for Responsible Corporate Lending and Securities Underwriting;
- Equator Principles;
- IFC Performance Standards;
- UNEP Sustainable Buildings and Construction Initiative;
- Carbon Disclosure Project;
- GHG Protocol facilitated by the World Business Council on Sustainable Development;
- Roundtable on Sustainable Biomaterials (RSB);
- The World Resources Institute;

Mitigation of adverse environmental impacts

NIBC monitors each infrastructure asset that we finance. NIBC expects digital infrastructure to make use of best available technologies and methods to improve energy and water efficiency, source and recycle responsibly, and manage and mitigate other potential adverse environmental impacts. We expect clients to operate environmental management systems to manage their impacts and continuously increase efficiencies to the degree that is within their control.

Project Finance

NIBC provides financial services to clients that have both the commitment and capacity to manage the ESG impacts of their activities in line with the standards as defined in our policies. NIBC supports use of the Equator Principles and/or IFC Performance Standards as the ESG due diligence framework of specific projects where this is embedded in the project financing.

Application

This policy applies to NIBC's asset-backed finance clients 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.

NIBC encourages the disclosure of infrastructure footprint data, such as carbon emissions, energy efficiency, and water use. We encourage reuse of existing materials and applying circular economy concepts to avoid unnecessary waste.

We prefer use of sustainable technologies to mitigate environmental impacts and recycling/reuse of mined materials and see this as an indication of a client's commitment to mitigate emissions, pollution, waste and other potential impacts.

We expect land rights and natural resources of projects to be acquired with free, prior, and informed consent (FPIC) of their users.

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.

NIBC shall 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 infrastructure sector. NIBC will make such decisions on a case-by-case basis after assessing the materiality of any risk that NIBC is supporting unsustainable activities.

Policy Oversight

NIBC's Risk Management Committee (RMC) has approved and periodically monitors adherence to these policy standards.