

## **Feedback on NIB's new Sustainability Policy out for public consultation**

NIB's new Sustainability Policy is comprehensive in nature without being verbose, and it sets out a number of ambitious positions and commitments.

The fundamental strength to mention is that the policy covers all of the issuer's business areas, including its credit and investment decisions. It is positive that the issuer recognises that these are its largest areas of impact. Each project undergoes environmental, social and economic assessments, and there are issuer level ESG evaluations. This demonstrates an advanced level of ESG integration in NIB's financing activities.

NIB's ESG integration is enhanced by the Sustainability Policy's comprehensive list of exclusions at both the project and issuer levels. Importantly, these rule out any financing of fossil-fuel exploration, extraction, or power generation projects. Further strengths are the exclusions of extraction and power generation from peat, along with most fossil-fuel enabling infrastructure. NIB's references to peat and the Arctic region are highly relevant for an issuer operating in the context of the Nordics.

To be credible, sustainability policies need to have effective governance. This is an area that is clearly laid out in NIB's Sustainability Policy. Responsibility for different elements are delegated to relevant teams and individuals. We always look for sustainability to be on the agenda at the highest level on companies, so it is positive to see that the Board of Directors has responsibility for approving the sustainability policy and ensuring that it is implemented.

In addition to its internal governance mechanisms, it is positive that NIB's Sustainability Policy is informed by several relevant international conventions and agreements. Adherence to the UN Global Compact, the ILO Core Conventions, and the Equator Principles, for instance, indicates that ESG considerations are well-integrated within the business.

Although not as impactful as its financing activities, it is also important that NIB is taking steps to ensure its internal operations are sustainable. Actions such as implementing ESG screens for procurement and monitoring its internal carbon footprint with a view towards carbon-neutrality are important to reduce its direct environmental impact.

Beyond these strengths, we have some questions regarding the policy that it would be helpful to clarify.

- The policy references NIB's goal of limiting global warming to well below 2 degrees. Does this mean that its financing activities will be Paris-aligned going forwards?
- What form will NIB's new sustainable products take e.g. sustainability-linked loans, impact funds etc?
- Does NIB plan to measure its financed emissions, either in aggregate or at specific sector levels? Are there targets for reducing the absolute emissions or emissions intensity of its lending and investments?
- The policy references the use of a best-in-class ESG tilt in its investment process. How is this implemented in practice?

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