

Project Finance

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asn bank

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1 The selection process

1.1 Screening on excluded activities and additional requirements for specific sectors and activities

The selection process of projects begins with identifying whether the specific activities financed through the projects are compliant with ASN Bank's list of excluded activities (see Annex I. of the Responsible Financing and Investment process).

1.2 Potential adverse sustainability impact identification

The identification of potential adverse sustainability impacts of projects is primarily based on the geographical scope. Under the project finance portfolio, ASN Bank invest in projects within the Netherlands or Europe, where the project-level regulations for managing environmental and social impacts are deemed adequate. Therefore, we screen projects only on excluded activities and assess whether they meet the project-specific criteria outlined under 2.3. Assessment of policies, management systems and performance.

1.3 Assessment of policies, management systems and performance

Specific criteria were developed to assess the policies, management systems and performance of projects.

Regardless of the type of project, all projects must meet the following criteria:

- Compliance with local legislation;
- Compliance with the Equator Principles[1], if applicable;
- Project developers are not involved in any serious misconduct;
- Biodiversity must be protected and maintained by, for instance, taking mitigating and appropriate measures for biodiversity and landscape integration;
- Local communities are not adversely affected: developers apply the World Bank's IFC Performance Standards[2] and in this way respect human rights during the development and management of the project. We make an exception for projects where the IFC Performance Standards are sufficiently guaranteed by national legislation.

Laws and regulations

Projects must comply with all laws and regulations and be in possession of the necessary permits, such as an environmental permit or an environmental impact assessment (EIA). If the necessary permits have not yet been granted at the time of assessment, then this will be included as a condition in the sustainability check.

Misconduct

We expect the projects not to be involved in (serious) misconduct. That can, for example, include the violation of the rights of local populations during the construction of dams or fraud.

Emissions

The energy generated, stored or traded (depending on the type of project) related to the financed activity must be known and reported to us on an annual basis. We use this information to calculate the (avoided) emissions and nature impact. If this information is not known at the time of the assessment, we will include this as a condition for approval.

1 The Equator Principles (EP) for large project financings require that these financings comply with the social and environmental criteria of the International Finance Corporation (IFC). In High-Income OECD countries, local and national rules, laws and permits are generally comparable to or stricter than the requirements of the EP. Therefore, it is sufficient for project financings in these countries to comply with local laws; they do not need to be assessed against the EP. http://www.equator-principles.com/

2 The IFC Performance Standards provide guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities. Performance Standards on Environmental and Social Sustainability | International Finance Corporation (IFC)

Project assets	Criteria
Wind energy • onshore • offshore	• The Windwijzer[3] is considered for site selection. • The energy generated is annually reported. • The wind farm is designed in a way that no irreversible changes are made, so that the location returns to its original state after decommissioning of the assets. • Mitigation measures are applied where necessary, for example, when bird migration routes are affected. • An environmental impact assessment is carried out. In addition to the criteria mentioned above, from a project in the Netherlands it is expected that: • The developer of an onshore wind farm follows the NWEA code of conduct. This means that local residents are involved in the planning and design and have the possibility to participate financially. • The developer of an offshore wind farm in the Dutch North Sea meets the requirements of the Programma Noordzee 2022-2027[4].
Solar power • on rooftops • in the field • on water	• The project has appropriate plans for decommissioning the installation after their lifespan. • The energy generated is annually reported. • The project takes appropriate compensatory measures for biodiversity and landscape integration during construction and management. • Solar parks on land or on water should only be larger than 20 hectares if appropriate measures are taken for landscape integration. The 20-hectare limit does not apply to installations on roofs. • No valuable nature, such as forests, should disappear in order to construct the project. • Solar parks on water are constructed in built environments, such as collections basins, water storage at business parks or dredging depots. Projects in nature reserves[5], on sea, on lakes and rivers are excluded. • The developer of the solar park endorses the code of conduct for Zon op Land or meets the following criteria: – local residents are involved in the planning and design and have the possibility to participate financially. – The Zonnewijzer[6] is considered for site selection; – The wind farm is designed in a way that no irreversible changes are made, so that the location returns to its original state after decommissioning of the assets.

3 **Windwijzer**

Preference Level Criteria

A	Offshore wind in combination with biodiversity enrichment
B	Offshore wind
C	Onshore wind in combination with large-scale infrastructure or industrial sites ad ports
D	Onshore wind in sparsely populated areas with low nature value
E	Onshore wind in densely populated residential areas or areas with high nature value

We can invest in level A through D. We cannot invest in level E.

4 Programma Noordzee 2022-2027 | Noordzeeloket

5 By 'nature areas' we mean national parks Unesco world heritage-, Natuurnetwerk- and Natura 2000-areas.

6 **Zonnewijzer**

Preference Level Criteria

A	On rooftops and facades
B	On unused plots in built-up areas
C	In rural areas (water treatment facilities, landfills, road and railways verges)
D	On agricultural and nature grounds
E	In national parks, UNESCO World Heritage sites, Nature networks, Natura 2000 areas & locations where forests need to be cleared

We can invest in level A through D. but we have a preference for A and B (combined land use). We cannot invest in level E

Project assets	Criteria
Geothermal energy	• It must be a closed air-cooled binary or flash system, constructed without fracking. • Precautionary and monitoring measures must be taken to prevent groundwater pollution. • There is an appropriate plan for decommissioning the installation after the end of their lifespan. • No valuable nature, such as forests, is lost during construction or operation. • Appropriate environmental health and safety systems are installed. • The energy generated is annually reported. • The project takes appropriate compensatory measures for biodiversity and landscape integration during construction and management. • Dutch projects must adhere to DAGO's code of conduct for Omgevingsbetrokkenheid bij Aardwarmteprojecten.
Aquifer Thermal Energy Storage	• The energy generated and/or stored is annually reported.
Biomass • Dry biomass, waste wood, prunings, dry green waste • sewage sludge • organic waste **Energy generation through:** • combustion • mono-digestion • co-digestion	We do not finance projects that use first-generation biofuels. Second and third generation biofuels are allowed under specific conditions. **Dry biomass:** • The biomass in a project is demonstrably of local origin, this means from an area within a radius of approximately 200 kilometres from the plant. The biomass must also be certified according to NTA8080-1-2015 (Better Biomass). • The applicant and the entire chain are NTA8080-certified. • All flows processed in the project are NTA8080-certified. We receive the annual NTA8080 audit report in which this is explained separately. • The dry biomass streams consist of waste wood and/or prunings. • The plant's biomass demand must not exceed the carrying capacity of the region. • The developer or owner of the project must not be involved in the trade in illegal timber and/or be involved in controversies. • The biomass plant filters flue gasses using the latest techniques. • The biomass plant must comply with emission laws and regulations and ensures proper disposal, treatment or upgrading of residual products (ash). **Wet biomass:** • This involves the mono-digestion of sludge, green waste from horticulturists and arable farmers, organic waste (vegetable, fruit and garden waste) and similar flows. • The origins of the biomass feedstock must be known. Therefore, co-digestion is excluded. • We exclude manure digestion (including manure gasification) from financing[7]. We want structural solutions for the manure problem, which requires closing nutrient cycles instead of an end-of-pipe solutions. • Only second-generation co-substrates (food crops) are used. • The biomass flows have local origins: within 200 kilometres of the biomass plant. The auditor specifically states this in the annual audit report. • The biomass streams and the applicant are both NTA8080-certified and controlled. We receive the annual NTA8080 audit report in which the auditor specifically issues a statement about this.
Hydropower • dams • hydro-electricity	• The seven principles of the World Commission on Dams are respected. • The IFC Performance Standards are followed, with special attention to IFC Performance Standards 5 & 6. • The dam in question does not fall into categories I-IV of the IUCN[8], the UNESCO World Heritage Convention[9] and the Ramsar Convention on Wetlands[10]; and/or • There is no serious misconduct related to the local population. • There must be a strategy to protect biodiversity at every stage of the dam's life cycle.

7 When the manure comes from a source that minimally contributes to the manure surplus (so not from intensive livestock farming), and it reduces the negative impact of that source, an exception can be made.

8 https://www.iucn.org/theme/protected-areas/about/protected-area-categories

9 https://whc.unesco.org/archive/convention-en.pdf

10 https://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf

Project assets	Criteria
Energy carriers • Electricity (BESS) • Hydrogen • Ammonia • Iron powder • Biogas, Bio-LNG and bio-ethanol • Electricity grid and charging infrastructure	**Battery Energy Storage Systems (BESS)** • The battery project should not be located in a nature reserve. • The project takes appropriate compensatory measures for biodiversity and landscape integration in the construction and management. • The project has an appropriate plan to remove the installations at the end of their lifespan. • Battery projects must demonstrably contribute to the integration of renewable energy into the energy mix and relieve the burden on the electricity grid, for example through direct connection to generation and/or offtake locations. • To prevent grid congestion, home batteries must demonstrably meet and/or contribute to the 6 conditions, as formulated in the vision document home batteries of Netbeheer Nederland[11]. • The stored energy is reported to us annually. • The battery manufacturers and suppliers must meet minimum sustainability requirements and not be involved in serious battery-related controversies. **Hydrogen** • The hydrogen is produced in the most sustainable way possible, through electrolysis of electricity from renewable energy sources. • If possible, electrification is preferred over hydrogen solutions. Therefore, we do not invest in categories 'beperkt' and 'gering', as defined in the hydrogen ladder of Natuur & Milieu[12]. **Electricity grid and charging infrastructure** • The project has an appropriate plan to remove the installations at the end of their lifespan. • Suppliers of charging infrastructure must comply with General Criteria for Sustainable Energy Projects and not be involved in serious infrastructure-related controversies.
Nuclear energy	We do not invest in the construction of new nuclear power plants. We can invest in R&D in the field of nuclear energy and in the maintenance and operation of existing nuclear power plants, provided that the following conditions are met: • There must be a definitive solution for final disposal of the nuclear waste; • The plant must be located in a country that is a signatory to the Non-Proliferation Treaty and; • The nuclear power plant must be located in a high-income OECD country.

11 https://www.netbeheernederland.nl/publicatie/visiedocument-thuisbatterijen-netbeheerders

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ESSENTIEEL	BELANGRIJK	MOGELIJK	BEPERKT	GERING
Dit zijn de meest prioritaire toepassingen van waterstof, waar op termijn geen duurzame alternatieven voor zijn.	De alternatieven die op termijn beschikbaar komen, zijn in de meeste gevallen niet meer geschikt dan waterstof.	De alternatieven die op termijn beschikbaar komen, kunnen in gevallen meer geschikt zijn dan waterstof; in andere gevallen zal waterstof de meest geschikte toepassing zijn.	De alternatieven die op termijn beschikbaar komen, zijn in de meeste gevallen meer geschikt dan waterstof.	Voor deze toepassingen bestaan al geschikte duurzame alternatieven.
Toepassing: 1. Grondstof productie kunstmest 2. Zeer hoge temperatuur industriële proceswarmte	**Toepassing:** 1. Grondstof in plastic- en staalindustrie ter vervanging van fossiele grondstof 2. Balansfunctie energie-infrastructuur (bufferfunctie) 3. Intercontinentaal vliegen en varen	**Toepassing:** 1. Niche gebouw omgeving 2. Binnenvaart 3. Continentaal vliegen	**Toepassing:** 1. Hoge temperatuur industriële proceswarmte 2. Internationaal wegvervoer	**Toepassing:** 1. Lage temperatuur industriële proceswarmte 2. Verwarmen, douchen, koken 3. Regionaal en nationaal wegvervoer 4. Treinen, regionale bussen, personenvervoer
Mogelijke alternatieven: 1. Geen alternatieven 2. Geen reële grootschalige alternatieven	**Mogelijke alternatieven:** 1. Recyclen 2. Batterijopslag; netverzwaringen; afschakelen hernieuwbare productie 3. Geen grootschalige alternatieven	**Mogelijke alternatieven:** 1. Elektrisch verwarmen, warmtenetten 2. Elektrische scheepvaart 3. Elektrisch vliegen, trein	**Mogelijke alternatieven:** 1. Hoge temperatuur warmtepompen 2. Elektrisch vervoer	**Mogelijke alternatieven:** 1. Elektrisch verwarmen 2. Elektrisch verwarmen 3. Elektrisch vervoer 4. Elektrisch vervoer

Other types of projects.

Project assets	Criteria
Plastics • biobased plastics • reuse and recycling	**Biobased projects** • Only renewable materials are used for the production of bio-based plastic. Apart from recyclate, no fossil raw materials are used; • The feedstock must not compete with food production. Food crop waste is allowed for the production of biobased plastic; • No feedstock is used that can be linked to indirect land use change or deforestation. The company must demonstrate this through, for example, the Better Biomass (NTA8080) certification; • The end product must not contribute to the release of microplastics through use or wear. **Reuse and recycling of plastic** • Project financing that focuses on the processing of previously used fossil plastic achieves a significant CO_2 gain and a lower environmental footprint compared to virgin plastic from fossil raw materials. This reduction in CO_2 emissions and environmental footprint must be demonstrated by a generally accepted methodology for the life cycle assessment (LCA).
Sustainable buildings • Construction • renovation	We avoid construction projects of which the building will be used for activities that we exclude or avoid. This exclusion clause is included in the credit agreement. Examples of such activities include the production weapons or tobacco, where human and labour rights violations take place, and activities that are very harmful to the environment. If a building is not used for activities that we exclude, we may still decide not to finance due to reputational risk. For example, because the owner or tenant of the building is involved in activities that we exclude or avoid.[13] We require that: • No serious misconduct has occurred[14] during preparations, and construction; • The positive effects must outweigh any negative effects of new construction on greenfields[15]; • Buildings must have an energy label. The following applies: – buildings with social utility have an energy label; – buildings with commercial use must have at least energy label A after construction and at least energy label B in renovation; • Buildings with commercial utility meet one or more of the following comparable labels or standards[16]: 1. Greencalc+ milieu-index gebouw: label class A or B[17]; 2. LEED for new construction: Gold or Platinum; 3. BREEAM for existing buildings/new buildings: Very Good of Excellent; 4. GPR Gebouw: 9 or 10 stars.

13 Excluded activities are listed in Annex I. and Annex II. of the Responsible Financing and Investment Standard.

14 Some examples of misconduct: the building sparked serious, widespread protests during its construction because, for instance, it occupies valuable open green space; fraud occurred during previous acquisitions or sales of the building; and the building does not comply with current laws and regulations.

15 Greenfields are areas that have not previously been built upon.

16 For financing of real estate with a social or public function, certain exceptions may be made.

17 GreenCalc+ is a tool to assess the sustainability of a building or neighbourhood. GreenCalc+ assesses sustainability on three topics: use of materials, water use, and energy use. These topics are translated into a score: the environment-index, see: http://www.greencalc.com

1.4 Responsible investment or financing decision

Based on the excluded activities and assessment of policies, management systems and performance, ASN Bank decides either to approve or disapprove financing of the project. If the financed project is not associated with an excluded activity, and has sufficient policies, management systems and performance where relevant, we approve the financing of the project. If the project is associated with an excluded activity or does not have sufficient policies, management systems or performance where relevant, we disapprove the financing of the project.

1.5 Monitoring and periodic review

The financed projects are not subject to periodic review or ongoing monitoring of performance and controversy screening. If ASN Bank becomes aware of any controversies related to financed projects, through the grievance mechanism or otherwise, we assess whether additional steps are required.