



ING Green Bond issuance

June 2020



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Summary

- **ING has an extensive history of Climate Action leadership**
- Our Sustainability journey continues to encompass Advocacy/Thought Leadership, Partnerships & Policies, Products & Services, Climate Impact Measurement, Target Setting & Strategy and Green Bond issuances, amongst other initiatives
- ING became the **first bank to disclose on climate alignment**
- We have a loan book of about €600 billion across many sectors, which we have begun steering towards meeting the Paris Agreement's two-degree goal. We call our strategy to get there the **'Terra approach'**
- Terra has allowed us to **understand our current performance for five of the sectors in scope so far and set ambitious, time-bound targets for aligning with science based scenarios**. This has mobilised the organisation to set sector sustainability strategies in line with our **ambition to steer portfolios towards the Paris Agreement**.
- ING has a strong sustainability track record and is recognised as a leader across various external measures. ING is rated by data providers Sustainalytics (Medium risk)**, MSCI (A)**, CDP (A List)**, ISS ESG (Prime)**.
- We continue to take proactive action to combat climate change through sustainable finance
- **Green bonds form an integral part of our sustainability strategy**, as we seek to fund significant growth in our green asset portfolio
- ING's Green Bond Framework*** consists of Renewable Energy (Wind & Solar) and Green Buildings assets
- ING's Green Bond Framework*** is aligned with the ICMA Green Bond Principles and a Second-Party Opinion has been obtained from ISS-ESG (formerly ISS-oekom)
- **Our Total Eligible Green Loan Portfolio equates to ~€8.2 bln, with ~€3.7 bln of outstanding green funding***
- Greenhouse Gas Emissions avoided for the whole Eligible Green Loan portfolio equates to 6,184,230 ton CO₂eq*
- **Avoided emissions per mil € invested in ING's Green Bond equates to 752 ton CO₂eq***

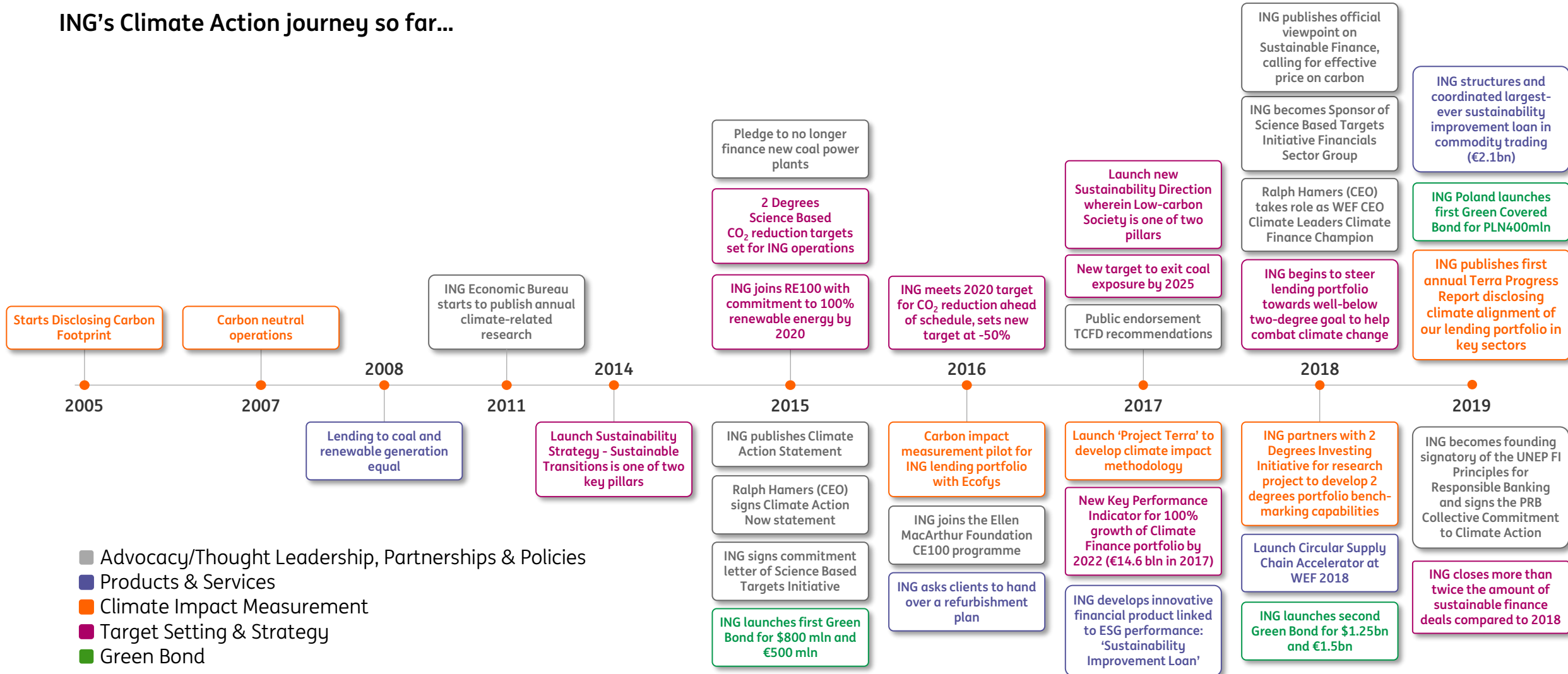
ING Sustainability Strategy



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A history of Climate Action leadership

ING's Climate Action journey so far...



*As of FY2019; **As of May 2020

ING became the first bank to disclose on climate alignment

- ING announced its climate ambition to **align ING's lending portfolio with the goals of the Paris Agreement**.
- In 2019, ING published its progress in its very first **climate alignment report**. We call our strategy the **Terra approach**.
- Terra is an inclusive, science-based, forward-looking and engagement-driven approach.
- With Terra, ING focuses on the sectors in the loan book generating the most climate impact.
- The '**sector-based**' approach respects the fact that each sector has its own transition pathway, or 'technology roadmap', for it to contribute to a low-carbon, below-two-degree world.
- Terra draws upon two main methodologies for target-setting: the **Paris Agreement Capital Transition Assessment** (PACTA) and the Science Based Target Initiative's **Sectoral Decarbonisation Approach** (SBTi SDA).



Terra: our progress & strategy towards below 2°C alignment

Our progress

- Over the last twelve months we have made significant progress in applying the Terra approach.
- Terra has **allowed us to understand our current performance** for five of the sectors in scope so far and **set ambitious, time-bound targets for aligning with science based scenarios**.
- This has **mobilised the organisation to set sector sustainability strategies** in line with our ambition to **steer portfolios towards the Paris Agreement**.
- For ING, 'climate alignment' is about **steering our portfolio** in line with the **well-below two-degree goal of the Paris Agreement**.
- Being 'climate-aligned' therefore means that we are outperforming the scenario or are on track with our defined convergence pathway towards the climate scenario target in each sector.

Sector Targets

- ING commits to **close to zero coal-fired power generation and thermal coal mining by 2025**.
- ING aims for a net energy positive mortgage portfolio by 2050.
- ING has the ambition to align its **Dutch commercial real estate portfolio with the below two-degree goal by 2040** – 10 years ahead of target date.
- ING has joined the **Poseidon Principles**, committing to support the **shipping industry's ambition to reduce CO2 emissions by 50% in 2050**.
- ING aims for the **automotive sector portfolio to outperform the market (in terms of carbon intensity) in the short term**.

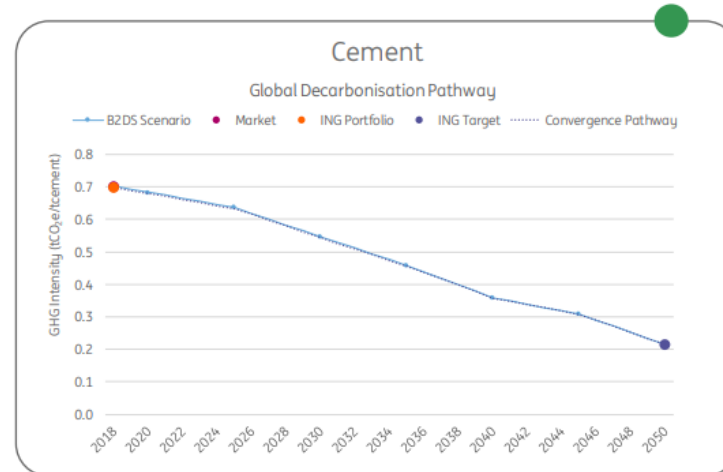
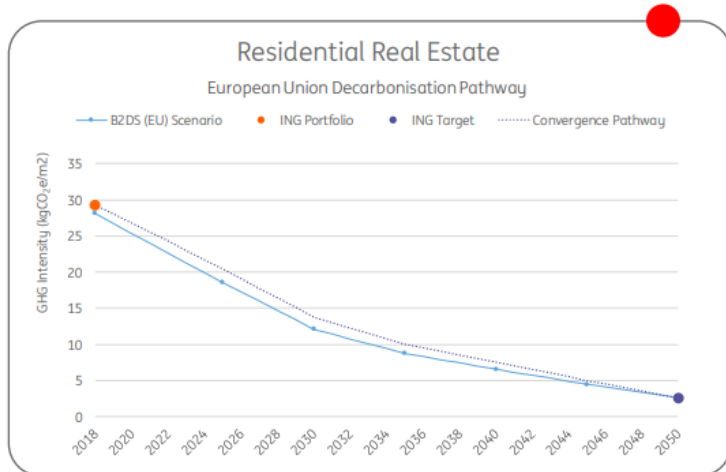
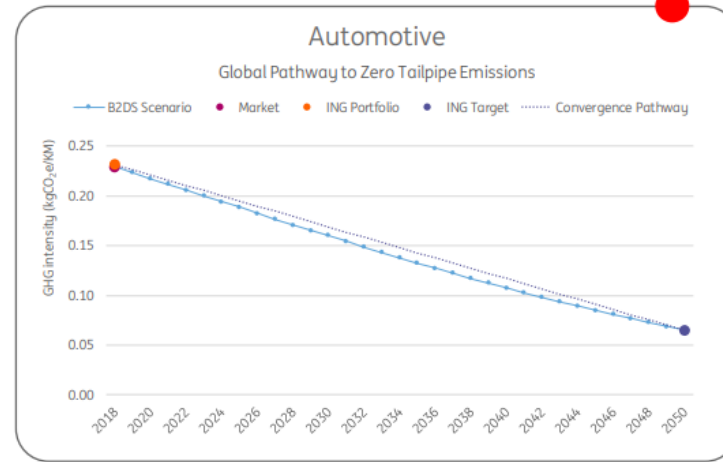
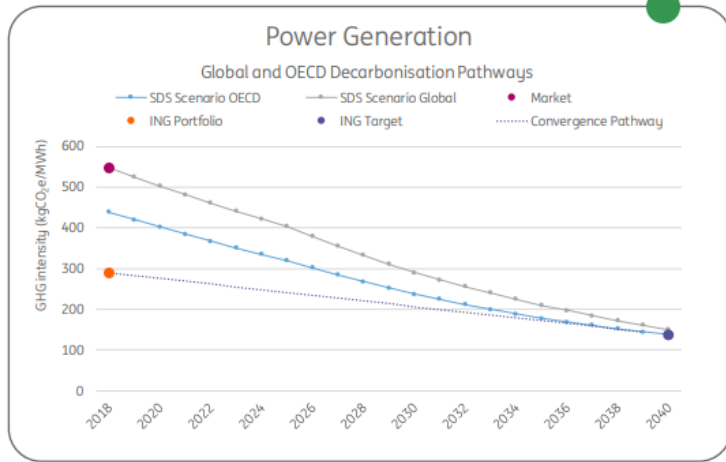
Our progress: current climate alignment per sector

● On track



● Not on track

● Unavailable

○ Under development



Our objectives and ambitions

Theme	Objectives	Ambition 2022	
 Climate Action	Steer ING's lending portfolio to align with 2°C goal	YoY progress towards 2°C alignment	Embed climate risk in end-to-end risk process
	Integrate sustainable finance in our strategy to become industry leader		100% growth in Climate Finance portfolio*
	Streamline Environmental Social Risk (ESR) internally and innovate externally	Zero coal by 2025	100% Equator Principles equipped
 Financial Health	Empower people to make better financial decisions	100 mln people empowered to improve financial decision making	32 mln customers feel financially empowered
	Stakeholder based approach to OECD Guidelines & UN Guiding Principles	OECD / UNGP compliance through stakeholder & client-based projects with positive outcomes to people in client supply chains	

See [here](#) for a full overview of the progress we are making on our environmental objectives

*2017 baseline year; **Sustainable improvement or linked products, Use of proceeds products, Advisory, Sustainable Equity

ING has a strong Sustainability track record

Ratings*



A and part of the
'Climate A list'



Prime - 21 out of 277 companies
rated



A



Second in our market-cap group, and
in the **9th percentile** of 378 listed
and non-listed global banks

Sustainability Index Products

ING is regularly included in ESG and sustainability-focused indices.
Examples include:



*As of May 2020

We continue to take action to combat climate change

ING's commitment to sustainable finance was underlined in 2019 by supporting:

- **63 sustainability improvement loans and green loans**
- **61 social / sustainability bonds**
- So far in Q1 2020 ING has supported **9 sustainability improvement loans and green loans** and **10 social sustainability bonds**

Noteworthy transactions:

1Q2019



PHP 15 bln green bond – 1st from the Philippines under ASEAN Green Bond Standards



€500 mln green bond to finance electric vehicles – 1st for LeasePlan



\$800 mln RCF – 1st sustainability improvement loan in the US general industrial sector

3Q2019



€1 bln Green Schuldschein – 1st Green Schuldschein for a car manufacturer



€1.5 bln Green bond – 1st Green bond for the company



\$2.3 bln Sustainability Improvement Loan – 1st Sustainability Improvement Loan for the company

2Q2019



€200 mln Sustainability Schuldschein – 1st ESG-linked Schuldschein issued



€1.55 bln sustainable improvement loan – largest loan for the real estate sector in Europe



€750 mln green innovation bond – 1st bond issued under Philips' Green & Sustainability Innovation Bond Framework

4Q2019



€1.1 bln syndicated Green loan – Largest Green loan issued within the global transportation sector



€500 mln Green covered bond – 1st Green covered bond for the company




Sustainability @ ING

Our Sustainability Portal

Quick links

- ▶ [Our stance](#)
- ▶ [Our direction](#)
- ▶ [Policies](#)
- ▶ [ING and UN's global goals](#)
- ▶ [Terra approach](#)
- ▶ [Environmental performance](#)
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ING's approach to climate action

		
Climate Finance	Social Impact Finance	Sustainable Investment services
€18.8 bln*	€0.7 bln*	€9.3 bln*

Partnerships, memberships & endorsements

Founding Signatory of:



PRINCIPLES FOR RESPONSIBLE BANKING

TCFD



Principles for Responsible Investment

ING Green Bond





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ING Green Bond issuance

Green Bond issuance objectives

①	<ul style="list-style-type: none"> Support meeting our sustainability objectives Fund significant growth in our green asset portfolio
②	<ul style="list-style-type: none"> Continued leadership in the Green Bond market Development of the Global Green Bond market
③	<ul style="list-style-type: none"> Align with the HoldCo resolution strategy and the recycling of ING Bank senior unsecured instruments
④	<ul style="list-style-type: none"> Meet future MREL/TLAC requirements




External consultants & providers

	<ul style="list-style-type: none"> Second party opinion provider
	<ul style="list-style-type: none"> Green buildings consultant
	<ul style="list-style-type: none"> Renewable energy consultant

Past benchmark transactions

	2015 Green Bond	2018 Green Bond
Issuer	ING Bank N.V.	ING Group N.V.
Size / Currency	€500 mln & \$800 mln	€1.5bn & \$1.25bn
Tenor	5yr & 3yr	12yr & 7yr

Recognition

	<ul style="list-style-type: none"> ‘SRI Bond of the Year’ (2018)
	<ul style="list-style-type: none"> ‘Largest Certified Climate Bond’ (2018)
	<ul style="list-style-type: none"> ‘Green Bond of the Year, Bank’ (2018)

ING Green Bond Framework

1 Use of Proceeds

- Eligible Green Loan Portfolio includes:
 - Renewable energy (global)
 - Wind and Solar
 - Green buildings (Netherlands)
 - EPC label A
- At the moment no loans are added to the Eligible Green Loan Portfolio from the other categories in the Green Bond Framework

3 Management of Proceeds

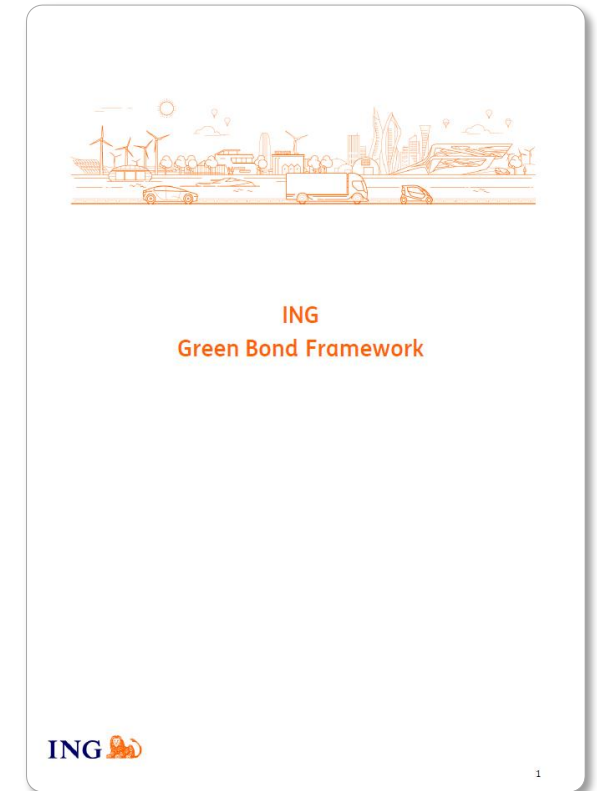
- Portfolio based allocation approach
- Single pool of eligible green loans*:
 - Renewable energy ~€4.9 bln
 - Green buildings ~€3.3 bln
 - Total Eligible Green Loan Portfolio ~€8.2 bln
- Green funding outstanding*: ~€3.7 bln

2 Project Evaluation and Selection

- When identifying eligible projects and their non-financial impacts ING may rely on external consultants and their data sources
- A Green Bond Committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories
- ING's Environmental & Social Risk policies and transaction approval process ensures that loans comply with [environmental and social policies](#)

4 Reporting

- Aggregated (between multiple Green Bonds)
- Allocation report: number of eligible loans, balance of unallocated proceeds, amount or the percentage of new financing and refinancing
- Impact report: total installed renewable energy capacity in MWh, estimated energy consumption in kWh/m², estimated annual avoided / reduced CO₂ emissions in tons
- GHG Emissions avoided / reduced for Eligible Green Loan portfolio: 6,184,230 ton CO₂eq*



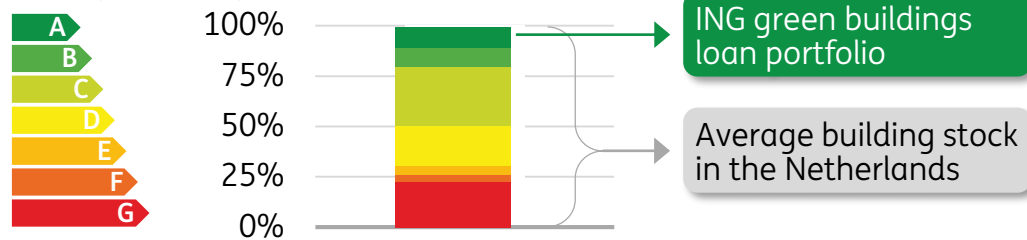
* As of latest [allocation](#) and [impact](#) report (FY2019)

Eligible Green Loan Portfolio: green buildings (Netherlands)

Use of Proceeds: green buildings



Comparison of energy label in ING Green Buildings Loan Portfolio and average building stock in the Netherlands



Group composition ING green buildings loan portfolio in the Netherlands

	#	m ²	Refurbished	New
Industry	207	602,180	155	52
Office	252	622,112	198	54
Retail	964	1,229,955	818	146
House	2,645	592,550	656	1,989
Other	76	84,386	60	16
Total	4,144	3,131,183	1,887	2,257

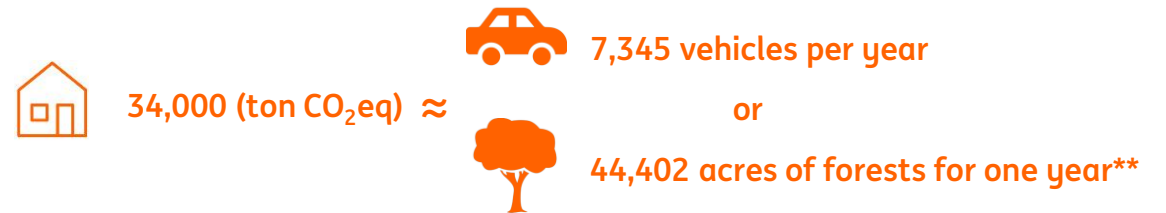
Definition: The assets in the ING green building portfolio have energy label A, and belong to the top 10% of the Dutch real estate market. The portfolio is dynamic and may be expanded in the future with similar buildings in other countries

Impact report: green buildings



Total portfolio size	€3.281 bln
Avoided / reduced emissions	33,846 ton CO ₂ eq*
Avoided / reduced emissions per mil € invested by ING	10.32 ton CO ₂ eq/ mil €

	Number	Portfolio CO ₂ -emission % (ton CO ₂)	CO ₂ -emission Original building code (ton CO ₂)	CO ₂ -emission Reduction (ton CO ₂)	
Refurbished buildings	1,887	46%	94,421	121,260	-26,840
New buildings	2,257	54%	47,213	54,220	-7,007
Total	4,144	100%	141,634	175,480	-33,846



* CO₂-emission reduction is 58,873 ton CO₂eq (29.36%) when using the average building in the Netherlands as the benchmark reference

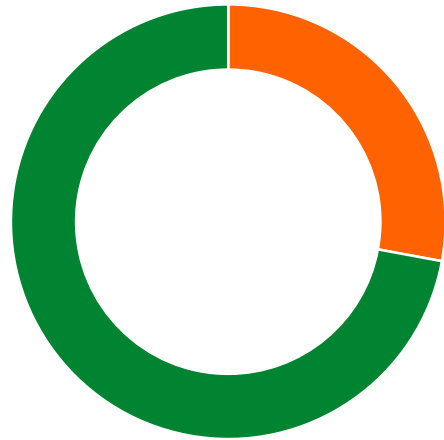
**<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

Eligible Green Loan Portfolio: renewable energy (Global)

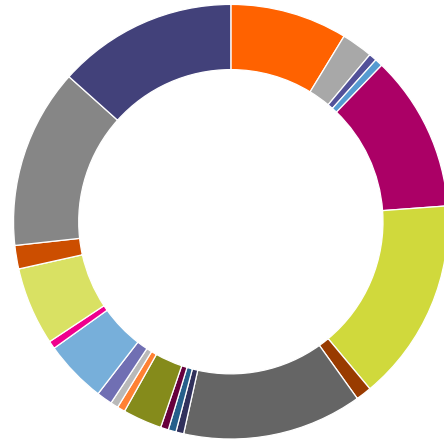
Use of Proceeds: renewable energy



Number of Projects by Technology



Number of Projects by Country



Total avoided Emissions (ton CO₂eq) (number of projects in parentheses)

Wind	4,568,000 (124)
Solar	1,582,000 (48)

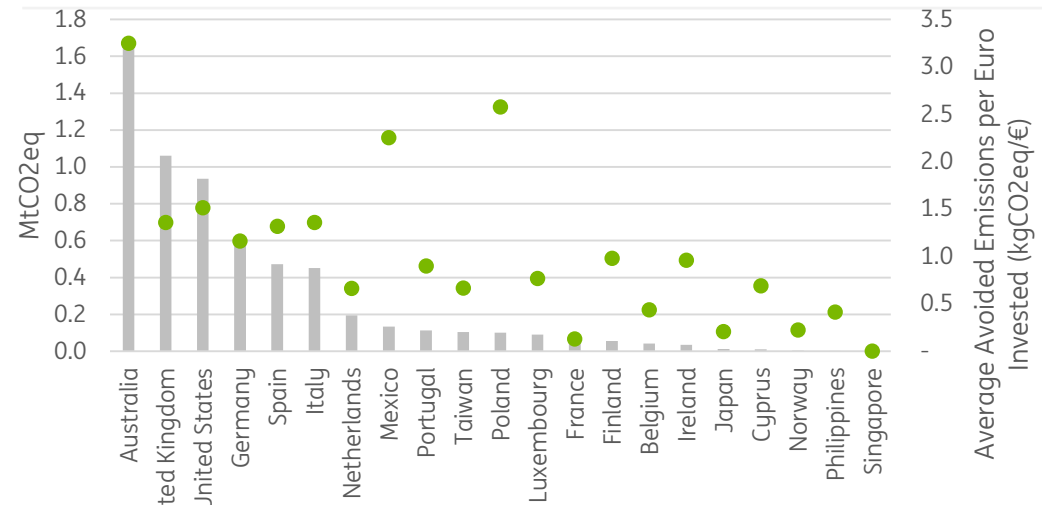
- Australia (15)
- Belgium (4)
- Cyprus (1)
- Finland (1)
- France (20)
- Germany (26)
- Ireland (2)
- Italy (23)
- Japan (1)
- Luxembourg (1)
- Mexico (1)
- Netherlands (5)
- Norway (1)
- Philippines (1)
- Poland (2)
- Portugal (8)
- Singapore (1)
- Spain (10)
- Taiwan (3)
- United Kingdom (23)
- United States (23)

Impact report: renewable energy (Global)



Total portfolio (share ING)	€4.943 bln
Avoided emissions solar + wind	6,150,384 ton CO ₂ eq
Avoided emissions per mil € invested by ING	1244 ton CO ₂ eq/ mil €

Avoided emissions (lhs) and avoided emissions per euro invested (rhs) by project country



4,568,000 (ton CO₂eq)

 +

1,582,000 (ton CO₂eq)

 ≈

4.5 million passenger flights London to New York

 or

103 kton reduction in global beef consumption*

* Navigant

Second party opinion

Opinion on the Green Bond

- ISS's overall evaluation of the Green Bond Portfolio by ING is positive
- ING Green Bond is in line with the Green Bond Principles
- ING has provided ISS with detailed information describing eligibility criteria for the assets to be included in its Green Bonds, the processes of selecting eligible assets, the management of proceeds and the future reporting to investors
- All assets are required, according to ING's ESR Policies, to have minimum environmental mitigation measures in place during construction and operation
- All projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency
- The overall sustainability quality in terms of sustainability benefits and risk avoidance and minimisation is good

Opinion on issuer sustainability

- ING is classified as "Prime". This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS.
- In ISS's view, the securities issued by the company thus all meet the basic requirements for sustainable investments
- ING achieved a rating that was above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria"

Corporate
Responsibility
Prime

Second Party Opinion
Verification of the Sustainability Quality of the Green Bond Portfolio for the ING Green Bond Programme
11 September 2018

Aim and Scope of this Second Party Opinion

ING commissioned ISS-oeom to assist with its Green Bond Programme by assessing the sustainable added value of a portfolio, from which assets for Green Bonds will be chosen. The assessment of the portfolio was conducted using the criteria and indicators of the Green Bond KPIs developed by ISS-oeom.

ISS-oeom's mandate included the following services:

- Definition of Green Bond KPIs ("ISS-oeom Green Bond KPIs") containing a clear description of eligible asset categories and the social and environmental criteria assigned to each category for evaluating the sustainability-related performance of the assets (re-) financed through the proceeds of the bond.
- Analysis of the alignment of the Green Bond to be issued against ICMA's Green Bond Principles.
- Evaluation of compliance of the Green Bond with the ISS-oeom Green Bond KPIs.
- Review and classification of ING's sustainability performance on the basis of the ISS-oeom Corporate Rating

Overall Evaluation of the Green Bond Portfolio

ISS-oeom's overall evaluation of the Green Bond Portfolio by ING is positive:

- ING has defined a formal concept for its Green Bond Programme regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (Part I of this Second Party Opinion).
- The overall sustainability quality in terms of sustainability benefits and risk avoidance and minimisation is good. (Part II of this Second Party Opinion).
- The issuer itself shows a good sustainability performance (Part III of this Second Party Opinion).

Certain aspects could still add to the overall quality of the asset pool: more specific selection or performance criteria would be recommended for the renewable energy assets, in particular regarding environmental aspects of construction and operation.



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