

ING 

Update on  
deforestation and  
ecosystem conversion



# Update on ING's approach to addressing deforestation and ecosystem conversion

## Contents

<b>Update on ING's approach to addressing deforestation and ecosystem conversion .....</b>	<b>2</b>
1. Introduction.....	3
2. Approach.....	3
2.1 Scoping criteria.....	3
2.2 Assessment criteria.....	4
3. Results .....	5
4. Next steps.....	7
Appendix 1: Results of No-deforestation and -ecosystem conversion assessment.....	8

# 1. Introduction

ING wants to play a leading role in accelerating the global transition to a low-carbon economy and believes that this transition can only happen if the world also protects nature and respects human rights.

Deforestation and ecosystem conversion accounts for more than 10% of human caused greenhouse gas emissions.<sup>1</sup> Forests and ecosystems are not only vital to pull carbon from the atmosphere, but are also home to many species, and therefore important for protecting biodiversity. And with many people depending on forests for their livelihood and culture, it is also vital to protect these natural areas from a human rights perspective. For example, protecting forests and biodiversity in general is important in order to protect the rights of local and Indigenous communities that depend on forests and the biodiversity it supports for their livelihoods. Human rights and nature are often interconnected in this way, so by protecting nature we help to respect human rights and vice versa.

ING updated our [Deforestation stance](#) in October 2023 with the ambition to (in addition to the due diligence activities described in our [Environmental and Social Risk \(ESR\) Framework](#)), engage, in a risk-based manner, with targeted global Wholesale Banking (WB) Commodity, Food & Agriculture sector clients active in cattle, palm oil, soy, cocoa, or coffee. We aim to use our influence to encourage these clients to put in place i) no-deforestation and no-ecosystem conversion commitments<sup>2</sup> and ii) targets to work towards full traceability in their supply chains.

Below you can find a brief summary of i) our scoping and assessment methodology, ii) our assessment results, being a first update on the progress of our efforts on this topic, and iii) next steps.

## 2. Approach

### 2.1 Scoping criteria

Our risk-based approach means we focus our efforts on global Wholesale Banking Commodity, Food & Agriculture sector clients<sup>3</sup> where we have assessed that the biggest deforestation and ecosystem conversion risks exist. We defined criteria to filter our client base for those operating in the food and agriculture value chains and most directly involved with high-risk commodities and regions. Our scoping criteria and results can be found in Table 1 (Scoping Criteria) below. We started with 255 clients potentially in scope, representing 4.2% of outstanding in ING's total Wholesale Banking outstanding book (as per 31 December 2023). After applying all scoping criteria (see items 2, 3 and 4 in the table below), 35 clients remained in-scope, representing approximately 14% of our total Food, Beverage, and Agribusiness client base and 33% of outstanding ING exposure in the Food, Beverage and Agribusiness industries.

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<sup>1</sup> IPCC Sixth Assessment Report.

<sup>2</sup> We check whether the company has a public commitment to produce or source commodities that do not cause or contribute to deforestation of natural forests or to the conversion of natural ecosystems (as defined by the Accountability Framework). See more info on <https://accountability-framework.org/use-the-accountability-framework/definitions/>.

<sup>3</sup> Clients include global Wholesale Banking lending and financial markets clients of ING Bank N.V.

**Table 1: Scoping Criteria**

Scoping criteria	Argumentation	Nr of clients	Outstanding (%)
<b>1. All ING clients mainly active in Food, Beverages and Agribusiness (including trading)</b>	1. Based on market consensus that biggest conversion risks come from these industries	255	4.2% of total WB book 100% of Food, Beverages and Agribusiness
<b>2. Clients involved with cattle, palm oil, soy, cocoa, or coffee</b> <b>3. Clients produce in, or source from, high-risk countries (see commodity/country matrix <a href="#">here</a>)</b> <b>4. Clients involved with primary production, trading, or first-time processing of high-risk commodities</b>	2. These raw commodities are included in EU Deforestation Regulation - seen as highest deforestation-risk <sup>4</sup> 3. Identifying high-risk countries by combining country-level production and deforestation patterns (based on respectively FAO and Worldbank data) <sup>5</sup> 4. These clients are closest to the actual impact and can therefore contribute more directly to the solution	35	1.4% of total WB book 33% of Food, Beverages and Agribusiness

## 2.2 Assessment criteria

The clients in scope after applying the scoping criteria were assessed based on the engagement criteria in Image 1 (ING's engagement criteria on deforestation and ecosystem conversion). The criteria (including the target date and cut-off date) are informed by, amongst others, guidance under the EU Deforestation regulation and the Accountability Framework initiative (AFi).

These criteria are meant to drive our understanding of our clients' practices to address deforestation and ecosystem conversion risks. We acknowledge deforestation and conversion can still happen in value chains, even if these criteria are met. Nevertheless, the assessment criteria inform us about the strength of our clients' commitments and help us to focus our attention to encourage improved practices.

<sup>4</sup> Wood and rubber are currently being assessed through regular ESR assessments given ING's low exposure to these raw commodities.

<sup>5</sup> Due to lack of ecosystem conversion data found, we used deforestation rates also as proxy for ecosystem conversion rates.

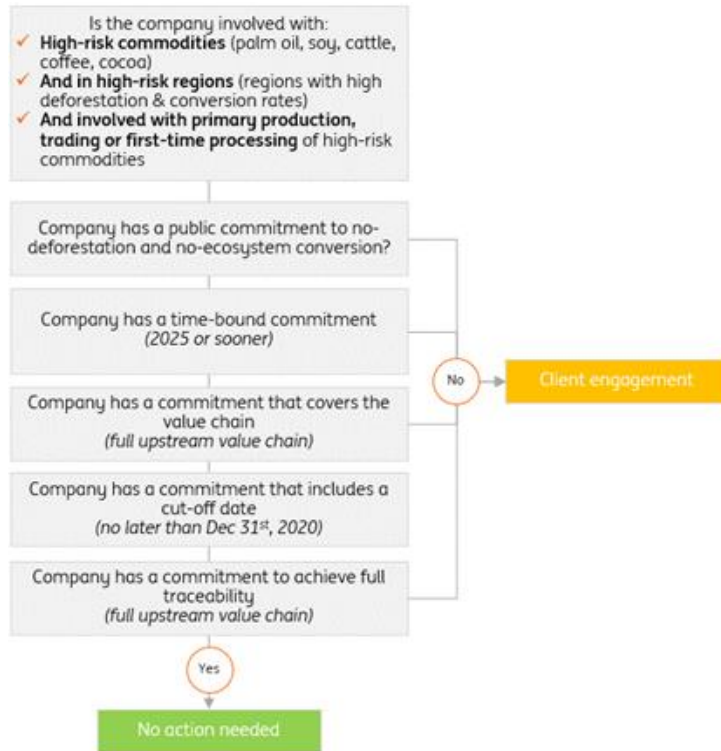


Image 1: ING's engagement criteria on deforestation and ecosystem conversion

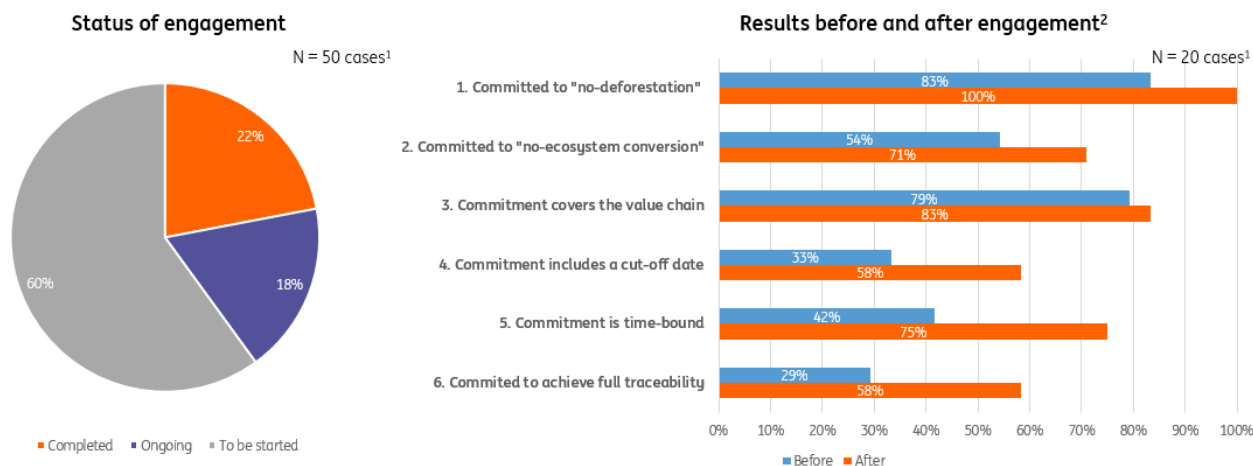
On 29 June 2023, the EU Regulation on deforestation-free products came into force. Under this regulation, companies placing high risk commodities like cattle, cocoa, coffee, palm oil and soy on the EU market, or exporting from it, are required to conduct extensive diligence on their value chain. Financial Institutions, like ING, are not in scope of EU Deforestation Regulation. ING voluntarily started mapping high risk commodities and clients, and we decided to publish our assessment annually.

At ING, we also assess the strength of our clients' human rights commitments through our Environmental and Social Risk (ESR) framework, which includes a standalone, cross-sectoral Human Rights policy. This ESR framework determines, for example, the circumstances in which relevant checks will be conducted to determine whether Free, Prior and Informed Consent (FPIC) has been obtained and labour rights respected as part of assessing clients and/or transactions where deforestation and ecosystem conversion risks may be an issue. See our [ESR framework](#) for more information.

### 3. Results

Where possible, clients were assessed using publicly available data, which certain clients self-reported through the Carbon Disclosure Project (CDP) platform<sup>6</sup>. Clients not disclosing through CDP were assessed through their public company reports. Image 2 below shows the results on an aggregated level and Table 2 (2024 assessment results) in the appendix shows the result of our assessment on a client-by-client anonymised basis, for all criteria.

<sup>6</sup> CDP Forest 2023 questionnaire is used, typically covering 2022 reporting data.



<sup>1</sup>Results in the chart on the left represent all 50 cases in scope (i.e. 100%), where we aim to engage clients. The chart on the right represents only the 20 cases (i.e. 40%) where engagement is ongoing or has been completed. More detailed results per case, including for those not yet covered by engagement, can be found in Table 2 in the Appendix.

<sup>2</sup>The reason why results improved after engagement may be because clients have improved their practices since the date of our initial assessment, or because they have non-public information that we discovered during our engagement conversation.

**Image 2: Overall progress of ING's assessment and engagement regarding deforestation and ecosystem conversion**

Note: Engagement is on case basis, i.e. "Client A-Soy", "Client A- Palm oil" are considered to be two separate cases.

As the pie chart above on the left shows, we currently engaged 40% of the cases in scope. A case refers to a client-commodity combination. I.e. "Client A-Soy" and "Client A-Palm oil" are considered to be two separate cases. Based on this approach, we have 50 cases amongst the 35 clients in scope. Out of these cases, 22% meet all assessed criteria confirmed after engagement. Before engagement started, this was only 14%. The reason why results improved after engagement may be because clients have improved their practices since the date of our initial assessment, or because they have non-public information that we discovered during our engagement conversation. During our engagement we encourage our clients to make their commitments public to enhance transparency in the agriculture, food and beverage value chain. Engagement under this framework is considered to be completed once all criteria are met (i.e. client's score is 6 out of 6). As the chart on the left also shows, for 18% of the cases currently engaged, this is not yet in place and therefore we consider the engagement to be ongoing. We aim to engage all clients in scope after our initial assessment of public disclosures, regardless of if they meet all criteria or not.

The bar chart on the right shows the results for the 20 cases (40% of all cases) where we currently started engagement. We consider these results after first engagement to be the baseline against which we will compare the cases going forward. While more is needed to fully prevent deforestation and ecosystem conversion happening in food and agriculture value chains, the results show that after engagement we could confirm that all in-scope cases have commitments to achieve no-deforestation. This is an important starting point and indicates a willingness to address this issue. We also observed that more clients have no-deforestation commitments than no-ecosystem conversion commitments, which can be explained by the fact that deforestation has historically received more attention. We expect to see our clients putting stronger commitments in place (i.e., including cut-off dates, covering no-ecosystem conversion, and committing to full supply chain traceability).

## 4. Next steps

We aim to continue our engagement with in-scope clients on new transactions or as part of our regular client and transactions review processes. Our objective is to understand where our clients stand when it comes to addressing deforestation and ecosystem conversion, what challenges they might face and to support their journey to address deforestation and conversion risks. Where needed we will encourage our clients to put in place stronger commitments and/or disclosures. We also monitor if our clients are making progress to ensure alignment with ING's ambitions.

We intend to integrate this approach to address deforestation and conversion risks into the Client Transition Plan (CTP) process which currently focuses on assessing the climate disclosures and transition planning of clients<sup>7</sup>. This will allow us to address climate, deforestation, and other nature-related topics in a holistic manner.

Our client engagement starting-point continues to be inclusion-first: based on the belief that we can make the most impact by helping clients – especially clients exposed to high-risk commodities and countries – to transition their businesses. We recognise that achieving full traceability may remain a challenge in certain supply chains and that the concept of 'negligible risk' is embedded in the EU Deforestation Regulation as an acknowledgement that eliminating all risks may not always be possible. These limitations and challenges will form part of our client engagement discussions as we strive to help our clients continuously improve and find custom solutions to overcome them.

At ING, we are prepared to step away from client relationships that are not aligned with our commitment to manage deforestation and ecosystem conversion risks. As of 2027 (two years after Client Transition Plan disclosure assessments, including disclosures related to deforestation and ecosystem conversion risks, and more strategic engagement with our clients), we will have an even more robust understanding of how our clients are progressing. This will be two years from the moment we aim to complete the baseline assessment of clients in scope of the deforestation and conversion approach. For that proportion that remain unable or unwilling to progress on the criteria communicated to those clients under the CTP engagement and/or the [ESR framework](#), we may, on a case-by-case basis, apply stricter credit conditions on the type of business we want to do with these clients, or cease financing them altogether. This is one year later compared to when ING will take remedial action with clients unable or unwilling to transition to net zero, as explained in ING's Climate Progress Update 2024. This can be explained by the fact that we will finish our baseline on deforestation and conversion one year later.

We aim to report on our progress on an annual basis. In the meantime, the legislation is evolving around nature-related topics and disclosure requirements are increasing. We monitor the regulatory developments as well as the supervisory expectations, which may have an impact on our assessment methodologies.

Our other restrictions and standards related to deforestation and ecosystem conversion can be found in our [Environmental and Social Risk framework](#). These standards are part of the due diligence we perform on clients in the Commodity, Food & Agriculture sector. Further information on our approach to deforestation may also be found on our [Deforestation stance page](#).

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<sup>7</sup> For more information see ING's [Climate Progress Update 2024](#)

## Appendix 1: Results of No-deforestation and -ecosystem conversion assessment

**Table 2: 2024 assessment results**

Please note, the reason why results improved after engagement may be because clients have improved their practices since the date of our initial assessment or because they have non-public information that we discovered during our engagement conversation.

N/A in the table below means we were not able to verify the commodities and countries this company is involved with through public information.

Client, Category & Scoping Assessment		Criteria 1: No-deforestation commitment (no or zero-gross)		Criteria 2: No ecosystem conversion commitment		Criteria 3: Commitment scope (for full upstream value chain)		Criteria 4: Commitment includes cut-off date (no later than Dec 31 <sup>st</sup> , 2020)		Criteria 5: Commitment is time-bound (2025 or sooner)		Criteria 6: Commitment to achieve full traceability (for full upstream value chain)		Total Criteria Met		Engagement Status
Client nr.	Category	Initial assessment	Assessment after engagement	Initial assessment	Assessment after engagement	Initial assessment	Assessment after engagement	Initial assessment	Assessment after engagement	Initial assessment	Assessment after engagement	Initial assessment	Assessment after engagement	From Assessment	After Engagement	
C 001	Cattle	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	4	4	Ongoing
C 002	Soy	Yes		Yes		Yes		Yes		Yes		Yes		6		To be started
C 002	N/A	No		No		No		No		No		No		0		To be started
C 002	Coffee	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Yes	No	No	2	4	Ongoing
C 003	Cocoa	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	2	6	Completed
C 004	Coffee	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Yes	No	Yes	2	5	Ongoing
C 005	Palm oil	Yes		Yes		Yes		Yes		Yes		Yes		6		To be started
C 006	Soy	Yes		Yes		Yes		Yes		Yes		Yes		6		To be started
C 006	Cocoa	Yes		Yes		Yes		No		Yes		Yes		5		To be started
C 007	Palm oil	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6	6	Completed
C 008	Soy	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	5	5	Ongoing
C 009	Cattle	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	4	6	Completed
C 010	Soy	No		No		No		No		No		No		0		To be started



C 010	Palm oil	Yes		Yes		Yes		Yes		No		No		4		To be started
C 011	Cattle	No		No		No		No		No		No		0		To be started
C 011	Cattle	Yes		No		Yes		Yes		No		No		3		To be started
C 013	Soy	Yes		Yes		Yes		Yes		No		No		4		To be started
C 013	Palm oil	No		No		No		No		No		No		0		To be started
C 014	Cocoa	No		No		No		No		No		No		0		To be started
C 014	Soy	No		No		No		No		No		No		0		To be started
C 014	Palm oil	Yes		Yes		Yes		No		No		Yes		4		To be started
C 015	Soy	Yes		Yes		Yes		Yes		No		No		4		To be started
C 016	Soy	Yes		No		No		Yes		No		No		2		To be started
C 017	Coffee	Yes		No		Yes		No		No		No		2		To be started
C 018	Coffee	Yes		No		Yes		No		Yes		No		3		To be started
C 019	Cocoa	Yes		No		Yes		No		Yes		No		3		To be started
C 019	Coffee	Yes		Yes		Yes		Yes		No		No		4		To be started
C 020	Cocoa	Yes		Yes		Yes		Yes		No		No		4		To be started
C 021	Coffee	No		No		No		No		No		No		0		To be started
C 022	Palm oil	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	3	3	Ongoing
C 022	Coffee	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	3	3	Ongoing
C 022	Soy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	5	6	Completed
C 023	Soy	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	3	6	Completed
C 024	Palm oil	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5	6	Completed
C 025	Soy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	5	6	Completed
C 026	Palm oil	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	3	6	Completed
C 026	Soy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6	6	Completed
C 026	Cocoa	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	No	Yes	2	5	Ongoing
C 028	Coffee	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	No	No	3	4	Ongoing
C 029	N/A	No		No		No		No		No		No		0		To be started
C 030	Soy	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	5	6	Completed
C 031	Palm oil	Yes		Yes		Yes		No		Yes		Yes		5		To be started

<b>C 032</b>	Cocoa	No		No		Yes		No		No		No		1		To be started
<b>C 032</b>	Palm oil	Yes		Yes		Yes		No		Yes		No		4		To be started
<b>C 033</b>	Soy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6	6	Completed
<b>C 033</b>	Soy	Yes		Yes		Yes		Yes		Yes		Yes		6		To be started
<b>C 034</b>	Coffee	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No	3	4	Ongoing
<b>C 035</b>	Cattle	Yes		No		Yes		Yes		No		Yes		4		To be started
<b>C 036</b>	Palm oil	No		No		Yes		No		No		No		1		To be started
<b>C 039</b>	N/A	No		No		No		No		No		No		0		To be started