White paper

Assessing climate transition plan disclosures

ING's Client Transition Plan assessment methodology

do your thing

Legal disclaimer

The purpose of this paper is for ING to be transparent on its approach to assessing our clients' climate transition plans. This paper focusses on the purposes, methodology and uses of Client Transition Plan (CTP) scoring in ING. These scores are used solely for internal purposes and as one component in ING's decision-making processes, but not as a stand-alone determinant. We recognize that this scoring methodology is in its early stages, and we'll keep improving it in the future.

This paper must be read together with the following notes and the caution about each assumptions, product/activity scoping, data quality and other uncertainties as disclosed from time to time in our relevant disclosures (please click here: Reporting | ING and here: Annual reports | ING for the most recent versions of our climate progress update and annual reports). ING's client engagement approach may be subject to further amendments from time to time at its own discretion or otherwise as required by the regulations or supervisory actions. Furthermore, ING's climate approach, commitments, targets, baselines, calculation methodologies and alignment approach may be subject to further change due to regulations, data availability and quality, pathway availability, methodology updates, significant changes to the company structure, contractual arrangements, changes (or lack thereof) in public policy and government action and/ or other developments affecting our clients, the sectors in which they operate or society as a whole. The risk factors associated with achieving these targets are further described in the "Risk Factors" section set out in our annual reports from time to time (Annual reports | ING).

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Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. See how we're progressing on ing.com/climate

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ING's commitment to climate action

The urgency of the climate challenge is becoming more evident all the time. In the past year, there have been reports of the increasing frequency of heatwaves and forest fires, evidence of the growing intensity of floods and droughts, and the highest ocean temperatures ever recorded. Across the world, huge efforts are underway to drive down greenhouse gas emissions and reduce society's reliance on fossil fuels.

Our approach is scienced based, and the global aim is captured in the Paris Agreement, to which 195 countries are signed up to deliver by 2050: the world needs to hold global warming to 1.5°C above pre-industrial levels. Today, the latest climate science1 tells us that we are running out of time to achieve that, making every step more meaningful and every fraction of a degree more important. The world needs a rapid transition to a low-carbon economy and it is clear that this challenge requires us all to step up action. Also, creating a more sustainable, climate-resilient future presents huge opportunities.

At ING, our ambition is to help accelerate the transition - because it matters to us as a bank, to our clients and to society. We are a systemically important financial institution, so we have the opportunity to play a leading role in financing the change that is needed.

To help drive down emissions and align with global climate goals, we can make a significant contribution through engaging with our large clients to help them accelerate their transition - especially those in the most carbon-intensive sectors whose operations produce the most emissions and where their ability to shift can make the greatest difference. That's why we have taken important steps in the past year in our client engagement approach: we've put a data-driven assessment and decision-making process in place that has led to a step up in how we advise and support Wholesale Banking clients with sustainable business transformations.

[1] IPCC AR6 Synthesis Report, 2023.

Objective of this paper

The purpose of this white paper is to be transparent about ING's approach and methodology for assessing our clients on the information they disclose about their climate transition plans, and specifically how that translates to what we have called ING's Client Transition Plan (CTP) score and how we embed that into the decision-making of the bank.

We have learned from our many interactions over the past year with stakeholders, especially our clients and our peers, that providing this transparency and being explicit about our approach is valuable for them. Clients are keen to understand the direction in which banks are moving on this issue and how we look at their progress. Many banks are on this journey too and are considering how to develop their approaches to internal scoring and related tooling and, as important, how this is then embedded into financial institution decision making, credit assessment and client engagement. This paper allows us to engage in a dialogue and learn from each other.

This assessment process and its resulting internal score are still in the early stages in ING, and we acknowledge that it will need further development. Therefore, it is in a spirit of humility that we set out our methodology and we hope it will give encouragement and confidence to others that it is worth doing.

ING's Client Engagement Approach

In 2018 we started what we call our Terra approach by setting out pathways for key sectors to reach net-zero emissions by 2050, using the latest scientific guidance. We have been expanding our sector scope over time, with 12 sectors in scope today, including adding aluminium and dairy in the past year. Broadening our reach over time to encompass all the businesses we serve at ING, our goal is to actively support clients who are working to drive progress in this transition.

In 2021 ING joined the Net Zero Banking Alliance, committing to be net zero by 2050, which includes steering the most carbon intensive part of our loan book towards net zero by 2050 or sooner. We have set science-based targets for all the sectors in scope and report on the progress on an annual basis. (Please refer to our Climate Progress report)

In 2023 we took the next step in our client engagement approach to steer our Balance Sheet towards Net Zero, after our public commitment on the investor day of 2022. We decided to collect publicly available data on the climate disclosures and transition planning of around 2,000 clients. This has allowed us to assess and evaluate the maturity of the disclosures of our biggest clients, as well as all clients in the most carbon-intensive parts of our portfolio (i.e. clients in scope of our Terra approach). This will enhance our client-related decision-making process and improve how we engage with existing and prospective clients.

This large-scale assessment resulted in a Climate Transition Plan ("CTP") score for each client in scope. These scores are now incorporated into our transition risk assessment and transaction approval processes to support a more data-rich and fact-based approach. This will enable us to better understand where our clients stand in their transition journey, how we can support them, and finally how we can steer our funding towards those clients who are willing and able to transition to meet our net zero ambition.

Whereas through our Terra approach we understand how our clients are developing against their sector specific decarbonization trajectory at a portfolio level, the CTP scores enable us to get valuable insights at a client level on the actions they are taking in their decarbonization journey. By knowing where they stand in their decarbonization journey (through our Terra approach) and where they are heading

Timeline view of the approach

2023

- Assessed around 2,000 clients on their climate transition plans to generate Client Transition Plan (CTP) score

2024

- CTP score embedded in WB transaction approval process
- Front office started to engage with clients based on the CTP score
- Ongoing collection of year 2 of CTP data
- CTP score to be refined to be able to assess the **progress** of client's transition (year-on-year)

2025

- ING is able to identify clients that are progressing as planned and those that are not based on their CTPs
- ING continues to monitor progress of those clients that **are** sufficiently progressing
- ING enters into further dialogue with those that **are not** sufficiently progressing

2026

- On a case-by-case basis, stricter conditions / no new business for those who do not show sufficient progress for two consecutive years

Looking ahead

(through the CTP assessment), we aim to have a better understanding if they are on the track with sectoral net zero ambitions. This will allow us to take more informed decisions on our lending exposure and how we can support our clients on their decarbonization journey.

Already in 2024, we have started to use our CTP assessments to inform our discussions with clients about their plans for the transition. We explain how their CTP disclosure scores influence our decision making and use our assessment as the basis for an in-depth and insightful conversation about how we can finance and help accelerate their transition. These data-driven client-engagement discussions are supported by a new sustainability client engagement toolkit and training for client-facing teams in Wholesale Banking to establish consistency when tracking progress and providing support for clients in their transitions.

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 the high emitters – to transition their businesses. However, we've also previously indicated that, over time, we will be prepared to step away from client relationships that are not aligned with our portfolio pathways and our commitment to steer towards net zero. This new ‚business as usual' approach means that, as of 2026 (after two years of client CTP disclosure assessments and more strategic engagement with our clients), we will have a more robust understanding of how our clients are progressing. Every financial institution will, and should, make its own choices: in ING, for the proportion that remain unable or unwilling to progress, we may, on a case-by-case basis, consider applying stricter credit conditions on the type of business we want to do with these clients, or cease financing them altogether.

Looking ahead, we may have the opportunity to enlarge the scope of clients covered and also expand the kinds of available data we capture and track in line with the expected increased scope of the regulatory requirements over time. While a CTP score provides an assessment at a particular point in time, the impact of a transition plan captures a company's execution of the actions outlined in the plan. Therefore, to accurately gauge whether the company is following through on its plans, we will assess year-on-year progress. This will increase the value of CTP scores in our decision making.

As disclosure requirements evolve, more data points are becoming available and in response to these developments, we will continuously update our methodology. For instance, the EU Corporate Sustainability Reporting Directive, which becomes mandatory for large companies in Europe in 2025, includes a category on locked-in emissions. This information is crucial for understanding whether such emissions could jeopardize the achievement of the company's transition objectives. As more relevant data becomes available, we will incorporate sector-specific granularity into our assessments.

We also recognize that the climate-change challenge is dynamic, so our response needs to be dynamic as well. That's why we anticipate that additional elements like nature, circular economy, resource consumption and just transition will also need to be incorporated into transition planning, and we are already taking steps to enable that to happen.

ING's Client Transition Plan Assessment Methodology

Overview

The assessment of the transition plans of our clients enables us to improve our understanding of the steps our clients are taking to decarbonize their business. The outcome of this assessment allows us to:

- Strengthen strategic client dialogues with the objective to support them in accelerating their transition, through financing solutions.
- Identify and manage the long-term transition risk associated with our clients.
- Determine how a client is aligning their transition strategy and business model to a 1.5°C / net-zero pathway, which is relevant for ING as a member of the NZBA, and to assess how the client supports our Terra[2] approach.
- Identify if clients with high transition risk are taking proactive steps to transition, which is also an expectation of our prudential regulator, the European Central Bank.

Data collection

In order to conduct this assessment, we collected our in-scope Wholesale Banking clients' publicly disclosed data on their climate transition plans, including their current emissions, commitments and targets, and whether they have action plans to deliver on those, and whether governance and a link to business strategy is in place. A transition plan is a time-bound action plan that clearly outlines how an organization will transition its existing assets, operations and entire business model towards their climate related targets and eventually to net zero.

To collect, store and use the data in our engagement and decision-making processes, we designed an online tool called ESG.X. ESG.X enables information to be collected and stored centrally where it can be used by multiple users across ING. For more information on the data collection process, please refer to Annex 1.

It then generates a Client Transition Plan (CTP) score for the client, which shows where the client stands with regards to their transition planning, based on public data. The methodology for that is set out in the section that follows.

Scoring methodology

In establishing the methodology to assess the credibility of the transition planning, we went through the following stages:

1. Define the criteria and questions to identify a credible transition plan.
2. Define the weights of the criteria and questions.
3. Define the thresholds for the bands we have created - advanced, moderate and low - in terms of the maturity of publicly disclosed data on transition planning.

[2] Terra is ING's net zero approach in its ING's most carbon intensive sectors, which includes power generation, upstream/mid-stream/downstream oil and gas, automotive, aviation, shipping, steel, cement, commercial real estate and as of 2024, initial steps have been taken on aluminium and dairy on how to include them in Terra.

1. Criteria for a credible transition plan

To determine the components of a credible transition plan, we used regulatory frameworks like the Corporate Sustainability Reporting Directive (CSRD), ISSB (International Sustainability Standards Board), UK Transition Plan Taskforce (TPT), US Securities Exchange Commission (SEC) and other initiatives such as Carbon Disclosure Project (CDP), Science Based Target Initiative (SBTi), Climate Action 100+. Using this benchmark approach, we identified the common denominators. Aligning with incoming regulatory frameworks will also allow us to obtain the data made available from the reporting under such regulation and that we collect the data which is reported in line with the regulatory requirements. (For greater detail, see Annex 1: Data Collection).

On that basis, we defined the criteria for a credible client transition plan, organized in four main components:

1. **Emission reporting:** it is important to know if the company has a clear understanding of their current Greenhouse Gas emissions because it indicates that a company understands the climate issue, both in its organization (Scope 1 & 2) and across its value chain (Scope 3). It is even more credible if the emission reporting has been audited.

2. **Commitment & Targets:** This indicates if the company has set explicit decarbonization goals:
   - **Commitments:** This shows their commitment to decarbonize – for example to achieve Net Zero, aligned with the Paris goals.
   - **Targets:** This shows not only their overarching commitment, but also that the client has set itself targets to be delivered and measured in a specific timeframe.
   - **Science Based:** This is an indication that the client is advanced in its approach to decarbonization. The most credible approaches are aligned with sector specific science based pathways and informed by the latest scientific guidance.

3. **Action plan:** An action plan demonstrates whether a client has set out how they intend to reduce their emissions, and the investments (capex) required to achieve their targets. It provides insights on their roadmap for decarbonisation, innovation and business model transformation over time.

4. **Governance & Strategy:** This demonstrates whether the transition plan is embedded into the overall business strategy and whether the client has a clear governance structure to execute the plan.

To assess the companies' publicly available data for those four components, we consider 10 questions, presented below:

Component	#	Question
Emission reporting	1	Does the company report scope 1 and 2 emissions?
	2	Does the company report scope 3 emissions?
	3	Does the company have third party assurance on its emission data?
Commitment & Targets	4	Does the company have a net-zero commitment statement?
	5	Does the company have near term (up to 2035) emission reduction targets?
	6	Does the company have long term (beyond 2035) emission reduction targets or a long term net zero target?
Action plan	7	Does the company identify the actions they will pursue to reduce their emissions?
	8	Does the company identify any of their existing/future goods and/or services as low carbon products/services?
Governance & Strategy	9	Does the company consider climate change when plannings its business strategy?
	10	Does the company identify persons or committees responsible for executing the transition plan?

Please note that this is the final list of questions considered in the methodology for ING's first annual assessment. Additional questions and data points could have been derived from different regulations, or from the enhanced regulatory disclosures over time. Some of the indicators are not part of this for the time being, due to insufficient data points as our clients are not disclosing this information yet, given the data points are not mandatory. As our clients' disclosure requirements evolve over time, we will increase the granularity of the data and the questions accordingly.

2. Weights for the criteria

To be able to use the Client Transition Plan assessment methodology in our decision-making process, we applied a weight to each component. The below table shows the weightings and an explanation of the significance. As companies are on a journey to get all these elements in place, weightings may change over time. E.g. more weight might be given to the action plan in the future.

Component	Weighting	Explanation of the significance
Emission reporting	25%	Reporting emissions is key for understanding what the emissions are and where they come from and creates the basis to set targets and form an action plan.
Commitment & Targets	10%: Net zero commitment	Committing to achieve net-zero indicates the level of ambition and the desired destination.
	35%: Targets	Setting targets is crucial to steering the business in line with the sector transition pathway and marks out the steps towards the overarching net zero commitment.
Action plan	20%	Targets without an action plan are hollow. Therefore, having an action plan in place to deliver on the targets, including potential investments, underpins the credibility of the transition plan.
Governance & Strategy	10%	Embedding sustainability and the path to net zero into the overall business strategy, and establishing strong governance is crucial to its success.

3. Thresholds for the bands of CTP scores

Our assessment of ~2,000 clients resulted in a CTP score for each company, which we have placed into bands: Advanced, Moderate and Low, signifying their maturity of disclosure.

- **Advanced:** a company in the top band scores 60% or above. This means that the company's disclosures indicate they have a strong transition plan, including a commitment with a baseline of reporting, near-term targets and long-term targets, and an action plan supported by their governance.

- **Average:** a company in the mid-band scores 30% or above. This means that the company's disclosures show the company has a baseline to work from and at least a commitment to a long-term net-zero target.

- **Low:** a company in the low band scores less than 30%. This can be considered a weak transition plan score, with little that demonstrates that they have set out a path in the transition.

Advanced maturity of disclosure	Average maturity of disclosure	Low maturity of disclosure
Scoring 60% or more	Scoring 30% or more	Scoring less than 30%

Even in the first year of this scoring process, there have been insights that can help to inform the general understanding of the landscape of companies' preparedness for the transition:

- For those in the top band (Advanced), a key factor is that they are typically large publicly listed companies, with policies and governance in place, with strong data availability and quality, together with science-based approaches to building their decarbonization plans. These are often also the types of businesses in the scope of the EU's CSRD that will be operational from 2025. It's for these same reasons that the listed companies with the most advanced disclosure and strongest plans are often those in the most carbon-intensive sectors, such as automotive or cement. These are sectors already facing the practical consequences of climate change and growing pressure from stakeholders, whether regulators or customers, and where the shift to a low-carbon economy requires significant investment and operational transformation. So, their planning and related disclosure reflects that.

- There are, of course, many clients who have no obligation to disclose, so they score poorly on the basis of available public data. We need to be clear, however, that this does not mean they have no transition plans in place. These companies face the same imperatives to transition successfully to a low-carbon economy as any other company, and we know that many are actively preparing. But it does mean that there is little or no public visibility of the plans or progress of companies that are currently not required to disclose - and this affects the current assessment score.

Planned improvement to the methodology

To improve insights created by the CTP assessment methodology over time, we will keep developing the methodology. The following main developments are on our agenda for 2025:

- **Measuring progress:** Since only the execution of a credible transition plan will result in the decarbonization of a company, we will embed progress measurement in our methodology.

- **Create more granularity:** As described above, the development of regulation will unlock more data points, which will allow us to create more granularity in our assessment methodology. This will be especially relevant for the high emitting sectors.

- **Private information:** Since not all companies disclose their transition plans in the public domain, we will also collect private information from the relevant clients. We are exploring with different industry groups the most efficient way of gathering private ESG data.

- **Adding new categories:** We plan to also use ESG.X to collect other ESG elements such as nature, circular economy, resource consumption and just transition.

As we make improvements to our ESG.X tool and obtain more and higher-quality data, notably thanks to disclosure regulations, we will better understand what the transition involves for our clients: the barriers and dilemmas they face, as well as the opportunities that present themselves.

Embedding climate alignment into our decision-making

We're constantly working to embed climate action in how we operate our business, with the goals of steering our lending portfolios to net zero and supporting our clients in transitioning to a low-carbon economy. As such, we aim to align our business decisions with our sustainability strategy and incorporate climate considerations into our core processes – embedding climate action into the heart of our business. This includes how we are incorporating Client Transition Plan scores into our overall decision-making and client engagement processes.

At a portfolio level, we use our Terra climate alignment approach to understand how the most carbon-intensive parts of our lending portfolio are benchmarked against the relevant sector specific science-based net zero trajectories. At a client level, we use our sector expertise, international network and climate-action experience to engage with our individual clients to help them accelerate their transition plans. Bringing the two (Terra and CTP assessment methodology) together provides great insights on how our clients are progressing towards their net zero goals. Depending on how clients are progressing against the sector specific science-based targets and the quality of their transition plan, our engagement may vary. The key areas where we use the CTP score to steer our lending book are:

1. Increase engagement with clients to steer and support their progress on their transition plans

2. Steer our portfolio of loans towards our annual targets

3. Create a new ESG risk-based model, integrated into decision-making

4. Set a risk appetite limit on how much business we can do in high emitting industries

Below, we further describe how the Client Transition Plan assessment methodology is used in our risk and commercial decision making and client engagement in more detail.

Integration into risk decision making processes

As part of its ESG Risk Framework, ING has defined environmental, social, governance matters (ESG factors) which may have a negative or positive impact on a company's financial performance or solvency. The ESG Risk management and its process are in addition to our engagement approach on transition plans. This approach is applicable for all ING business relations with corporates.

One of the ESG factors in ING's approach is Climate Change Mitigation. This assesses the extent to which the company contributes to climate change through GHG emissions, and the extent to which it is on track to reduce its GHG emissions to net-zero. The Climate Change Mitigation factor is split in two categories, being:

1. The inherent transition risk the company encounters, taking into account the sector it operates in.

2. A management score, which consists of two sub-components:
   a) The CTP score, which provides insights on how effectively the company is managing the risk,
   b) The financial ability of the company to execute on the transition plan.

Those two categories come together to provide a rating for the Climate Change Mitigation ESG risk factor. Greater detail is provided below. For the avoidance of doubt, any rating referred to in this section is used only for internal purposes and not intended for public disclosures.

1. Climate Change mitigation: Inherent transition risk component

The inherent transition risk component identifies the extent to which the entity contributes to greenhouse gas emissions. A sector-specific GHG emission intensity is used which is converted to an internal rating (low, medium, or high) using thresholds based on the sector decarbonization pathway, as defined in ING's Terra approach. If a company is in a Terra sector (thus climate change mitigation is material), but no client specific data is available, then it is assumed that there may be a significant contribution to climate change, and a 'high' rating is given. In our decision-making processes, a 'high' client rating ensures an in-depth review of the client's climate change mitigation and ensuing transition risk.

2. Climate Change mitigation: Management component

The management component rating assesses the extent to which the company is transitioning to a net zero model, i.e., willing and able to reduce its greenhouse gas emission. The transition plan (CTP score as defined above) and financial ratings are combined for the management rating.
This risk factor is material and rated "high" for ING's most carbon intensive sectors as per its Terra methodology which includes: Power generation, upstream/mid-stream/downstream oil and gas, automotive, aviation, shipping, steel, cement, commercial real estate and as of 2024, aluminum and dairy.

3. Climate change mitigation: Combined rating

The final climate change mitigation rating is obtained by combining the inherent risk rating and the management component to effectively derive a residual risk rating. The rating on a material ESG risk factor (including climate change mitigation) determines the transaction approval governance. High-risk cases require specialized advice from the global Environmental & Social Risk ("ESR") team. This advice is binding (on its conditions or its negative conclusion) to the relevant approval mandate holder for the underlying credit risk. If the applicable mandate holder disagrees with the ESR advice, it can be escalated to the Global Credit Committee for a decision. (Source annual report) We also set a risk limit at sector level. Within those sector limits we cap the amount of high transition risk that we are comfortable to take which limits how much we can lend to high transition risk clients in that sector. In understanding the methodology, it is important to note that a company's CTP score does not tell the whole story:

- In the risk decision making process, the CTP score is not the only factor considered (as set out above).
- The methodology of the CTP score is evolving to bring in more robust data and greater granularity as reporting requirements evolve.
- A company's CTP score represents a moment in time. Since the overall goal is to track progress, we will conduct these assessments annually. In addition, we're working on how ESG.X can incorporate measuring progress over time.

Integration into commercial decision-making processes

We are integrating our net-zero strategy and targets into our business in many ways, with several significant changes to processes and tooling in the past two years. For example, to assess potential transactions from a climate-alignment perspective, last year we introduced mandatory Terra- and climate-related questions into our commercial business-approval process. The answers to questions such as what the client's current climate performance is, and what net-zero targets they have set, are reviewed by ING's commercial Green-Light Committee (GLC). The committee looks at the impact of a proposed deal on the net-zero alignment of ING's overall portfolio, to check whether it is in line with our overall sustainability strategy, including climate, nature and human rights considerations. This means that the GLC process facilitates the consideration of what role ING can play from a sustainability perspective in any new deal assessment. This net zero alignment (Terra) assessment in the commercial process combined with the risk approach as described in the section above gives us a first- and second-line ability (i.e. a commercial and risk-based view) to assess whether a deal should be done and under what conditions – a significant step forward in taking ESG and climate alignment into account in our decision-making.

Client engagement decision tree for climate

The visual below shows the way we approach our decision making, from client acceptance through to multiple layers of engagement. Incorporating Client Transition Plan scores into the process represents a step forward in our ability to assess, monitor and engage meaningfully with our clients to grasp the specifics of their situation and whether, and how, we can support and accelerate their progress in their decarbonization journey. This diagram captures the steps we take, as follows:

Step 1 - restrictions as per ESR policy: Our clients and transactions need to meet minimum requirements as set by various policies including our ESR framework (https://www.ing.com/MediaEditPage/INGs-Environmental-and-Social-Risk-ESR-framework.htm). In line with that, if the client doesn't meet the ESR framework, there is no engagement.

Step 2 - phase out: For some activities, such as coal and new upstream developments, ING committed to phase out its exposure. In those instances, any client engagement is focused on managed phase out.

Step 3 - green finance: For 'green financing' (aligned or eligible under the relevant taxonomies), our engagement is how we as a bank can best support our clients' efforts.

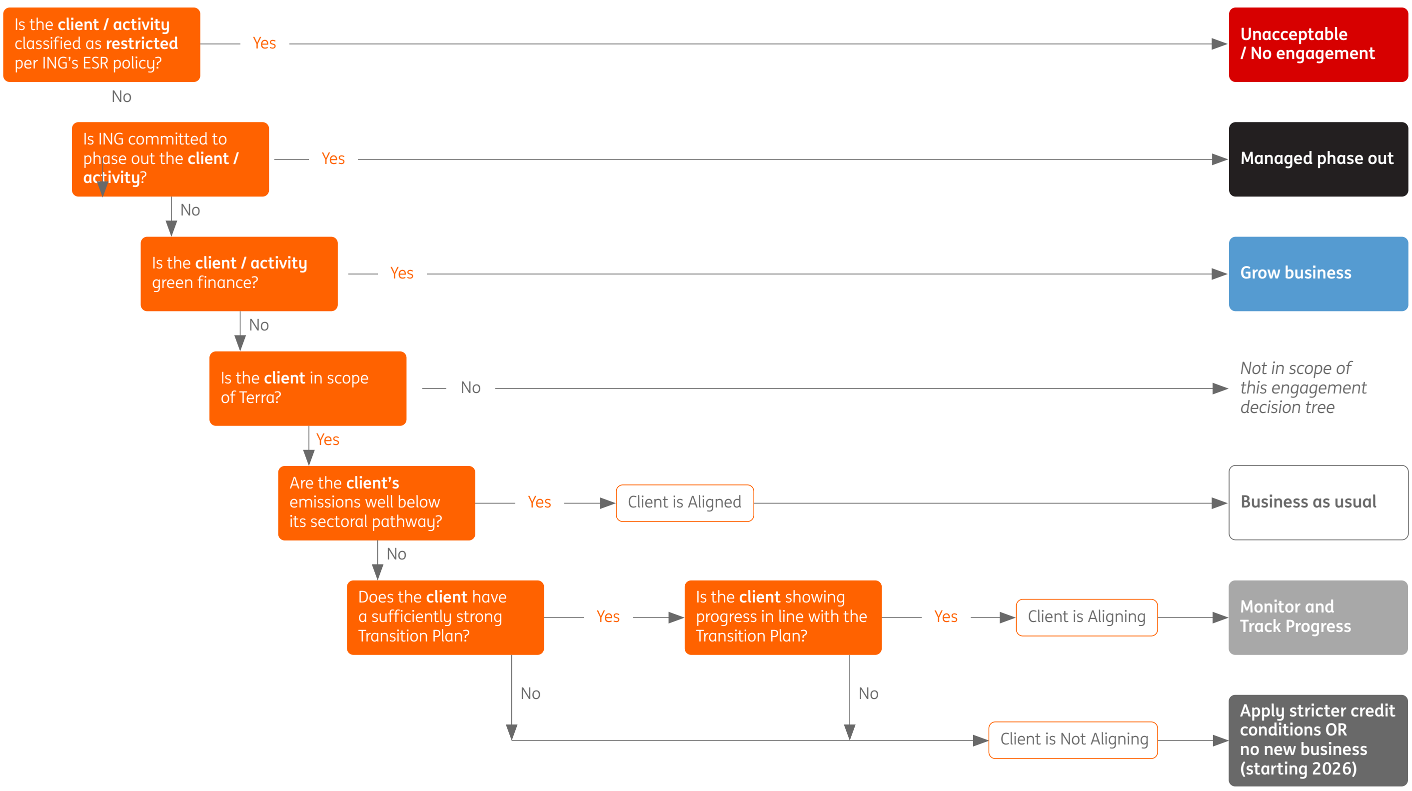
Step 4 - Terra clients: This is where the CTP score comes in and is now integrated into our client engagement, making a strong contribution to a data-based dialogue.

Step 4.1 For clients that are not in the high-emitting Terra sectors, we continue business as usual.

Step 4.2 For clients that are in the scope of Terra:

- With those aligned with, or ahead of the sector pathway we continue business usual.
- With those with strong plans, aiming to align with sector pathways and showing progress, we will continue to monitor.
- With those lacking an adequate transition and not showing progress in aligning with sector pathways, we will enter into an open dialogue with the client and following this, consider certain measures, such as applying stricter credit conditions and/or not doing new business with them.

Therefore, the combination of the well-established Terra methodology and the CTP scores, are now used in our client engagement and decision-making processes.



Conclusion

ING's Climate Transition Plan Score exemplifies the bank's commitment to enabling the transition to a low-carbon economy. By embedding the score in risk and commercial approval processes, ING is pioneering an accountability framework that encourages clients to pursue a science-based transition to a low-carbon economy.

Moving forward, ING remains committed to transparency and continuous improvement in its climate assessment practices. We are pleased to have developed our methodology for assessing climate transition plans based on public data but recognize that it is just the start. We intend to evolve the methodology to be able to assess real progress at a client level and to broaden and deepen the data we can draw on.

We're in no doubt that there's much more for us to do. We want to work with all stakeholders and everyone who is driving progress, bringing impactful change to the areas where it most needs to happen. The more we work together and learn from each other, the faster we'll go. **We invite other banks, clients and other stakeholders to join us in an open dialogue on how we can strengthen our approach and meaningfully accelerate the transition to net zero.**

Appendix 1: Data Collection

This appendix describes how we gathered the required data for the Client Transition Plan scoring. The data collection form was designed with 2 goals in mind:

- Leverage existing external public databases that some of our clients already disclose to, such as the Carbon Disclosure Project (CDP) and the Science Based Targets initiative (SBTi). This data automatically flows to the tool, however, if the client doesn't disclose to these initiatives, their public sustainability reporting is used instead.
- Maximize the use of the data for peer analysis, benchmarking and dashboarding purposes, by using structured data points instead of capturing paragraph text

The basis of data collection has been public data, this decision was made for the following reasons:

- This is recommended by our supervisors
- It avoids requesting our clients to complete questionnaires on information already disclosed.
- It avoids the implementation of information barriers
- Increases the usability of the data.

We realize that not all companies are disclosing such information in the public domain. Therefore, we intend to also start collecting private information for the highest emitting clients in our portfolio without public disclosures.

The steps below outline how the data collected is processed before it is used for the CTP assessment. It is a mix of (initially) manual and automated dataflows as described below:

- Where CDP and SBTi data is available for a client, the ESG.X dashboard automatically populates it
- Where this is not available, a CTP data analyst manually searches for this data in the company's published reports and saves the relevant reports as sources (which is in the process of being supported by a Large Language Model)
- Based on the above data, a CTP disclosure score is generated which is then verified by the ING account manager for that client and data is revised if needed (i.e. the 4-eyes principle)
- A final CTP score is then generated which can be used in the various internal processes.

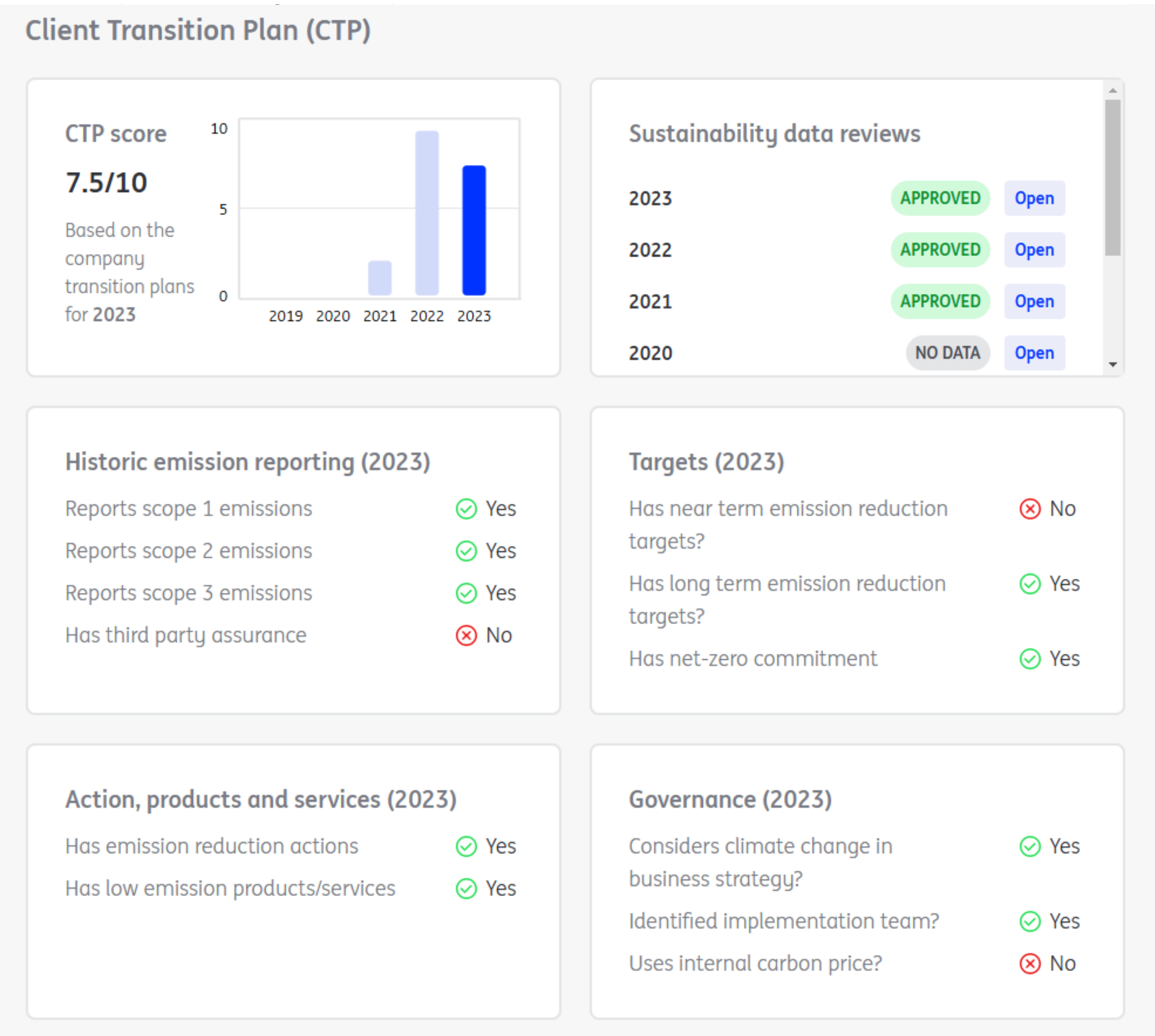
To ensure the collected information is accurate, the proof points are saved in ESG.X. An important element we considered when evaluating the data of clients, is that the appropriate entity assessment level is not always at the level of the borrower. For example, in the case of ship financing, the borrowing entity will not have a transition plan, the overarching ship owner likely does, so in this case that would be the appropriate entity to assess. Calibration of appropriate client level is an important step that should not be overlooked.

Appendix 2: ESG.X Tooling features

This appendix describes an important contributor to the success of ING's Climate Transition Plan Assessment Methodology: the creation of an easy-to-use and intuitive online dashboard. The ESG.X dashboard tooling features which are most appreciated by ING users are:

- **Clarity on data source:** For each element of the transition plan, the user can find the exact data source.
- **Access to the evidence:** Users can access the data source and identify highlighted sections used, including the reporting.
- **Explanations for technical terminology:** To support the relationship managers in their review process, all terminology used is explained under an information icon.
- **User-friendly dashboard:** All data is translated in a dashboard, providing an overview of the individual categories, the reports which have been approved and the score.

ESG.X snapshot showing CTP components



- **Peer comparison:** To make the assessment more valuable, data can be shared via a peer analysis functionality, which shows the company's disclosures on each component against the CTP score for, and disclosure of its peers. An anonymous example is shown below.

ESG.X showing the peer comparison functionality

Company overview

Company name			Peer 1	Peer 2
Sector		Transportation, Logistics & Automotive	Transportation, Logistics & Automotive	Transportation, Logistics & Automotive
Country		Germany	Japan	Sweden

Historic Reporting				
Report scope 1 emission	ⓘ	✓ Yes	✓ Yes	✓ Yes
Report scope 1 emissions	ⓘ	✓ Yes	✓ Yes	✓ Yes
Report scope 3 emissions	ⓘ	✓ Yes	✓ Yes	✓ Yes
Has third party assurance	ⓘ	✓ Yes	✓ Yes	✓ Yes

Targets				
Has near term emission reduction targets?	ⓘ	✓ Yes	✓ Yes	✓ Yes
Has long term emission reduction targets?	ⓘ	✓ Yes	✗ No	✓ Yes
Has net zero commitment?	ⓘ	✓ Yes	✗ No	✓ Yes

Actions, governance and strategy				
Has emission reduction actions?	ⓘ	✓ Yes	✓ Yes	✓ Yes
Has low emission product/services?	ⓘ	✓ Yes	✓ Yes	✓ Yes
Considers climate change in business strategy?	ⓘ	✓ Yes	✓ Yes	✓ Yes
Identified implementation team?	ⓘ	✓ Yes	✓ Yes	✓ Yes
Uses internal carbon price?	ⓘ	✗ No	✓ Yes	✗ No