

ING's dialogue with Friends of the Earth

In March this year, the Dutch environmental organisation Milieudefensie, known in English as 'Friends of the Earth', sent a letter to ING asking us to explain how we are contributing to helping society tackle climate change. Please see our response to this letter on page 2.

More information on our climate approach can be found on the [climate action page](#) on ING.com.

For the attention of Mr. Pols and Ms. Oussoren

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Date
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Page
1 of 7

Dear Mr. Pols and Ms. Oussoren,

Thank you for your letter dated 20 March 2023, in which Milieudedefensie has asked ING to explain how we are contributing to helping society tackle climate change.

We are most willing to put our approach in writing. Most of the below will not come as a surprise as Milieudedefensie and ING have been in frequent dialogue over the years discussing climate change at all levels of our respective organisations. We thank you for these engagements which we deem to be open, respectful, and insightful.

We know, you take an interest in our climate alignment approach at the level of our own operations, as well as the emissions we finance through our lending and investment activities. Below, we will discuss both elements. Next, we also reflect on financial opportunities, as access to (private) finance is considered a key element of international climate action. We also included a brief reference to the upcoming ESG disclosure regulations as this will increase transparency throughout different sectors and value chains, including our clients' actions, our own actions, and those of our peers.

We manage our own emissions (scope 1 & 2 direct emissions from ING buildings and data centers)

As a bank, the emissions from our operations or so-called scope 1 and 2 emissions, are nowhere near the emissions from industry and production companies. Still, we put great effort in reducing our direct emissions, as we aim to reduce emissions from buildings and data centers by 90% by 2030 from our 2014 baseline. We recently agreed on a plan to reach net zero in all ING buildings (rented or owned) by 2035 at the latest and will communicate about this target in more detail in our upcoming Climate Report.

As such, we will reduce our CO2 emissions in our own operations (from ING buildings & data centers, our so-called scope 1 and 2 emissions) by more than 45% by 2030 from 2019.

Please find a more detailed overview of our activities managing our own (direct) footprint, attached.

We align our lending portfolio and investments (scope 3 indirect emissions financed)

As a bank, the biggest impact we have is through our financing; via the money we lend to companies and customers, hence the emissions of the clients we finance (ING's scope 3 indirect emissions). We commit to do our utmost to benchmark and align our lending portfolio and investments towards the international climate goals: we identify and set sector-specific science-based targets consistent with a maximum temperature rise of 1.5 degrees above pre-industrial levels, in order to align our portfolio with the objective of reducing CO2 emissions by 45% at global level by 2030.

ING was one of the first large, globally operating banks in the world to commit to the Paris Climate Agreement targets in 2018 and one of the first banks in the Netherlands to commit to the Paris Agreement's most ambitious target of 'maximum of 1.5 degrees Celsius'. We aim to align the most emissions intensive parts of our loan book in line with keeping the rise in global temperatures to a maximum of 1.5 degrees Celsius this century and support the transition towards a net-zero economy by 2050. We were at the forefront of co-developing a [climate methodology](#) for banks and were one of the first banks to comprehensively report on our climate impact.

We are measuring whether our lending to relevant sectors (considering their emissions and impact on the climate) is contributing towards achieving the international climate goals. Per sector, we use what we consider to be the most appropriate, science-based methodologies and climate pathway available to benchmark and steer our portfolio towards these goals: we call this our Terra approach. Within our [Terra approach](#), we set sectoral targets based on the sector-specific science-based climate pathway to arrive at net zero.

So, what has happened since we sent you our letter explaining our climate alignment approach, on 15 April 2022? Over the last year, we have taken several new steps to further enhance our Terra approach on multiple fronts, from i) increasing our contribution to the global decarbonisation efforts, to ii) broadening the coverage of our Terra approach, and iii) to further translating our commitment into actions.

- i) To increase our contribution to global decarbonisation efforts, among others:
 - o We partnered with the Rocky Mountain Institute's (RMI) [Center for Climate-Aligned Finance \(CCAF\)](#) with the objective to continue exploring and creating best practices. We led the CCAF's facilitated working group that developed the creation and launch of the [Sustainable STEEL Principles](#), a framework for banks and steel companies to report in a standardised way on how aligned they are with climate targets. We were the very first bank in the world to report our alignment in line with this new framework and are actively recruiting for other banks to join.
 - o We joined several NZBA working groups and are leading two, namely the Steel and the Automotive working groups, with the objective to provide supporting guidance to the NZBA signatories on setting targets and aligning portfolios with net-zero scenarios.
 - o We became a member of PCAF to further enhance our measurement of absolute emissions by working with financial institutions in this global network on data improvements and refinements of the GHG accounting standard.

- ii) To broaden the coverage of our Terra approach:
 - o By the end of the year, in addition to our existing climate alignment approach for upstream oil and gas, we are working to adopt a 'net-zero-by-2050' alignment methodology for midstream and downstream oil and gas as well.
 - o We recently [announced](#) our ambition to develop a 'net-zero-by-2050' approach for our Trade and Commodity portfolio with the aim to reduce the combined volume of traded oil and gas we finance by setting the same reduction targets we've committed to for our upstream lending in line with the IEA NZE2050 scenario. We intend to reach out to experts and peer banks to co-develop a methodology and to set targets in 2024.
 - o [We expanded](#) the scope of our restriction on dedicated finance for offshore oil exploration in the Arctic, to include all project finance services for Arctic offshore *and* onshore projects for oil *and* gas exploration for both upstream (exploration and production) and midstream activities (infrastructural projects). This adds to the list of activities we do not finance for reasons of potential adverse impacts on human rights, the environment or the climate. In

previous years we had already adopted restriction policies on the financing of oil and gas projects in the Amazon in Ecuador and Peru, the financing of thermal coal mining and thermal coal power generation, and the financing of the exploration, transportation and processing of oil sands.

- In March 2023, as an [expansion of our restriction](#) on dedicated upstream finance for new field development, ING restricted dedicated financing for midstream infrastructure used in the storage and transportation of oil and gas unlocking new oil and gas fields. This latest development has been well-received by NGO [BankTrack](#) (“a significant step forward (...) ING could once more set in motion a positive shift in bank financing for the fossil fuel industry if this example is followed by other banks”) as well as media like [Bloomberg](#) (“The decision promises to set a new bar for the bank industry”).
 - We launched, as co-leads, a new working group with the RMI’s CCAF to develop [a science-based approach for the aluminium sector](#), which we aim to finalise in 2023.
 - We expanded, as published in the 2022 climate report, the scope of our reporting of emissions intensity in our mortgage portfolio. Previously we included the Netherlands, Germany and Poland, and partly our portfolio in Belgium. In the 2022 climate report we included also Spain and Australia. This step increased the coverage of our reporting to 95% of mortgages (the largest Terra sector measured by loan amounts outstanding).
 - As also mentioned in our latest climate report, we are working on expanding our approach to Small and Medium enterprises on top of our Wholesale banking clients. For example, we are working together with our partner [2 Degrees Investing Initiative](#) to [expand our climate approach to this customer segment](#).
- iii) Finally, to further strengthen the link between our commitment and actions, we
- Have set 2030 targets on all our nine sectors covered by Terra. The targets are all aligned with [science-based net zero scenarios](#) except for Shipping (using a ‘well-below 2 degrees’ pathway for target setting still), where we will adopt a net-zero-aligned scenario as soon as this will be made available by the Poseidon Principles initiative, of which ING is a signatory.
 - Have enhanced our commercial process for each new transaction in the scope of Terra to assess these from a climate alignment perspective.
 - Are developing and will publish in the 2023 climate report sector-specific transition plans outlining what we are currently doing per sector and what actions we will take in the future towards our clients, the broader industry and policy makers to make our best effort in meeting our climate targets.
 - Are developing new, additional Terra analytics such as a sector portfolio dashboard and tooling to have more frequent overviews and deeper insights into clients’ and our portfolio alignment and thereby support the sector teams to actively engage with clients and steer the portfolio.
 - Considering that at the end of the day, it’s all about putting these insights and tools into action and having these client engagements to steer our portfolio, we worked on an ING-wide sustainability learning journey, in which climate features heavily. Next to a foundational e-learning for all staff, we offer climate deep dives and in-person training for selected staff in order to better equip them with the knowledge and skills needed.

We collaborate with clients, governments and stakeholders to increase impact

By collaboration we can make the most meaningful positive impact as a bank. In fact, we believe that collaboration is the only way we can make any meaningful positive impact.

We will do this by including new data points in our systems that will allow us to analyse where our clients are on their road to climate alignment. This means we are integrating our

climate insights in our financing process on client level, something we implemented for oil and gas early 2023 and seek to implement for all sectors covered under our Terra approach. Some examples of data points that will be included in our systems are whether or not our clients have a net zero strategy, have set net zero targets including intermediate 2030 targets, and where they are on their alignment with those plans.

We based this approach on our Terra pathways and the transition plan disclosure requirements that our clients are progressively going to publish in line with EU's Corporate Sustainability Reporting Directive (CSRD) and documented in the European Sustainability Reporting Standards ("ESRS") E1-1. Understanding the climate alignment strategy of our clients and their position against the required decarbonisation trajectory of their sector, will allow us to have a forward-looking approach, which we plan to integrate in our capital allocation, credit decisions and engagement strategy.

While we can and will take full responsibility for our own emissions, our scope 1 and 2 direct emissions, you will appreciate that we depend on governments, clients and others in society to successfully reduce our indirect scope 3 financed emissions; the emissions of the companies and retail customers we finance and invest in. Certainly, we are working hard to determine climate transition pathways for our lending and investments. In the coming years (up to end-2024), we seek to cover all relevant sectors and products in our lending and investment books, calculating and disclosing emissions of our activities, setting sector specific targets for 2030, and developing climate-pathway overviews for portfolios as well as high-emitting clients, which will allow us to align portfolios and engage with specific clients on how to align their business activities with international climate goals. But we can't move the needle on our own.

According to the [IPCC](#) in their recently published Synthesis report: *"Government actions at sub-national, national and international levels, with civil society and the private sector, play a crucial role in enabling and accelerating shifts in development pathways towards sustainability and climate resilient development."* [We therefore urge governments](#) to take decisive climate steps, to work towards making the housing market more sustainable, create an effective [price on carbon emissions](#) and to otherwise stimulate and enable enterprises and institutions to publicly disclose their carbon emissions and forward-looking climate transition strategy, so banks are better capable to take climate impact into account in financing and investment decisions.

Financial opportunities as access to (private) finance is considered key in climate action

We want to finance the change required and plan to increase our exposure to those sectors that are helping to tackle climate change. Through our exposure, we are one of the top lenders in Clean Energy in the world, as calculated by Bloomberg (#6 in 2022).

We provide advice and financing to our Wholesale Banking clients to facilitate the transition to a net zero world in several ways, for example by introducing ESG targets in the lending facility. We also provide dedicated use of proceeds financing for new energy technologies such as hydrogen, carbon capture and energy storage. In 2022 alone, [we mobilised](#) EUR 101bln of financing for our clients that contributes to their transition, from which we committed EUR 29bln through our own balance sheet.

Next to that, we're developing products and services that support our Retail customers in reducing their own climate impact, for example by providing lower interest rates for [sustainable mortgages](#). In 2022 in the Netherlands and Germany, we launched new sustainable mortgages, which offer a discount for homes with energy labels of A and above. We also launched a sustainable mortgage for the Italian market in 2022. This accompanies our sustainable mortgage in Poland, which was recently redesigned to meet some of the requirements under the EU Taxonomy. In 2023 in the Netherlands, we

launched new mortgage features enabling customers to borrow additional funding to support energy-efficient renovations in their homes.

Existing and upcoming ESG disclosure regulations will create even more transparency

Specific elements of the Sustainable Finance Action Plan and the European Green Deal focus on enhancing and increasing transparency through ESG Disclosure regulations; the Sustainable Finance Disclosure Regulation, the EU Taxonomy Regulation, the Corporate Sustainability Reporting Directive and EBA's Pillar III Disclosure requirements. In line with the timelines set under these regulations and requirements, ING started to disclose specific data already and is preparing for the future data disclosures. We support and encourage these regulations as they create transparency on our clients' actions, our own actions, and those of our peers.

Conclusion

We have been on the forefront of the financial sector's response to climate change, and we intend to continue being so. There is still work to be done. We share your concern about climate change and as a financier of the real economy, we seek to support our clients to transition to a more sustainable business model. We hope your letters to various Dutch companies and their respective responses will help the Dutch government to work towards an effective price on carbon emissions and to stimulate and enable enterprises and institutions to publicly disclose their carbon emissions and forward-looking climate transition strategy.

We look forward to continuing our conversation.

Yours sincerely,
ING Groep N.V.

Anne-Sophie Castelnau
Global head of Sustainability

Arnaud Cohen Stuart
Head of Business Ethics

ATTACHMENT – deep dive on emissions reduction from our own operations

For building emissions, we are committed to improving energy efficiency and reducing our emissions from heating systems. In 2022, we completed a net-zero assessment on major buildings, which will form the basis of our new plan to reach net zero in all ING buildings (rented or owned) by 2035 at the latest.

One of the key measures that we have taken to reduce emissions from our buildings has been to shift to renewable electricity. We continue to improve the transparency of our reporting on the types of renewable electricity that we source in our markets. In 2022 we aligned with the reporting guidance of the RE100, a technical group that sets industry standards around corporate use of renewable electricity. ING's renewable electricity sourcing in 2022 was 99.2 percent aligned with RE100's technical criteria on market boundaries and the remaining 0.8 percent was not in alignment due to difficulties in purchasing renewable electricity unavailable in certain countries. For these markets, in addition to reporting CO₂ emissions for electricity used, we sourced renewable Energy Attribute Certificates in neighbouring markets to support an in-sector reduction in line with the amount of electricity.

Moreover, we started reporting in our 2022 Annual Report a break-down per type of renewable electricity source used. We also published in our 2022 climate report more detail about our electricity usage in the five countries with the highest energy footprint – Netherlands, Belgium, Germany, Poland, and Turkey, including our most recent rooftop solar installations and plans to increase such installations. The information in our reporting covers all buildings globally both owned and rented. We are planning additional improvements to our sourcing approach in line with RE100 guidelines which come into effect from 2024 onwards, for example aiming to ensure that renewable electricity is generated by production facilities built within the last fifteen years.

Next to scope 1 and 2 emissions from our buildings and data centers, we seek to reduce emissions from Scope 3 – Business Travel. In 2022 we launched a Green Travel Budget Programme to make employees aware of the CO₂e impact of their travel choices and encourage them to find greener options. We also updated global travel procedures to restrict most air travel on short-haul distances where high-speed rail options exist as alternatives. This includes travel between Amsterdam, Brussels, London and Frankfurt. Next to our efforts to reduce air travel, in 2022 we also entered into agreements with Air France-KLM, Lufthansa Group, Neste, and SkyNRG, to support the use of Sustainable Aviation Fuel (SAF) by airlines. These agreements supported an in-sector reduction of approximately 3.2 kilotonnes of CO₂e emissions in 2022. In 2023 we added Singapore Airlines to this group, and plan to continually increase our support to SAF in the coming years.

To limit the impact of car travel, we continued to electrify our fleet of leased cars. In 2022, ING in Belgium and the Netherlands announced that only fully electric vehicles (EVs) would be available in its range of new lease cars. Together, Belgium and the Netherlands represent 72 percent of our lease cars. Globally, we have an ambition to reach at least 90 percent EVs in our fleet by 2030. This ambition requires countries like the Netherlands and Belgium to reach 100 percent earlier, while accounting for EV infrastructure challenges in other countries.

We track these initiatives against a short-term reduction target of reaching -75% emissions from Scope 1, 2, and 3 for Business Travel by 2025 from our 2014 baseline. We are currently mapping additional Scope 3 categories and plan to report on emissions associated with these in our 2023 reporting.

When managing the climate impact of our own operations, our priority is on reducing CO₂ emissions. . Until 2021, we also purchased Voluntary Carbon Units (VCUs) to support conserving tropical forests. Co₂ emission impacts from these projects were not used to reduce our annual CO₂ reporting. As of 2022, we no longer purchase VCUs as a compensation measure for our corporate emissions. We have evolved our contribution approach with a focus on impact focused organisations that work on restoring nature, empowering communities, and developing carbon removal technologies. An example is our support for Milkywire and their Climate Transformation Fund which finances pioneering climate solutions. The impact results thereof are not counted as part of our reduction of CO₂. We aim to expand this approach further in 2023.