

“Architects of a Better World” – 2013 UN Leaders Summit Introduction to Executive Session Private Sector Finance by Leonie Schreve, head of Sustainable Lending at ING

What role can Private Sustainability Finance play, both traditionally and through new innovations, in advancing corporate sustainability and the overarching post-2015 development agenda?

I would like to answer this question by taking you on our journey. The journey will bring us to our belief that sustainability is tomorrow’s world and a great business opportunity. It is also confirming the opening question that we can play a role in advancing the development agenda.

ING has a longstanding commitment to sustainability and our vision has evolved over time. I would like to illustrate this to you by investing three dollars that illustrate the sustainability stages we have gone through. These three stages together form ING’s integrated approach in advancing sustainability.

‘Doing good’— the first dollar

The first dollar was invested in what we call 'doing good':

- Managing our own footprint and establishing charity programmes.
- We are one of the key partners of Unicef globally, where we support together education, health and development of children in India, Zambia, and Ethiopia. In addition we have developed financial education and community investment programmes.
- Since 1995 we have issued sustainability reports and our operations have become climate neutral since 2007.

This investment has resulted in education for 800,000 children, better insight in our footprint and more transparency.

But with this one dollar marked responsible, I have only looked at our footprint and charity, while I still have two more to invest. These will be used to look at our core business: banking.

‘Doing no harm’ – the second dollar

The second dollar was invested in 'doing no harm'; risk management, which is the next phase in our journey.

- A bank is a service provider, and as such our own direct impact is limited and manageable. However, interesting challenges come up when looking at our core business: lending. To who are we lending and what are we financing?
- With the initiation of the Equator Principles in 2003 a new era of risk management emerged directed at non-financial risks. The Equator Principles are a global framework for assessing and managing environmental and social standards of the projects we finance. A new industry standard was born.

- With initially 10 banks on board the EPs have grown out to an association of 79 banks from 35 countries to date, reflecting broad support and acknowledgement of the need to address environmental and social risks for money we lend.
- The Principles also fulfilled an important role for many banks in developing wider environmental and social risk policies to ensure that all clients and transactions that came in to the bank would be screened and appraised on meeting the accepted non-financial standards of the bank.
- The Equator Principles and our broader ES policy framework has also created ground for a new focus; supporting change and improvement. Working with clients to increase their positive impact has gained attention and created a new opportunity.

The return on this investment is a structural approach to assess all our clients on non-financial risk matters, awareness and strong uptake of the importance of E&S risks by our board of directors and a leading position in the industry, reflected by the current chairman position of the Equator Principles.

So we have two dollars spent resulting in an established programme for our community investments and catered for our own operations. We have also addressed the challenges of what we require from our clients as a minimum, but how can we support the best performers and change agents in the market that lead the transition to a sustainable economy?

Transition towards a sustainable economy – the third and last dollar

That brings us to the next phase and last dollar, which I will invest in the transition towards a sustainable economy.

- This phase illustrates the viable business opportunity of advancing sustainable development.
- We have a well-established micro finance business and a Green Bank for financing environmental developments in the Netherlands.
- However, the question was raised whether we can we set policies and commercial targets which help us to direct our core lending business toward business leaders and change agents in relation to sustainability in general, and in relation to climate change in particular?
- Our conclusion is, yes we can.
- We already see that clients with proactive resource management practices have better financial performances to date. Companies which are forward looking and proactively address resources scarcity or implement circular business models are the companies of the future.
- But in addition to that we also see markets changing. If we look at our ING power portfolio we see a dramatic shift away from coal into renewable energy sources. In 2005 the total percentage renewable projects was about 5%. In 2011 this percentage had already gone up to 30%, and we expect it to rise further in 2013.
- We also see an uptake of newer sectors anticipating a changing world.
- This is why we have created a new strategy to help steer the bank's portfolio to clients and sectors of the future. Initially to identify where we stand, and over time, we allocate our capital to increase the proportion of our lending which supports sustainable business.

The return on this investment makes business sense. It brings us a better portfolio, has created a positive spin to employees encouraging them to search for sustainable lending opportunities and contributes to a strategic decision to support the transition to a sustainable economy.

Address the challenges of today and tomorrow

With these three dollars invested we have established an integral approach to address the challenges of today and tomorrow. In different elements and within our ability we are contributing to advance the development agenda via community investment, restricting the negative impact, supporting our clients to improve and steering our lending business to sustainability leaders and change agents.

We are on the way to have good and sustainable returns on our investments.

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