

# ING's nature approach



Putting sustainability at the heart of what we do



do your thing

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# CEO Foreword

“We want to make the difference for people and the planet. We believe that one of the biggest impacts we can make as a bank to fight climate change is by aiming to steer our financing towards global ‘net zero by 2050’ climate goals. Our approach is science-based, and science increasingly makes clear that taking action and making impact on climate also goes hand-in-hand with action to halt and ultimately reverse nature loss and restore biodiversity. In that regard, science shows us that we are losing nature quickly, but also that it’s not too late to make a difference.<sup>1</sup> That’s why ING’s management board is driving the development of a focused approach on nature that complements and reinforces our Terra climate action approach. With this approach, which aims to contribute to halting and reversing nature loss, we hope to further increase the real world impact we’re striving to make.”



**Steven van Rijswijk**  
CEO of ING

9 January 2024

# Executive summary

In line with ING’s purpose and our strategic priority to ‘put sustainability at the heart of what we do’, we have the ambition to empower our clients to contribute to halting and reversing nature loss.

Our nature approach builds on our Terra approach on climate. We aim to integrate nature in the structures we’ve already put in place for climate action, and in our sustainability approach in general. Climate change is one of the drivers of nature loss, but with the updated nature approach we also aim to address other main drivers. Up until now, we’ve addressed nature-related issues mainly in a risk-based manner, with our work being centred around identifying and assessing risks via diligent risk screening. With our approach we aim to expand and enhance our processes, as we want to develop metrics that enable the steering of our loan book. We’ll also focus on encouraging and supporting clients to take actions that benefit nature through financial products that incentivise them to do that, and by increasing the awareness and capabilities of our colleagues to advise and act on nature loss. With this approach, we aim to contribute to the goals of the [Kunming-Montreal Global Biodiversity Framework](#) (GBF).<sup>2</sup> Our and our clients’ actions alone will not be enough to halt and ultimately reverse nature loss globally. Governments have an important role too. Nature needs to be protected and restored, and many nations committed to do so through the GBF. As governments are developing their plans, we hope to find guidance on how to contribute to initiatives with a positive impact on nature.

Our ambition is supported by a comprehensive analysis to assess nature-related impacts and dependencies of industries globally. This showed where we might expect the greatest risks to nature, and also highlighted the opportunities to empower clients to reverse nature loss. We also want to participate and learn from initiatives that guide the actions that banks can take and how these are measured.

We believe that with our nature approach, we’re taking important steps to improve how we contribute to halting and reversing nature loss. The economy is in an urgent transition, and all of us need to make changes so that we live more in harmony with nature. In this nature-based transition, our aim is to be there for our clients on every step of their journeys, supporting and incentivising them. As Sir David Attenborough said: “The truth is, every one of us, no matter who we are or where we live, can and must play a part in restoring nature”. Our approach to nature is how we intend to play our part.

<sup>1</sup> For instance explained by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Service (IPBES) in their 2019 Global Assessment Report on Biodiversity and Ecosystem Services.

<sup>2</sup> The United Nations Biodiversity Conference (COP15), chaired by China and hosted by Canada, ended in December 2022 with a landmark agreement to guide global action on nature, called the Kunming-Montreal Global Biodiversity Framework (GBF). The GBF includes concrete measures to halt and reverse nature loss.

# Introduction

Nature is essential for human existence, good quality of life, and economic prosperity.<sup>3</sup> That's why contributing to halt and ultimately reverse nature loss, is becoming an increasingly important part of [ING's sustainability approach](#). As a bank, our impact on nature mainly comes from our financing activities. That's why a key element of our approach is our aim to steer our loan book, starting with the sectors with the biggest impact on nature, to contribute to halt and ultimately reverse nature loss. As we have done in line with our climate approach, we plan to collaborate with others to come to science-based methodologies, metrics and targets that we can use to steer our loan book.

Whereas we previously disclosed our approach to nature as part of integrated climate reports, the growing focus on nature in our sustainability approach warrants this standalone update. In this publication, we explain our ambition and objectives, the actions we're already taking and intend to take, and how we align with external standards and frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD). TNFD provides recommendations and guidelines to help organisations transparently report on nature-related issues. This publication is aligned with TNFD's structure and recommendations as much as possible, and in the [Annex](#) we highlight which elements of the TNFD guidelines we've been able to comply with and which we haven't (yet). Due to evolving disclosure regulations on sustainability reporting, including the European Union Corporate Sustainability Reporting Directive (CSRD) and the Pillar III requirements of the European Banking Authority, our sustainability reporting will continue to develop, along with our methodology.<sup>4</sup>



<sup>3</sup> Definitions of 'nature', 'biodiversity' and other key terms used in this publication can be found in the [Annex](#).

<sup>4</sup> The EU CSRD regulation and the EBA Pillar III requirements instruct companies in scope, including ING, to disclose on several ESG-related topics. These frameworks also cover, or plan to cover, nature-related topics.

# Governance

At ING, governance on nature is integrated in the Environmental, Social and Governance (ESG) governance approach.<sup>5</sup> In March 2022, when ING updated the overall strategy to put sustainability at the heart, we also updated our ESG governance approach, integrating and aligning ESG governance within the bank. As a result of our new approach, we believe our ESG governance supports long-term value creation. These changes provide clearer ownership of and leadership on ESG topics, increasing our effectiveness, efficiency and accountability as we strive to be a banking leader in financing the transition to a sustainable future for our customers, our colleagues, our company, society and the environment.

## Board-level governance

As a result of the updated strategy, ESG is now a regular subject on the agenda of [ING's Management Board Banking \(MBB\)](#), which includes the members of the Executive Board (EB). ING's Supervisory Board (SB) includes an ESG Committee that assists the SB with the supervision of matters relating to ESG, including, but not limited to, the development and integration of ESG across the company and its strategy. In addition to their regular meetings, in the first half of 2023 the ESG Committee participated in a full day of climate-focused training, which included deep-dives on climate change, nature/biodiversity and sustainable finance. In 2023 the MBB approved the updated approach to nature.



<sup>5</sup> More details on ING's climate approach and ESG governance in our [Climate Report](#).

# Strategy

The overarching ambition of our approach to nature, is to empower our clients<sup>6</sup> to contribute to halting and reversing nature loss. With this ambition we aim to support the goals of the Kunming-Montreal Global Biodiversity Framework (GBF).

## Our ambition

**Empower our clients to contribute to halting and reversing nature loss**

## External context

Nature underpins our society, economy and wellbeing

The world is undergoing a major nature crisis caused by human activities

Nature, climate change and human rights are intricately connected

A transition is needed to halt and reverse nature loss

Nature can be a risk and opportunity for business

## Our objectives

Manage nature-risks and impacts

Steer our portfolio and engage with clients to halt and reverse nature loss

Promote nature-mainstreaming internally and externally

## Core initiatives

- Environmental and social risk framework & policies

- Client engagement and sustainable finance solutions
- Identification of measures and metrics

- Upskilling & governance
- Reporting
- Contribute to standard-setting

<sup>6</sup> Internally and in our communications, ING uses the word 'client' to refer to corporate clients (in the scope of Wholesale Banking) and mid-corporates and small and medium-sized enterprises (in the scope of Business Banking). We use the word 'customer' to refer to private individuals (in the scope of Retail Banking). When referring to clients and customers together, we use the generic term 'customers'.

## The nature approach

This approach supports ING’s overall ‘Making the difference’ business strategy, which aims to put sustainability at the heart of what we do. This means defining new ways of doing business that align economic growth with sustainable impact. We recognise that while we finance a lot of sustainable activities, we still finance more that’s not, and we’re focused on making progress together with our clients, step by step.

According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)<sup>7</sup>, the five main direct drivers of biodiversity loss are: changes in land and sea use (30%), direct exploitation of organisms (23%), climate change (14%), pollution (14%), and invasive alien species (11%). These drivers together cause biodiversity, and nature, to weaken and decline. In fact, according to the scientific community including IPBES, the decline of nature will have impactful consequences for society, economy and human wellbeing if not halted. Fortunately, science also tells us that it is not too late to make a difference.

Our efforts to steer the most carbon-intensive parts of our lending portfolio towards net-zero by 2050, called our Terra approach, enable us to engage our clients on climate change and in that way we attempt to address one of these main drivers of nature loss. ING’s nature approach builds on and complements our climate approach by addressing the other main drivers of nature loss.

In aligning our nature approach with our climate approach, we’ve identified three objectives that support our ambition to empower our clients to contribute to halting and reversing nature loss:

- Manage nature-risks and impacts
- Steer our portfolio and engage with clients to halt and reverse nature loss
- Promote nature-mainstreaming internally and externally

Each objective is explained in the following section. These objectives emphasise the impact we aim to have through steering our loan book, starting with the Wholesale Banking sectors with the biggest impact on nature. Based on our analysis of impacts to nature in global industries, these include farming & fishing, food & beverage processing, mining and oil & gas upstream. We aim to do this by putting our knowledge, expertise and experience to work in support of clients, colleagues and other stakeholders.

## Managing nature-risks and impacts

Given the importance of nature for our wellbeing and economic prosperity, negative impacts on nature need to be reduced as much as possible. But businesses do not only impact nature, they also depend on it. Many production processes rely on natural resources such as water or wood. These impacts and dependencies on nature give rise to both risks and opportunities for businesses, especially in locations where nature is already under pressure. For example, the entire food value chain depends on the quality of soil used to grow crops. In many places land has become less healthy and useful, largely as a result of negative impacts from human activities. This can become a risk to farming, food companies, and society at large. At the same time, adopting sustainable practices to protect the quality of land can be an opportunity for these companies by contributing to long-term business stability and success and a more balanced food system.

The steps we take and plan to take are explained in more detail in the [Risk and impact management section](#). In order to establish our starting-point, we performed a comprehensive analysis to assess the nature-related impacts and dependencies of global industries represented in our loan book. This showed where and in which activities we might expect the greatest risks to nature as well as the likely opportunities to empower clients to reverse nature loss. This information will guide us on where to improve our risk and opportunity-identification processes. For further details on our assessment methodology and results, please see the [Metrics and targets section](#).

Through our objective to manage nature risks and impacts we aim to contribute to the following [targets from the Global Biodiversity Framework](#) (GBF):

GBF target #	Element of target we aim to address
Targets 4 to 8	Reduce threats to nature
Target 15	Monitor and assess risks, dependencies and impacts on nature

<sup>7</sup> Source: IPBES’s 2019 Global Assessment Report on Biodiversity and Ecosystem Services. IPBES works to bridge the gap between scientific research and policy-making to provide governments with objective and science-based information on biodiversity and ecosystem services.

## Steer our portfolio and engage with clients to halt and reverse nature loss

As a bank, we finance the real economy. The scientific consensus tells us that the pressure economic activities put on nature needs to be reduced in order to halt and ultimately reverse nature loss. But that does not happen overnight. We have a role to play in supporting our clients throughout the transition. We therefore seek to steer our loan book in alignment with global goals on nature, starting with the sectors with the biggest impact, and through the choices we make in our financing and the engagement we have with our clients. In particular, the negative impact human activities have on nature is a concern we'd like to address. That's why we aim to engage with and encourage our clients to reduce the pressures their activities put on nature, improve their management of nature-related dependencies, impacts, risks and opportunities, and disclose relevant nature-related metrics. By doing so, we hope to make an active contribution to the reduction and ultimately reversal of nature loss.

Our nature approach takes into account both the risks that come with a high impact or dependency on nature, as well as the opportunities that come with supporting the transition to an economy that is in harmony with nature. Our guiding principle is inclusion-first, based on the belief that we can make the most impact by helping our clients to transition their businesses away from unsuitable or nature-harming practices, rather than stepping away from those clients or sectors completely. In support of our nature-related client engagement approach we updated our stance on deforestation & ecosystem conversion and are developing our approach to plastic pollution. This is explained in the [Risk and impact management section](#).

Sustainable finance has a role in supporting the sustainable transition of companies by using financial products to incentivise clients to make business decisions and take actions that benefit nature. This can relate to their transition to reduce pressures on nature, but also to finance activities that have a positive impact on nature. We do this for instance with behaviour-based financing like sustainability-linked loans, where financial incentives are connected to sustainability targets and KPIs. It can also be done with 'use of proceeds financing' whereby specific 'green' activities with a positive impact on nature can be financed via green loans and other sustainable financing instruments.<sup>8</sup> This can include projects that contribute to natural resource conservation or biodiversity restoration. We've included examples of nature-related sustainable finance transactions in the [Risk and impact management section](#), which also includes more details on the steps we're taking, and plan to take.

Through our objective to steer our portfolio and engage with clients to reverse nature loss we aim to contribute to the following targets from the Global Biodiversity Framework:

GBF target #	Element of target we aim to address
Targets 9 to 11	Promote sustainable practices and sustainable use of natural resources
Target 19	Align financial flows with the goals of the GBF

## Promoting nature-mainstreaming internally and externally

'Nature-mainstreaming' is the concept of ensuring that nature and biodiversity, and the associated risks and opportunities, are appropriately and adequately factored into policies and practices that are nature-related and have a possible impact on it.

To accelerate our efforts and increase our impact, we need to continue building our organisational governance, knowledge and culture to ensure that nature-related dependencies, impacts, risks and opportunities are understood and addressed by our internal and external stakeholders.

### What we do internally

- At ING, governance on nature is integrated in the ESG governance approach. More details on this can be found in the [Governance section](#).
- We seek to raise awareness and equip colleagues with the relevant knowledge and skills to put sustainability, including nature, at the heart of what we do. In support of this goal, we developed the e-learning called 'Putting sustainability at the heart', made available to the global ING organisation in April 2023. This e-learning covers the fundamentals of our sustainability approach, including a chapter on Biodiversity. As of end-November 2023, more than 41,000 employees had completed the course. We've also put in place a Climate and Environmental Risks Upskilling programme to build knowledge and skills. This programme includes an overview of environmental risks and opportunities that arise from nature-related issues, namely loss of biodiversity, pollution and use of marine resources.
- Our main impact comes from our lending activities. We monitor and manage the impact of our own operations, including nature-related elements like water use, via our [Environmental Programme](#).

We also have the ambition to collaborate with external stakeholders to contribute to advancing knowledge, standards and methodologies on nature.

<sup>8</sup> To learn more about the products and services offered by ING's Sustainable Finance team, visit the [ING website](#).

## What we do externally

- ING is part of the TNFD Forum to contribute to the framework for corporates and financial institutions that helps them to assess, manage and report on their impacts and dependencies on nature. We also participated in a TNFD-pilot that led to recommendations helping to improve the quality and applicability of the framework’s disclosure recommendations.
- We participate in the United Nations Principles for Responsible Banking (UN PRB) platform to contribute to standards. In 2023, ING was an active member of the PRB Nature Target-Setting working group, which provided [guidance](#) that demonstrates how banks can take actions and set targets to start aligning their strategy and finance activities with the objectives of the Global Biodiversity Framework.
- We are also a member of the Finance Leadership Group on Plastics. Through our membership we provide input and suggestions to the [UN Treaty on Plastic Pollution](#), which will be an international legally binding agreement aiming to end plastic pollution. In our Finance Leadership Group role, this year we contributed to a comprehensive [paper](#) on the role and requirements of the finance sector to enable the transition towards plastic-pollution-free economies. Our thought leadership on this topic is further exemplified by the articles ING’s research department published on [plastic packaging](#) and [decarbonisation in the plastic industry](#).

Through our objective to promote nature-mainstreaming internally and externally, we aim to contribute to the following targets from the Global Biodiversity Framework:

GBF target #	Element of target we aim to address
Target 14	Ensure the full integration of nature, for the alignment of financial flows with the goals of the GBF
Target 15	Disclose nature-related risks, dependencies and impacts
Target 21	Build capacity to effectively address nature-related issues

## Climate, nature and human rights

The United Nations (UN) refers to a ‘triple planetary crisis’ to highlight the intricate connections between climate change, biodiversity loss and pollution. The triple planetary crisis negatively affects the environment and people alike.<sup>9</sup> We take note of these intersections and the value of taking a holistic approach.

We intend to build synergies in our approaches to tackle these topics together. For instance, to be able to better assess the climate performance of our clients, and then use these insights to identify risks and opportunities for supporting clients in their transitions, we’ve developed a bespoke ‘client transition plan’ tool. This online platform is where we’ve started to centrally collect, assess and monitor the publicly disclosed climate transition plans of each client, starting with those in scope of Terra. By aggregating this information, we can engage in data-driven discussions with our clients that should lead to greater impact. We are exploring how this tool can be expanded to include nature data points and make nature an integrated part of our client engagement.

### Synergies between climate and nature

We aim to adopt an inclusive approach to address nature loss, working with our clients rather than excluding them. However, sometimes, when backed by science and general consensus, we find it important to phase-out certain harmful activities. In 2022 for example, following the net-zero pathway laid out by the International Energy Agency (IEA), ING became the first large global bank to stop providing dedicated (project) finance to new oil and gas field developments. And after COP28 in Dubai (December 2023) we announced further steps to speed up phasing out the financing of upstream (exploration and production) oil and gas activities. As a result, loans to upstream oil and gas activities will be phased out by 2040. Our analysis of nature-impacts, which can be found in the [Metrics and targets section](#), showed land-use change is a significant driver of nature loss in the upstream oil & gas industry. According to the World Wide Fund for Nature (WWF), many of the planet’s most diverse and ecologically significant areas also happen to hold large underground deposits of oil and gas. Therefore, these steps benefit not only climate change mitigation, but also help to protect nature. More information in our stance on the [Oil & Gas industry](#) and on [our website](#).

<sup>9</sup> More details on ING’s human rights and climate change approaches and reports via our [sustainability approach webpage](#).

# Risk and impact management

Our nature approach takes into account both the risks that come with a high impact or dependency on nature, as well as the opportunities that come with supporting the transition to an economy that is in harmony with nature. We work with our clients to understand risks and impacts related to nature loss. We can also provide financing that incentivises clients to take action that benefits nature. Helping our clients to future-proof their business models is a way of future-proofing ING too.

## Our approach to nature-related risks

- ING performed a comprehensive analysis to assess the nature-related impacts and dependencies of global industries represented in our loan book, which showed both where we can expect the greatest risks to nature and the opportunities to empower clients to halt and reverse nature loss. More details on our methodology and the results are found in the [Metrics and targets section](#) of this document.

### The ESR framework in practice

Illustrative of how the ESR framework (explained below) guides us and our clients, are our strict standards for our clients active in the palm oil sector. Palm oil is the most widely used vegetable oil globally and the industry has grown at a rapid pace due to increasing global demand. The industry has been subject to continuous issues relating to deforestation, illegal logging, and pollution. Even though ING does not intend to grow its client base in palm oil, we want to work with our existing clients to improve their operations. We put strict assessment criteria that are closely monitored on a yearly basis. More than 85% of our clients currently have a “No Deforestation, No Peat, No Exploitation” policy in place. Furthermore, many of our clients are already 100% Roundtable on Sustainable Palm Oil (RSPO) certified, and all of them have committed to 100% certification by 2030. More information in [our Stance on palm oil](#).

- Impacts on nature are assessed via our [Environmental and Social Risk \(ESR\) framework](#). The ESR framework guides ING in identifying, assessing, and mitigating environmental and social risks associated with the clients and transactions that the bank finances.<sup>10</sup> The approach to nature-related risks is twofold: firstly, there’s an overarching environmental and climate-related risk policy which sets out our principles, expectations of clients, and restricted activities. For example, it is our policy not to finance projects or clients active in various high-value natural areas, including [Ramsar Wetland areas](#), [UNESCO](#)

[World Heritage Sites](#), or areas designated for protection by the International Union for the Conservation of Nature ([IUCN Category I and II areas](#)). Secondly, sectors which have a higher risk of adverse impact on nature, such as mining or agriculture, have a sector-specific ESR policy in place. Here, there are additional due diligence requirements to mitigate negative impacts to nature and more detailed guidelines on our evaluation approach for these clients, including best practices.

- We updated our approach to contribute to a deforestation- and ecosystem conversion-free world. We are actively engaging with targeted clients within the cattle, palm oil, soy, wood, rubber, cocoa and coffee sectors. We aim to use our influence and leverage to encourage these clients to put in place no-deforestation and no-ecosystem conversion commitments and policies. We also engage with these clients to try to steer their actions and targets towards full traceability in their supply chains. More details in [ING’s stance on deforestation](#).
- Certain human rights requirements are also integrated in our approach. One of ING’s salient human rights issues identified in our role as a provider of lending services to corporates is land-related community issues. We prioritise the mitigation of this issue when carrying out due diligence, in particular when communities are at risk. In our deforestation approach, we focus our mitigation efforts on sectors and countries at a greater risk of deforestation, where the potential impact on the rights of communities, including Indigenous Peoples, is also higher.
- We’re strengthening our approach to tackle plastic pollution. Our current focus is on producers and users of plastic packaging (such as packaging manufacturers, retailers, food and beverage companies). We aim to engage with targeted clients in these sectors to encourage them to make actionable commitments towards reducing the problem. Some examples of the commitments we expect from these clients include reduction of virgin plastic use, increased recycled content, and the elimination of unnecessary plastic packaging. While we consider it important that companies showcase such commitments, that alone will not be enough to stop plastic pollution. Certain plastics may be recyclable but if they don’t get recycled, the issue of plastic pollution remains. That’s why we strive to support clients active in plastic waste management and plastic recycling through financing solutions aimed at the waste management industry. More details in [ING’s stance on plastic](#).

## Next steps in risk management

While our current policies and models aim to assess nature-related impacts and risks, we plan to diligently continue to develop and build our approach towards nature-related impacts and risks over time. This includes automating the collection and assessment of location data in our processes. This will increase our

<sup>10</sup> The way the ESR Framework is applied in practice differs per product type and segment. More details in the scoping section of the [ESR Framework](#).

understanding of where our clients operate and if they are active in regions with high significance to nature, which can indicate higher risks. We aim to cover sectors with high impact or high dependency on nature, with the expectation that these are more likely to face increased risks.

## Our approach to nature-related opportunities

- We aim to incentivise clients to take action to reduce pressure on nature or to have a positive impact on nature via our sustainable finance products.
  - One example is a €356 million multi-Export Credit Agency (ECA) covered Green Loan for the construction of the new paper plant for client Modern Karton. ING structured the Green Loan as sole Green Loan Coordinator and financed €178 million. This project produces containerboard for which the raw material is 100% recycled paper, thereby reducing deforestation in their value chain.
  - Other examples are two sustainability-linked loans (SLLs) we structured with Louis Dreyfus Company (LDC). LDC is a leading global merchant and processor of agricultural goods, including soy and corn. The world relies on the agricultural sector to feed a growing population, while safeguarding biodiversity and finite natural resources. To support LDC's efforts to minimise the impact of its activities on the environment, the two SLLs included KPIs aiming to increase the percentage of directly and indirectly sourced Brazilian soy and corn that is traceable<sup>11</sup> and verified as [deforestation and conversion](#)-free.
- These examples, and others like it, also contribute to our Wholesale Banking ambition to mobilise an annual amount, by 2025, of €125 billion in financing that contributes to our corporate clients' transitions to more sustainable business models<sup>12</sup>.

## Next steps on opportunities

We foresee that our engagement with clients in sectors with high impacts and dependencies on nature will expand and deepen. For instance, by covering nature in existing client engagement processes that are integrated into the business as a result of our climate approach. Through our dialogues with clients, we aim to encourage and support them to contribute to reversing nature loss and to be transparent about their nature-related metrics and objectives. Our initial focus will be on the clients with the greatest impact on nature, as identified by our 'hotspot' analysis described in the [Metrics and targets section](#) of this publication.



<sup>11</sup> Traceable here means that volumes sourced from high-risk regions can be fully traced back to the farm. This is key to make sure deforestation or conversion of ecosystems did not happen.

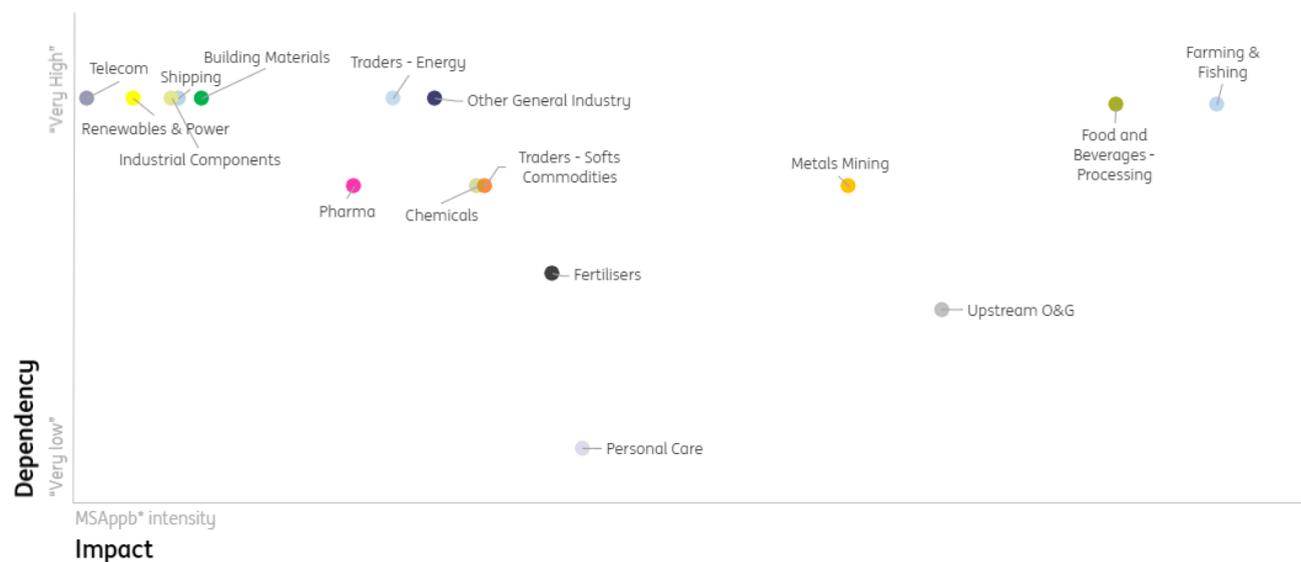
<sup>12</sup> Volume mobilised for Wholesale Banking clients includes loan products, capital markets, derivatives and advisory propositions that support clients by financing their sustainable activities and contribute to their transition to a more sustainable business model. In cases where ING is appointed in an ESG lead role the pro-rata share of the transaction is included, otherwise ING's final take is included. More information on our [website](#).

# Metrics and targets

In this section we provide more detail on our assessment methodology and metrics, to contribute to the ongoing efforts in the business and finance community to develop measurement approaches on nature. We hope our transparency inspires others to do the same, so that together we can contribute to advancing knowledge, standards and methodologies on nature.

## Hotspot analysis

Our assessment resulted in a list of industries with an expected high impact on nature in their operations and supply chain, high dependency on nature in their operations, or high likelihood of having operations in countries with high significance to nature. The graph below shows the results on impacts and dependencies.



## Explanatory notes

- Industries are based on ING's internal sector classification system. 'Other General Industry' includes companies related to for instance fashion and paper.
- Results indicate impact and dependency scores of global industries, not only of ING clients. Filtering was done to include the industries represented in our loan book. Then, industry-average proxies were determined to represent our own portfolio.
- Dependency scores are provided on a scale from 'Very low' to 'Very high', representing dependency of direct operations, as used by data provider ENCORE. More information on this methodology can be found on the [ENCORE website](#).
- Impact scores are provided in MSAppb\* intensity (MSAppb\* divided by turnover)<sup>13</sup>. This metric is explained below in the [Methodology paragraph](#). The numerical scale of the scores is not provided, as these are hard to interpret given there is no consensus on benchmarking MSA scores. We therefore used it to classify the industries rather than interpreting the values. Impact scores in the chart represent impacts related to the direct operations, and to upstream impacts related to suppliers and sub-suppliers. The measurement does not include impact of Greenhouse Gas (GHG) emissions as this is measured and addressed by ING's Terra climate approach.

The outcomes of the analysis indicate industries which may pose the greatest risks to nature. It does not intend to show which industries are considered 'bad', but to provide as much information as possible about where impacts and dependencies on nature are most likely to occur. The analysis shows that sectors where we can expect the biggest impact to nature include farming & fishing, food & beverage processing, upstream oil & gas, and mining. A relevant driver of nature loss for these sectors is changes in land use. This happens, for example, through expansion of agricultural land at the expense of nature, or through fragmentation of land as a result of new roads associated with opening a new mine. According to our analysis, farming, food and beverage processing and mining can also require significant amounts of water, which can have a negative impact on surrounding ecosystems. Pollution can be a problem as well, for example from contaminated wastewater from upstream oil and gas operations or from chemicals used on farms.

This information helps to identify improvement actions for our risk and opportunity processes. A next step, for instance, is to identify more granular metrics to assess the impact on nature through specific impact drivers. Metrics can inform us where our clients currently stand in their transition and how effective their actions are. Metrics also help guide our own actions, and ultimately set associated targets. As we have done for climate, we want to set targets for action on nature that are science-based. This is currently challenging, for instance due to the lack of sectoral, science-based pathways. Steering our loan book on nature is new terrain, and as we explain throughout this publication we started by working on methodologies and metrics. We're also using recommendations from the UN PRB Nature Target-Setting guidance to inform our actions

<sup>13</sup> Source: BIA-GBS, Global Biodiversity Score, v1.01, 26 July 2023, Carbon4 Finance.

to start aligning our strategy and financing activities with the objectives of the Global Biodiversity Framework.

## Methodology

Our methodology was designed to identify our interface points with nature and evaluate the related impacts and dependencies. This connects to the first steps of the TNFD’s LEAP<sup>14</sup> approach. We assume impacts and dependencies signal increased risks and opportunities, although these were not specifically assessed by this methodology. We expect this assessment to be the start of a journey in which we keep improving our methods and the level of detail of what we measure, report and act on – in alignment with science, regulations and available databases. We realise that quantitatively assessing dependencies and impacts is a new endeavour for the banking industry as a whole. We therefore welcome feedback and inspiration from others on our approach, and aim to work together with peers, clients and other stakeholders to keep improving.

The TNFD recommends that dependencies and impacts are identified and measured using:

1. Impact drivers and external factors;
2. Changes to the state of nature; and
3. changes to the availability of ecosystem services.

We followed this guidance by including the following elements:

Analysed elements	Metrics used	Methodological notes
Contribution to direct impact drivers on biodiversity loss, including land- and freshwater ecosystem use, water use, and pollution	Biodiversity Impact Analytics, powered by the Global Biodiversity Score (BIA-GBS). <sup>15</sup> We used the MSAppbTI score, abbreviated as MSAppb*, using an intensity value (MSAppb* / turnover)	Climate change-related impacts were excluded, as ING is measuring and addressing climate change with our Terra approach  Impact intensity is used, to enable objective comparison of industries
State of nature: Impacts on the state of species, using species extinction risks	Species Threat Abatement and Restoration Metric (STAR). Info on <a href="#">IUCN website</a>	We used country-level STAR scores
State of nature: Impacts on the extent and condition of ecosystems	Ecoregion Intactness Index (EII) and Change Ecoregion Intactness ( <a href="#">Change in EII</a> )	We used country-level EII and Change in EII scores
State of nature: Water stress	Baseline Water Stress (BWS)	We used country-level BWS scores
Dependencies on ecosystem services	Exploring Natural Capital Opportunities, Risks and Exposure ( <a href="#">ENCORE</a> )	We focused on critical dependencies, defined as activities with a “Very high” score in ENCORE

## Our approach to locations

Nature-related risks arise from businesses’ dependencies and impacts, in combination with the significance and state of nature. As the significance and state of nature can vary across the location of operating sites, the assessment of nature-related risks needs to be location-specific. At the same time, identifying the detailed location of a client’s activities is a challenge, as this data is often not readily available. In our analysis, we made industry-level assumptions to determine the countries where our clients are likely active, based on global production patterns retrieved from [EXIOBASE](#).<sup>16</sup> Next, we linked indicators to these countries to estimate nature significance. For this we used metrics explained in the table above: ecoregion intactness, ecoregion intactness change, state of species and water stress. Based on this mapping of industries, countries and nature-significance indicators, we determined which countries have a high importance to nature and which industries are likely to operate in these countries. All industries in the hotspot graph above were found to have a high likelihood of having operations in countries with high importance to nature. Going forward, we aim to adopt a risk-based approach to collect company-specific data on location of operations and make our assessments more accurate and granular.

<sup>14</sup> LEAP FI stands for Locate, Evaluate, Assess, Prepare (for reporting) for Financial Institutions. This is the guidance proposed by the TNFD for assessing nature-related risks, impacts and dependencies in support of disclosures. See [TNFD website](#).

<sup>15</sup> Biodiversity Impact Analytics powered by the Global Biodiversity Score™ (BIA-GBS) is a database developed by Carbon4 Finance and CDC Biodiversité to measure the biodiversity impact and dependences of companies.

<sup>16</sup> EXIOBASE is a global database that estimates emissions and resource extractions by industry.

## Mapping value chains

An additional step in our methodology was to map the value chains of these industries to understand where in the value chain most of the direct impacts occur. In line with our approach to climate, we believe this approach helps to identify the activities with the greatest potential to contribute to reversing nature loss and have a real impact. For instance, in the food value chain, various industries flagged in the hotspot analysis come together: fertilisers, farming & fishing, trading soft commodities, and food & beverage processing. Our value chain mapping showed that most of the direct impact in this value chain can be expected in farming and fishing and food & beverage processing. In these activities, improvements contribute most to nature, and can have a ripple effect throughout the value chain.

## Challenges and limitations

In this publication we provide an overview of ING's work-in-progress methodology to assess nature-related impacts and dependencies, and the results of this assessment. We've made our calculations based on the available data and the selected methodologies. Our approach and reporting may be subject to change due to regulations, data availability and quality, methodology updates, and other developments affecting our clients, the sectors in which they operate or society as a whole. Similarly, our internal calculations may be restated or recalculated as a result of changes in methodologies or baselines due to regulations, data availability and quality, or other changes that may occur and impact our alignment scoring. Some of these changes may relate to the challenges and limitations we encountered along the way. We've listed some of the most relevant issues we encountered below.

- **Data availability:** Given the limited coverage of ING clients in the databases used, we chose to work with industry-average proxies to be representative for our own portfolio. We are working to update our processes to collect more client-specific data points. Impact scores can be skewed by the sample of companies present in the dataset. To mitigate this, we used impact intensity scores (absolute impact / turnover), as this can be a more objective measure to compare industries.
- **Data reliability:** The data sources used (for example, BIA-GBS, ENCORE, and EXIOBASE) represent some of the best available data sources at the time. However, these are based on modelling approaches which rely on assumptions and averages. Therefore, results should be seen as indicative and need to be considered carefully and in combination with other sources.
- **Impact gaps:** BIA-GBS does not model marine-based impacts nor impact from invasive species. This may lead to underestimating some risks, for example in shipping. We do, however, already assess many of these risks in existing risk policies, for instance via the ESR framework sector policy on the Maritime sector.
- **Methodological limitations:** The impact of the construction and infrastructure industry is underestimated in the BIA-GBS, due to methodological reasons. We do assess these risks in our existing policies, for instance via the ESR framework sector policy on Infrastructure.



# Looking forward

Measuring impacts and dependencies is our starting point to better assess risks and opportunities and support clients. We've taken the first steps with an analysis of impacts and dependencies. We are not alone in this journey to adopt quantified measurements of nature, as many banks and expert organisations are currently developing their own methodologies. We invite others to take inspiration from our approach, and to share their feedback and improvement suggestions with us. Our methodologies will develop along with science and data, and we welcome opportunities to collaborate and build this together with expert organisations, clients, peers and other stakeholders.

To improve methodologies and measurement, increased availability and quality of nature-related data is much needed. We therefore encourage companies to be transparent about the location of their activities, as well as their nature-related impacts, dependencies, risks and opportunities. We would welcome quality-assured, publicly available, relevant nature-related data to ensure consistency and reliability and to solve the data gaps and challenges that are mentioned in this publication.

ING strives to have an impact on the real economy, and our current and intended actions described in this publication aim to contribute to that. At the same time, our impact mainly comes through our financing and not from our own activities. To track the effectiveness of our actions, we therefore need to know about our clients' performance. That makes it challenging to set targets on the actual positive impacts achieved, and the negative impacts avoided or mitigated as a result of our actions. In line with ING's sustainability approach, we have the ambition to contribute to standard-setting for the financial sector. That's why we are proud to contribute to the development of impact metrics on nature for financial institutions, in working groups under the UN PRB's coordination. We invite others to join us.

By disclosing our own ambitions, objectives, methodologies, metrics, and actual and intended actions, we hope to contribute to transparency on the topic of nature and to the public dialogue. We aim to keep learning and building up our reporting on nature, taking into account guidance from external frameworks such as the TNFD and the upcoming SBTN guidance for financial institutions. We also acknowledge the importance of sustainability disclosure regulations such as the CSRD.

We call upon governments to provide clear goals and guidance to protect and restore nature. In that respect, we look forward to the National Biodiversity Strategies and Action Plans (NBSAPs), which will follow the endorsement of the Global Biodiversity Framework by nearly 200 countries. In this, countries will provide strategic direction at a national level on the management and protection of biodiversity. In these NBSAPs we hope to find guidance for our journey, including on how to contribute to initiatives with a positive impact on nature.

With our approach to nature, we aim to take impactful steps to contribute to halting and reversing nature loss. The economy is in a transition, and so are our clients. We want to be there for them, supporting and incentivising them with our advice and financing. In this publication, we explain how we intend to do that, and what actions we're taking with the aim to further integrate nature in our risk management and business decision-making processes. We look forward to continuing this journey.



# Annex

## Glossary

**Biodiversity:** Biodiversity or biological diversity, is the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems (United Nations, Convention on Biological Diversity).

**Dependencies:** Dependencies are aspects of environmental assets and ecosystem services that a person or an organisation relies on to function (TNFD, 2023). Ecosystem services are defined as the direct and indirect contributions of ecosystems to human well-being, and have an impact on our survival and quality of life.

**Impacts:** Impacts are a change in the state (quality or quantity) of nature caused by a business activity. They can be positive or negative (TNFD, 2023). The five main human induced drivers of negative impacts to nature, or pressures, as defined by the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES, 2019) are changes in land or sea use, direct use of natural resources, climate change, pollution, and introduction and spread of invasive species.

**Nature:** Nature refers to the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment (TNFD, 2023).

**Nature-related opportunities:** Opportunities for the organisation that benefits nature through positive impacts or mitigation of negative impacts on nature (TNFD, 2023).

**Nature-related risks:** Risks to the organisation stemming from their dependencies and impacts (TNFD, 2023).

## TNFD alignment table

The following table provides reference to ING's progress on implementing the 14 TNFD recommended disclosures covered in this report. Other ING disclosures also cover nature, so relevant external ING sources are referenced too. For instance, ING's Climate Report covers ESG governance and ESG risk management, which also includes nature.

TNFD Recommended Disclosures			Section Reference	External reference	Elements not disclosed
Governance	A	Describe the board's oversight of nature-related dependencies, impacts, risks, and opportunities	Governance, page 5	<a href="#">ING Climate Report 2023</a> , page 14-17	
	B	Describe management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities	Governance, page 5	ING Climate Report 2023, pages 14-17	
	C	Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks, and opportunities	Risk and impact management, page 10	ING Climate Report 2023, page 14-17 <a href="#">Human Rights report Review 2021/2022</a> , pages 45-50 <a href="#">ESR Framework</a> , pages 27-31	
Strategy	A	Describe the nature-related dependencies, impacts, risks and opportunities the organization has identified over the short, medium, and long term.	Metrics and targets, page 12		Time-horizons and location of impacts, dependencies, risks and opportunities
	B	Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Strategy, pages 6-9		Effect on financial position and performance
	C	Describe the resilience of the organization's strategy, to nature-related risks and opportunities, taking into consideration different scenarios.	Not disclosed		Not disclosed
	D	Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	Metrics and targets, page 13		Locations of assets and/or activities
Risk and impact management	A(i)	Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities	Strategy, page 8	ING Climate Report 2023, pages 22-23 Own operations <a href="#">webpage</a>	Materiality analysis related to direct operations
	A(ii)	Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	Metrics and targets, pages 12-14	ING Climate Report 2023, pages 35-36 ESR Framework	Timescale, use of ecological thresholds and tipping points
	B	Describe the organisation's process for managing nature-related dependencies, impacts, risks and opportunities.	Strategy, page 7 Risk and impact management, pages 10-11	ING Climate Report 2023, pages 35-41 ESR Framework	
	C	Describe how processes for identifying, assessing, prioritising, and monitoring nature-related dependencies, impacts, risks and opportunities and its performance against these.	Strategy, page 7 Risk and impact management, pages 10-11	ING Climate Report 2023, page 39 ESR Framework, pages 4-23	
Metrics and targets	A	Disclose the metrics used by the organisation to assess and manage nature-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets, pages 12-14	Climate-related metrics in ING Climate Report 2023, pages 94-108, 110	Core metrics for financial institutions
	B	Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	Metrics and targets, pages 12-14	Climate-related metrics in ING Climate Report 2023, pages 94-108, 110	Core metrics for financial institutions
	C	Describe the targets and goals used by the organisations to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	Strategy, pages 6-9	Climate-related targets and goals in ING Climate Report 2023, pages 54-55	Targets on nature

## Important legal information

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation:

- (1) changes in general economic conditions and customer behaviour, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates and the regional and global economic impact of the invasion of Russia into Ukraine and the related international response measures
- (2) ongoing and residual effects of the Covid-19 pandemic and related response measures on economic conditions in countries in which ING operates
- (3) changes affecting interest rate levels
- (4) any default of a major market participant and related market disruption
- (5) changes in performance of financial markets, including in Europe and developing markets
- (6) fiscal uncertainty in Europe and the United States
- (7) discontinuation of or changes in 'benchmark' indices
- (8) inflation and deflation in our principal markets
- (9) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness
- (10) failures of banks falling under the scope of state compensation schemes
- (11) non-compliance with or changes in laws and regulations, including those concerning financial services, financial economic crimes and tax laws, and the interpretation and application thereof
- (12) geopolitical risks, political instabilities and policies and actions of

- governmental and regulatory authorities, including in connection with the invasion of Russia into Ukraine and related international response measures
- (13) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks
- (14) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions (also among members of the group)
- (15) ING's ability to meet minimum capital and other prudential regulatory requirements
- (16) changes in regulation of US commodities and derivatives businesses of ING and its customers
- (17) application of bank recovery and resolution regimes, including writedown and conversion powers in relation to our securities
- (18) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers or stakeholders who feel misled or treated unfairly and other conduct issues
- (19) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA
- (20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business
- (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy
- (22) changes in general competitive factors, including ability to increase or maintain market share
- (23) inability to protect our intellectual property and infringement claims by third parties
- (24) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties
- (25) changes in credit ratings
- (26) business, operational, regulatory, reputation, transition and other risks and challenges in connection with climate change and ESG-

- related matters including data gathering and reporting
- (27) inability to attract and retain key personnel
- (28) future liabilities under defined benefit retirement plans
- (29) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines
- (30) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, and
- (31) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on [www.ING.com](http://www.ING.com).

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