

ING Sustainable Finance program - approach and methodology

Sustainable Finance drives and promotes sustainable business opportunities within the mainstream global lending portfolio of ING by adopting an inclusive approach that applies to all industries within Commercial Banking. By focusing on clients who adopt best-in-class sustainable practices to prepare for the scarcity and rising costs of resources and energy, we ensure a healthy and strong portfolio and support tomorrow's economy.

Sustainable transitions financed represents the volume of business that ING conducts with clients and projects that satisfy the following criteria: they provide sustainable solutions and they outperform their sector on environmental and/or social performance. As of year-end 2014, total Sustainable transitions financed were EUR 19.5 billion, covering business areas such as energy, real estate and transport amongst others. ING has embedded sustainability assessments into its core business processes and assesses the environmental and social impact of lending opportunities. These assessments are a mandatory part of our Know Your Client (KYC) procedures as well as deal approval processes.

ING Groenbank: Established in 1996, ING Groenbank ('Green bank') is among the top three green banks/funds in the Dutch market. ING Groenbank offers our corporate customers in the Netherlands advice and 'green' banking products. ING Retail clients can also deposit their savings in ING Groenbank. All projects financed by the Groenbank are certified by the Dutch government as environmentally friendly; the Dutch government calculates the reductions in emissions from these projects.

Loans to Renewable energy finance a project/asset in the area of: wind, solar, hydro, biomass, geothermal, hydro, waste or landfill gas.

Loans to other projects support the transition to low-carbon and sustainable business models which significantly reduce greenhouse gas emissions, increase resource efficiency and/or reduce waste or pollution. The significance of the impact is measured relative to the sector and the usual business practices in that sector. Scorecards have been developed and implemented. Some examples are:

- Low carbon transport such as public transport or significant improvement in fuel efficiency
- Real estate which is certified for its environmental outperformance
- Climate change and mitigation
- Circular business models
- Increasing the availability of water through treatment, reuse or more efficient processes

- Energy efficiency
- Reduction of waste through reuse, recycling or more efficient processes
- Social welfare

Loans to environmental outperformers are to clients which are assessed as best-in-class when compared in their sector on environmental performance.

For companies that are assessed by an independent reputable data provider, typically listed and large cap companies, ING selects the top performers (based on environmental, social and governance scores) in each sector as part of its environmental outperformer lists. This list is updated each year.

For companies that have not been assessed by the data provider, it is mandatory in ING's core Know-Your-Client process to assess if the company meets ING's environmental and social risk (ESR) parameters and is outperforming on its environmental performance. Companies that have a decent ESR profile and have a policy to address their environmental impact, track and manage that impact, have products and services which lower that impact and have a lower carbon footprint compared to peers, could qualify as "environmental performers". This assessment has been developed and discussed with our external data provider. It is a more simple, though robust version, derived from their indicators.

ING's scorecard and assessments are evolving as more sustainable transitions are identified as a result of growing our business. However, what is outperformance today may become business as usual over time. To ensure we keep driving towards a sustainable economy, we continuously adjust our benchmarks to stay challenge our assumptions and to truly steer towards outperformance.