ING
Executive Board

Steven van Rijswijk
CEO

Milieudefensie
Attn. Mr. Pols,
Mrs. Van Staalduinen and
Mrs. Oussoren

Date
13 February 2024

Dear Mr. Pols, Mrs. Van Staalduinen and Mrs. Oussoren,

"Climate change is a fact. Its effects are being felt all around us. The world needs urgent collaborative action on climate change to slow it down, mitigate its worst effects and successfully adapt to what we can no longer avoid. We all – governments, NGOs, businesses, and individuals – have a part to play, and we can all make the difference for present and future generations if we work together towards the same goals."

The above sentences were taken from the foreword in our latest Climate Report. They also echo the good and meaningful conversations Milieudefensie and ING have had over the years.

As a financial institution, we have a role to play in the efforts that need to be undertaken at all levels of society. We fulfil that role with conviction. Many of our policies represent a 'first ever' in the financial industry and are seen as 'best practices' on fighting climate change globally.

As you know, we are always happy to discuss our approach and take inspiration from others who share our ambition to make a real impact and accelerate the shift towards a low carbon economy. We appreciate and value the dialogues we have had with you and have also taken inspiration from these over the years.

In your letter, you raise 3 points:

1) You first point is that our climate policy should be in accordance with the 1.5°C target of the Paris Agreement. We have not only committed ourselves to these goals, but are also putting this into action.

We manage our own emissions in line with the goals of the Paris Agreement and are well on track to deliver on our target to reduce the emissions from our buildings & data centres with 70% by 2030 compared to 2019, which is far more than the target of a 48% CO2 reduction by 2030 and should get us to net zero well before 2050. Clearly, our own emissions are insignificant compared to the impact we have through the activities of the clients we finance. We have therefore developed a widely recognized, science-based approach, Terra, which we use to bring our loan book in line with the Paris goals. We focus on the most carbon-intensive sectors. As the science evolves, and the available data improves, we can adapt Terra and broaden it to cover more sectors using the latest insights and conclusions.

We have also signed up to the Net Zero Banking Alliance, an initiative convened by the United Nations, which includes the pledge to bring operational and financed greenhouse gas emissions in lending and investment portfolios in line with pathways to net-zero by 2050 or sooner.

2) Your second point is that our total CO2 emissions should be reduced by 48% by 2030, which is the level of reductions the world as a whole needs to deliver, to reach the 1.5°C target of the Paris Agreement.

The 48% reduction target is what scientists say is required for the world as a whole to reach the goals as agreed on in the Paris agreement. The contribution that banks need to make to aim for this goal is different as it depends on the composition of their lending portfolios as some sectors can and must transition faster than others.

Clearly the world needs to move to these types of reductions by 2030 as scientist indicate. Steering towards an absolute reduction of the total amount of emissions in our book does not necessarily contribute to a responsible transition to a low carbon economy. The transition requires very significant investments in new technologies. As we finance these, the total emissions we finance may actually increase, while it still is the right thing to do.

An example of that is the heat pump which is a proven technology to decarbonise heating in households and in industries like paper, food and chemicals. Financing heat pumps helps businesses and households reduce their emissions. However, production and use of heat pumps are not emissions free. As we would grow our lending book by financing heat pumps we would contribute to emissions reduction in society. But doing so, the total of financed emissions linked to our growing portfolio of heat pumps increases.

Rather than steering towards a reduction of absolute financed emissions from our lending book, we take a science-based sector-by-sector approach. When financing oil and gas exploration and production, we reduce our lending and thus the emissions we finance from oil and gas production by 50% CO2e in 2030 compared to 2019 in an *absolute* sense. However, for most of the sectors we finance, we focus on reducing the emission *intensity* of the activity we finance, like CO2 per vehicle km for the production of cars. We consider this an accurate and impactful approach, that is in line with Paris agreement.

3) Your third point is that we obtain good climate plans from all of our large corporate clients and cease to finance companies that fail to deliver within a year.

We agree that it is important to know what our clients are doing. That's why we have already collected climate and transition data regarding our 2000 largest and most relevant clients and have started using that in our decision making, with timelines that facilitate responsible (dis)engagement.

You also ask that we stop financing companies that are in one way or another involved in the development of new oil & gas fields. As you know we have already stopped providing new (dedicated) finance to new oil and gas fields in 2022, based on the 2021 conclusion from the International Energy Agency that new fields are no longer needed.

You also ask that we stop financing companies that are in some way engaged in new fields. The vast majority of companies exploring or producing oil & gas do so from both existing as well as new fields and your demand would lead to full divestment from these oil & gas companies. Unfortunately, 80% of the world's energy still comes from fossil fuels, used for heating, cooking, transportation and generating electricity. In the Netherlands, the percentage is even higher. These percentages will only gradually come down as new energy sources become available. That's why the United Nations at the COP28 climate conference agreed to *'transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner'* – so not overnight.

We do not believe that divesting from oil & gas overnight is the right thing to do, and it is also not in line with the pathways that scientists set for the transition to Net Zero by 2050, or what the Paris Agreement calls for. Instead, we choose to engage in dialogue with our clients to help them progress in their climate strategies. As you know, based on the latest scientific insights and the outcome of the United Nations climate conference in December 2023, we have decided that we will speed up the reduction of our upstream oil and gas portfolio and fully exit by 2040; well ahead of the goal of the Paris agreement. We also decided that we will aim to triple our financing of renewable energy by 2025.

It is clear that we agree on the importance of addressing climate change urgently, and that we and other banks have a role to play. We are keen to continue our dialogue with you.

Kind regards,

Steven van Rijswijk
CEO

Anne-Sophie Castelnau
Global Head of Sustainability