ING ENVIRONMENTAL AND SOCIAL RISK FRAMEWORK

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1 ESR Framework

ING integrates sustainability considerations and objectives in its business strategies and actively manages social and environmental risks from its business engagements. Doing so, we mitigate risks and contribute to positive change as we support clients to seek continuous improvement in environmental and social practices.

ING's Environmental and Social Risk (ESR) Framework applies to all business conduct and has been developed to ensure informed decision-making that is consistent with ING's Values and commitment to provide responsible financial services. ING will work with clients to promote environmental and social improvements and will not enter into business engagements where ING's Environmental and Social Policies are not expected to be met.

The ESR Framework is built on the basis of ING's Values and underlying commitment to respect human rights and the environment. Combined, they define the underlying ESR considerations for all business conduct. Under these pillars, ING has developed policies that identify, assess and manage business engagement in certain activities, and sectors that are more vulnerable to environmental and social risks and impacts.

The ESR Framework applies to all financial products and services offered by ING[1]. Nonetheless the approach and scope of application may differ based on the nature of the service provided. In some cases (such as non-lending or retail services), the application of the ESR Framework might be more simplified but will follow the rational inherent in the ESR Framework.

The application of the ESR Framework requires the involvement of:

a Front Office – the departments which have direct client contact and originate transactions (leading to potential Environmental & Social risk); and
b Risk Management – the departments which provide control over the Front Office activities.

When entering into business engagements, ING will screen both the "client" and its "transaction" with the client.

The client due diligence is performed as part of the client on-boarding process. Front office will first check whether the client activity is in line with ING's Values, its underlying Human Rights and Environmental Management and our ESR Exclusion Policy.

The ESR Exclusion Policy restricts certain activities in the following areas:

- Animal Welfare;
- Defence/Controversial Weapons;
- Energy;
- Fisheries;
- Forestry and Agrocommodities;
- Genetic Engineering
- Manufacturing;
- Mining and Metals
- Pornography;
- Protected Areas;
- Ship Breaking;
- Gambling.

Additionally, ING acknowledges that some sectors are more likely to be associated with environmental and social risk and impacts. For clients operating in these sectors a more elaborated client ESR sector assessment is performed to have an overall understanding of the company's approach to manage the environmental and social issues associated with their business activities. The assessment will

[1] The ESR Framework does not apply to private individuals.

benchmark the client's approach against industry standards which take into consideration international standards and best practice guidance.

The **ESR Sector Policies** cover the following sectors:
- Animal Husbandry;
- Chemicals;
- Defence;
- Energy (Oil and Gas, Coal and Power Generation, Nuclear);
- Forestry and Agrocommodities;
- Manufacturing;
- Mining and Metals;

When ING engages in a transaction with a client in the above sectors, a transaction ESR sector assessment is performed to understand the environmental and social risks associated with the transaction. The nature of the engagement will determine the depth of the ESR due diligence for that specific transaction. For example, for a client that approaches ING for generic payment and cash management services, the ESR due diligence will be based on the client ESR sector assessment. For other financial services (like lending) the ESR due diligence will be based on the client ESR sector assessment but also the capacity and performance of the client to manage environmental and social risks associated to the lending activity. When financing projects, ING applies the Equator Principles.

The outcome of the ESR assessment will determine whether the engagement carries 'low, 'medium', 'high' or 'unacceptable risk' under the ESR Policies. In case of low-risk transactions, Front Office and Risk Managers proceed with the engagement. However, if the transaction is considered "high risk" a further ESR assessment is undertaken by a dedicated ESR team. This may result in positive advice, positive advice with conditions set, or negative advice from the ESR team which can only be waived by ING's highest credit committee or the Executive Board. In practice such waivers are exceptional.

The ESR Framework will be revised from time to time to reflect ING's risk appetite, organizational changes, market changes and/or regulatory demands.

2 Human Rights and Environmental Management Policies

The ESR Framework is built on the basis of ING's Values and underlying commitment to respect human rights and the environment. Under these pillars, ING has developed specific Environmental and Social Risk (ESR) policies that identify and manage business engagement in sectors that are more vulnerable to environmental and social risks and impacts.
The ESR Sector Policies provide measures to address environmental and social challenges in sectors where ING has business activities. However if a business engagement is not explicitly covered by an ESR sector policy but can pose significant environmental and social risks and impacts, ING will refer to the Values and underlying commitment to respect human rights and the environment as stated below:

Human Rights

ING respects human rights and can contribute to the promotion of human rights within its sphere of influence. Thus, we seek to engage with clients whose business practices demonstrate a high degree of governance and responsibility in human rights matters.

ING's respect for human rights and their integration into our business engagements are guided by the standards established in the Universal Declaration of Human Rights; the eight Fundamental International Labour Organisation Conventions ('ILO Conventions'); the Corporate Responsibility to Respect Human Rights under the UN Guiding Principles on Business and Human Rights and the UN Global Compact. Hence, no financing will be allowed for activities that are known to have elements of human rights abuses and/or where such violations exist.

Environmental Management

ING supports the protection and preservation of the environment and believes that it can make an important contribution to the promotion of good environmental practices. Therefore, ING focuses its client engagements on companies with responsible environmental behaviour as evidenced by their performance.

For clients that operate in industry sectors with a high environmental footprint, ING is interested in seeing that such clients adequately manage their environmental footprint. In jurisdictions where potential environmental and social impacts are not adequately safeguarded by the regulatory frameworks, ING's approval authority will decide on a case-by-case basis whether a third party environmental audit is required for business engagements that may have an impact on the environment. Where such an audit is required, financing will only be allowed when the results of the audit confirm compliance with applicable law and regulations.

3 ESR Exclusion Policy

The ESR Framework is built on the basis of ING's Values and underlying commitment to respect human rights and the environment. Under these pillars, ING has developed the ESR Exclusion Policy.
ING will not provide financial services that directly refer to:

Animal welfare	• Animal testing for cosmetic purposes; • Sponsoring requests for events with animals where the Five Animal Freedoms are not respected; • Animal trade involving Endangered Species[2] for commercial purposes; • Use of Endangered Species or Non-Human Primates[3] for any testing/ experimental purposes; • Support of any type of animal fights for entertainment. • Operating fur farms; • The trade and manufacturing of fur products
Defence / Controversial weapons	• The production, maintenance or trade of anti-personnel landmines, cluster munitions, depleted uranium ammunition, or nuclear, biological and chemical weapons; • Nuclear weapon companies domiciled in countries that are not a party to the Treaty on the Non-Proliferation of Nuclear Weapons; • Controversial weapons trade, such as making arms available to UN, EU or US weapon embargoed countries.
Energy*	• New coal-fired power plants; • Mining, exploration and upgrading of oil sands; • Nuclear waste transportation, decommissioning and/or final disposal of high-level nuclear waste.
Fisheries	• The use of dynamite or poison related to the catching of marine and fresh water species and shellfish in the wild; • Shark finning; • Commercial whaling.
Forestry and Agrocommodities*	• Timber from illegal logging operations; • Deforestation and/or burning down tropical rainforest; • Removal of primary or High Conservation Value Forests.
Gambling	• Online gambling; • Gambling activities outside eligible ESR countries.
Genetic Engineering	• The development of Genetic Engineering or Genetic Modification on humans; • The development of Genetic Engineering or Genetic Modification on plants or animals for non-medical purposes.
Manufacturing*	• Refrain from financing of breaking yards or buyers of scrap vessels.
Mining*	• Mountain Top Removal;

[2] **Endangered species** are defined in this policy as: 1) species listed in the appendix I and II of the Convention on International Trade in Endangered Species (CITES) of Fauna and Flora (https://www.cites.org/eng/app/appendices.php); and 2) the IUCN Red List of Threatened Species (http://www.iucnredlist.org/search).
[3] **Non-Human Primates** are defined in this policy as animals with genetic proximity to human beings and highly developed social skills.

	• New thermal coal mining including lignite
Pornography	• Online pornography; • Pornography outside eligible ESR countries.
Protected Areas	• UNESCO World Heritage Sites; • Wetlands registered by the Ramsar Convention; • Critical natural habitants registered by the International Union for the Conservation of Nature ("IUCN") Category I and II (*See ESR Sector Policy*).
Ship Breaking	• Ship dismantling facilities in- and ships traded or transported for dismantling to Asia.

*For further details please be referred to the ESR Sector Policy.

ING will exclude companies or organizations where the majority of activities relate to activities that ING excludes. When the excluded activity is a minority[4] of the total operations of a company or organization, we may finance its non- controversial activities. If so, we will obtain satisfactory assurance based on the nature of the transaction, or a confirmation stating that ING funds are not directly used to finance excluded activities.

Companies or organizations where the majority of activities relate to ING excluded activities will be restricted for all banking as well as our proprietary asset management services.

ING aims to apply the ESR Exclusion Policy to all its products and services in a consistent and systematic manner. To support the application of the ESR Exclusion Policy we use the restricted list of companies (ESR Restricted List). Companies included on the ESR Restricted List are reviewed on a regular basis. Nonetheless ING acknowledges that the application of this Policy can be challenging in some business areas.

[4] Minority thresholds vary per ESR sector

4 ESR Sector Policies

ING is committed to respect human rights, labour rights and the environment. When providing financial services, ING integrates environmental and social issues as an integral part of our dialogue and assessment of clients.

ING acknowledges that some sectors might be associated with environmental and social impacts on natural habitats and protected areas, environmental pollution and increased risks to health and safety of local communities.

The cost of failing to manage these impacts is high. This Environmental and Social Risk (ESR) Sector Policy has been developed to ensure informed decision-making that is consistent with ING's Values and commitment to provide responsible financial services. In jurisdictions where potential environmental and social impacts are high, ING will undertake additional due diligence on the basis of internationally accepted environmental and social standards. ING will work with clients to promote environmental and social improvements and will not enter into business engagements where ING's Environmental and Social Policies are not expected to be met.

Industry Best Practices and Guidance per Sector
The ESR Sector Policy outlines environmental and social standards and parameters under which ING conducts business in the animal husbandry, chemicals, defence, energy, forestry and agrocommodities, manufacturing and mining and metals sectors. The ESR Sector Policy also outlines the potential impacts associated to these sectors. These impacts could lead to material financial risk, legal risks and at times conflict of interests when integrating all stakeholder interests in our business conduct.

The ESR Sector Policy describes the processes that will assist ING to address such risks in a responsible and consistent manner. This includes:

- Exclusion/ no go areas of engagement;
- Identification of risk and best industry guidance per sector;
- ESR due diligence process, including client and transaction assessment; and
- ESR governance.

ING will review the ESR Sector Policy from time to time in response to governmental policies, technical and scientific developments in sectors covered under this policy. The policy sets specific criteria and guidelines for transactions and client engagements. The policy does not replace the Equator Principles (EP) policy. Transactions / engagements in the sector policy that are subject to EP require the application of both EP and the sector policy.

4.1 Scope

The Environmental and Social Risk (ESR) Sector Policy applies to all products and services offered by ING to entities in the following sectors:

- Animal Husbandry;
- Chemicals;
- Defence
- Energy (Oil and Gas, Coal and Power Generation);
- Forestry and Agrocommodities;
- Manufacturing; and
- Mining and Metals.

4.2 Exclusions / No Go

It is ING's policy not to provide financial services to operations located in and significantly impacting:

- UNESCO World Heritage Sites;
- Wetlands registered by the Ramsar Convention;
- Critical natural habitats registered by the International Union for the Conservation of Nature ("IUCN") Category I. Activities in IUCN category II sites will require analysis by an independent biodiversity expert and approval on a case-by-case basis. Activities in category III-VI are allowed if, and when in compliance with IFC Performance Standards.

4.3 Animal Husbandry

The ESR Sector Policy applies to all products and services offered by ING to entities operating in the animal husbandry sector. The scope of the animal husbandry policy is all operations affecting welfare of animals, including the following:

- Management of farming activities like: beef cattle ranching, cattle feedlots, dairy cattle farming, hens, broilers and poultry hatcheries management, pig, sheep, rabbit and turkey farming;
- Management of (shell)fish hatcheries and aquaculture operations;
- Trade or use of (parts of) endangered animals;
- Management of animals used for human entertainment (e.g. zoos, circuses, household pet industry) or animals used in laboratory settings to advance human health.

The Animal Husbandry Policy does not cover specific operations of the agricommodities sector, see Forestry and Agricommodities policy.

4.3.1 Environmental and Social Risks in the Animal Husbandry Sector

Companies operating in the animal husbandry sector face the challenge of meeting the increasing global food demand while minimising negative impacts to communities, the environment and the animals. With regard to the animal husbandry sector, animal health is considered a prerequisite, where concepts of animal welfare continue to be developed over time. Addressing these challenges effectively means that the environmental, social and ethical impacts associated with the animal husbandry sector should be carefully considered. ING has developed tools to identify significant risks that may be associated with the animal husbandry sector. These risks relate to:

Management of animal farming activities or aquaculture operations: The development of animal farming activities can potentially create environmental and social risks to animal and human health. Key concerns include:

- Animal distress linked to poor living conditions due to confinement, transport, health-care and slaughtering practices;
- Mismanagement of farming may incubate disease or transfer of infectious agents to humans, antibiotic resistance (e.g. “MRSA”), and food-borne illness;
- Air pollution and waste-water contamination (e.g. due to improper manure management) and water usage in water-scarce areas.

Management of animals used for human entertainment or medical research: Increasing attention is brought to the use of animals in the entertainment and medical research industries. Key concerns include:

- Animal treatment for entertainment as in zoos or in shows like circuses, rodeos, horseshows, dog-shows, dolphinariums and aquatic parks;
- Animal treatment in cases of animals used for testing of medical or veterinary research or procedures.

The policy therefore describes processes and governance that will assist ING to consider such risks in a consistent manner.

4.3.2 Industry Standards in the Animal Husbandry Sector

In order to manage the risks in the animal husbandry sector, ING takes into consideration environmental and social industry standards and best practice guidance. ING encourages clients operating in the animal husbandry sector to seek continuous improvement, certification schemes (where applicable) and best practices in environmental, health and safety and animal welfare management. These best practices include the principles expressed in:

- The terrestrial animal health code of the World Organisation for animal health and the Business Benchmark on Farm Animal Welfare;
- The European Convention for the Protection of Animals kept for Farming Purposes and the associated Council Directive of the European Union;
- The Good Practice Note: Animal Welfare in Livestock Operations by the International Finance Corporation (IFC);
- ISO 14000 and 14001 Environmental Management Standards and the standards for Health and Safety Management System (OHSAS 18001).

ING acknowledges that standards and requirements have different levels of advancement in different jurisdictions in the world. Therefore local differences are respected and companies are given time to implement new policies and standards when necessary.

Business engagements with clients affecting animal welfare will require the client to demonstrate to the satisfaction of ING:

i. *Animal welfare legislation and regulations*: representation of compliance of the underlying operations with applicable legislation and regulations;
ii. Animals being managed in line with the principles stated in the "*Five Animal Freedoms*". In case of medical research laboratories for the advancement of human health, the principles of the *3Rs* (Replacement, Reduction and Refinement) have to be applied;
iii. *Housing / Husbandry / Farming conditions*: housing systems must support animals' natural behaviour and needs with respect to movement, rest and social habits. The housing system must protect the animals from injury and distress. All housed animals must have access to sufficient feed, water, air and darkness/light. Temperature has to be controlled at all times. Training on animal husbandry best practices is encouraged;
iv. *Transportation*: animals have to be transported over the shortest possible distances and for the shortest possible time. During transport, animals have to be fed and watered with appropriate frequency;
v. *Stewardship*: entities owning or keeping animals must safeguard animal welfare by preventing any unnecessary pain, suffering or injury to animals;
vi. *Health and disease*: animals' health has to be assessed by a licensed veterinarian or professional with the skills and authority to assess animal health;
vii. *Hormones and Antibiotics*: use of hormones and antibiotics on animals must comply with all applicable national laws and specific requirements. Antibiotics meant for human purpose are not to be used for animals in food production;
viii. *Genetics and breed selection*: selection of breeds has to take into account animal welfare principles as well as production objectives;
ix. *Animal welfare when used in laboratory for human health purposes*: animal experiments must only take place if there is no appropriate alternative method available that avoids use of animals. Animals involved must be those with the lowest degree of neurophysiological sensitivity and consciousness;
x. *Slaughtering*: animals must be handled and slaughtered in the least distressing and most pain-free manner possible.

ING will not engage in business activities that directly refer to:

- Requests for sponsoring of events with wild animals where the Five Animal Freedoms are not respected. Evidence of compliance with the Five Animal Freedoms must be provided by means of a veterinary statement;

- Animal trades involving Endangered Species[5] for any commercial purposes or in breach of applicable laws and regulations;
- Use of any Endangered Species or Non-Human Primates[6] for all testing / experimental purposes;
- Support of entertainment events where animals are used and have to fight;
- Operating fur farms, manufacturing or trade of fur products;
- Use of dynamite or poison related to the catching of marine and fresh water species and shellfish in the wild, shark finning or commercial whaling;
- Animal testing for cosmetic purposes;
- Development of genetic engineering or genetic modification on animals for non-medical purposes.

[5] **Endangered species** are defined in this policy as: 1) species listed in the appendix I and II of the Convention on International Trade in Endangered Species (CITES) of Fauna and Flora (https://www.cites.org/eng/app/appendices.php) ; and 2) the IUCN Red List of Threatened Species (http://www.iucnredlist.org/search).
[6] **Non-Human Primates** are defined in this policy as animals with genetic proximity to human beings and highly developed social skills.

4.4 Chemicals

The ESR Sector Policy for Chemicals applies to all products and services offered by ING to entities that operate in the chemicals sector. Chemical related activities within the scope of the policy are:

- Industries supplying agrochemicals;
- Plastics;
- Synthetic fibres;
- Paints and detergents;
- Direct use of fertilizers, paint, soap, plastics and equivalent substances; and
- Indirect use of fertilizers, paint, soap, plastics and equivalent substances under further industrial processing (e.g. pharmaceuticals, oil and gas, printing).

4.4.1 Environmental and Social Risks in the Chemicals Sector

Chemicals clients face an increasing challenge in meeting the needs of a growing population whilst raising human welfare and minimising the cost to the environment. Meeting this challenge means that the environmental and social impacts associated with the chemicals sector must be closely managed.

Chemicals may affect progress towards a sustainable economic development particularly for children and other vulnerable communities due to their occupations, living conditions and lack of knowledge about proper handling of chemicals.

The ecosystems that provide essential resources for the survival of rural communities may also be threatened by chemical pollution and environmental degradation, with impacts on both the environment and human health such as:

- Exposure of workers to hazardous materials and substances;
- Exposure of local communities to toxic chemicals in water, food, air, and soil which may cause or exacerbate many serious human health problems, including damage to reproductive and neurological systems, as well as different types of cancer;
- Water contamination (e.g. due to the use of pesticides, fertilizers and fuels, lubricants and other chemicals) and water use in water-scarce areas;
- Loss of biodiversity/endangered species and ecosystem services, soil erosion, land degradation, and natural stock depletion;
- Rising food prices associated with the use of bio-based raw materials in the production of paints or other chemicals.

The policy therefore describes processes and governance that will assist ING to address such risks in a consistent manner.

4.4.2 Industry Standards in the Chemicals Sector

In order to manage the risks identified in the chemicals sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the chemicals sector to seek continuous improvement in environmental, health and safety management and supports them to move towards best practices which include:

- REACH European Community regulation on chemicals and their safe use;
- The Montreal Protocol on Substances that Deplete the Ozone layer;
- International Programme on Chemical Safety;
- The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade;
- Standards for Environmental Management System (ISO 14001);
- Standards for Health and Safety Management System (OHSAS 18001).

ING will promote the use of best practices with its clients. Business engagements in the chemicals sector will require the client to demonstrate to the satisfaction of ING:

i. Compliance with applicable environmental and social legislation, regulation and permit requirements;
ii. Compliance with policies or certification that address mitigants related to pollution and contamination of water resources, impacts on biodiversity, community health and safety for handling, transportation and storage of chemicals;
iii. Compliance with IFC Performance Standards and EHS Guidelines (including Chemical Hazards and Transport of Hazardous Materials among others) when financing projects[7].

[7] Refer to Equator Principles Policy

4.5 Defence

ING will not provide financial services to companies in the defence sector when there is concrete evidence that these companies make arms available to (i) countries that are under a UN, EU or US weapons embargo, or to (ii) non-governmental armed groups without UN, EU or US support. Furthermore, ING ensures not to finance the trade of weapons to countries in which there is a clear risk that the weapons can be used for internal repression, serious violations of international humanitarian law or for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defence.

Anti-personnel landmines, cluster munitions, depleted uranium ammunition and biological or chemical weapons

ING considers these weapons controversial due to their indiscriminate effect and the likelihood of civilians being injured. Given their indiscriminate effect, international agreements banning specific weaponry systems such as anti-personnel landmines and cluster munitions, and a general concern in society over depleted uranium ammunition, biological and chemical weapons, ING restricts its involvement in these categories of weapons.

ING will not finance the development, production, maintenance or trade of these weapons, nor provide any financial services to companies involved in these kinds of weapons. ING will not invest its proprietary assets (ING's own account) in controversial weapons companies.

With regard to customer funds entrusted to ING:

- Wherever legally possible, ING will ensure that customer funds are not placed in such companies through actively managed ING funds.
- For passively managed ING index funds, ING will limit the cumulative weighting of investments in such companies to a maximum of 5% of the related index fund.
- To the best of our ability, ING will ensure that customer funds are not placed in investment funds managed by third party asset managers if the cumulative weighting of investments in such companies is more than 5% of the related fund.
- For discretionary mandates, ING will ensure that under those mandates, funds are not invested in such companies in those jurisdictions that do not allow investments in such companies.

Nuclear weapons

ING considers these weapons controversial due to their indiscriminate effect and the likelihood of civilians being injured. However, nuclear weapons have a different character than armaments, such as cluster weapons and anti-personnel landmines. Ownership, production, proliferation and use of nuclear weapons are heavily regulated, monitored, and, if necessary, sanctioned by the international community. Due to the fact that nuclear weapons are regulated and not fully banned by the international community, many high tech companies are involved in various ways in the nuclear armaments programs of their respective governments.
ING will not finance the development, production, maintenance or trade of nuclear weapons. ING will not provide any financial services to (i) companies with a clear focus on defence related activities that are involved in nuclear weapons, or (ii) companies involved in nuclear weapons, when those companies are domiciled in countries that are not a party to the Treaty on the Non Proliferation of Nuclear Weapons (NPT). However, we may finance the non-controversial activities of high tech companies with a clear focus on civilian activities such as civil aviation, if the company represents that ING funds will not be used for nuclear weapon-related activities, and only if domiciled in a country that is adhering to NPT. ING will not invest its proprietary assets in companies where there is demonstrated focus on defence and nuclear weapons activities, or companies involved in nuclear weapons domiciled in non-NPT countries.

With regard to customer funds entrusted to ING:

- Wherever legally possible, ING will ensure that customer funds are not placed in companies where there is demonstrated focus on defence and nuclear weapons activities through actively managed ING funds or companies involved in nuclear weapons domiciled in non-NPT countries.
- For passively managed ING index funds, ING will limit the cumulative weighting of investments in such companies to a maximum of 5% of the related index fund.
- Restrictions under this policy are not applied to funds managed by third party asset managers.
- Discretionary mandates are exempted from this policy. However, ING encourages clients to avoid those companies in their assets managed under discretionary mandates.

4.6 Energy Sector (Oil and Gas, Power Generation, Coal)

The ESR Sector Policy for Energy applies to all products and services offered by ING to entities operating in the energy sector. Energy related activities within the scope of the policy are:

- Onshore and offshore oil and gas operations;
- All up-and downstream oil and gas activities and services, including refineries and petrochemicals;
- Power generation;
- Transmission and distribution of power;
- Hydro dams and hydropower plants; Other renewable power stations.

4.6.1 Environmental and Social Risks in the Energy Sector

Energy clients face an increasing challenge in meeting the expanding energy needs whilst raising human welfare and minimising the cost to the environment. Under the Energy Policy, ING has developed tools to identify risks that may be associated with the energy sector. These risks relate to:

Oil and gas: The exploration and development of new oil and gas assets take place in increasingly more complex operating environments, such as deep offshore waters, remote locations, and countries with weaker governance or conflict zones. Key environmental and social risks can include:

- Adverse impacts on natural habitats and protected areas, including offshore marine habitats;
- Air emissions, including significant greenhouse gas generation and release of toxic gases such as sulphur and nitrogen oxides;
- Water contamination and water use in water-scarce areas;
- Oil spills and leakages;
- Unknown effects of new practices like fracking shale.

Hydro Power: Dams play an important role in providing renewable energy, flood control, and water services. However they can also cause significant, and sometimes irreversible, social and environmental damage to local communities and ecology. Key environmental and social risks can include:

- Economic and physical displacement of people for the reservoir;
- Loss of traditional land, access to water-use rights, and damage to local fisheries;
- Ecological damage, reduction of water quality and disruption of river flow patterns;
- Safety issues related to dam failure or malfunctioning.

Other renewable energies: Renewable energy is a cleaner form of energy generation which is considered essential to the transition to a low carbon economy. However, the development of wind, solar, geothermal, and biomass power generation may have environmental and social impacts that need to be carefully considered. Key environmental and social risks can include:

- Impacts on legally protected areas or critical natural habitats or ecosystems due to land conversion, introduction of alien species;
- Noise, odour (biomass) and visual impacts;
- Use of toxic chemicals such as pesticides, mercury, arsenic, boron, and salt.

Coal-fired Power: Increasing attention is brought to the GHG emissions profile of power generation technologies. This is particularly the case for coal-fired power plants in relation to quality and technology choices. Key environmental and social risks can include:

- GHG emissions;
- Leakages associated with Carbon Capture Storage (CCS);
- Large volumes of water extraction for cooling operations which affects water flow and quality;

- Controversies and public debate around participation in internationally recognised carbon trading schemes (voluntary or regulatory).

4.6.2 Industry Standards in the Energy Sector

In order to manage the risks identified in the energy sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the energy sector to seek continuous improvement in environmental, health and safety management and encourages them to follow best practices which include:

Oil and gas:

- The International Petroleum Industry Environmental Conservation Association;
- Extractive Industries Transparency Initiative;
- Global Gas Flaring and Venting Reduction Voluntary Standard;
- The International Association of Oil and Gas Producers;
- Voluntary Principles on Security and Human Rights;
- International Energy Agency;
- International Maritime Organization (IMO).

Hydro Power:

- The International Hydropower Association
- World Commission on Dams (Framework for Decision Making)

Coal fired power:

- The World Coal Association;
- Disclosure of GHG emissions (e.g. Carbon Disclosure Project);
- United Nations Framework Convention on Climate Change.

ING will promote the use of best practices with its clients. Business engagements in the energy sector will require the client to demonstrate to the satisfaction of ING:

i. Compliance with applicable environmental and social legislation, regulation and permit requirements;
ii. Compliance with policies or certification that address mitigants related to pollution and greenhouse emissions, impacts on biodiversity and community health and safety related issues;
iii. Compliance with IFC Performance Standards and EHS Guidelines (incl. Air Emission and Ambient Air Quality among others) when financing projects[8]. Relevance of the project within the country's energy policies (incl. energy dependencies) will also play an important role in the assessment;
iv. ING does not engage in transactions that are directly[9] linked to mining, exploration and upgrading of oil sands.

Additional Assessment Criteria for Coal-Fired Power

The aim of this policy is to ensure we support utility companies who are decreasing their CO2 emissions and intensity by operating more efficient coal-fired power stations and diversifying to cleaner sources of electricity generation. ING therefore applies additional criteria when assessing coal-fired power generation. The ESR Policy on Coal-Fired Power applies to all financial services offered by ING to entities operating coal or lignite-fired power plants, where electricity generation primarily for general electric purposes (i.e. to the power grid).

[8] Refer to Equator Principles Policy
[9] Direct means financing mining, exploring or upgrading activities themselves. Other activities that refer to oil sands are allowed under this policy.

Activities out of scope of this policy include coal-fired power plants dedicated to a specific project, such as an aluminium smelter or steel mill, are not in scope of these specific thresholds, but are still in scope of the ESR Energy Policy. In such cases, an alternatives analysis is required which should evaluate all potential energy sources for the project and, if coal is the chosen power source, also evaluate GHG abatement technology.

i. ING will not finance any new coal-fired power plants or accept new clients whose core business (+50% revenues) is reliant on operating coal-fired power plants.
ii. Enhanced due diligence applies to new clients with less than 50% of total revenue coming from the operation of coal-fired power plants, as well as to existing utilities clients materially dependent on coal.

4.7 Forestry and Agrocommodities

The ESR Sector Policy for Forestry and Agrocommodities applies to all products and services offered by ING to entities operating in the forestry and agrocommodities sector.

Forestry and agrocommodities related activities within the scope of the policy are:

- Plantations (for growing wood and agrocommodities);
- Growing, harvesting, milling, refining and processing agrocommodities (e.g. coffee, tea, cocoa, cotton, soy and palm oil);
- Logging and harvesting of wood;
- Timber processing e.g. manufacturing of wooden furniture;
- Pulp and paper mills.

4.7.1 Environmental and Social Risks in the Forestry and Agrocommodities Sector

Forestry and agrocommodities clients face a great challenge in meeting the needs of a fast growing, urbanising and industrialising global population. Meeting this challenge means that the environmental and social impacts associated with the forestry and agrocommodities sector must be closely managed. Under the Forestry and Agrocommodities Policy, ING has developed tools to identify the most significant risks that may be associated with the forestry and agrocommodities sector. These risks relate to:

- Loss of biodiversity/endangered species and ecosystem services, soil erosion, land degradation, natural stock depletion;
- Harmful and malodorous air emissions resulting from harvest, agricultural burning, pesticide spraying, emissions from fertilizers;
- Water contamination (e.g. due to the use of pesticides, fertilizers and fuels, lubricants and other chemicals) and water use in water-scarce areas;
- Disputes over land tenure and land use (land grabbing), migration, involuntary resettlement, and decrease in local food security;
- Introduction of invasive species, including genetically modified organisms (GMOs);
- Human rights abuses, including forced and child labour, unsafe working conditions, non-living wages, and forced relocation;
- Speculation on agrocommodities prices by commodity traders resulting in inflation of food prices.

The policy therefore describes processes and governance that will assist ING to address such risks in a consistent manner.

4.7.2 Industry Standards in the Forestry and Agrocommodities Sector

In order to manage the risks identified in the forestry and agrocommodities sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the forestry and agrocommodities sector to seek continuous improvement in environmental, health and safety management and supports them to move towards best practices which include:

- Assured Food Standards (AFS);
- Global Good Agricultural Practice (GAP);
- Rainforest Alliance Sustainable Agriculture Standard (SAN);
- UTZ Certified;
- Sustainable Agriculture Practice Standard (SCS 001);
- Sustainable Agriculture Initiative Platform (SAI);
- Food and Agriculture Organisation of the United Nations (FAO);

The following programmes and certificates are also relevant per commodity:

Commodity	Programmes / Certificates
Soy	▪ Roundtable on Responsible Soy Association (RTRS) ▪ Basel Criteria for Responsible Soy Production
Palm oil	▪ Roundtable on Sustainable Palm Oil (RSPO) ▪ Principles and Criteria for Responsible Palm Oil Production
Cotton	▪ Better Cotton Initiative
Coffee, Tea, Cocoa	▪ Common Code for the Coffee Community (4C) ▪ Tropical Commodities Coalition for Sustainable Tea Coffee and Cocoa (TCC) ▪ Ethical Tea Partnership (ETP) ▪ World Cocoa Foundation (WCF) ▪ Rainforest Alliance
Wood	▪ Forest Stewardship Council (FSC) certification ▪ Programme for the Endorsement of Forest Certification (PEFC) ▪ FSC chain of custody certificate

ING will promote the use of best practices with its clients. Business engagements in the forestry and agrocommodities sector will require the client to demonstrate to the satisfaction of ING:

i. Compliance with applicable environmental and social legislation, regulation and permit requirements;
ii. Compliance with policies or certification that ensures sustainable growth of agrocommodities. Certification and/or client commitment in getting certification for soy, palm oil and cotton within an acceptable timeframe is a minimum requirement in key high risk locations (See ESR High Risk Country List)
iii. Compliance with RSPO certification for companies that own, operate or manage palm oil plantations.
iv. Compliance with IFC Performance Standards and EHS Guidelines (incl. Free Prior and Inform Consent (FPIC) requirements) when financing projects[10].
v. ING does not engage in transactions that are directly linked to:
    - timber from illegal logging operations
    - deforestation and/or burning of tropical rain forest
    - removal of primary or High Conservation Value Forest.

In order to take away incentive for deforestation, ING can only engage in transactions directly linked to previously cleared forest land after five years have passed and only if no direct link between the client and the original deforestation can be demonstrated.

[10] Refer to Equator Principles Policy

4.8 Manufacturing

The ESR Sector Policy for Manufacturing applies to all products and services offered by ING to entities operating in the manufacturing sector. Manufacturing related activities within the scope of the policy are:

- Apparel and retail;
- Furniture;
- Electronics and electrical appliance;
- Automotive;
- Industrial wholesale;
- Building materials, and
- Shipbuilding.

The Manufacturing Policy does not cover the production of raw material by other industries (e.g. cotton or plastics).

4.8.1 Environmental and Social Risks in the Manufacturing Sector

The increasing practices of outsourcing and/or subcontracting to operations in emerging markets further complicate supply chains, making it more difficult to appreciate the extent of a particular company's liability for environmental and social impacts.

Maintaining responsible operations and supply chains is therefore a challenge for the manufacturing sector, and more particularly for those whose products are manufactured in developing countries, where regulations may be weak or not enforced.

Meeting this challenge means that the environmental and social impacts associated with the manufacturing sector must be closely managed. Under the Manufacturing Policy, ING has developed tools to identify the most significant risks that may be associated with the manufacturing sector. These risks refer to:

- Significant use of water in processing and in production units impacting the availability of water to local communities and the environment;
- Significant carbon dioxide and other greenhouse gas emissions;
- Waste disposal and discharge, and end-of-life recycling and disposal of goods and products (particularly electrical and electronic equipment);
- Product safety (including use of hazardous substances, product failures);
- Human rights abuses, including forced and child labour, unsafe working conditions, non-living wages, forced relocation, denial of freedom of expression, violence, and other abuses, use of immigrant and migrant labour with minimal or no benefits or protection under labour regulation;
- Product traceability and labelling to counter illegally produced products (e.g. counterfeit); and
- Maintaining both competitive consumer prices and fair and ethical relationships with suppliers.

The policy therefore describes processes and governance that will assist ING address such risks in a consistent manner.

4.8.2 Industry Standards in the Manufacturing Sector

In order to manage the risks identified in the manufacturing sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the manufacturing sector to seek continuous improvement in environmental, health and safety management and supports them to move towards best practices which include:

- Standards for Environmental Management System (ISO 14001 & 29001);
- Standards for Health and Safety Management System (OHSAS 18001);

- Social Accountability 8000 (SA8000) Standard.

ING will promote the use of best practices with its clients. Business engagements in the manufacturing sector will require the client to demonstrate to the satisfaction of ING:

i. Compliance with applicable environmental and social legislation, regulation and permit requirements;
ii. Compliance with policies or certification that address mitigants related to the use of hazardous chemicals, resource use efficiency, and child and forced labour;
iii. Compliance with IFC Performance Standards and EHS Guidelines (incl. Occupational Health and Safety) when financing projects[11].

For shipbuilding ING encourages clients to adopt ship recycling practices which consider its environmental and social impact. In particular, that such practice is deemed to be environmentally sustainable and socially responsible. As a starting point, ING's policy does not permit the financing of breaking yards nor buyers of scrap vessels.

Furthermore, ING seeks to finance leading and reputable shipping companies who follow a responsible policy of vessel scrapping.

Best practices for new ships include the following:

- Customers to adopt the recommendations provided for under the Hong Kong Convention;
- All vessels financed by ING to have a Green Passport/Inventory of Hazardous Materials;
- ING will seek, wherever possible, to document its customers obligations within loan documentation. At present the following language is suggested: "The Ship owner confirms that as long as it is in a lending relationship with ING, it will ensure that any Ship controlled by it with the intention of being scrapped, is recycled at a recycling yard which conducts its recycling business in a socially and environmentally responsible manner".

[11] Refer to Equator Principles Policy

4.9 Mining and Metals

The ESR Sector Policy for Mining and Metals applies to all products and services offered by ING to entities operating in the mining and metals sector. The scope of the Mining and Metals Policy covers mining and processing operations, including the following:

- The development, construction, operation, maintenance and decommissioning of installations for extraction, development, production, processing, smelting, refining and storage of mining products;
- Materials covered by mining include base metals, precious metals, iron, uranium, coal, diamonds, limestone, rock salt and potash.

4.9.1 Environmental and Social Risks in the Mining & Metals Sector

Mining and metals clients face an increasing challenge in meeting the expanding needs for mining products whilst raising human welfare and minimising the cost to the environment. Meeting this challenge means that the environmental and social impacts associated with the mining and metals sector must be closely managed. Under the Mining and Metals Policy, ING has developed tools to identify the most significant risks that may be associated with the mining and metals' sector. These risks relate to:

***For Mining Operations*:** The development of (new) mining assets increasingly take place in more complex environments (remote locations, countries with weaker governance or conflict zones) which potentially creates additional and new environmental and social risks to developers, contractors and financiers. Key concerns can include:

- Adverse impacts on natural habitats and protected areas from land use (open pits, erosion, deforestation, risks of landslides) and pollution potentially resulting in leaks, spills or other accidental releases into soils, surface water, and/or groundwater resources (e.g. cyanide);
- Risks associated with airborne emissions from fugitive dust from blasting, exposed surfaces such as tailings facilities, stockpiles, waste dumps, haul roads and infrastructure, and gases released from combustion of fuels;
- Energy and water use; and
- Risks to community and labour health and safety e.g. accidents, land and water pollution, spread of HIV due to influx of labour.

For Smelting and Refining Activities: Increasing attention is brought to the greenhouse gas (GHG) emissions profile of industries, smelting and refining plants. Key concerns can include:

- Air emissions, including particulate matter (PM), NOx, CO and CO2, SO2, volatile organic compounds (VOC) released from thermal processes, melting activities, blast furnace cleaning, mechanical actions (scarfing and grinding) and raw material handling;
- Contaminated soil and groundwater from solid waste and by-products containing heavy metals, oil and grease, or asbestos;
- Improper disposal of wastewater from cooling water, storm water, rinse water, and other process effluent streams;
- Risks to community health and safety from accumulative contamination of land and dwellings with fine metal particulate, deposition of metals and other pollutants.

The policy therefore describes processes and governance that will assist ING to address such risks in a consistent manner.

4.9.2 Industry Standards in the Mining & Metals Sector

In order to manage the risks identified in the mining and metals sector, ING has developed assessment tools that take into consideration environmental and social industry standards and best practice guidance. ING encourages clients in the mining and metals to seek continuous improvement in environmental, health and safety management and supports them to move towards best practices which include:

- International Council on Mining and Metals (ICMM) Best Practices;
- Extractive Industries Transparency Initiative;
- ISO 14000 and 14001 Environmental Management Standards;
- Standards for Health and Safety Management System (OHSAS 18001);
- International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold;
- International Maritime Organization (IMO);
- Kimberley Process Certification Scheme.

ING will promote with clients the use of best practices. Business engagements in the Mining & Metals sector will require the client to demonstrate to the satisfaction of ING:

i. Compliance with applicable environmental and social legislation, regulation and permit requirements;
ii. Compliance with policies or certification that address mitigants related to water contamination and emissions, impacts on biodiversity or community health and safety on water use and quality, tailings and waste management;
iii. Compliance with IFC Performance Standards and EHS Guidelines (including Air Emissions and Ambient Air Quality, Water Conservation and Hazardous Material Management among others) when financing projects[12].
iv. Enhanced due diligence applies existing clients operating a mining company involved in brown coal, lignite, sub-bituminous and thermal (steam) coal that is predominantly underground as part of a single operation;
v. ING does not provide any (form of) financing to support operations that use the Mountain Top Removal[13] ("MTR"), nor will it finance companies on a corporate basis whose MTR production exceeds 1 million tonnes per annum.
vi. ING refrains from engaging in new projects or finance new clients whose core business activities (+50% revenues) are reliant on operating thermal coal mines. Clients whose revenue is under the 50% revenue threshold will be assessed under the standards mentioned in this policy[14].

[12] Refer to Equator Principles Policy
[13] Mountain Top Removal is defined as surface mining activities where the mining operation removes an entire coal seam or seams running through the upper fraction of a mountain, ridge, or hill by removing substantially all of the overburden off the bench and creates a level plateau or a gently rolling contour, with no highwalls remaining, and capable of supporting higher and better post-mining land use.
[14] Thermal coal as a by-product of metallurgical coal mining is permitted.

4.10 General Industry Standards

In addition to the industry standards and best industry guidance identified per industry sector, ING assessment tools also take into consideration general and internationally recognized sustainability standards. These include:

- UN Guiding Principles on Business and Human Rights;
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
- UN Global Compact;
- OECD Guidelines for Multinational Enterprises;
- Children's rights and Business Principles;
- IFC Performance Standards.

ING provides appropriate internal training for better understanding of the environmental and social risks that could be associated with its products and services. ING will update the assessment tools in accordance with market trends, risk appetite and developments of best industry standards covered under this policy.

4.11 ESR Due Diligence

ING's approach to manage Environmental and Social Risk is global and applies to all products and services. Therefore all ING's business engagements are subject to the following assessments:

1. **Client ESR assessment,** which measures the client's capacity and track record to manage environmental and social issues.
2. **Transaction ESR assessment,** which measures the environmental and social risks associated with a specific transaction.

The combination of the Client and the Transaction ESR assessments provides the overall ESR profile associated with the business engagement.

4.11.1 Client ESR Assessment

The Client ESR Assessment is designed to allow an overall understanding of the company's approach to manage the environmental and social issues associated with their business activities and benchmarks it against industry standards. These industry standards take into consideration international standards and best practice guidance.

The Client ESR Assessment is undertaken as part of the client on-boarding procedure in the Know Your Client (KYC) process, which also addresses checks with the ESR Exclusion Policy and the ESR Restricted List. For existing clients the assessment takes place during KYC on-going client reviews. The assessment uses questionnaires (5 mandatory questions) that address environmental and social performance, reporting requirements, track record and countries where the company operates.

Based on the answers provided, the Client ESR Assessment tool categorizes the client as: 'Low Risk', 'Normal Risk', 'Increased Risk', or 'Unacceptable'. The assessment tools provide additional questions to evaluate clients on sustainability criteria. Upon successfully answering those questions, a 'Sustainable outcome' may be applicable. Sustainable clients are treated the same as "Low risk' clients by the tool. for more information on sustainable clients refer to ING's Sustainable Finance program in Commercial Banking.

The client ESR outcome 'Sustainable' or' 'Low Risk' refers to clients that actively apply best environmental and social practices not only to their own operations, but also to their partners and suppliers. The client is listed in the Dow Jones Sustainability Index and/or can independently validate its environmental and social excellence under equivalent requirements.

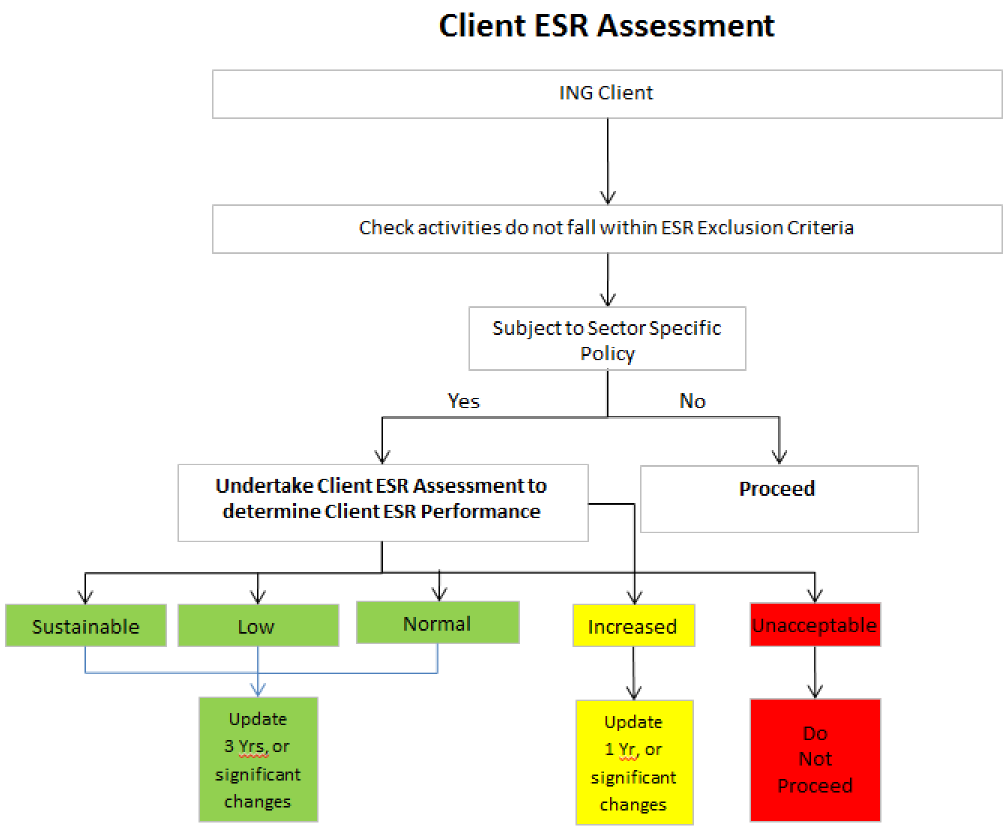
The client ESR outcome 'Normal Risk' refers to clients that actively mitigate environmental and social risks relevant to its business activities. They report on their environmental and social performance (via a sustainability report, website or equivalent) and are generally well regarded by stakeholders. Clients operating in jurisdictions with stringent environmental and social legislation are considered to operate at normal risk levels if they comply with all relevant environmental and social laws, report on environmental and social matters and can evidence a good track record (i.e. no/minor environmental fines and penalties and no significant negative press or conflict of interest).

The client ESR outcome 'Increased Risk' refers to clients that have limited management procedures in place to mitigate environmental and social impacts and have limited reporting on their environmental and social performance. Clients operating in jurisdictions with fragile environmental and social legislation, that undertake no additional management procedures to address or report on their environmental and social performance, are considered to operate at increased risk levels. Engagements with clients categorized as "Increased Risk" are permitted, however, ING encourages clients to seek continuous improvement in environmental, health and safety management, and additional environmental and social requirements might apply to these clients.

The Client ESR outcome 'Unacceptable' refers to clients that have no management procedures in place to mitigate environmental and social impacts and no reporting on their environmental and social performance. Their track record is poor (including material fines and penalties on environmental issues or negative media attention) and they have no willingness to improve their environmental and social performance. Engagement with these clients is not permitted unless there is concrete evidence that the client is taking adequate steps to improve their environmental and social performance. This evidence has to be approved by the ESR Team.

The Client ESR Assessment tool applies to ultimate parent companies. The outcome of the parent company assessment is linked to all its (majority owned) subsidiaries unless subsidiaries deliberately follow different ESR policies. In such cases, subsidiaries need to perform a dedicated client ESR assessment. Similarly, for project companies (i.e. SPV) not majority controlled by a single shareholder, the Client ESR Assessment will apply to the project operating company or companies forming the SPV. In cases where ING does not have a relationship with the parent company, the Client ESR Assessment will apply to the controlling shareholder or highest level of subsidiary that deals with ING.

The flowchart for Client ESR Assessment is as follows:



4.11.1.1 Monitoring & review

Following KYC procedure, clients which ESR outcome is ' Sustainable/Low' or 'Normal risk' will be reviewed on a three years basis. Clients which ESR outcome is 'Increased risk' will be reviewed on a yearly basis. Furthermore, ad hoc revision might be triggered due to a major change in the strategy of the company or in case of a material social or environmental incident.

The Client ESR Assessment allows ING to measure progress made against the performance categories and undertake portfolio management reviews wherever applicable.

4.11.2 Transaction ESR Assessment

The Transaction ESR assessment aims to provide the environmental and social risks associated with a transaction. The transaction assessment varies depending on the nature of the business engagement, but in general the higher the level of engagement the more comprehensive and detailed the assessment.

For transactions that refer to payments and cash management, money market and other forms of basic financial services (not lending), the simplest ESR due diligence applies. This is the Client ESR Assessment explained in the previous section.

For transactions that refer to project financing[15] the Equator Principles apply. This is in general terms the most in-depth ESR due diligence and requires the analysis of the Environmental and Social Impact Assessment and Management Plans of the project (for more information see Equator Principles Policy).

Any other transactions will be subject to the following Transaction ESR Assessment:

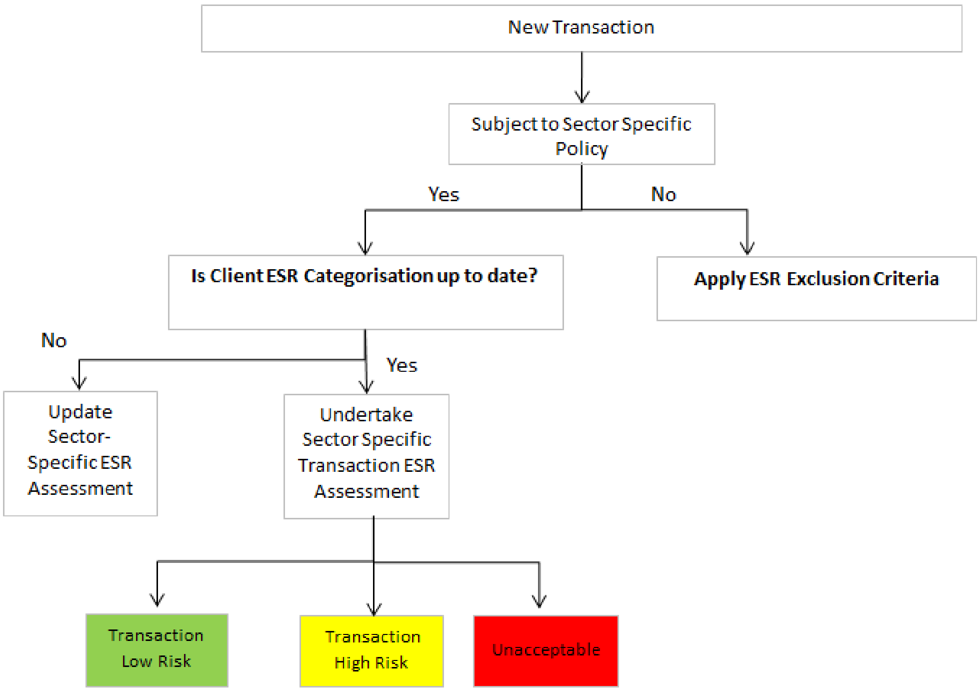
1. Country where ING funds will be used; (Sensitive Country List);
2. Impacts on critical natural habitats, critical cultural heritage sites and/or indigenous peoples;
3. Alleged labour and Human Rights violations;
4. Nature of activities[16] related to the transaction; and
5. International (negative) media coverage, NGOs scrutiny and/or general public concern.

The above risks require expert judgment, which will be the basis for establishing a discussion between Front Office and Risk Management on the risk profile of the transaction. In case of doubt the ESR Team can be contacted for clarification.

The flowchart for Transaction ESR Assessment is as follows:

[15] Project finance, Project advisory, project related corporate loans and bridge loans as defined under the Equator Principles.
[16] Some activities are perceived more sensitive (e.g. plantations, coal-fired power plants, shale gas, large dams, etc.).

Transaction ESR Assessment



The outcome of the Transaction ESR Assessment together with the outcome of the Client ESR Assessment will determine the overall risk profile of the business engagement and approval process thereafter.

The table below illustrates the combinations and outcomes of the Client and Transaction ESR Assessment ("ESR outcome").

Transaction ESR Performance	Client ESR Performance			
	Low Risk	**Normal Risk**	**Increased Risk**	**Unacceptable**
Transaction Low Risk	ESR Low risk	ESR Low risk	ESR Medium risk	Unacceptable
Transaction High Risk	ESR Medium risk	ESR High risk	ESR High risk	Unacceptable
Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable

For business engagements that result in an ESR outcome "ESR Medium risk" or "ESR High Risk" further ESR due diligence needs to be undertaken. The following items will be considered:

- Clients explanations on how environmental and social policies apply to specific activities or countries;
- Analysis of degree of separation between ING and sensitive activities;
- Involvement of IFC, EBRD, ADB, IADB in the transaction;
- Client's commitment to use best available techniques and industry practices;
- Client's commitment to industry best practices.

Additional questions will be asked to clients to check whether they have sufficient capacity to mitigate the risks identified in a business engagement.

When the additional ESR due diligence is satisfactory, final ESR sign off can be provided by appropriate approval authorities. When the additional due diligence does not sufficiently mitigate the higher risk profile, business engagements can only be pursued subject to an action plan to be agreed by the client and ING. Action plan measures should refer to the items mentioned above and should be to the satisfaction of Credit & Trading Risk and/or the ESR Team.

Wherever possible and at the discretion of Credit & Trading Risk, mitigants might include specific actions documented in the loan agreement to achieve ESR Policy compliance within timeframe that is reasonable for both the client and ING.

For project related corporate loans that do not strictly fall under the thresholds established by EP, extra ESR due diligence might be applicable at the discretion of Credit & Trading Risk.

4.11.2.1 Monitoring & Review

ING monitors environmental and social risks as part of the credit annual review processes which is (at a minimum) on a yearly basis. For existing exposures, a complete ESR due diligence will be undertaken if:

- There are material changes related to the underlying transaction (e.g. increase of exposure etc.);
- ESR previous advice stipulated such condition;
- Approval Authorities propose additional action due to, for example, an environmental accident.

In the above cases the review may include any mitigation measures and specific actions associated to transactions.

4.12 Governance

The ESR Sector Policy follows ING mainstream approval processes. The prime responsibility for gathering information and assessing clients and transaction lies with the first line of defence, i.e. Front Office. Credit Risk Management acts as the second line of defence and reviews that the Client ESR Assessment has been completed, approves the Transaction ESR Assessments and ultimately opines on the potential required mitigating actions as part of the ESR outcome approval processes (including approval of any additional questions related to the Client ESR Assessment for the obligor).

4.12.1 Client ESR Assessment

The Client ESR Assessment is done as part; of the KYC (Know Your Client) established processes, where the Global Credit Committee (GCC) acts as the ultimate escalation point for ESR related issues.

4.12.2 Transaction ESR Assessment

The Transaction ESR Assessment is done as part of the Credit Approval Package and will follow the regular Signatory Approval Process (SAP). Executives within the credit approval chain are mandated to examine that both Client and Transaction ESR Assessments have been duly completed. For business engagements falling outside credit related transactions, general advisory or other products not linked to an operating asset, the ESR due diligence will be focused on the client ESR assessment. However all ING approval processes are required to consider ESR matters as part of their decision-making in line with this policy process wherever possible. In addition, discussion of possible ESR issues in Green Light Committees will ensure that higher risk ESR proposals will be flagged in an early stage.

Overall ESR Outcomes (Client + Transaction ESR Assessment)			
ESR Low risk	ESR Medium risk	ESR High risk	Unacceptable

4.12.2.1 ESR Low Risk engagement

Where the level of ESR associated with the engagement is ***Sustainable/Low Risk***, the engagement will not require any further ESR actions other than regular monitoring as part of credit approval reviews.

4.12.2.2 ESR Medium Risk engagement

Where the level of ESR associated with the engagement is ***Medium Risk,*** additional assessment is required. The ESR sign off will be provided by the credit risk manager (the Local, Parent, Regional Credit Risk Manager or Senior Credit Officer that has a direct functional Risk Management responsibility for the proposed transaction) only if adequate mitigants are in place to address the risks associated with the business engagement. Wherever possible and at the discretion of the credit risk manager, mitigants might include specific actions documented in the loan agreement to achieve ESR policy compliance within timeframe that is reasonable for both the client and ING. ESR sign off must be included in the Credit Approval Package.

4.12.2.3 ESR High Risk engagement

Where the level of ESR associated with the engagement is ***High Risk***, additional assessment is required. The ESR sign off will be provided by the ESR Team only if adequate mitigants are in place to address the risks associated with the business engagement. Wherever possible and at the discretion of the ESR Team, mitigants might include specific actions documented in the loan agreement to achieve ESR policy compliance within timeframe that is reasonable for both the client and ING. ESR sign off must be included in the Credit Approval Package.

4.12.2.4 ESR Unacceptable Risk engagement

Where the level of ESR associated with the engagement is ***Unacceptable Risk***, the engagement is not permissible. Appeals to "Unacceptable" level will only be considered by the GCC-(TA) on exceptional basis (For more information see ESR waiver requests).

4.12.3 Roles and responsibilities

ING seeks on a good faith basis that adequate and effective environmental and social due diligence is performed and that compliance with this policy is achieved.

The roles and responsibilities under the ESR Sector Policies are:

4.12.3.1 Front Office, Deal Principals and other Front Office representatives
The primary responsibility for the application of the policies lies with Front Office (FO) and Deal Principals. FO must evidence compliance with the applicable Environmental and Social Risk policy to the satisfaction of approval authorities. FO is responsible for:

- determining which Environmental and Social Risk policies are applicable;
- gathering the relevant information related to the client compliance to the applicable standards and completing the ESR assessments stipulated under this policy;
- providing all documentation that may be requested by the ESR Team or Risk Managements, in case an advice is required, and
- agreeing with clients' actions and timelines to assure compliance with applicable ESR policies, if required.

4.12.3.2 Credit & Trading Risk
Credit & Trading Risk provides control function for FO. It verifies compliance with the applicable policy to the satisfaction of Approval Authorities. Credit Risk Management is responsible for:

- verifying that all appropriate ESR policies are applied to the transaction at hand;
- verifying that both client and transaction assessments have been adequately completed;
- determining the overall risk level of a business engagement; and
- providing ESR sign-off for ' Sustainable/Low Risk' and 'Medium Risk' business engagements.

For certain other engagements Balance Sheet Risk department and relevant committees such as the Underwriting Committee will act as gatekeeper.

4.12.3.3 Environmental and Social Risk (ESR) Team
The ESR Team provides control function for FO. The ESR Team must verify compliance with the applicable policy to the satisfaction of Approval Authorities. The ESR Team is responsible for:

- advise on the application of ESR Policies for High Risk financial engagements. Negative advices issued by the ESR Team are binding and can only be overruled by GCC. For non-lending transactions, negative ESR advices can only be overruled by highest Approval Authority within that business line.
- provide guidance to the Risk Manager on specific issues or doubts related to Medium Risk engagements; and
- sign-off on clients which outcome of the Client ESR Assessment is 'Unacceptable' but present a satisfactory plan to improve their environmental and social performance.
- provide training, development of tools and support material which enables policy monitoring and compliance.

4.12.3.4 Sustainability Department
The Sustainability Department advises ING management on the bank's sustainability strategy. As such, they analyse sustainability trends in relation to ING's business conduct. In the context of the ESR policy framework, the Sustainability Department performs the following tasks:

- To analyse and understand civil society's environmental, social and ethical perspective of ING's business conduct.
- To advise ESR Team and ING senior management on all business conduct that may pose a conflict of interest with civil society.

- To act as the primary point of contact for external stakeholders and to actively engage with stakeholder groups on environmental, social and ethical topics.

4.12.3.5 Customer Domain Unit

Customer Domain Unit (CDU) verify compliance with the applicable policy to the satisfaction of Approval Authorities. They are responsible to assure that information in the Client ESR Assessment has been duly completed.

4.12.3.6 Approval Authorities

ESR Policies are approved by the Group Credit Committee Policy (GCC-(P)) which includes both risk and commercial representatives on ING Managing Board level.
All clients and transactions included in KYC and SAP approval chains require a decision from an ESR risk perspective. Approval Authorities outside KYC and SAP are also required to consider ESR matters as part of their decision-making process that is in line with this policy.

4.12.4 ESR Waiver Requests

ESR Sector Policies are global and are approved by GCC-(P), delegated authorities of the Executive Board for ESR matters. Therefore exemptions to the Policies shall only occur on a very exceptional basis and may only be granted by GCC-(TA).

ESR waiver requests shall be sent to GCC-(TA) following the regular SAP process. All FO and Credit & Trading Risk in the approval chain must support the waiver request. An advice to GCC-(TA) issued by the ESR Team is mandatory. Waiver requests shall be clearly justified and evidenced to the Approval Authorities. Under the waiver procedures the ESR Team has the following authority:

1. Require input from the global a/o local legal department;
2. Require input from the global a/o local compliance department;
3. Require input from the Sustainability department.

If a waiver request is not associated to a specific transaction (client acceptability only), the request will be sent via the ESR Team to GCC-(TA). Senior Management support must be demonstrated prior to the submission to GCC-(TA). Exemptions to ESR Policies shall only occur on very exceptional basis.