

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Asset Pool

ING Groep N.V.  
20 August 2020

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## Overall Evaluation of the Green Bond Programme

ING Groep N.V. (“ING Group”) commissioned ISS ESG to assist with its Green Bond Programme by assessing three core elements to determine the sustainability quality of the Bond:

1. ING Group’s Green Bond framework – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs).
2. The asset pool – whether the projects aligned with ISS ESG’s issue-specific key performance indicators (KPIs).
3. ING Group’s sustainability performance, according to the ISS ESG Corporate Rating.

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Performance against GBPs</b>	The issuer has defined a formal concept for its Green Bond Programme regarding the use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	<b>Positive</b>
<b>Part 2:</b>  <b>Sustainability quality of the asset pool</b>	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include: residential green buildings and renewable energy.  Most assets of the asset pool are located in countries with high level of social and environmental legislation. Legislative frameworks in those countries set minimum standards, which reduce environmental and social risks.	<b>Positive</b>
<b>Part 3:</b>  <b>Issuer sustainability performance</b>	The issuer itself shows a medium sustainability performance and has been given a rating of C, which classifies it as ‘Prime’ by the methodology of the ISS ESG Corporate Rating.  It is rated 10 <sup>th</sup> out of 284 companies within its sector as of 20.08.2020. This equates to a high relative performance, with a Decile Rank <sup>2</sup> of 1.	<b>Status: Prime</b>  <b>Rating: C</b>  <b>Decile Rank: 1</b>

<sup>1</sup> The ISS ESG’s present evaluation will remain valid until any modification of the Green Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 07.07.2020). The controversy check of the underlying assets has been conducted on the 18.12.2019 for the green buildings category, and on 02.07.2020 for the renewable energy categories.

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.






## Contribution of the Green Bond Programme to the UN SDGs

Based on the assessment of the sustainability quality of the green bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the ING Group’s green bond programme to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 3 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Wind energy (on- and offshore)</b>	<b>Significant contribution</b>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #ffcc00; padding: 5px; text-align: center;"> <small>7 AFFORDABLE AND CLEAN ENERGY</small>   </div> <div style="background-color: #009900; padding: 5px; text-align: center;"> <small>13 CLIMATE ACTION</small>   </div> </div>
<b>Solar power</b>	<b>Significant contribution</b>	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #ffcc00; padding: 5px; text-align: center;"> <small>7 AFFORDABLE AND CLEAN ENERGY</small>   </div> <div style="background-color: #009900; padding: 5px; text-align: center;"> <small>13 CLIMATE ACTION</small>   </div> </div>
<b>Green buildings (commercial and residential)</b>	<b>Limited Contribution</b>	<div style="background-color: #ffcc00; padding: 5px; text-align: center;"> <small>11 SUSTAINABLE CITIES AND COMMUNITIES</small>   </div>

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

ING Group intends to allocate the net proceeds of the green bonds issued under this framework to an Eligible Green Loan Portfolio of new and existing loans to the following categories.

ASSET CATEGORY	INCLUDED IN GREEN BOND PROGRAMME PORTFOLIO
1. Green buildings	✓ Yes
2. Renewable energy	✓ Yes
2.1 On and offshore wind	✓ Yes
2.2 Solar power	✓ Yes
2.3 Hydro power	✗ No
3. Clean transportation	✗ No
4. Pollution prevention and control	✗ No
5. Sustainable water management	✗ No

The eligible green loans are to be funded in whole or in part by an allocation of the bond proceeds. The use of proceeds categories included in the framework can be summarized as follow:

- a. **Renewable energy:** defined as the financing or refinancing for the production, transmission, appliances, acquisition and products of renewable energy; as well as the connection of renewable energy production units to the electricity grid and the transportation through the network. Renewable energy sources can include:
  - a) On- and offshore wind energy
  - b) Solar energy
  - c) Small scale hydropower (20MW or under), or run-of-river projects
  
- b. **Green buildings:** defined as the financing or refinancing buildings which meet regional, national or internationally recognized regulations, standards or certifications:
  - a) Commercial real estate:
    - i. Commercial buildings with an Energy Performance Certificate label “A” in The Netherlands

- ii. New or existing commercial buildings belonging to top 15% low carbon buildings in the region (for example: Germany, Belgium or Poland)
  - iii. Refurbished Commercial buildings with an improved energy efficiency of at least 30%
  - iv. New, existing or refurbished commercial buildings which received at least one or more of the following classifications: LEED “Gold” and above, BREEAM “Excellent”, HQE “Excellent”, DGNB “Gold” and above, or equivalent or higher level of certification.
- b) Residential real estate:
- i. Residential buildings with an Energy Performance Certificate label “A” in The Netherlands
  - ii. New or existing residential buildings belonging to top 15% low carbon buildings in the region (for example: Germany, Belgium or Poland)
  - iii. Refurbished Residential buildings with an improved energy efficiency of at least 30%.
- c. **Clean transportation:** defined as the financing or refinancing electric, hybrid, public, rail, nonmotorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions
- d. **Pollution prevention and control:** defined as the financing or refinancing reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy
- e. **Sustainable water management:** defined as the financing or refinancing sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation

**Opinion:** ISS ESG considers the Use of Proceeds description provided by ING Group’s Green Bond Framework as aligned with the GBPs. The project categories are aligned with the Use of Proceeds suggested by the GBPs and the sustainability strategy of ING Group.

## 2. Process for Project Evaluation and Selection

Projects financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria. When identifying eligible projects and their non-financial impacts ING Group may rely on external consultants and their data sources.

A Green Bond Committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories, and oversee its implementation. The Green Bond Committee will be composed of representatives from Group Treasury, Group Sustainability, Sustainable Finance, Sustainable Markets as well as subject matter experts from the various sectors of allocated assets.

ING Group ensures that all eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. It is part of ING Group's ESR transaction approval process to ensure, that all its loans comply with internal environmental and social directives, including those financed with the proceeds of the Green Bonds. These eligibility criteria and minimum requirements and ESG related matters are continuously developed and renewed in its external and internal policy frameworks. ING Group's environmental and social policies can be found on: <https://www.ingwb.com/rules-regulations/environmental-and-social-risk-policies>

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by ING Group's Green Bond Framework as aligned with the GBPs. The issuer has set up a Green Bond Committee composed of different subject matter experts reflecting best market practices. Moreover, the projects selected are defined and transparent.

## 3. Management of Proceeds

The Green Bond proceeds will be managed by ING Group in a portfolio approach.

ING Group intends to allocate the proceeds from the Green Bonds to an Eligible Green Loan Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

ING Group will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds. Eligible Green Loans will be added to or removed from ING Group's Eligible Green Loan Portfolio to the extent required.

While any Green Bond net proceeds remain unallocated, ING Group will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments, the balance of net proceeds not yet allocated to the Eligible Green Loan Portfolio.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by ING Group is well aligned with the GBPs, as all the proceeds are segregated or tracked by the issuer in an appropriate manner and have disclosed the intended types of temporary investment instruments for unallocated proceeds.

#### 4. Reporting

ING Group intends to make and keep readily available green bond reporting after a year from the issuance, to be renewed annually until full allocation.

ING Group intends to show the allocation and impact of the green bond proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of ING's green bonds and other potential green funding outstanding.

ING Group intends to align the reporting with the portfolio approach described in "Green Bonds-working towards a Harmonised Framework for Impact Reporting (December 2015)"<sup>3</sup>.

##### ***Allocation reporting***

The allocation report will provide:

- the total amount of proceeds allocated to eligible loans
- the number of eligible loans
- the balance of unallocated proceeds
- the amount or the percentage of new financing and refinancing

##### ***Impact reporting***

Where feasible, the impact report may provide:

- For Renewable Energy eligible loans on:
  - Total installed capacity in MWh
  - Estimated annual avoided emissions in kttons of CO2 equivalent
- For Green Buildings eligible loans on:
  - Estimated ex-ante annual energy consumption in KWh/m2
  - Estimated annual reduced and/or avoided emissions in tons of CO2 equivalent
- For other categories ING Group may provide impact indicators whenever practicable

The green bond report will be made available via the ING Group website:

<https://www.ing.com/Sustainability/Sustainable-business/Green-bond.htm>.

##### ***Alignment with United Nations' Sustainable Development Goals (UN SDGs)***

In 2015, countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The ING Group Green Bond Framework advances and aligns with some of the SDG goals and targets.

<sup>3</sup> <https://www.ifc.org/wps/wcm/connect/35c1cd76-b75f-474c-815a-dfb876543a22/Updated+logo+FINALPROPOSALIRH+CLEAN.pdf?MOD=AJPERES&CVID=mHrR8w4>



**Opinion:** *ISS ESG finds that the reporting proposed by ING Group is in line with industry best practices and the GBPs. ING Group has clearly defined and stated indicators to be included in the allocation and impact reports. Additionally, ING Group has aligned the selected use of proceeds categories contributing to the UN SDGs, reflecting best market practice.*

## External review

### **Second party opinion**

ING Group has commissioned a Second Party Review from ISS ESG to confirm the alignment of this Green Bond Framework with the 2018 Green Bond Principles.

### **Verification**

ING Group may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor (KPMG or any subsequent external auditor).

## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

This SPO intends to re-verify private mortgages, commercial real-estate, solar energy and wind energy assets that will be issued by ING Group, previously assessed by ISS ESG in 2018.

### 1. Green Buildings

#### Private mortgages – the Netherlands

##### Sustainability Benefits and Risks of the Asset Category



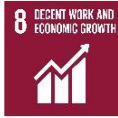

Private mortgages for energy efficient buildings are beneficial from an environmental point of view as they contribute to climate protection through optimised energy use. Due to the small scale of work and resources involved in building residential housing as well as due to the fact that the buildings are in the Netherlands, environmental and social impacts from the construction of residential housing are comparably low.

However, fair banking practices need to be in place in the retail client business in order to mitigate potential social risks, e.g. over-indebtedness or foreclosure. All projects selected for the sustainable funding products are located in the Netherlands, a highly regulated country.

##### Association of the Asset Category with the SDGs

As a Use of Proceeds category, green private mortgages have a positive contribution to SDG 11 “Sustainable cities and communities”. Additionally, when considering the deeper ESG management, private mortgages can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<p><b>Energy Efficiency prerequisites</b></p> <p>✓ 100% of projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. All buildings selected in the Netherlands have an EPC label A and are part of the top 15% of the Dutch market.</p>	 
<p><b>Construction standards</b></p> <p>✓ 100% of projects are located in the Netherlands where high labour and health and safety standards are in place (e.g. ILO core conventions).</p>	
<p><b>Responsible treatment of customers with debt repayment problems</b></p> <p>✓ For 100% of projects, pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting</p>	

indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).

✓ For 100% of projects, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).



✓ For 100% of projects, the creditor excludes the selling of contractually serviced loan (e.g. required customer consent in case of sale).



### Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.

### Commercial Real Estate<sup>4</sup>

#### Sustainability Benefits and Risks of the Asset Category

Green buildings are beneficial from an environmental point of view as they contribute to climate protection through optimised energy efficiency and air quality. Further, green buildings help to conserve natural resources and reduce environmental impact through the reduction of waste and wastewater. From a social point of view, green buildings can improve occupant health and comfort.

At the same time, there are possible sustainability risks that need to be taken into account. Possible social risks stem from working conditions at construction sites, the integration of new buildings into the social context and the safety of building users. Environmental risks stem from impacts on biodiversity at the planning stage, as well as from poor resource efficiency during construction phase and at the use stage.

All assets selected for the Green Bond are located in the Netherlands, a highly-regulated and developed country.

#### Association of the Asset Category with the SDGs

As a Use of Proceeds category, green commercial real estate has a limited contribution to the SDG 11 "Sustainable cities and communities".

Additionally, when considering the deeper ESG management, green commercial real estate can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.



<sup>4</sup> Based on the asset pool updated and assessed in September 2018.

**ASSESSMENT AGAINST ISS ESG KPI**

**ASSOCIATION WITH THE SDGS**


**Prerequisite for Green Buildings**


- ✓ 100% of projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. All buildings selected in the Netherlands have an EPC label A and are part of the top 15% of the Dutch market.
 





**Site selection**

- ✓ According to ING's ESR policies, protected areas and sites of high environmental value are excluded from financing.
 

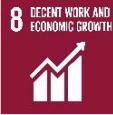

- However, no information on policies on brownfield site development is available.
 



- ✓ Over 50% of the assets are located within 1 km from one or more modalities of public transport.
 



**Construction standards**


- ✓ 100% of projects are located in the Netherlands where high labour and health and safety standards are in place (e.g. ILO core conventions).
 


- No information is available on assets that provide for sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).
 





**Water use minimization in buildings**

- No information is available on assets that provide for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).
 



**Safety of building users**

- ✓ 100% of assets provide for measures to ensure operational safety, according to the Dutch Building Decree (e.g. emergency exits, fire sprinklers, fire alarm systems).
 

**Sustainability labels / Certificates**

- None of the asset received one of the following classifications:  
LEED 'Gold' and above, BREEAM 'Excellent', HQE 'Excellent', DGNB  
'Gold' and above, or equivalent or higher level of certification.



### **Controversy assessment**

Due to the size of the portfolio, no controversy assessment was carried out on the single assets.

According to ING's ESR and REF policies, controversial activities (e.g. human rights violation) are excluded from financing.

## 2. Renewable energy

### Wind Power (onshore and offshore)<sup>5</sup>

#### Sustainability Benefits and Risks of the Asset Category

The environmental benefits of wind power generation projects comprise the contribution to climate protection and to the transition towards a low-carbon economy. Further benefits are less environmental degradation and pollution (e.g. through resource extraction, releases of waste streams to water or soil) in comparison to fossil fuel or nuclear power plants. From a social perspective, the transition from fossil fuels to wind power lowers negative human rights impacts of oil, gas and coal production (e.g. land-use conflicts, resettlement). In addition – different from fossil fuels combustion - wind power does not negatively impact air quality.

However, the construction and operation of wind power plants can result in negative environmental impacts (e.g. noise and other negative impacts on biodiversity) and impacts on local communities. Further risks include potentially poor working conditions during construction and maintenance of power plants (especially with respect to worker safety) as well as in the production processes of wind power equipment. As the construction of these plants require large amounts of raw materials and equipment; life cycle aspects are an important factor when assessing the overall environmental footprint of related projects.



Most of the wind power projects selected for the Green Bond are located in countries with high level of social and environmental legislation.

#### Association of the Asset Category with the SDGs

As a Use of Proceeds category, wind power has a significant contribution to the SDG 7 “Affordable and clean energy” and SDG 13 “Climate action”.

Additionally, when considering the deeper ESG management, wind energy can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>Site selection</b>	
<ul style="list-style-type: none"> <li>✓ According to ING’s ESR policies, 100% of the assets in the portfolio are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).</li> </ul>	
<ul style="list-style-type: none"> <li>○ For some offshore plants however, the cable corridor connecting the offshore plant to the onshore grid, passes through protected areas.</li> </ul>	

<sup>5</sup> Based on the asset pool updated and assessed in September 2018.

- ✓ According to ING’s selection process, 100% of the assets underwent environmental impact assessments at the planning stage.



**Community dialogue**

- ✓ More than 50% of the assets have measures to ensure community dialogue (e.g. community advisory panels and dialogue platforms). For 8 wind offshore plants, community dialogue is not applicable.



**Environmental aspects of construction and operation**

- ✓ All assets are required according to ING’s ESR Policies, to have minimum environmental mitigation measures in place during construction and operation.
- ✓ All assets have monitoring measures in place in order to meet high environmental standards during the construction phase (e.g noise mitigation, minimization of environmental impact during construction work).
- ✓ All assets have specific measures to protect habitat and wildlife during operation of the power plant (e.g avifauna monitoring).



**Working conditions during construction and maintenance work**

- ✓ More than 95% of assets provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions). For the remaining assets, health and safety standards are not sufficient.



**Controversy assessment**

A controversy assessment on the assets revealed one severe in one wind farm.

A man carrying out assembly work on an off-shore wind farm died, due to an ascent ladder that had become loose due to an unknown cause. The construction work was suspended, and the crew was flown back to shore by helicopters. Nevertheless, this controversy cannot be associated to the issuer, as the accident took place before the borrower took over the wind farm.

The assessment on the other assets did not reveal any further controversial activities or practices that could be attributed to the assets.

## Solar Power (PV)

### Sustainability Benefits and Risks of the Asset Category

The environmental benefits of solar power comprise climate protection and the transition towards a low carbon economy. Further benefits are less environmental intervention (e.g. resource extraction, releases of waste streams to water or soil) and less need for cooling water in comparison to fossil fuel or nuclear power plants. From a social perspective, the transition from fossil fuels to solar power lowers negative human rights impacts of oil, gas and coal production (e.g. land-use conflicts, resettlement). In addition – different from fossil fuels combustion – solar power does not impact air quality.



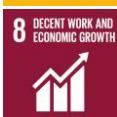
With respect to potential risks, the manufacturing of solar panels in developing countries such as China can have negative social and environmental impacts. As the production of solar panels requires scarce raw materials and as the panels contain hazardous substances, aspects such as recyclability, management of hazardous substances and conversion efficiency are relevant to evaluate the overall environmental performance of related projects. However, in comparison with other renewable energy sources, social and environmental risks related to solar power are deemed to be low. Most assets selected for the Green Bond are located in a highly regulated and developed country.

### Association of the Asset Category with the SDGs

As a Use of Proceeds category, solar power has a significant contribution to the SDG 7 “Affordable and clean energy” and SDG 13 “Climate action”.

Additionally, when considering the deeper ESG management, private mortgages can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<p><b>Site selection</b></p> <p>✓ According to ING’s ESR policies, 100% of the assets in the portfolio are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).</p>	
<p><b>Supply chain standards</b></p> <p>○ No information is available providing high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions).</p>	 
<p><b>Environmental aspects of PV plants</b></p>	

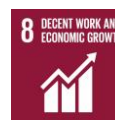


- No information is available on solar modules with a conversion efficiency of at least 15%.
- No information is available whether solar modules in the portfolio have high environmental standards regarding take-back & recycling is guaranteed.
- No information is available on high standards regarding the reduction or elimination of toxic substances in solar modules (e.g. in line with RoHS requirements or other relevant standards).



#### Working conditions during construction and maintenance work

- ✓ 29 out of 48 assets provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions). For the remaining 19 assets, labour, health and safety standards are not sufficient.



#### Controversy assessment

A controversy assessment on the assets revealed a severe controversy on one solar park.

A worker was struck and killed by a hydraulic pile driver while installing supports for solar panels at a PV plant. Following the incident, the owners and EPC provider of the project undertook necessary steps to ensure safe continuation of the works, and the project was completed with no further material incident. Investigations are still ongoing by the Local administrator.

The assessment on the other assets did not reveal any further controversial activities or practices that could be attributed to the assets.

## PART III: ASSESSMENT OF ING GROEP N.V.'s ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>6</sup>' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
ING GROEP N.V.	PRIME	C	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 20.08.2020, this rating places ING Group N.V. 10<sup>th</sup> out of 284 companies rated by ISS ESG in the Financials/Commercial Banks & Capital Markets sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In four of the key issues, ING Group N.V. rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria" and "Labour standards and working conditions". The company lags the industry's average performance in "Business ethics".

The company has a severe controversy level:

- Severe controversies relating to failure to prevent money laundering in Spain.

Details on the rating of the issuer can be found in Annex 1.

<sup>6</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

## DISCLAIMER

1. Validity of the SPO: For ING Group's potential Green Bond issuances occurring between 07/2020 and 07/2021.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from ING Group's 2020 ISS ESG Corporate Rating.

# ING Groep N.V.

Corporate ESG Performance  
**Prime**  
 RATED BY  
**ISS ESG**

## Company Information

Country  
Netherlands

ISIN  
NL0011821202

Industry  
Financials/Commercial Banks & Capital Markets

## Key Results

Rating  
**C**

Decile Rank  
**1**

Transparency Level  
**Very High**

Status  
**Prime**

Performance score  
**55.5**

Prime Threshold  
**C**

## Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

## Transparency Level



## Decile Rank



## Industry Leaders

Company name (in alphabetical order)	Country	Grade
ABN AMRO Bank N.V.	NL	C+
BNP Paribas S.A.	FR	C+
NIBC Holding N.V.	NL	C+

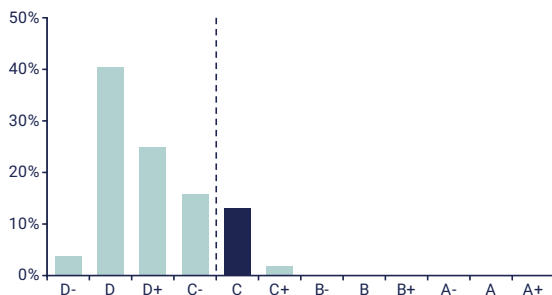
Legend: ■ Industry ■ Company --- Prime

## Key Issue Performance

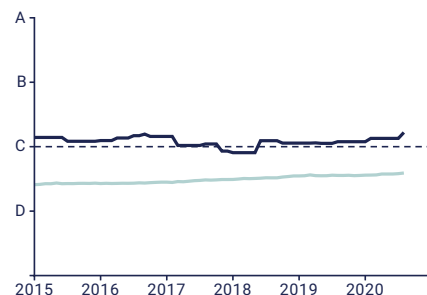


## Distribution of Ratings

284 companies in the industry



## Rating History



# ING Groep N.V.

## Analyst Opinion

### Sustainability Opportunities

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ING's subsidiary ING Groenbank offers retail clients green deposit products and provides lending services at favourable rates for a diverse range of sustainable projects, from wind turbines to organic farming to solar panels. Furthermore, ING Groenbank offers microfinance and a reasonable range of socially responsible investment products. In 2019, ING's sustainable assets under management rose to EUR 9.3 billion. Moreover, the climate finance portfolio amounted to EUR 18.7 billion and social impact finance to EUR 800 million. Although ING offers several financial services with a high social and environmental benefit, these do not represent a major business for the company.

### Sustainability Risks

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ING has an environmental and social risk (ESR) framework in place, which sets standards for issues such as human rights, environmental protection, and animal welfare. An exclusion policy forms part of this ESR framework and covers a range of controversial topics. Furthermore, sector-specific policies are in place for sectors which ING considers likely to be associated with environmental and social risks: energy (oil & gas, power generation), chemicals, forestry and agrocommodities, manufacturing, and mining and metals, defence, and infrastructure. The company has stopped financing new coal-fired power plants and thermal coal mines worldwide and aims to reduce its coal exposure close to zero by 2025. ING will also not finance any new clients whose business is over 10 percent reliant on operating coal-fired power plants and, by 2025, no longer finance clients in the utilities sector that are over 5 percent reliant on coal fired power in their energy mix. ING is committed to providing its customers with products that meet their needs, clearly explaining the potential risks and returns of its products and services, being transparent about prices and conditions, and using clear language. The company adequately addresses employee-related aspects e.g. through the implementation of measures to prevent and alleviate mental health problems and through various workplace flexibility options. As at December 2019, ING was in the process of implementing large-scale redundancies. In this regard, all employees are entitled to training and development to adjust to the restructuring. ING addresses all salient issues in the field of business ethics, such as corruption, conflicts of interest, insider dealings, and gifts and entertainment. In addition, the company has established a detailed whistleblowing policy and respective procedures. However, the company is allegedly involved in several money laundering controversies, including an allegation of involvement in money laundering through the company's ING Bank subsidiary in Spain in July 2019. The company is also facing human rights allegations related to its financing of the Trans Adriatic Pipeline in Italy.

### Governance Opinion

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The company's governance structure is designed to ensure the separation of managerial and supervisory functions; all members of the board of directors, including the chair (Mr. Gerardus Johannes Wijers) are considered independent (as at May 19, 2020). In addition, fully independent board committees in charge of audit, nomination and remuneration are in place. The company discloses its remuneration policy for executives on an individual basis and sub-divided according to long-term incentive components, which is thought to foster sustainable value creation. Regarding ING's sustainability governance, no independent board-level sustainability committee is in place. However, ING's variable remuneration of executive board members is linked to non-financial drivers, by means of a number of targets regarding economic, environmental, social and customer satisfaction criteria. ING addresses all relevant issues in the field of business ethics such as corruption, conflicts of interest, insider dealings, and gifts, favours and entertainment. In addition, the company has established a detailed whistleblowing policy and respective procedures. However, there is no evidence of further relevant compliance procedures such as third party anti-corruption due diligence. Additionally, the company is allegedly involved in several money laundering controversies, including an allegation of involvement in money laundering through the company's ING Bank subsidiary in Spain in July 2019.

# ING Groep N.V.

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Controversial Business Practices** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
  - Degree of verification of allegations and claims
  - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

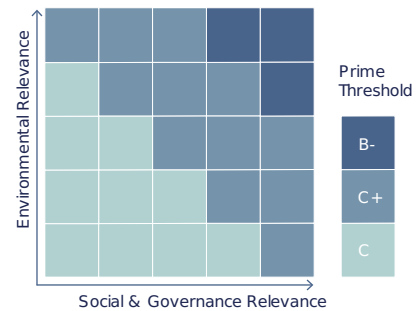
**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

# ING Groep N.V.

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.



## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of ING Group’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by ING Group (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which ING Group’s Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets’ ESG performance with further SDGs

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, and this Green Bond, contact:

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