Climate Progress Update

2024

Putting sustainability at the heart of what we do

do your thing

Contents

CEO Foreword

ING's ambition is to be a leader in accelerating the low-carbon transition because it matters to our company, our customers, society and the environment. As a systemically important bank, we believe that showing leadership means helping our customers and society decarbonise and drive down emissions, with a thriving net-zero world as our mutual goal. It also means being a frontrunner in financing the future economy and the change that's needed to get there. And it means finding ways to empower people to prepare for the future, starting with customers whose homes we help to finance.

Society is in a race against time. Global average temperatures are now the highest on record - with the EU's climate change tracking service recently reporting a year-long overshoot of the world's target to limit long-term warming to 1.5°C (compared to pre-industrial levels). Does this mean that the 1.5°C goal is ultimately unachievable and therefore meaningless? No - the United Nations, based on the assessments of the Intergovernmental Panel on Climate Change, stress that this is yet another clear signal that we all need to intensify our collective efforts to reduce the cause of rising temperatures: greenhouse gas emissions. Every fraction of a degree matters. I'm convinced that each and every action we all – businesses, governments, civil society organisations and individuals – take is meaningful and necessary.

In this annual update we show the progress ING has been making in putting sustainability at the heart of what we do. It's the opportunity for me, my colleagues and you - our stakeholders - to reflect on the impact we've made, and to look ahead to how we intend to refine and improve our approach to increase that impact. We believe that we can make the difference with how we steer our lending in alignment with science-based and sector-agreed decarbonisation pathways. So far, we've set net-zero-aligned targets, implemented the processes and measurements to steer on those targets, and now we're in the next phase, enhancing how we engage with clients and sectors to help them decarbonise and transition. In the past year we've expanded our approach to include the aluminium and dairy sectors.

We're also taking the next steps with our approach to oil and gas. This year we committed to phasing out our financing of oil and gas exploration and production to zero by 2040, which is well in advance of the International Energy Agency's (IEA's) guidance. We're now expanding our policy - as of today we'll also stop all new financing to pure-play[1] upstream oil & gas companies that continue to develop new fields. In addition, we've decided to stop providing new financing for new LNG export terminals after 2025, in line with observations from the IEA's 2023 World Energy Outlook.

[1] a 'pure-play' company is one whose activities take place exclusively in one part of the sector value chain

We make impact by how we finance the change to a low-carbon economy. Massive investment, trillions of euros globally, is needed for the transition and here we can clearly play a role. In the near-term (by 2027), we have the target to mobilise €150 billion of sustainable financing volume per annum, with a focus on contributing to clients' transitions to more sustainable business models. We support what our clients need, whether that's developing break-through technologies, new approaches to waste and water management, or green buildings and infrastructure. And to boost the sustainable transition of the energy system, we have the aim to grow our annual renewable energy financing to €7.5 billion by next year.

At the same time we're working on ways to help our retail customers, which includes incentivising the purchase of energy-efficient homes, and making it easier for them to retrofit their residences to be both more cost-efficient and more sustainable. Over time we'll be striving to find new and innovative ways to empower individuals and communities to stay a step ahead on climate.

In last year's update I highlighted how we've been integrating and embedding our climate action into our business. I again want to put this in the spotlight, as I believe we've made great strides with our client engagement approach. What's new is that we've put a data-driven assessment and decision-making process in place that has led to a step up in how we advise and support Wholesale Banking clients with sustainable business transformations. We've assessed around 2,000 large clients on their climate disclosures and transition planning, including those in the most carbon-intensive sectors. The resulting scores are now part of our transition risk assessment and transaction approval processes. This means fact-based climate considerations guide our decision-making and form the foundation for discussions with clients about their transition strategy and how ING can help them to achieve it. This updated client engagement approach will provide us with a more robust understanding of how our clients are transitioning, and while our starting-point continues to be inclusion-first, for those unable or unwilling to make the expected progress we will reconsider our relationship.

The success of our client engagement approach, and our climate action in general, partly depends on data availability and data quality – and I'm pleased to see transparency and harmonisation increasing. The upcoming implementation of the EU's Corporate Sustainability Reporting Directive (CSRD) will ensure that the amount and quality of data improves, and as it does we'll be able to better understand the barriers and dilemmas clients face, as well as the opportunities for accelerated sustainable transformation. This will mean better quality and more actionable engagement with them. Harmonisation also brings better comparability, which is the foundation for the collaboration and collective action that accelerates and brings transparency to the work on systemic solutions.

The necessary and urgent climate transition can only happen if the world changes to new and improved systems that also protect nature and respect human rights. This systems-level change will be the foundation of a sustainable future for people and the planet. Solutions at the necessary scale need all parts of the system to act, and to do it in a coordinated way. This requires collaboration in and across value chains. As ING we want to play our part, putting ourselves forward to take a leading role in collective efforts to set sustainability standards for the financial sector, working with partners, peers and the industry on new frameworks for helping to decarbonise and transform the sectors we're active in.

And we'll keep advocating for systems change, speaking up and setting out what we believe needs to happen to keep us all moving forward. We also see a role for ourselves in connecting and bringing others together, aiming to set in motion the solutions that will build momentum behind the positive tipping points that will accelerate the transition.

The transition to a low-carbon economy is a real opportunity for ING, our clients and society. I'm proud of the progress we've made and are making. I'm also in no doubt that there's much more for us to do. We want to work with all stakeholders and everyone who is driving progress, bringing impactful change to the areas where it most needs to happen. The more we work together and learn from each other, the faster we'll go.

Steven van Rijswijk
Chief executive officer

19 September 2024

Executive summary

Executive summary

ING's ambition is to be a banking leader in accelerating the low-carbon transition. As a systemically important bank, we believe that showing leadership means helping our customers and society decarbonise and drive down emissions in an inclusive way. We aim to be a frontrunner in financing the future economy, and we want to find ways to empower people to prepare for the future. The transition requires new systems that also protect nature and respect human rights, and we have a role in financing the change that needs to happen. In this update we share our progress on the global path to net zero, along with the latest steps we're taking to achieve our climate objectives and to support customers and society with theirs.

Driving down emissions: supporting businesses in their transition to net zero

As a bank, the most significant contribution we can make to help drive down global emissions is to engage with our clients and steer our portfolios for net-zero alignment. In this progress update we share how we have developed our engagement with clients to accelerate their plans for transition - and how we intend to strengthen that engagement in the future. Our analysis of clients' climate disclosures and transition planning guides our decision-making and informs discussions with clients about their transition strategy and how ING can support them. We also provide a progress update on our 'Terra' approach, through which we steer our portfolios in high-emitting sectors towards net-zero alignment by 2050. This year, eight sectors are either on track or almost on track to meet climate goals on time, while two sectors are behind schedule.

Building up a sustainable future: financing technologies and solutions for a low-carbon world

We have a role to play in mobilising the finance needed to make the low-carbon transition a reality. This includes backing the technologies and solutions that will contribute to a low-carbon world. In this progress update we share how ING continues to evolve and innovate its approach to sustainable financing. This includes how we strive to make connections and support collaboration both within particular value chains and across them, with the goal of supporting the development of the systemic solutions necessary to accelerate the transition.

Including everyone in the transition: finding new ways to enable people to stay a step ahead on climate

We believe most people want to play a role in the transition and our climate action approach includes finding ways to enable people to play their part, starting with existing and prospective retail customers. We share the latest on how we empower mortgage customers to make their homes more sustainable, and how we advocate for change in housing policy.

Key enablers for effective climate action

How we partner and advocate for change

Progress can only be driven through collaborative action and partnering and advocating for change. We do this by working together across the industry and sectors, with governments, policy makers and civil society. We continue to play an active role in the development and adoption of methodologies and frameworks that support decarbonisation at sector level.

Other key enablers

To achieve our ambition we also strive to:

- Apply effective climate governance;
- Manage climate and environmental risk;
- Upskill and empower our colleagues for an effective sustainability culture;
- Continue to strive for net zero in our own operations;
- Enhance our climate & environmental (C&E) data capabilities;
- Contribute to framework- and methodology-setting; and
- Partner and advocate for impact.

Climate action is a fast-changing, dynamic landscape and our approach needs to evolve to keep pace. That is why we are taking a holistic approach to climate action that spans climate change mitigation, climate adaptation, nature and biodiversity, and human rights and just transition.

Snapshot: climate action

Zero

Financing to upstream oil & gas activities by 2040

Reduced by 35% by 2030

~2,000

Clients scored on climate disclosures

Leading to more proactive and data-led client engagement approach

€150 billion

Annual target for sustainable volume mobilised* in 2027 (raised from €125 billion by 2025)

Sharper client engagement approach

- Continued focus on helping clients transition rather than exclusion
- Bespoke tooling for annual measurement of goals and disclosures
- If client unwilling or unable to progress over time, process to restrict or end relationship

Better tracking of client progress

- We scored around 2,000 clients on their climate disclosure
- More data-informed discussions
- Better able to help clients transition

New oil & gas policies

- No more new financing to pure-play upstream oil & gas companies that continue to develop new fields
- No more new financing for new LNG export terminals after 2025

Advocacy and collaboration

- Specific calls to action to governments and policymakers
- Active role in developing climate methodologies and frameworks

Terra approach

- Added aluminium and dairy sectors
- Eight sectors on track (or almost on track) to meet net-zero goals, and two behind schedule
- Striving for new ways to help people stay a step ahead on climate, first focusing on mortgage customers

* Details of what counts towards our sustainable volume mobilised can be found at: https://www.ing.com/sustainability/performance-and-reporting

ING's climate action highlights

since endorsing the Paris Agreement in 2015

- Terra approach for climate alignment, developed with 2DII
- First Terra report, covering five sectors, later expanded to cover nine most carbon-intensive sectors in ING's portfolio
- Joined the Net-Zero Banking Alliance

- Pioneered world's first sustainability-linked loan & sustainability-linked derivative
- Commitment to stop dedicated financing of new oil & gas fields
- 98% of total electricity consumption for ING-managed buildings from renewable sources

- Co-developed PACTA for Banks published as open-source methodology
- Founding signatory of the Poseidon Principles for Shipping
- Sustainable STEEL Principles (SSP) co-developed with RMI & other banks

Recent achievements & milestones

- Climate considerations embedded in corporate client & transaction approval process
- ESG.X tool launched, and climate disclosures of around 2,000 clients assessed
- Enhanced data-driven client engagement approach launched

- Restriction of dedicated finance to midstream activities that unlock new oil & gas fields
- No more new financing to pure-play upstream companies that continue to develop new fields

- Joined PCAF, to help develop data and methodology improvements & frameworks for absolute emissions reduction
- Sustainable Aluminum Financing Framework (SAFF) co-developed with RMI & other banks
- Terra approach expanded to ING's aluminium and dairy sectors

Our climate action roadmap

2025
- Target to grow financing of renewable power generation to €7.5 billion annually
- Financing of coal-fired power phased out to close-to-zero

2026
- Client transition progress and credit decisions based on two years of CTP assessments
- No more new financing for new LNG export terminals

2027
- Target to mobilise €150 billion volume sustainable finance annually

2030
- Interim targets for all sectors in scope of Terra

2035
- Net zero in all ING buildings (owned and rented) worldwide

2040
- Target to completely phase out financing of upstream oil & gas
- Net-zero target for Power Generation, in line with IEA NZE scenario

2050
- Our climate ambition: reach net-zero alignment by 2050 or sooner

About this progress update

ING's Climate Progress Update 2024 is intended to inform all of our stakeholders about our progress on and approach to climate action. These stakeholders include our customers and clients[2], investors and shareholders, regulators and supervisors, employees, government authorities, and non-governmental organisations. We strive to be transparent about the progress, approach and changes we have underway, as well as the challenges and opportunities and our aims for the future.

Shaping this update

We have reported annually on our progress on net-zero alignment, through our 'Terra' approach, since 2019, on climate risk since 2020, and we combined these elements into a single Climate Report in 2021. In 2022 and 2023 we aligned our Climate Reports with the format of the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

The landscape of climate disclosure frameworks, standards, and regulation is rapidly evolving, and our publications and reports are evolving with it. In October 2023, the TCFD disbanded and the FSB asked the IFRS Foundation to take over monitoring of climate-related disclosures. ING is subject to regulatory reporting requirements, including Pillar III disclosures. From 2024, our Pillar III disclosures contain quantitative alignment metrics related to climate change mitigation targets. Meanwhile, due to EU regulation, ING is expected to report for the first time in accordance with the Corporate Sustainability Reporting Directive (CSRD) over financial year 2024, for reports published as of 2025.[3]

We have therefore prepared this progress update publication to complement our regulatory reporting on climate and net-zero alignment. As such, this progress update does not contain the complete transition plan of ING but contains certain elements that are part of that plan. This update responds to our Net-Zero Banking Alliance (NZBA) commitment to disclose on progress and expansion of Terra. It also explains where we're taking action, showing leadership, and making impact together with our clients - and what our aims are for the future.

We also highlight our efforts in advocating for system-level transformation. In preparing the areas to disclose in this progress update, we have considered the international guidance available during the time of writing.[4]

This progress update should be read alongside the 2Q 2024 Pillar III climate-related disclosures. To guide our stakeholders on how to read this progress update alongside those Pillar III climate-related disclosures, and to understand where the elements of ING's transition plan can be found, we have provided an Index at page 94. This Index follows the format of ING's own Client Transition Plan (CTP) assessment, as described in the section 'Sharpening our client engagement approach'.

We plan to continue adapting our approach to climate-related and environmental disclosures as we build on our expertise in measuring and quantifying climate metrics, dynamically incorporating the latest climate science and available data, and in line with evolving regulatory and methodological developments.

Scope and boundaries

This progress update covers the period 1 January 2023 to 30 June 2024, unless otherwise specified. For the Terra-related measurement of performance against targets, climate and financial data relates to year-end 2023, except for the shipping sector where the data relates to year-end 2022 (as per Poseidon Principles). The calculation of financed emissions is also based on data from year-end 2023.

The data and related content aims to provide an overview of ING's climate performance based on the methodologies and data-source explanations referenced in this progress update, together with our own internal assessments and estimates. We've calculated our alignment with our target pathways based on the available data and the selected calculation methodologies and available scenarios. Our targets and alignment approach may be subject to change due to regulations, data availability and quality, pathway availability, methodology updates, changes (or lack thereof) in public policy and government action and/or other developments affecting our clients, the sectors in which they operate or society as a whole.

[2] Internally and in our communications, ING uses the word 'client' to refer to corporate clients (in the scope of Wholesale Banking) and mid-corporates and small and medium-sized enterprises (in the scope of Business Banking). We use the word 'customer' to refer to private individuals (in the scope of Retail Banking). When referring to clients and customers together, we use the generic term 'customers'.
[3] For more information on ING's approach to CSRD reporting on sustainability impacts, risks and opportunities, please see the ING Group Annual Report 2023, p. 40. Since CSRD is a directive, it needs to be transposed into national law in every EU member state. In addition, the EU will further develop sectoral standards. However, the legislators have agreed to postpone the adoption of the new standards to 30 June 2026.
[4] Guidance taken into account includes the Disclosure Framework and Banks Sector Guidance of the Transition Plan Taskforce (TPT) and the Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-zero Transition Plans Fundamentals, Recommendations, and Guidance.

Similarly, our internal calculations may be updated or recalculated as a result of changes in methodologies or baselines due to regulations, data availability and quality, available pathways, or other changes that may occur and impact our alignment scoring.

In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2023 ING Group consolidated annual accounts which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS- EU'). Small differences are possible in the tables due to rounding.

All figures in this document are unaudited. With the changing regulatory environment, a limited level of assurance on ING's Terra performance, Terra targets and baselines, and 'disclosures on Financed Emissions' has not been obtained for this climate progress update. Limited assurance on the aforementioned items will be obtained and included on an annual basis in ING's Integrated Annual Report as of financial year 2024, in accordance with the Corporate Sustainability Reporting Directive (CSRD).

Additional disclosures are available at https://www.ing.com/Sustainability.htm and https://www.ing.com/Investors/Financial-performance/Annual-reports.htm.

We welcome reactions and views, which can be emailed to sustainability@ing.com.

Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. See how we're progressing at ing.com/climate

Our climate ambition

Our strategic ambition and climate action approach

The urgency of the climate challenge is becoming more evident all the time. In the past year we've all been seeing reports of the increasing frequency of heatwaves and forest fires, evidence of the growing intensity of floods and droughts, and the highest ocean temperatures ever recorded. Across the world, huge efforts are underway to drive down greenhouse gas emissions and reduce society's reliance on fossil fuels. At the same time, creating a more sustainable, climate-resilient future also presents huge opportunities.

The global scientific consensus is clear and captured in the Paris Agreement, to which 195 countries are signed up to deliver by 2050: to avoid unleashing even more severe climate change impacts, we need to hold global warming to 1.5°C above pre-industrial levels. Today, the latest climate science tells us that we are running out of time to achieve that, making every step more meaningful and every fraction of a degree more important. The world needs a rapid transition to a low-carbon economy and there is much to be done. Not all the solutions exist today, and it is clear that this challenge requires us all to step up action.

What needs to happen in the global transition

At ING, our ambition is to help accelerate the transition - because it matters to us as a bank, to our clients and to society. We are a systemically important financial institution, so we have the opportunity to play a leading role in financing the change that is needed. Our activities are focused on the three areas where we believe we can make the greatest impact, based on what needs to happen in the transition: helping to drive down emissions to meet the global goal of net zero by 2050, building up the financing of the new technologies and sustainable systems of the future, and finding ways to enable people to play their part in the transition.

Alongside working towards net zero in our own operations, we have embedded climate considerations into our decision-making on who and how we bank. This enables us to manage climate and environmental risk, both to safeguard the sustainability and resilience of our own business and to understand the preparedness of our clients in the face of climate change.

We are striving to put sustainability at the heart of what we do: it is a pillar of our strategy and central to our long-term commercial success.

Driving down emissions

To help drive down emissions and align with global climate goals, it's clear that the most significant contribution we can make is through engaging with our large clients to help them accelerate their transition – especially those in the most carbon-intensive sectors whose operations produce the most emissions and where their ability to shift can make the greatest difference. In 2018, we started what we call our Terra approach by setting out pathways for key sectors to reach net-zero emissions by 2050, using the latest scientific guidance. We've been expanding the sectors we cover ever since, in the past year adding aluminium and dairy. We're continually strengthening how we engage with our clients as they move from the planning to the implementation of their climate transition plans, and we will report transparently on progress each year. Broadening our reach over time to encompass all the businesses we serve at ING, our goal is to actively support clients who are working to drive progress in this transition.

Today's economy relies on energy produced from fossil fuels and shifting the system cannot be immediate and won't be easy. At ING, we're taking responsible steps to transition away from fossil fuels by following scenarios developed by the International Energy Agency (IEA). In line with the IEA's net-zero roadmap, we stopped providing dedicated finance to new oil and gas fields, along with midstream infrastructure that unlocks these new fields. And, recognising the urgency of the climate crisis, we've committed to phase out financing for upstream oil and gas to zero by 2040, which is well in advance of the IEA's guidance.

Building up a sustainable future

From where the world is today, trillions of euros are needed to make the transition a reality and we have a role to play in that too, by financing the technologies and solutions for a low-carbon world. That is why, in line with the call for action[5] from the international community made at COP28 in Dubai, we committed to significantly increase our financing of renewable power generation (a more-than-tripling of our previous target), with projects ranging from offshore wind for Germany to geothermal power for Indonesia, and more to come. Building up the affordable supply of green energy alternatives is also a necessary and powerful driver in reducing society's dependence on fossil fuels.

[5] Nearly 200 countries made major collective pledges on energy at the COP28 climate summit in Dubai, including to triple global renewable energy capacity by 2030

Whether our clients are developing break-through technologies, new approaches to energy, waste and water management, or constructing green buildings and infrastructure, right across the bank we're working to enable them to pursue their sustainability ambitions. We are using innovative financing solutions – from pioneering the world's first sustainability linked loan back in 2017 to our leading-edge efforts today in working to make the supply chains in and across industries more sustainable. The transition to a low-carbon economy, and the urgent need to finance the change needed to get there, represents a compelling commercial opportunity for ING for the long term.

Including everyone in the transition

At ING, we believe that most people want to play a positive part in the transition to a more sustainable future. We aim to keep finding new ways to enable people to stay a step ahead on climate. Through our mortgage portfolio, we finance the homes of a large number of people and that gives us the opportunity to help them to do that. We incentivise green home ownership through the mortgages we offer and are working towards having sustainable alternatives to all our main retail products by 2025. And, recognising the great challenge of retrofitting existing housing stock, we're increasingly supporting customers to upgrade their homes to become more sustainable and energy-efficient, as well as reducing their cost of living.

While this matters to every household, it is also a contribution to the European-wide effort to reduce the significant proportion of emissions that come from the built environment. Beyond sustainable housing, across the whole economy, for businesses big and small, for individuals and communities, we aim to live up to our purpose by finding new ways of empowering people to stay a step ahead on climate.

A dynamic landscape

Climate change is a complex and dynamic challenge, so our response needs to be dynamic as well. Just as scientific understanding is continually advancing, so our approach must keep evolving. Our focus is broadening to consider not only climate change mitigation but how we can also support climate adaptation. Responding to the climate crisis is not only about urgent action on the environmental impacts but also on the human impacts. With risks to life and livelihoods growing for people all over the world, we are actively working to support a fair and inclusive transition that respects human rights. Meanwhile, in the face of biodiversity collapse, how to protect and regenerate natural systems is now an urgent concern globally. Safeguarding nature also supports climate mitigation and resilience, and ING is integrating nature into the processes we already have in place for climate action.

None of these challenges can be tackled in isolation. There are many interdependencies and new solutions will require a systems-wide approach. So, it will be ever more important that, at ING, we are clear about the changing nature of the risks and opportunities ahead and keep reassessing how and where our efforts can have the greatest impact over the short, medium and long-term horizons.

Partnering for progress

Of course, there is no simple solution. That is why progress can only be driven through concerted, collaborative action. We are eager to work with the many different types of organisations wrestling with these difficult questions, from contributing to harmonised measurement and disclosure standards, to shaping policy agendas to drive progress, and building partnerships to create innovative solutions. We will share what we learn along the way, so we can all move faster. And, together with our partners, we'll advocate for the systems-level change that is needed.

The experience and expertise on climate that we have built across the bank give us a springboard to keep pressing forward and increasing our impact. It is our ambition to play a leading role in accelerating the transition.

Our climate ambition

We aim to play a leading role in accelerating the transition to a low-carbon economy

What needs to happen in the global transition

- Drive down emissions
- Build up a sustainable future
- Include everyone

Our role in the global transition

- Supporting businesses in their transition to net zero
- Financing technologies and solutions for a low-carbon world
- Finding new ways to enable people to stay a step ahead on climate

Key enablers

- Effective climate governance
- Climate & environmental risk management
- Employee engagement & upskilling
- Reaching net zero in our own operations
- Reliable and timely climate data & tools
- Contributing to standard-setting
- Partnering and advocacy for impact

The climate action landscape: external factors and trends

Our climate action approach is informed by, and reviewed against, a number of external factors and trends that may influence the resilience of banks and their clients. Many of these are constantly evolving, and dynamically shape the climate action landscape in which we operate. They also contribute to growing expectations from stakeholders and society.

In line with guidance from the Transition Plan Taskforce, we take into consideration factors that shape climate-related risks and opportunities. Here we highlight five important trends that, in our view, are currently influencing climate action in the financial sector.

A growing sense of urgency to act, driven by both risk and opportunity

There's mounting evidence to suggest that the world is off track to meet the target to limit long-term warming to 1.5°C (compared to pre-industrial levels) – and is in danger of drifting further away from this important climate mitigation goal. The consequences of this are becoming increasingly evident in the increasing physical impacts of climate change, from more frequent extreme weather to the warming of the oceans. Despite the sense of increased urgency that this drives, the required level of sustainable finance needed for the transition – estimated at $4 trillion per annum to 2030 – is currently not available. Significantly increasing the levels of sustainable and transition finance available is both an opportunity and an imperative for banks. In light of this, we've set a target to mobilise €150 billion of annual financing by 2027 that contributes to more sustainable business models, and we aim to increase the financing of renewable power generation to €7.5 billion annually by 2025.

Enhanced scrutiny of sustainability-related efforts

Stricter regulations and standards (like CSRD and the European Sustainability Reporting Standards), more transparent ratings (e.g. ESG ratings of the European Securities and Markets Authority) and increased public scrutiny increases the pressure on companies to improve transparency and disclosure.

While sustainability reporting is building towards similar standards of consistency, accuracy and comparability as financial reporting, there is still the potential for discrepancies, whether intentional or unintentional, between what a company claims it is doing and what it is actually doing – also known as greenwashing. Fear of litigation, penalties and negative sentiment from stakeholders can lead companies to 'greenhush', which works against transparency and limits the quantity and quality of publicly-available information for banks to assess their clients' transition efforts. There is a clear role for auditors to assess the correctness and completeness of corporate disclosure. In our collection of our clients' disclosures (e.g. for our measurement of financed emissions), we appraise audited data with the highest data quality score.

Public scepticism about banks' sustainability promises

Research[6] has found that 80% of consumers are more likely to buy from companies that demonstrate authentic sustainability credentials and show dedication in making the sustainable improvements necessary in support of the transition to a low-carbon economy. This public perception of authenticity is a challenge for the financial sector, with some customers not convinced that banks are making adequate investments in sustainability-related issues. Banks risk losing customers as a result. Similarly, investors are increasingly looking for companies that are committed to sustainability, and if the public debate fuels investor scepticism of a bank's sustainability commitment it may hamper the ability to attract more capital and put it to use in support of the low-carbon transition. That's why we take transparency very seriously and are dedicated to disclosing our climate progress in a complete and understandable way on an annual basis.

Growing need to assess broader impact of ESG through a systems lens

The assessment and management of sustainability topics in a separate and isolated way is shifting to a more holistic approach, aimed at understanding the interconnectedness of ecosystems, whether natural or manmade. With this comes the increasing awareness that systemic solutions are required to drive the systems-level transformations necessary to achieve net-zero alignment by 2050. It also raises the dilemma that initiatives aimed at having positive impact on the environment may lead to adverse consequences in the social sphere [see 'Just transition']. For example, the net-zero transition of residential housing, where investments are needed to make homes more energy-efficient (and where these costs are mainly imposed on homeowners), may negatively affect low-income households with substandard energy labels who cannot afford to transition, making them vulnerable to rising energy prices. To mitigate and help prevent these negative impacts, we're taking an holistic approach to climate action, which spans the scope of climate change mitigation, climate adaptation, nature and biodiversity, and human rights and 'just transition' [see 'Next frontiers in a dynamic landscape'].

[6] PwC 'Beyond compliance: Consumers and employees want business to do more on ESG' (2021)

Polarisation of the ESG debate

A counter trend to corporate climate action is emerging, including ‘anti-ESG’ and ‘anti woke-capitalism’ movements. US financial firms are recognising this ‘ESG backlash’ as a financial risk, with asset manager BlackRock in January warning that the polarisation and politicisation of ESG is a key risk factor that could impact its future performance. This trend, coupled with the increased public scrutiny mentioned above, is causing some companies to step back from their climate commitments. To avoid becoming embroiled in the polarised political debate, companies can better focus on the business imperative of taking action on climate. We believe it is important to be clear about the relevance of climate change to business resilience, and have incorporated sustainability as a priority of our group-level business strategy.

Working with others

Helping our clients to accelerate their plans for transition

We know that the most effective way we can help to accelerate the transition to a low-carbon economy is to support our clients and customers – be it companies in carbon-intensive sectors where their ability to drive down emissions can make the greatest impact, or customers to whom we provide finance for making their homes more environmentally-friendly. Client and customer engagement is our biggest lever for change, and in Wholesale Banking our aim is to actively support clients that are working to transform their businesses and drive progress in this transition.

- We are **stepping up our approach to engaging clients** on their transitions, becoming more proactive and data-led.
- In 2023, we **assessed the climate disclosures and transition planning of around 2,000 clients**, generating a Client Transition Plan (CTP) score for each. This creates the foundation for tracking the transition progress of our clients.
- We are setting out our criteria for how we assess transition plans, the high-level results of our assessment, and **sharing our initial insights** by sector.
- CTP scores are now **part of our transition risk assessment & transaction approval processes**. They will enhance client-related decision-making and the quality of our client conversations.
- Our starting point is '**inclusion first**', but for clients that remain unable or unwilling to progress over time, we will consider applying stricter credit conditions or cease financing.
- We intend to make our **ESG assessment tooling externally available** to help the banking sector and our clients track transition progress.

Sharpening our client engagement approach

We've taken important steps in the past year in how we engage with our clients to steer and support their progress in the transition. We have sharpened our relationship management approach and the tools that support this. We're focused on becoming more proactive, with tighter monitoring and tracking of our clients' sustainability progress, and deeper risk-based analyses.

We have developed an online tool called ESG.X. It collects our Wholesale Banking clients' publicly disclosed data on their climate transition plans, including their current emissions, their targets, and whether there are action plans, governance and strategy in place. It then generates a Client Transition Plan (CTP) score for the client based on this disclosed data which clearly shows where the client stands with regards to how much they disclose on their transition plans.

With the latest guidance from a comprehensive range of external standards and guidelines, including CDP, SBTi, ClimateAction 100+, ESRS, ICMA, CSDDD, NZBA, GFANZ, TPI, ACT and TCFD[7], we assess the quality of clients' transition plans by their disclosure of the following components:

Historic emissions
- GHG emissions across Scopes 1, 2 and 3
- Third-party assurance of the emissions data

Targets
- Long-term (post 2035) and short-term (before 2035) emissions-reduction targets

Action plans
- Planned actions for the reduction of emissions
- Existing and future low-carbon products and services

Governance & strategy
- Integration of climate considerations into business strategy
- Integration of climate considerations into governance processes

[7] These acronyms refer to the following guidance, frameworks or regulations, or the organisations responsible for them: CDP (formerly known as the Carbon Disclosure Project); SBTi is the Science Based Targets Initiative; ESRS are the European Sustainability Reporting Standards; ICMA is the International Capital Market Association; CSDDD is the Corporate Sustainability Due Diligence Directive; NZBA is the Net Zero Banking Alliance; GFANZ is the Glasgow Financial Alliance for Net Zero; TPI is the Transition Pathway Initiative; ACT is Accelerating low Carbon Transition; and TCFD is the Task Force on Climate-Related Financial Disclosures.

In 2023 we collected publicly available data on the climate disclosures and transition planning of around 2,000 clients. This has allowed us to assess and evaluate the maturity of the disclosures of our biggest clients, as well as all clients in the most carbon-intensive parts of our portfolio (i.e. clients in scope of our Terra approach). This will enhance our client-related decision-making process and improve how we engage with existing and prospective clients.

This large-scale assessment resulted in a CTP score for each client in scope, which we have placed into bands: Advanced, Moderate and Low (maturity of disclosure).

These scores are now incorporated into our transition risk assessment and transaction approval processes to support a more data-rich and fact-based approach to better understand where our clients stand in their transition journey, how we can support them, and finally how we can steer our funding towards those clients who are willing and able to transition to meet our net zero ambition.

In addition, we're making our sector-level assessments publicly available (see below) in order to enhance understanding of progress towards net zero across the most carbon intensive sectors we're active in. As we've done with our Terra sector strategies in recent years, we'll continue to disclose our progress against these assessments, communicating transparently about what we learn.

The basis for proactive client engagement

As part of this enhanced and proactive client engagement approach, and using our new ESG risk assessment framework, we're improving our strategic dialogue with our clients to measure and boost their progress on implementing their transition plans.

Already in 2024, we've started to use our CTP assessments to inform our discussions with clients about their plans for the transition. We explain how their CTP disclosure scores influence our decision making and use our assessment as the basis for an in-depth and insightful conversation about how we can finance and help accelerate their transition. These data-driven client-engagement discussions are supported by a new Sustainability Client Engagement toolkit and training for client-facing teams in Wholesale Banking to establish consistency when tracking progress and providing support for clients in their transitions.

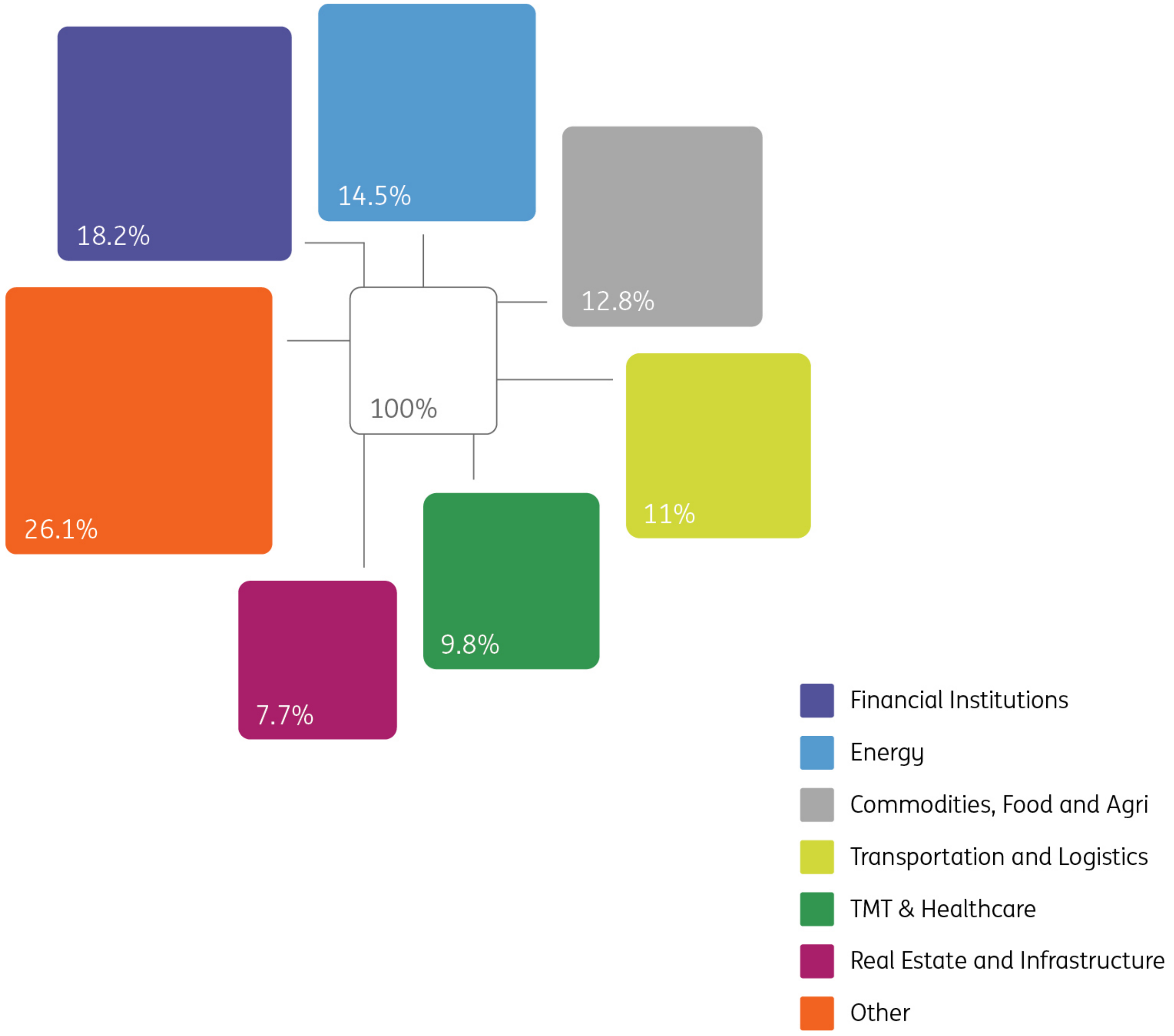


Figure 1: Breakdown by sector of the around 2,000 clients whose climate disclosures have been assessed

How this will continue to evolve

Assessing our clients' climate disclosures and transition planning represents a new phase in our ability to assess, monitor and engage meaningfully with our clients to grasp the specifics of their situation and whether, and how, we can support and accelerate their progress.

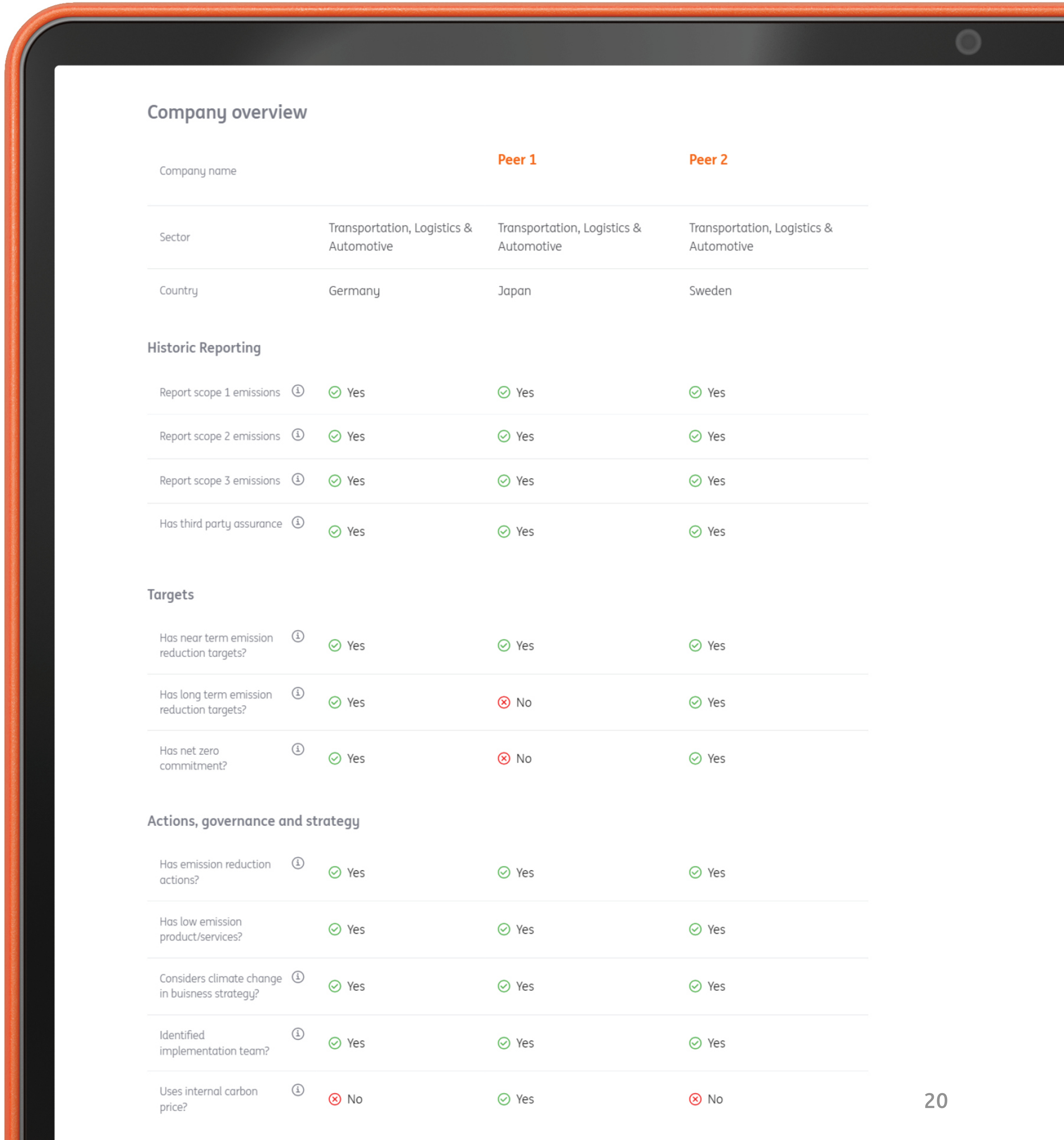
Looking ahead to 2025, having more and better insight into the transition plans of clients allows ING to identify those clients that are progressing as planned and those that are not. And, as we make improvements to our ESG.X tool and obtain more and higher-quality data, notably thanks to disclosure regulations, we will better understand what the transition involves for our clients: the barriers and dilemmas they face, as well as the opportunities that present themselves.

Our intentions for the next phase of development are:

- Enlarging the scope of clients covered, by for example, the use of large language models.
- Expanding the kinds of data we capture through the ESG.X tooling to help us track and measure progress, assess other environmental and social aspects, capture private company data, etc.
- Making our tooling externally available to help accelerate the efforts of our peers and clients to meet their transition goals.

Whereas our Terra approach to date can be considered predominantly portfolio- and sector-focused in that it measures how our most carbon-intensive clients have progressed against their sector net-zero pathways, monitoring our clients' progress in the implementation of their transition strategies and plans offers a new way for us to look forward. It will help us:

- Strengthen strategic client dialogues with the objective to support them in accelerating their transition, through financing solutions.
- Identify and manage the long-term transition risk associated with our clients.
- Determine how a client is aligning their transition strategy and business model to a 1.5°C / net-zero pathway, which is relevant as ING is a member of the NZBA, and how they will support our Terra approach.
- Identify if clients with high transition risk are taking proactive steps to transition, which is also an expectation of our prudential regulator, the European Central Bank.



Company overview

Company name		Peer 1	Peer 2
Sector	Transportation, Logistics & Automotive	Transportation, Logistics & Automotive	Transportation, Logistics & Automotive
Country	Germany	Japan	Sweden
Historic Reporting			
Report scope 1 emissions	Yes	Yes	Yes
Report scope 2 emissions	Yes	Yes	Yes
Report scope 3 emissions	Yes	Yes	Yes
Has third party assurance	Yes	Yes	Yes
Targets			
Has near term emission reduction targets?	Yes	Yes	Yes
Has long term emission reduction targets?	Yes	No	Yes
Has net zero commitment?	Yes	No	Yes
Actions, governance and strategy			
Has emission reduction actions?	Yes	Yes	Yes
Has low emission product/services?	Yes	Yes	Yes
Considers climate change in buisness strategy?	Yes	Yes	Yes
Identified implementation team?	Yes	Yes	Yes
Uses internal carbon price?	No	Yes	No

Figure 2: Information captured in the ESG.X tool

At ING, we've previously indicated that, over time, we will be prepared to step away from client relationships that are not aligned with our portfolio pathways and our commitment to steer towards net zero. This new 'business as usual' approach means that, as of 2026 (after two years of client CTP disclosure assessments and more strategic engagement with our clients), we will have a more robust understanding of how our clients are progressing. For that proportion that remain unable or unwilling to progress, we will, on a case-by-case basis, apply stricter credit conditions on the type of business we want to do with these clients, or cease financing them altogether. Our client engagement starting-point continues to be inclusion-first: based on the belief that we can make the most impact by helping clients – especially the high emitters – to transition their businesses.

This enhanced client monitoring approach does not mean that we will wait until 2026 to take remedial action with clients unable or unwilling to transition. Our clients and transactions need to meet minimum requirements as set by various policies including our ESR policy - and for clients where sustainability-related risks are known and assessed as being high, we already apply a risk-based engagement approach. The enhanced engagement approach described in this chapter, supported by our bespoke tooling, increases the scope of the clients we can assess and monitor in a data-rich and fact-based way.

We also recognise that the climate-change challenge is dynamic, so our response needs to be dynamic as well. That's why we anticipate that additional elements like nature, circular economy, resource consumption and just transition will need to be incorporated into transition planning, and we are already taking steps to enable that to happen.

"We remain committed to financing our clients in their transition as we believe this is vital to their future resilience, to our long-term success as a bank, and to society's goal of achieving net zero by 2050 or sooner."

Andrew Bester, global head of Wholesale Banking, Management Board Banking

Timeline view of the approach

2023
- Assessed around 2,000 clients on their climate transition plans to generate Client Transition Plan (CTP) score

2024
- CTP score embedded in WB transaction approval process
- Front office started to engage with clients based on the CTP score
- Ongoing collection of year 2 of CTP data
- CTP score to be refined to be able to assess the **progress** of client's transition (year-on-year)

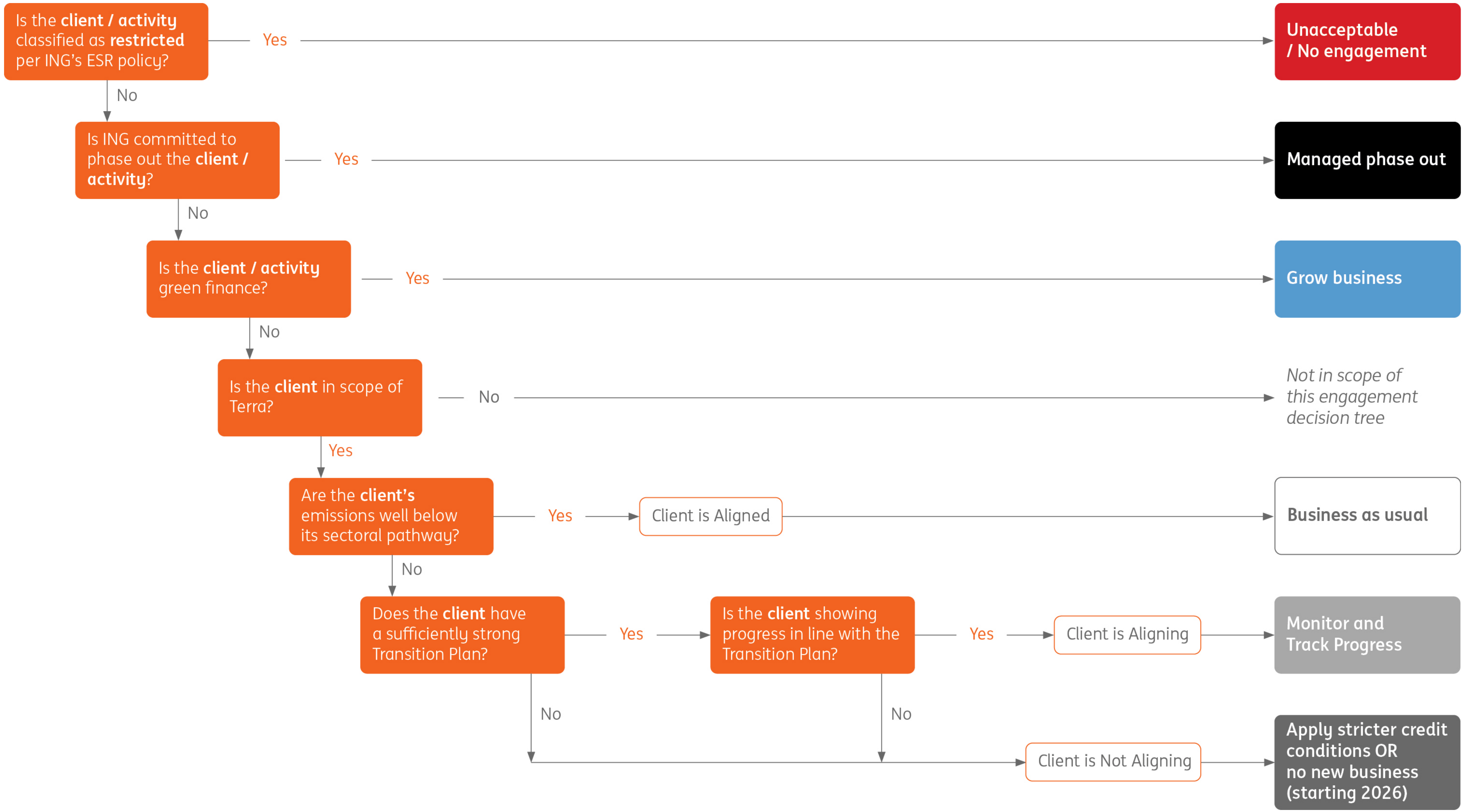
2025
- ING is able to identify clients that are progressing as planned and those that are not based on their CTPs
- ING continues to monitor progress of those clients that **are** sufficiently progressing
- ING enters into further dialogue with those that **are not** sufficiently progressing

2026
- On a case-by-case basis, stricter conditions / no new business for those who do not show sufficient progress for two consecutive years

Over 2025-2026, ING aims to further strengthen its overall ESG risk assessment and to determine how to include the concepts of nature and just transition in our client engagement approach.

Figure 3: Decision tree showing how we plan to implement our updated client engagement approach

The below visual outlines the steps we intend to follow when implementing our updated client engagement approach, within the boundaries of applicable laws and regulations. This decision-making process will be enhanced as we learn more about our clients' transition plans and evolve our engagement approach.



Assessment scores

In this initial set of data on the climate disclosures of clients, the assessment results are as follows:

Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
52%	20%	28%

Our insights:

- For those in the top band (Advanced), a key factor is that they are typically large publicly listed companies, with policies and governance in place, with strong data availability and quality, together with science-based approaches to building their decarbonisation plans. These are often also the types of businesses in the scope of the EU's Corporate Sustainability Reporting Directive (CSRD) that will be operational from 2025.
- It's for these same reasons that the listed companies with the most advanced disclosure and strongest plans are often those in the most carbon-intensive sectors, such as automotive or cement. These are sectors already facing the practical consequences of climate change and growing pressure from stakeholders, whether regulators or customers, and where the shift to a low-carbon economy requires significant investment and operational transformation. So their planning and related disclosure reflects that.
- There are, of course, many clients we work with who have no obligation to disclose, so they score poorly on the basis of available data. We need to be clear, however, that this does not mean they have no transition plans in place. These companies face the same imperatives to transition successfully to a low-carbon economy as any other company, and we know that many are actively preparing. But it does mean that there is little or no public visibility of the plans or progress of companies that are currently not required to disclose - and this affects the current assessment score.

Assessment scores in Terra sectors

For full transparency we share the breakdown of the scores for the carbon-intensive (sub)sectors which we've been tracking through our Terra approach for some time now. The data, combined with our sector expertise, will support our engagement with clients on their progress in the transition.

Power Generation: Utilities		
Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
78%	14%	8%

Our insights:

- Most of the companies within the scope of this assessment are large European electricity utilities and many of these are recognised in market research as being among the best performers in climate and environmental disclosure. They have for many years, even before CSRD, been operating in a highly-regulated arena and are likely to have high-quality disclosure practices - and that shows up in the scores here.
- This highlights the opportunity to engage around considering the effectiveness of transition plans and the complexity of issues, for example, around the 2030 requirements for coal and gas-fired power production in the EU 'Fit for 55' strategy and differing energy policy objectives at Member State level.
- We also finance many companies dedicated to renewable power generation. These companies often do not consider it necessary to produce a transition plan, since they are already at the transition destination. We also finance project companies that are owned through special purpose vehicles (SPVs) which do not have the same disclosure requirements as large listed companies.
- Please see the Power Generation sector chapter for details on how we're aligning our portfolio with net-zero goals.

Oil & Gas: Upstream		
Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
54%	32%	14%

Our insights:

- We have been reducing our exposure to upstream oil & gas over recent years, with a commitment to phase it out entirely by 2040, well in advance of the IEA NZE scenario assumptions.
- Our upstream oil & gas portfolio includes a high proportion of pure-play[8] companies and (as also noted for some mid- and downstream oil & gas companies) their climate action focus is on producing fuel in the most environmentally and socially responsible way, through scope 1 and scope 2 operational emissions reduction, rather than transitioning to new business models based on renewable energy.
- Please see the Oil & Gas sector chapter for details on how we're aligning our portfolio with net-zero goals.

Oil & Gas: Mid- and Downstream		
Advanced maturity of disclosure	**Moderate** maturity of disclosure	**Low** maturity of disclosure
42%	21%	37%

Our insights:

- The spread of assessment scores in mid- and downstream oil & gas highlight that the companies are broadly at one end of the spectrum or the other on disclosure.
- The larger, integrated, and listed companies tend to be the ones that have been under scrutiny for many years for their climate and ESG-related exposure and therefore have advanced disclosure.
- A number of our clients in this sub-sector are pure-play oil & gas companies, meaning their activities are exclusively in one part of the oil and gas value chain, where decarbonisation, rather than transition to a new business model, is their climate change focus.
- Please see the Oil & Gas sector chapter for details on how we're aligning our portfolio with net-zero goals.

Automotive		
Advanced maturity of disclosure	**Moderate** maturity of disclosure	**Low** maturity of disclosure
80%	11%	9%

Our insights:

- The automotive sector has a clear transition pathway in the form of electric vehicles, and we have a deliberate policy to work with large listed companies focused on taking advantage of that opportunity. This results in the high percentage of our clients in the Advanced band.
- Please see the Automotive sector chapter for details on how we're aligning our portfolio with net-zero goals.

Aviation		
Advanced maturity of disclosure	**Moderate** maturity of disclosure	**Low** maturity of disclosure
67%	22%	11%

Our insights:

- Aviation is a global sector and our focus is consciously on working with the companies committed to the transition. These companies take sustainability seriously, so they disclose their climate plans and targets and this is reflected in these assessment scores.
- Recognising the distinction between disclosure and the realities of delivering on plans, the critical factor for decarbonisation of the sector will lie in the adoption of sustainable aviation fuels (SAF). That will require a mix of innovative technologies and scaling up supply to meet demand that is beyond the scope of the aviation sector alone. That's why we're working together with our energy sector clients to support the ability of aviation clients to respond to this challenge.
- Please see the Aviation sector chapter for details on how we're aligning our portfolio with net-zero goals.

Shipping		
Advanced maturity of disclosure	**Moderate** maturity of disclosure	**Low** maturity of disclosure
30%	22%	48%

[8] a 'pure-play' company is one whose activities take place exclusively in one part of the sector value chain

Our insights:

- The majority of companies in the shipping sector are privately owned, so not all shipping companies make their sustainability reports or transition strategies publicly available.
- Shipping is unique in that it has a global regulator, the International Maritime Organisation, which has a greenhouse gas reduction strategy – which means that in practice companies do have plans, even if not disclosed.
- The path forward for the shipping industry will be through a mix of technology innovations and scaling up the supply of alternative fuels – with the advantage that, unlike aviation, there are several options for potential fuels.
- As a signatory to the Poseidon Principles and through our direct engagement with clients, we see the trend towards the major players coming together to explore solutions to the complex and technical barriers to decarbonise the industry, even advocating for regulation to support progress.
- Please see the Shipping sector chapter for details on how we're aligning our portfolio with net-zero goals.

Cement		
Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
100%	—%	—%

Our insights:

- At ING, we work with large listed companies that have plans in place and a commitment to disclosure.
- The strong transition plans in this sector start with innovation to make cleaner product, reducing the CO_2 emissions in the production process, through using alternative fuels and reducing the clinker reduction ratio with limestone. Beyond that, they are investing in technologies such as carbon capture and storage for the emissions that cannot be avoided at this time.
- Please see the Cement sector chapter for details on how we're aligning our portfolio with net-zero goals.

Steel		
Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
66%	17%	17%

Our insights:

- Major listed steel companies are undergoing a transformation process. Most use coal today in their production process. An alternative technology is available through electric arc furnaces (EAFs) which only use electricity and, therefore, if that electricity is clean energy, this can provide an essentially CO_2-free production process. However, that requires a significant investment and process transformation across the board, so it is factored into the strong transition plans of these companies.
- There is the rare occasion where the company is already making steel with low-carbon production, for example, using recycled material. Such a company typically does not consider it necessary to produce a transition plan, since they are already at the transition destination, meaning it would be classified in our Low disclosure band. But that is exceptional in an industry where, particularly in Europe, the transition journey is just getting underway[9].
- Please see the Steel sector chapter for details on how we're aligning our portfolio with net-zero goals.

Commercial Real Estate		
Advanced maturity of disclosure	Moderate maturity of disclosure	Low maturity of disclosure
30%	19%	51%

Our insights:

- In the commercial real estate sector, around half of our clients score in the Low disclosure band and the majority of those are funds and asset managers that are not listed companies and so not obliged to make public disclosures. However, that does not mean they do not have plans in place for the transition.

[9] The steel industry is recognised as a hard-to-abate sector operating within a highly competitive wholesale market. The long lifespan of its assets presents a significant challenge for industry players seeking to decarbonise their operations, as they must often wait for opportune moments, such as the retirement of existing blast furnace infrastructure, to make critical changes. Given the industry's sensitivity to costs, steelmakers are slow to adopt new technologies as choosing for a sub-optimal solution could bind them to that solution for many years.

- In this sector, typically, companies are proactively managing their portfolios towards net zero, including the use of renewable energy to reduce the footprint of their assets, and their investment strategies are increasingly directed towards low-emitting real estate assets.
- The residential housing sub-sector is an asset class which experiences a conflict between environmental and social issues. Even where there is an opportunity to invest in decarbonisation, the affordability for the client group makes achieving the returns challenging for those companies. These kinds of pressures do not show up in the CTP scores.
- Please see the Commercial Real Estate sector chapter for details on how we're aligning our portfolio with net-zero goals.

Embedding climate alignment into our decision-making

We're constantly working to embed climate action in how we operate our business, with the goals of steering our lending portfolios to net zero and supporting our clients in transitioning to a low-carbon economy. As such, we align our business decisions with our sustainability strategy and incorporate climate considerations into our core processes – embedding climate action into the heart of our business.

We use our Terra climate alignment approach to address the most carbon-intensive parts of our lending portfolio and steer those to net zero by 2050 or sooner. At a client level, we use our sector expertise, international network and climate-action experience to help our clients accelerate their transition plans.

Three enhancements to integrate climate-alignment decision-making

- Steering deal book alignment with quarterly and annual targets
- Created a new ESG risk-based model, integrated into decision-making
- Increase engagement with clients to steer & support their progress on their transition plans

We are integrating our net-zero strategy and targets into our business in many ways, with several significant changes to processes and tooling in the past twelve months. For example, to assess potential transactions from a climate-alignment perspective, last year we introduced mandatory Terra- and climate-related questions into our commercial business-approval process. The answers to questions such as what the client's current climate performance is, and what net-zero targets they have set, are reviewed by ING's commercial Green-Light Committee (GLC). The committee looks at the impact of a proposed deal on the net-zero alignment of ING's overall portfolio, to ensure it is in line with our overall sustainability strategy, including climate, nature and human rights considerations. This means that the GLC process facilitates the consideration of what role ING can play from a sustainability perspective in any new deal assessment.

This process has now been expanded, as we further incorporate climate and overall ESG-alignment into our decision making. We've created a data-driven ESG risk assessment framework for our clients and transactions. Among other measures, this looks at the climate alignment of the client against science-based pathways as set out in our Terra approach. We also assess the ambition of the client's transition plan and their financial capability to act on that plan. Where we perceive a risk of the client not being able to implement their transition plan, we escalate our decision-making to the Environmental & Social Risk (ESR) team, based on data-driven insights. We also set a risk limit, to assess and steer the level of climate risk we are willing to take onto our books.

This update, from a Terra assessment in the commercial process to an ESG data-driven approach in the credit process, gives us a first- and second-line ability (i.e. a commercial and risk-based view) to assess whether a deal should be done and under what conditions – a significant step forward in taking ESG and climate alignment into account in our decision-making.

In another new development, we've introduced quarterly and annual climate alignment targets per sector. This book-steering approach complements our intermediate 2030 targets and allows us to regularly measure how we're progressing. Based on insights generated, we can take action in case our deal book is moving in the wrong direction. This ongoing data-driven approach gives us greater steering control than we had before.

To further embed these climate-alignment processes in the business and create ownership among client-facing teams, we're now integrating KPIs on progress against annual climate targets into our employee performance management processes. This means that in addition to the annual targets relating to Terra and the sustainable volume mobilised, we now also have dedicated sustainability KPIs that require client-facing teams in Wholesale Banking to demonstrate progress on discussions with clients on their transition plans, including how to execute or improve those plans.

How we partner and advocate for change

Climate change is both urgent and complex. Accelerating progress will demand systems-level solutions, therefore achieving our own ambitions means working in partnership with others. We strive to champion the change we want to see. We want to use our voice and our influence to accelerate progress, share our learnings, and show our actions so as to contribute to solutions. We also want to collaborate with all those who have a role to play, and together with our partners advocate for the change that needs to happen.

- We're **expanding our advocacy efforts**, focusing on where we or other key actors can make a constructive contribution to system-wide solutions.
- We continue to play an active role in the **development and adoption of methodologies & frameworks** that support decarbonisation and greater comparability of progress in climate alignment at sector level.
- Accelerating progress in the transition requires us to **share what we learn** - and to **collaborate with others** to advocate for the policies we believe are required to create an enabling environment to meet the climate goals e.g. phasing out fossil fuel subsidies worldwide.
- We completed a pilot applying a **systems-thinking model** to two Wholesale Banking sectors - Shipping and Commercial Real Estate - which will help us sharpen our advocacy efforts.
- For our **sector-specific advocacy**, please see the sector transition plans per Terra sector.

Building on our expertise in supporting business to take climate action, we are increasingly working with peers, industry players, climate experts and policy-makers on tangible measures which can spur the transition to a low-carbon economy. For example, by sharing what we believe is effective public policy to meet the climate goals to which governments have committed. Or, in concert with our partners, by developing and publishing financing frameworks to guide sector decarbonisation.

Our aim is for structured collaboration, where different players can contribute effectively to systemic change from their respective roles.

Advocacy on multiple levels

Steering our loan book based on individual clients' transitions has an impact, but real, transformative impact comes from multiple players acting together. We want to collaborate with peers to help close the gap on the amount of transition finance needed to meet global climate goals. And we're working to identify the policy changes that will drive climate transitions in particular sectors. As part of this, we identify the stakeholders we can work with and what we can do to help mobilise the relevant actors. This provides a starting point to facilitate change, enabling different parties to collaborate effectively towards tangible goals. [see 'Using systems change theory to inform our advocacy']

While we explore collaborative, multi-stakeholder approaches to advocacy, we realise we can also be more explicit and vocal about our own actions, for instance on client engagement. We're improving how we engage with clients [see 'Sharpening our client engagement approach'], which also includes being prepared to exit relationships where clients are unable or unwilling to meet their transition targets. By taking a stronger and more prominent stance in the market, we hope to show our leadership, provide the clarity stakeholders expect on this front, and share practices that others can benefit from.

As such, we see advocacy on multiple levels as mutually reinforcing processes – on the one hand working with peers, clients, policymakers and other stakeholders to collaboratively drive change, and on the other hand continuing to take steps ourselves in a way that hopefully inspires others. Choosing when to move ahead on our own and when to act with others, as well as being honest and open about what we feel can be done, is an important part of the advocacy challenge: the issues are highly complex, and roles and responsibilities are often unclear. Our aim is to focus our advocacy on the areas where we can have the most direct impact as a bank, whether acting individually or in partnership with others.

In the journey to net zero, we see the need to stay within planetary boundaries (as articulated in the EU Green Deal) as fundamentally important for the economy, despite rising political push-back on the net-zero transition and its cost [see 'The climate action landscape'] among some governments. Given the multi-faceted debate and unpredictable and fast-changing geopolitical dynamics, we see it as part of our role to communicate factual perspectives on the need for tangible climate action.

An example of our advocacy is our call for the phase out of fossil fuel subsidies worldwide and to focus funding and incentives on massively and rapidly scaling up the transition to alternative fuels and clean technologies. We also support expanding the use of effective carbon pricing to further help efficiently mobilise private capital at scale.

Contributing to climate methodologies and frameworks

We want to play an active role in developing and refining climate standards, measurement methodologies and frameworks. Confident in the knowledge that our participation in this space adds value, we make a conscious effort to direct our resources to those platforms where our contribution will be most effective. We avoid overexposure to many different groups and initiatives, instead choosing to concentrate on the select areas where we can move the needle.

To that end, we worked with the 2° Investing Initiative (2DII) to develop the Paris Agreement Capital Transition Assessment (PACTA) for Banks methodology, which we then used as the basis for our Terra approach. We've also collaborated with RMI's Center for Climate Aligned Finance (CCAF) to help develop methodologies that can be used by financial institutions and sector participants alike to benchmark their own alignment with net-zero goals. These include the Poseidon Principles for the shipping sector, the Sustainable STEEL Principles for the steel sector, and the Sustainable Aluminum Financing Framework. Standardising the way we measure progress towards net-zero targets allows for greater comparison between companies within the same industry and within financial institutions' portfolios.

Quote from our strategic partner, RMI's Center for Climate Aligned Finance (CCAF):

"As a strategic partner of RMI's Center for Climate-Aligned Finance (CCAF), ING is valued for their efforts to support the financial sector in transitioning the global economy toward a net-zero, 1.5°C future. ING played a leading role in developing the Sustainable STEEL Principles and the Sustainable Aluminum Finance Framework and their adoption of both frameworks position them for best-in-class measurement and reporting of their progress toward financing the steel and aluminum sectors' pathways toward net zero. RMI looks forward to continued partnership with ING to tackle the toughest challenges the sector faces in unlocking capital to finance the transition."

We also lead the automotive, steel and agriculture sector working groups as part of the Net-Zero Banking Alliance (NZBA), and participate in many more (including transition finance, capital markets, power generation, and oil & gas), with the aim of accelerating the adoption and implementation of net-zero strategies by other financial institutions and their client companies. Our discussions with the NZBA include transition planning, and these complement our work with the Loan Market Association (LMA), where we try to understand the barriers to successful transition finance. Within these two forums, we've been able to share our thinking on what effective transition planning looks like, namely when it accounts for country-specific contexts and circumstances, and we intend to contribute further to these conversations as they progress.

While there is not yet a gold standard for what 'good' looks like when it comes to climate action for banks, we can still seek out those institutions that, in our view, are constructive partners. There's a broad consensus that the NZBA provides a solid global framework for net-zero targets, but we also engage with the Science-based Targets Initiative (SBTi) to validate these targets and obtain confirmation that we're making genuine progress.

Where we desire to see further action on climate standard-setting from the public sector, we use appropriate and effective channels such as open letters to world leaders through the World Economic Forum CEO Climate Leaders Alliance and by expressing our public support for new EU legislation on sustainable finance such as the Directive on corporate sustainability due diligence (CSDDD). We invite public sector parties to create real economy policies that offer clarity for banks and financial institutions on how to navigate the net-zero transition [see our per-sector transition plans].

As with all our actions on climate, we acknowledge that no transition happens overnight. We're realistic about the time and effort needed to develop methodologies, build frameworks and set standards, but we are committed to dynamically adapting to the newest insights in climate science and effective approaches alike, and to building our knowledge base as the transition picks up pace.

Using systems change theory to inform our advocacy

Transitioning to a net zero economy requires systemic change. Existing systems need to be transformed into new sustainable systems that halt further global warming and help the world stay within the planetary boundaries. This is very complex as it involves multiple solutions and stakeholders. The meaningful collaboration necessary requires a structured way to analyse and advocate for actions which drive systemic change.

In our 2023 Climate Report, we published sector transition plans and made the call for collaboration in defined areas, especially with regulators and policy makers. To take the next step, and further sharpen our sector transition plans and facilitate the collaboration we had called for, we realised that we needed to better understand what we need to do 1) in our business, 2) beyond our business, and 3) in our advocacy. We turned to academia to assess what kind of systems transformation models and strategies we could apply, and decided to work with the TransMission theory - a robust and proven model for driving market-based transitions.

TransMission is developed by NewForesight, in collaboration with Nyenrode Business University and the Copernicus Institute of Sustainable Development (Utrecht University), and has been implemented in a range of sectors - spanning agriculture, electronic appliances, infrastructure, the built environment and mobility. The model is known for its emphasis on market-driven change, smart multi-stakeholder collaboration, and highly practical and actionable strategies.

The TransMission approach is based on the integration of three leading transition theories:

- Sustainable Market Transformation Model, developed by NewForesight and Nyenrode Business University.
- Mission-oriented Innovation Systems Model, developed by the Copernicus Institute (Utrecht University)
- and insights and elements of the X-curve theory developed by DRIFT (Erasmus University Rotterdam).

To test how this model could help shape ING's climate action and advocacy, earlier this year we conducted a three-month pilot. We applied TransMission to two of the Wholesale Banking sectors in scope of our Terra approach: shipping and commercial real estate (CRE), with a focus on our CRE business in the Netherlands and Germany. We chose these sectors because we wanted to test the applicability of the TransMission model on one large global sector and one sector which has more local variance. The pilot brought together ING expertise from our Global Sustainability, Research and WB business teams, supported by the TransMission model experts from NewForesight (including the theory's founder).

The two pilots generated actionable insights, and the framework worked well for both the local and global sector, giving us confidence to consider using it for other sectors. As next steps we're first validating our internal findings with a close network of external experts, and then starting the engagement with the key actors in the pilot sectors to further determine tangible and impactful actions together. We're also considering how best to proceed with this approach, and how we can use this to further contribute to our advocacy efforts. For the sector-specific outcomes from the pilots, please see the Shipping and Commercial Real Estate chapters.

Our role in the transition

Supporting businesses in their transition to net-zero

Terra is our net zero climate-alignment approach. We use it to steer the most carbon-intensive parts of our loan book towards net zero by 2050 and engage with our clients to help them drive down the emissions generated by their businesses.

- Due to **changing regulations** – and the industry standardisation this brings – there is more **harmonisation on target setting**, especially in Europe. We include the trends we've observed.
- In the past year we expanded our Terra approach to cover **aluminium** (fundamental in many decarbonisation strategies) and **dairy** (one of the highest emitters in the food value chain). This brings the total number of sectors in scope of Terra to twelve.
- **Climate alignment progress**: this year, eight sectors are on track to meet climate goals on time (power generation, upstream oil & gas, automotive and shipping), or are almost on track (cement, mid- and downstream oil & gas, aluminium and commercial real estate). Two sectors are not on track (steel, residential real estate), and two can't yet be assessed because a new methodology is used (aviation, dairy). See Climate Alignment Dashboard

Introduction to Terra

With Terra, ING measures the emissions associated with clients active in the most carbon-intensive sectors and uses this information to benchmark our clients' activities against the relevant decarbonisation scenarios. This allows us to steer our lending portfolio by engaging with our clients and supporting them in their transitions: helping them to drive down the emissions caused by their business activities and financing the change that is needed. Additionally, by measuring the absolute financed emissions of our portfolio, we perform hotspot analyses to monitor our loan book, identify risks and opportunities, and define next steps for expansion of Terra's scope.

The sectors currently in scope are power generation, oil & gas, automotive, aviation, shipping, cement, steel, aluminium, dairy, commercial real estate and residential real estate. For each sector in Terra's scope, we apply what we consider to be the best-fit methodology to measure the transition that needs to happen in the economy (our 'toolbox' approach) and use that methodology to set the targets we are required to meet to achieve emissions reductions and to steer our portfolio. We then disclose our progress on a yearly basis.

What's new

We've noticed several trends in the past year. Due to changing regulations and regulatory pressures – and the industry standardisation this brings – there is more harmonisation on target setting, especially in Europe. Harmonisation allows stakeholders to speak the same language, foster alignment and accelerate progress. It brings comparability and transparency and helps to drive collective action. And as regulators help drive harmonisation in multiple sectors, we will see more standard-setting and reporting alignment with peers in Europe.

Looking back on the year, our focus on implementation and action has resulted in clear progress and improvement in addressing the most carbon-intensive parts of our lending portfolio. For example, following COP28, we announced in December 2023 that we would be phasing out the financing of upstream oil and gas to zero by 2040. For midstream and downstream, which refers to oil and gas processing, storage, transportation and retail infrastructure, we have emissions intensity targets to reach our net-zero-by-2050 targets. And we've also now announced that we've expanded our policy to stop all new financing to pure-play upstream oil & gas companies that continue to develop new fields. We've also decided to stop new financing for new LNG export terminals after 2025. Please see 'Recent developments in ING's energy financing approach'.

In our quest for progress and improvement, we continued to explore ways to expand our Terra approach to other sectors and products. We partnered with RMI, other leading banks and aluminium industry stakeholders to develop the Sustainable Aluminum Finance Framework (SAFF), the first climate-aligned finance framework for the aluminium sector – also one of the sectors in the NZBA. SAFF is designed to enable banks to measure and disclose their lending portfolios' aluminium-related emissions, and help them align financing decisions with their own decarbonisation targets.

We've also been exploring setting targets in areas such as Food & Agriculture, and based on our initial assessment, are for now focusing on the dairy sector. This is a unique collaboration within our bank where Wholesale Banking (whose clients are large corporates) and Business Banking (whose clients are small and medium-sized corporates) steer on the dairy value chain from both ends: dairy farming and processing. We see this as an interesting approach to build on further.

And we're working on a methodology for setting targets on the facilitated emissions associated with our capital markets activities. Furthermore, we're developing a greenhouse gas (GHG) accounting methodology and targets for our trade & commodity financing related to the oil & gas sector.

In this past year of action, client engagement is also at the forefront, and we've improved and refined how we engage with our clients in their journeys along the path to net zero. A key development here is the work we have done on collecting publicly disclosed data on the transition plans of clients and using our insights to more deeply engage with clients in strategic discussions about their transition strategies [see 'Sharpening our client engagement approach'].

The principal challenge in our Terra steering work continues to be that of data management and access to good quality data, specifically in a sector like residential real estate. For this reason, it is important to stay close to data vendors, and do our quality controls when we receive data. We continue to prioritise this area, working to make progress on our risk and control framework, and how we interact with data vendors.

Pillar III ESG-related disclosures

In 2022, the European Banking Authority (EBA) published its final draft for implementing technical standards (ITS) on Pillar III disclosures on Environmental, Social and Governance (ESG) risks. The final draft ITS put forward comparable disclosures to show how climate change may exacerbate other risks within banks' balance sheet, and how banks are mitigating those risks. Other disclosures include banks' ratios, including the green asset ratio (GAR) and a banking book taxonomy alignment ratio (BTAR), on exposures related to the financing of taxonomy-aligned activities such as those consistent with the Paris agreement goals. To harmonise disclosures, multiple templates are provided of which Template 1 relates to climate change transition risk, including financed emissions, and Template 3 relates to net-zero alignment metrics. In each of the Terra sector chapters that follow, we indicate whether that sector is included in our Pillar III Template 3 disclosure.

The Terra approach explained

We use our Terra approach to steer the most carbon-intensive parts of our portfolio towards reaching net zero by 2050. We combine a portfolio-level approach to the carbon-intensive sectors we're active in with client engagement that strives to support companies in accelerating their own net-zero transitions. With Terra, we measure the emissions associated with clients active in the most carbon-intensive parts of the sector value chains, and use this information to benchmark our clients' activities against the relevant decarbonisation scenarios. Additionally, by measuring the absolute financed emissions of our portfolio, we perform hotspot analyses to monitor our loan book, identify risks and opportunities, and define next steps for expansion of Terra's scope.

Principles of the Terra approach

Three main principles underpin the choices we make in Terra:

- Impact-based
- Based on climate science, and
- Engagement-driven.

For more details on our principles and the adopted methodologies, climate scenarios and data sets which provide the foundation for the Terra approach and the basis for measuring our performance in the sectors covered, please see our 2023 Climate Report (page 48).

Methodologies

Within Terra, we apply what we consider to be the best-fit methodology per sector to measure and steer our loan book. For the details of the methodology used for each sector, please see 'Methodological and technical notes' in the Annex of this publication.

Terra's coverage of asset classes

We believe it's important for financial institutions to cover all relevant asset classes in their climate alignment strategies. With Terra, we began by covering the biggest combined portfolio on our balance sheet: our lending book. We intend to keep expanding our coverage of the most carbon-intensive parts of our direct and indirect financing via both on-balance-sheet and off-balance-sheet exposures.

The on-balance-sheet portfolios not currently covered by Terra, those other than lending, are either deemed not material or do not have a suitable methodology for steering towards net-zero goals yet. More specifically, our Equity book only accounts for 0.6% in terms of outstandings and 0.1% in terms of emissions compared to our total lending in scope for financed emissions (see table 3 on financed emissions[10]).

As part of our ambition to be a banking leader in climate alignment and transitioning to net zero, we aim to cover all the relevant asset classes as soon as relevant methodologies are available. As an example, we are investigating how to define a climate approach for facilitated emissions related to our capital markets activities, as per the NZBA's latest guidelines. ING also offers investment products to retail clients. In light of our net zero ambitions, we are looking at ways to expand our fossil fuel policies to these investment products as well. In line with this we are analysing exposures to companies related to coal and upstream oil & gas within direct lines in our discretionary mandate products.

Terra's coverage in our lending book

Our lending book can be divided into three main areas: Wholesale Banking (corporate clients), Business Banking and Retail Banking Mortgages (retail customers). As guided by Terra's principles, we focus on the most carbon-intensive sectors we finance. The methodologies we use focus on the part of the value chain which accounts for the bulk of the impact on the climate system, and on which decarbonisation efforts must be concentrated to spur the entire sector to fall into alignment. The specific boundaries of the activities that we cover per sector are defined by the methodologies adopted and the available scientific scenarios. Focusing on these specific sectors and the specific parts of their respective value chains means that we concentrate our efforts on supporting our most carbon-intensive clients in their transitions.

In line with the EBA's Pillar III disclosure requirements and PCAF's GHG Accounting Standard, we've incorporated the scope 3 emissions of our corporate clients in our financed emissions calculations for the sectors in scope of Pillar III. Our Terra approach already covers almost the entire mortgages book and the majority of the emissions associated with our Commercial Real Estate book. For the large corporate clients in our Wholesale Banking book, we cover over 50% of financed (scope 1 and 2) emissions and over 30% of scope 3 emissions. And as we've begun expanding Terra to cover parts of our Business Banking book, over time we'll grow our coverage of the emissions related to this part of our portfolio. See table 6 on financed emissions for a breakdown of our financed emissions coverage of Terra per asset class for 2023.

Product scoping and climate data-matching

For the measurements of every Terra sector, we use the outstanding to each of our clients as the financial indicator. The outstanding represents the money that we as ING have provided to our clients, and more specifically the money flowing to our clients and hence into the economy. For the product types in scope and how we 'match' the outstanding amount of each client to its climate performance, please see our 2023 Climate Report (page 50).

Scenario selection and target-setting updates

To align a portfolio with net zero, we need climate scenarios to benchmark against. These benchmarks are also meant to determine what the net-zero-aligned intermediate (2030) and long-term (2040 or 2050) targets should be for the particular sector. In line with our Terra principles, we believe that the scenarios used should reflect the most recent scientific information from recognised institutions, like the IEA[11], if available.

Following our target recalculation policy (as published in our 2023 Climate Report), we have reviewed the latest available net-zero scenarios, and made the following updates to our net-zero alignment approach:

- **Power Generation**: we updated the target based on the latest IEA NZE scenario.
- **Oil & Gas (Upstream)**: we have restated our target to be in line with IEA NZE for advanced economies, including a full phase-out of upstream oil & gas in our portfolio by 2040.
- **Cement**: we changed the scenario from ISF-NZ to IEA NZE.
- **Aviation**: we decided to adopt the newly developed Pegasus Guidelines, a standardised, science-based and more inclusive methodology for measuring the emissions associated with banks' aviation portfolios, and for determining the alignment of those portfolios with a 1.5°C roadmap.

The targets of all other sectors in scope of Terra have not been updated as they remain valid.

Table 1 summarises the targets we've set per sector in terms of timeline, scenario and ambition. The only sector with a target not yet aligned with net zero is Shipping. A net-zero target for this sector will be set as soon as the Poseidon Principles, the shipping organisation which ING is a signatory to and which is the market standard for measuring the shipping portfolios of financial institutions, provides a net-zero scenario to benchmark our progress against.

Scenario and baseline recalculation policy

We undertake to systematically review and update Terra targets, as we aim to align with the most recent developments in climate science. For more detail on our policy, please see our 2023 Climate Report (page 51) as well as the 'Scope and boundaries' section of this update.

[10] For some sectors within Terra, the total outstanding reported may differ from the outstanding amount reported in our financed emissions. This is because, for those Terra sectors, the outstanding also includes financial products outside the scope of financed emissions measurement.
[11] The IEA's Net Zero Emissions by 2050 Scenario (NZE) also incorporates key energy-related UN Sustainable Development Goals (SDGs)

Table 1: Updated targets per Terra sector

Sector	Timeline	Target ambition level	Last update
Power Generation	2030, 2040	Net zero	2024
Oil & Gas: Upstream	2030, 2040	Net zero	2023
Oil & Gas: Mid- and Downstream	2030, 2050	Net zero	2023
Cement	2030, 2050	Net zero	2024
Steel	2030, 2050	Net zero	2022
Aluminium	2030, 2050	Net zero	2024
Dairy	2030, 2050	Net zero	2024
Automotive	2030, 2050	Net zero	2022
Aviation	2030, 2050	Net zero	2024
Shipping	2030, 2050	Well-below-2-degrees	2022
Commercial Real Estate	2030, 2050	Net zero	2024
Residential Real Estate	2030, 2050	Net zero[1]	2023

Note: [1] Due to the strong dependency on governmental policies and the need for a broad group of stakeholders, including homeowners, to play a role in achieving net zero in the Residential Real Estate (RRE) sector, we have a net-zero ambition for ING's RRE portfolio rather than a net-zero-aligned target. Please see the RRE sector chapter for more information.

Our position on using offsets for GHG scope 3 category 15 emissions

Reducing our GHG scope 3 category 15 (scope 3.15) emissions should first and foremost come from the reduction in GHG emissions of our customers, as the priority should be to limit the amount of GHG emissions released into the atmosphere. We therefore prioritise real decarbonisation efforts in our approach and do not currently use any offsetting when measuring our portfolio alignment, nor do we plan to use them to achieve our Terra targets in the future. Our data providers also do not account for offsets in measuring ING's clients' climate performance.

Steering our portfolio and integration in the business

As part of our commitment to steer towards net zero, not only do we continuously improve our methodologies (following the latest climate science), develop new ones for sectors yet to be covered, and participate in global working groups to accelerate the broader adoption of 1.5°C-aligned approaches, we are also evolving how we operate our business so as to best steer our efforts to both reach net zero in our portfolios and support our clients in making the transition to a low-carbon economy.

There are multiple ways in which we are integrating our net-zero strategy and targets in our business. For all Terra sectors, we're assessing the emissions intensity and climate impact of all new transactions as part of our commercial business approval and risk management processes. Please see 'Embedding climate alignment into our decision-making' for more details and examples.

To be able to better assess the climate performance of our Wholesale Banking corporate clients, and then use these insights to identify risks and opportunities for supporting clients in their transitions, we've developed a bespoke tool to assess clients' climate disclosures and transition planning. Please see 'Sharpening our client engagement approach' for more details.

Sector transition plans

As our approach is different per sector, the way we aim to steer is also different per sector. To clarify our sector strategies and approaches to net-zero targets, and how we translate those into tangible actions, we have put in place transition plans for each Terra sector ('sector transition plans', detailed in the sector-specific sections of this chapter that follow). These sector transition plans, first published in our 2023 Climate Report, are in line with the Engagement Strategy recommendations in the Glasgow Financial Alliance for Net Zero (GFANZ) Transition Plan Framework and also fulfill our NZBA commitment, which requires such plans to be published within 12 months of setting net-zero targets for a particular sector. These plans describe the portfolio-level actions ING is taking and will take, as well as the actions necessary from other societal stakeholders, in order to make the transition to a low-carbon economy.

All of our sector transition plans draw upon the insights from our Client Transition Plan (CTP) assessments, which enable us to more deeply engage with clients in strategic discussions about their transition strategies and identify opportunities to support them with advice and tailored financing and investments solutions. This requires that colleagues are trained in the use of the tooling and in the interpretation of the CTP assessments, and are aware and updated on key trends in the respective sectors (including sector-specific developments in Terra and in the associated measurement and reporting frameworks).

The only sectors for which we currently do not publish a transition plan are dairy and aluminium, which we disclose for the first time this year and for which we will develop and publish a transition plan within 12 months.

The Terra Toolbox and Climate Alignment Dashboard

On the next page we present the Terra Toolbox. This table provides a complete sector-by-sector overview of the methodologies we applied, as well as the metrics and scenarios used to assess our climate alignment and our performance. It also provides additional information per sector, like the outstanding amounts and carbon emission scopes covered.

On the page thereafter you will find the Climate Alignment Dashboard (CAD). This dashboard provides a one-page graphical overview of the climate alignment of all sectors in scope. For each of the twelve (sub-)sectors, the graph shows the emission intensity of our portfolio, the scenario, our pathway towards 2030 and the alignment indicator (the percentage at the top-right of each graph).

A green indicator shows that the sector is on track, meaning the intensity of our portfolio is under or equal to our yearly benchmark (the convergence pathway). A yellow indicator means the intensity is above the benchmark, but by no more than 5%. A red indicator shows the sector is currently not on track, deviating more than 5% from the benchmark. A grey indicator means that the sector is newly included in Terra and has just begun its first measurement, or a new methodology has been adopted for that sector.

The Terra Toolbox

Table 2: Overview of approaches applied, output types and data sources[12]

Sector		Outstanding in scope (EUR billion)	Methodology used to measure portfolio	Scopes covered	Metric	Scenario / Pathway	Baseline		2023YE		Alignment score	Targets	
							Year	Portfolio value	Convergence pathway value	Portfolio value		2030	2050
Power generation		10.1	PACTA	Scope 1	kg CO_2e / MWh	IEA NZE	2018	297	201	106	-47.3%	-78%	by 2040 -100%
Oil and gas	Upstream	1.2	PACTA Credit Application Paper	Scopes 1, 2 and 3	Outstanding amount in EUR million	IEA NZE	2019	3,986	3,859	1,155	-70.1%	-35%	by 2040 -100%
Oil and gas	Upstream		PCAF	Scopes 1, 2 and 3	Absolute emissions in million tonnes CO_2e	IEA NZE	2019	99	81	25	-68.9%	-50%	
Oil and gas	Mid- and Downstream	6.5	Convergence approach	Scopes 1, 2	kg CO_2e / boe	IEA NZE	2022	19.2	18.6	19.3	3.7%	-24%	-100%
Cement		0.6	PACTA	Scopes 1, 2	t CO_2 / t cement	IEA NZE	2020	0.734	0.675	0.701	3.8%	-29%	-97%
Steel		2.0	Sustainable STEEL Principles	Scopes 1, 2	SSP Alignment Score	IEA NZE & MPP Tech Moratorium	N/A	N/A			1.08	0 *	0 *
					t CO_2 / t steel	IEA NZE			1.83	1.95	6.6%		
Aluminium		0.5	Sustainable Aluminum Finance Framework	Scopes 1, 2 and parts of Scope 3	Portfolio alignment score	IAI & MPP Sector Transition Strategies	N/A	N/A			1.7%	0% *	0% *
					t CO_2 e / t aluminium				8.03	8.16	1.7%		
Automotive		2.9	PACTA	Scope 3	kg CO_2 / vkm	IEA NZE	2020	0.199	0.169	0.143	-15.4%	-49%	-98%
Aviation		4.1	Pegasus Guidelines	Scope 1 and parts of Scope 3	gCO_2e / RTK	MPP PRU	2023	844	844	844	N/A	-19%	-100%
Shipping		8.3	Poseidon Principles	Scope 1	Alignment delta	Poseidon Principles	N/A	N/A	0%	-3%	-3%	0% *	0% *
Dairy		1.0	SBTi FLAG	Scope 1,2,3 Farm and up. Scope 3 Processors	kgCO_2e/ kg FPCM	IPCC IMAGE SSP2 Western EU	2023	0.94	0.94	0.94	N/A	-8.6%	
Commercial real estate		25.7	PCAF	Scopes 1, 2	kg CO_2e / m^2	CRREM 1.5° GHG pathways (based on IEA NZE)	2022	39.2	36.1	36.7	1.7%	-56%	-98%
Residential real estate		282.3	PCAF	Scopes 1, 2	kg CO_2e / m^2	CRREM 1.5° GHG pathways (based on IEA NZE)	2021	39.8	32.7	37.5	14.5%	-61%	-99%

* Target for alignment score.

[12] Figures related to outstanding in scope (excluding unmatched part), 2023YE portfolio value and convergence pathway, and alignment score, all refer to the 2023YE loan book portfolio, except for Shipping, which is based on 2022YE portfolio. For further details on the outstanding in scope please see 'Methodological and technical notes'. Please refer to our chapter on residential real estate for more information about our ambitions for that sector.

Climate Alignment Dashboard until 2050

Information included in Pillar III disclosures

Not included in Pillar III disclosures

Power Generation

ING's Renewables & Power and Utilities teams cover clients operating in conventional utility services, (renewable) power generation and energy storage. Our client base is diverse, ranging from global and local developers, utilities and oil & gas majors, to commodity traders and infrastructure investment funds, and from state-owned enterprises to public and privately-owned companies. Through our engagement with clients, we seek to support the transition to renewable energy, provide funding to innovative technologies and exploit new market opportunities, helping to accelerate the energy transition.

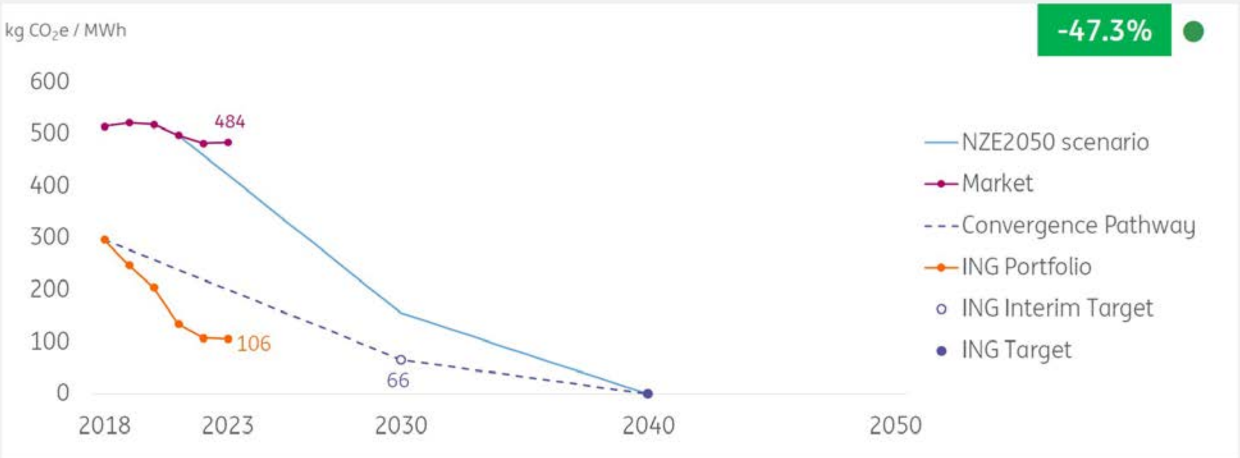
Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

As part of our NZBA commitment, ING's interim 2030 target for emissions intensity reduction is benchmarked against the latest IEA NZE energy transition pathway. In the NZE scenario, global power generation leads the way by achieving net zero emissions in 2040, to enable the global economy to achieve net zero emissions by 2050. ING's 2030 interim target corresponds to a 78% reduction by 2030 (compared to a 2018 baseline).

Growing the financing of new renewables

In December 2023 we announced a new target for the financing of renewable power generation. This was in response to the call for action made at COP28 in Dubai, where governments pledged to triple global renewable energy capacity by 2030. In 2022 we had announced our aim to increase annual renewables financing by 50% from the base of €1.5 billion in 2021. Our new target amount of €7.5 billion in annual renewables financing by 2025 is a more-than-tripling of the previous target, and is five years ahead of the COP28 guidance. ING is on track to meet the interim YE2024 target of €4.4 billion of new financing of renewables.

Power Generation



Outstanding in scope	CO_2e intensity 2023	2030 target vs. baseline
€ **10.1** billion	**106** kg CO_2e / MWh	**-78%**

2023 Performance

ING continued to make progress on the interim 2030 target set for our power generation portfolio. The emissions intensity of ING's power generation portfolio has continued its downwards trajectory. In 2023, we updated our methodology from the PACTA technology mix to the PACTA emission intensity approach due to the increasing coverage of external data at a granular level. With the new methodology, we have also restated the baseline year and values from 2018 - 2022.

In 2023, our emission intensity decreased from 108 kg CO_2e / MWh to 106 kg CO_2e / MWh, equating to a favourable -47% performance against the yearly benchmark. This is mainly due to our continuing concerted efforts to support clients investing in renewables, as well as the application of ING's strict policy (in place since 2017) to cease the financing of coal-fired power generation, with a target to reduce our coal exposure to close to zero by 2025. The below waterfall chart shows which factors contributed to the emission intensity decrease compared to 2022.

Apart from the methodology update, the main driver behind this year's positive performance is an emission intensity decrease observed in our clients, while our portfolio remained relatively stable year-on-year.

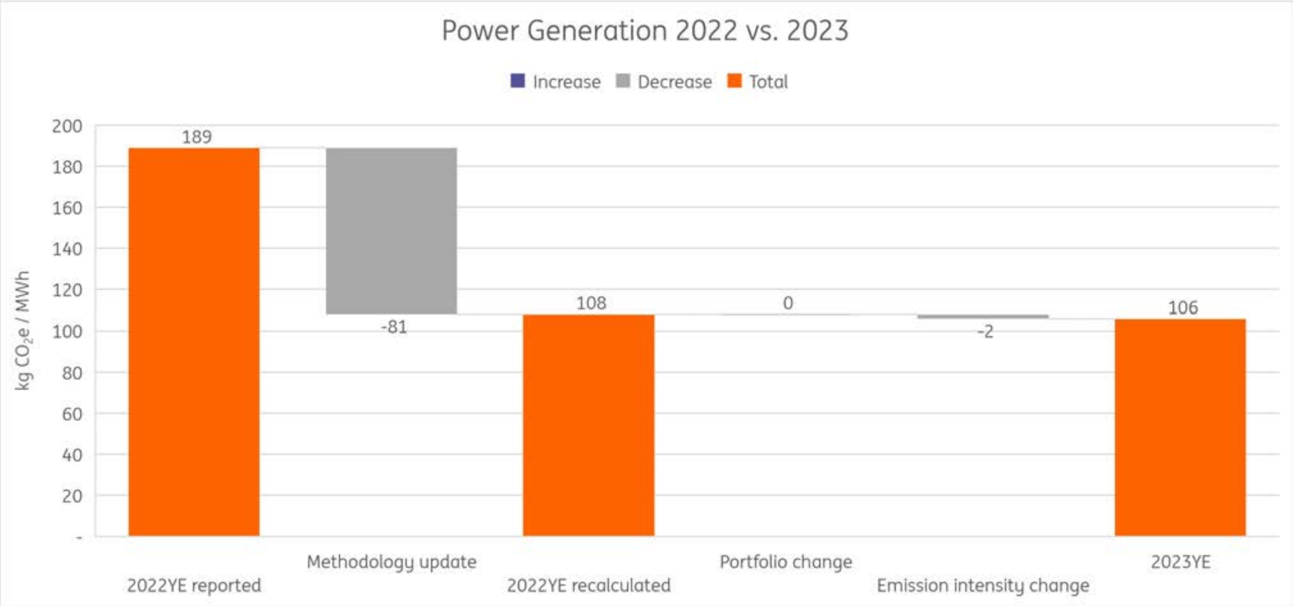


Figure 4: Power generation year-on-year changes

Power Generation sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- ING has continued to support clients developing stand-alone or co-located battery storage solutions.

Our actions in collaboration with industry & market:

- ING also supports industry platforms, like our recent sponsorship of an Aurora Renewable Energy Summit in London.

ING's economists also regularly share insights on lower carbon technologies like renewables, Carbon Capture and Storage (CCS) and hydrogen.

Overcoming challenges

The global power generation sector is facing severe headwinds related to well-reported industry challenges, primarily including grid-related bottlenecks, supply chain disruptions and higher interest rates. This increasingly puts at risk government-set targets for 2030 around the world. The urgent need to upgrade and expand grid networks as advocated for by the industry is supported by ING.

Transaction highlight: Sosteneo Infrastructure Partners

In 2024 ING acted as bookrunner/underwriter, agent, lending and hedging bank, together with other financial institutions, in granting Sosteneo Infrastructure Partners more than €900 million for the acquisition of 49% of the share capital of Enel Libya Flexsys. This company was set up by Enel Group to build and manage a major portfolio of assets related to energy transition: 23 battery energy storage projects for capacity of 1.7GW and three projects for the refurbishment of open combined-cycle gas-fired power plants, for a capacity of 0.9GW.
This represents critical new infrastructure, that will provide flexibility and reliability to the Italian grid that is vital for the integration of more renewable generation. Revenues are fully contracted for 15 years through capacity agreements with Enel as well as capacity payments from Enel that are backed by Terna SpA, Italy's transmission system operator.

Oil & Gas

The advancement of human prosperity owes much to oil and gas. Globally around 80% of all energy - used for transport, heating, cooking and the generation of electrical power - today still comes from fossil fuels, including oil and gas. But there is also a clear downside to fossil fuels production and consumption: they are the primary driver of climate change. ING manages its oil and gas portfolio in accordance with scientific consensus laid out by the International Energy Agency (IEA) to reach net-zero emissions by 2050, limiting global warming to 1.5°C.

ING's upstream Oil & Gas portfolio comprises transactions that finance exploration, development, production and decommissioning investments in oil and gas fields. The mid- and downstream portfolio comprises transactions financing oil and gas processing, storage, transport and retail infrastructure, such as pipelines, storage facilities, liquified natural gas (LNG) liquefaction and gasification, refineries, base petrochemical manufacture and wholesale and retail product sales. The sector has a diverse client base: a geographical presence that ranges from global to local, positions in the value chain from fully integrated to niche product and service providers, and ownership varying from state-owned, publicly listed, private equity sponsored, to family-owned.

Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

In 2019, ING set its first Paris Agreement alignment target for oil and gas: to achieve an absolute reduction in all emissions resulting from oil and gas production, we committed to reduce the size of our upstream Oil & Gas portfolio in line with the reduction in global production volumes required in the IEA's Sustainable Development Scenario (SDS). When the IEA Net Zero Emissions by 2050 (NZE) scenario was published in 2021, we updated our approach and adopted more demanding interim and long-term portfolio reduction targets. We're committed to updating these targets as they become more exacting following each annual update of the NZE.

In 2023, following improvements in the availability, quality and granularity of both carbon dioxide (CO_2) and methane (CH_4) emissions data, we developed a methodology and set interim and long-term targets for the reduction in the CO_2e emissions intensity for our mid- and downstream Oil & Gas portfolio. We expect the additional targets for mid- and downstream Oil & Gas CO_2e emissions intensity to create more positive impact towards net-zero by requiring continuous improvement in the operational performance of all clients in the portfolio.

ESR policy supports our net-zero alignment

In line with the PACTA methodology for oil and gas, achieving absolute emissions reduction in oil and gas production remains our leading net-zero alignment indicator. Our net-zero alignment approach works in concert with our longstanding Environmental and Social Risk (ESR) policies for the energy sector, based on which we take a stance against financing activities in:

- Exploration, development and production of oil sands, including pipeline infrastructure dedicated to the exclusive use of transporting oil from oil sands
- Trading of crude oil derived from oil sands
- Exploration, development and production of shale gas in Europe
- Exploration, development and production and trading of oil and gas in the Amazon in Ecuador and Peru
- Arctic offshore and onshore oil and gas exploration and production

Recent developments in ING's energy financing approach

In 2022, following the IEA's Net Zero Roadmap report and COP26 in Glasgow (2021), ING announced it would stop dedicated upstream finance (lending and capital markets) for new oil and gas fields approved for development after 31 December 2021. The scope of this restriction was expanded in 2023 to also include midstream activities (oil & gas infrastructure) that unlock new field developments.

Following COP28 in Dubai (2023), where governments agreed to transition away from fossil fuels and triple renewable energy capacity, ING announced it will phase out the financing of upstream oil & gas to zero by 2040 – alongside a commitment to grow annual renewable energy financing to €7.5 billion by 2025 (a more-than-tripling of our previous target). This year the scope of the new oil & gas fields development restriction will be further expanded to apply to general corporate purposes lending and debt capital market bond issuance services for pure-play[13] upstream oil & gas companies that continue to develop new fields.

The second update is about LNG, or liquified natural gas. This is natural gas that gets cooled down to liquid to make it easier to transport. LNG has become important as pipeline transport has become increasingly physically, economically, or politically challenging. Guided by the IEA's World Energy Outlook 2023, we've decided to stop providing new financing for new LNG export terminals after 2025.

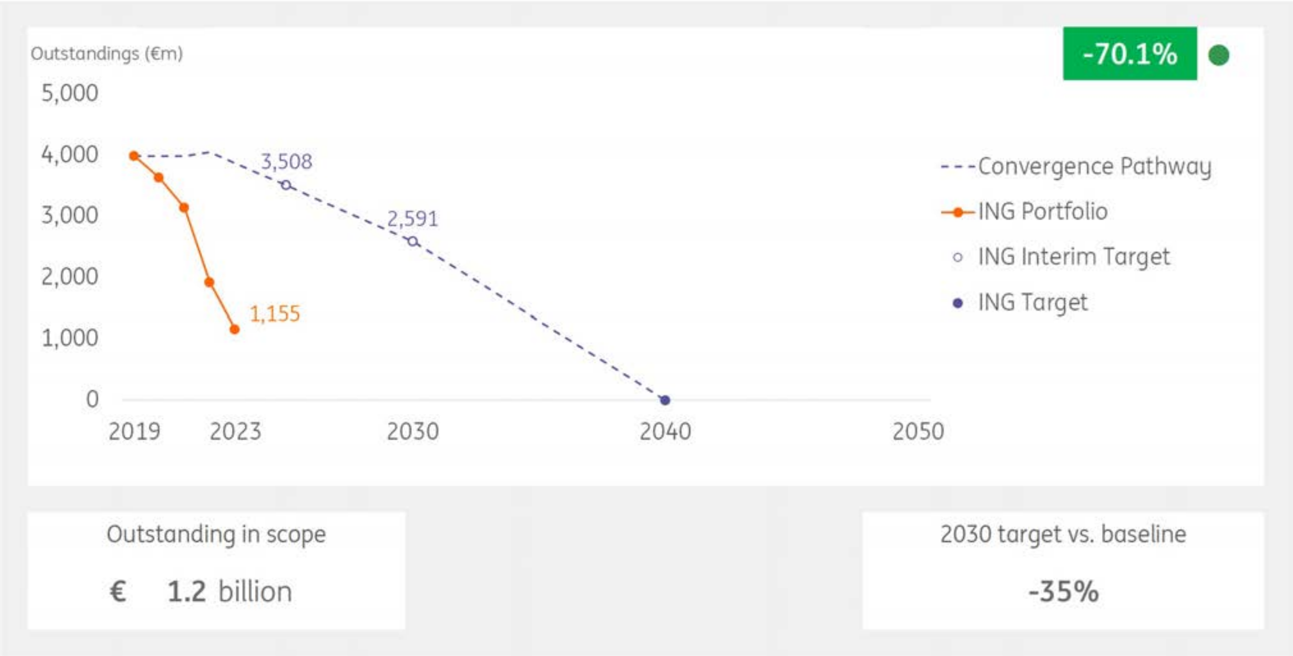
[13] a 'pure-play' company is one whose activities take place exclusively in one part of the sector value chain

Technologies and solutions for a low-carbon world

Concurrent to our efforts in achieving our Terra targets for the decarbonisation of the (fossil) oil & gas value chain, we support our oil & gas clients who are investing in 'new energy technologies' that create new energy carriers to replace fossil hydrocarbons and/or support the decarbonisation of other sectors. With their significant technical knowledge, financial resources and project management expertise, oil & gas companies have the opportunity to take the lead in the successful development of (i) hydrogen and hydrogen compounds, (ii) bio and waste-based fuels and chemicals, and (iii) carbon capture utilisation and storage.

2023 Performance: Upstream Oil & Gas

Oil & Gas: Upstream



According to the IEA NZE advanced economies scenario, oil and gas supply (in exajoules - EJ) should decline by 35% by 2030 compared to 2019 levels. This translates into a 50% reduction in absolute emissions. Based on this trajectory, we have aligned our upstream oil & gas target - aiming to reduce our outstanding exposure by 35% by 2030 compared with 2019 levels, which translates into a 50% reduction of absolute emissions in 2030 (compared to 2019). We measure our outstanding exposure to upstream oil & gas activities, as well as our absolute emissions to upstream oil & gas clients, against this targeted reduction.

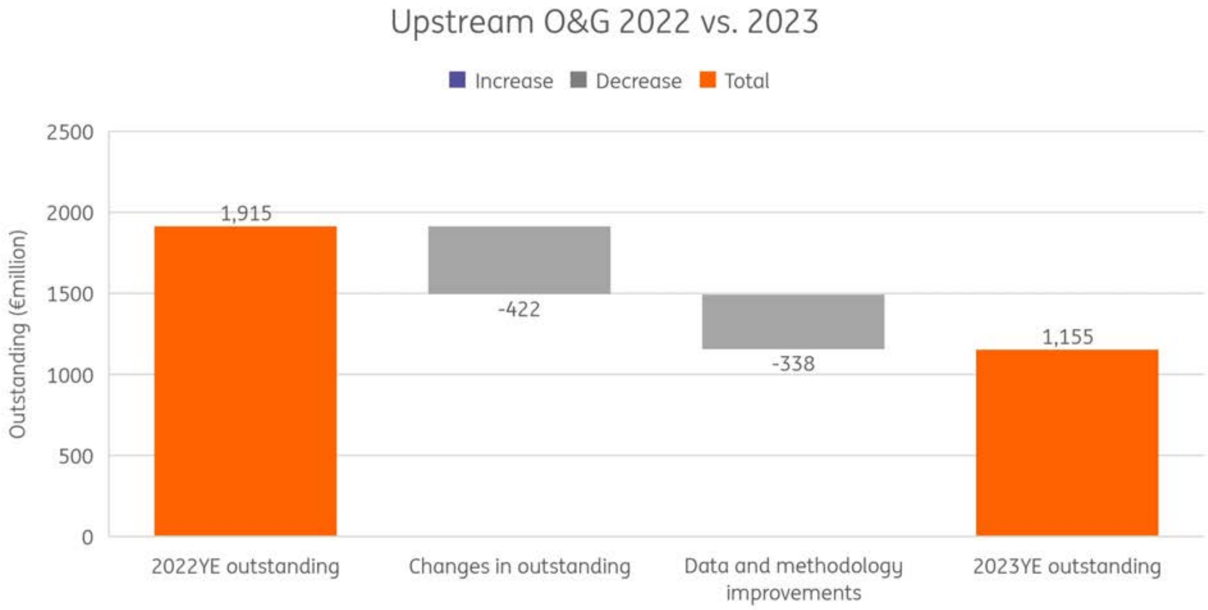


Figure 5: Upstream oil & gas year-on-year changes

Over the course of 2023, our outstanding exposure to upstream activities decreased from €1,915 million to €1,155 million. As shown in Figure 5, the change results from two main factors: (1) changes in outstandings, which depends on when and by how much our clients use their available credit lines, and by how much funding we offer to them (including new exposure and repayments), and (2) data and methodology improvements related to product and activities scoping. This year we decided to move three integrated oil & gas companies to our mid- and downstream Terra sector instead of splitting their exposure based on the percentage of revenue share to upstream activities versus mid- and downstream activities. This is because the majority of our activities with these three companies is in mid- and downstream. This change also helps to standardise the scoping process and eliminate manual data collection work. At the same time we expanded the scope of our upstream coverage by including upstream oil & gas companies with an outstanding of less than €10 million, removing a previously set exclusion threshold.

Part of this steep continuation of last year's downward trend can be explained by changes in outstanding loan amounts, where we see unusually low drawings under existing committed facilities due to high prevailing oil and gas prices. In reaffirming ING's commitment to the 'portfolio volume reduction' interim target in 2030, and the final goal of full phase-out by 2040, we note that if oil and gas prices fall in future years, the actual outstandings under committed facilities which are already part of the portfolio may increase, although the total portfolio will remain below the trend line required to achieve the interim target and final goal for net-zero alignment.

On top of our previous disclosure and commitments related to outstandings, this year we disclose an additional metric expressed in absolute emissions for upstream oil & gas (including methane). From 2019, our absolute emissions related to upstream activities decreased from 99 megatonnes CO_2e to 25 megatonnes CO_2e[14]. Financed emissions are calculated based on outstandings as the indicator of how much finance we are providing to upstream oil & gas companies as per the PCAF methodology. While the size of our portfolio is generally decreasing, the outstandings may still temporarily increase in the coming years without exceeding our targets. That might entail a temporary increase in absolute emissions as well.

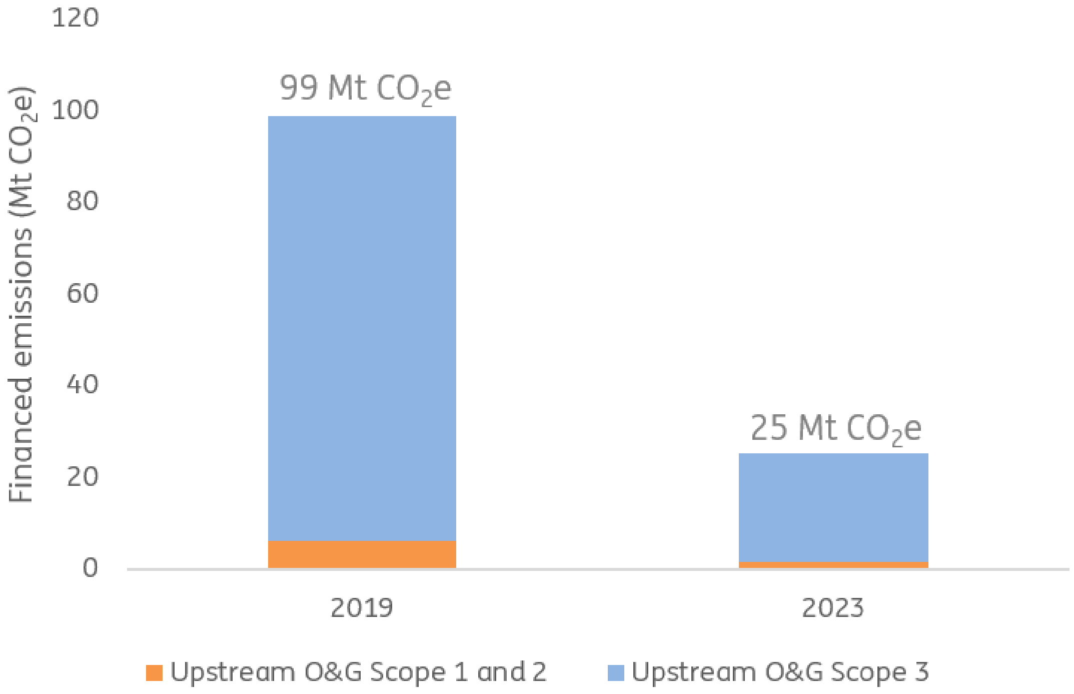
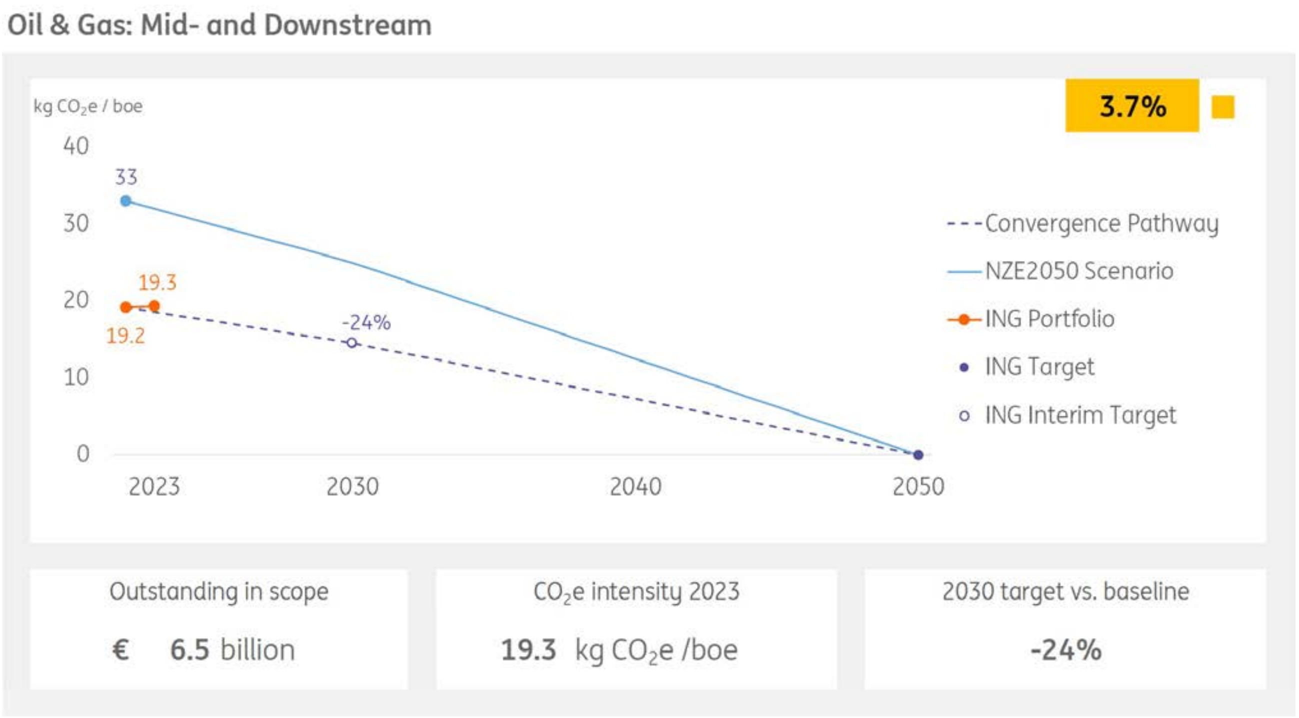


Figure 6: Upstream Oil & Gas absolute emissions

2023 Performance: Mid- and Downstream Oil & Gas



Last year we added another parameter to our oil & gas sector alignment commitment by setting a target for the operational emissions efficiency of our mid- and downstream portfolio. More detail on this target can be found in our 2023 Climate Report (page 60).

The emission intensity reduction target for mid- and downstream oil & gas is to achieve net zero by 2050, and is being benchmarked to the IEA NZE scenario which is based on CO_2-equivalent emissions (i.e. both CO_2 and CH_4). Our initial baseline, published in the 2023 Climate Report, was CO_2 only and did not include methane due to the lack of data on methane at mid- and downstream asset- and company-level, which impeded us from reliably estimating the methane emissions intensity of our clients. Recently, we've been able to add methane (CH_4) to the assessment of our mid- and downstream portfolio for both the base year (2022), as well as the current reporting year (2023). Based on the current data availability and quality, our emission intensity changed from 19.2 kg CO_2e / boe at year-end 2022 to 19.3 kg CO_2e / boe at year-end 2023, remaining well below the emission intensity level of the IEA NZE scenario.

[14] In 2019, Scope 1 and 2 was calculated with data quality score 4.3 and Scope 3 upstream and downstream with data quality 4.9. In 2023, Scope 1 and 2 was calculated with data quality score 3.9 and Scope 3 upstream and downstream with data quality 4.9.

Although the methane data at asset- and company-level is very new, we assessed the trend between 2022 and 2023 and see this explained by four main factors: 1) changes in our client's performance in terms of emission intensity; 2) changes in outstandings, which depends on when and by how much our clients use their available credit lines, and by how much funding we offer to them; 3) changes in client and asset composition of the portfolio, noting varying emission intensity profiles of different parts of the mid- and downstream value chain; and 4) methodology improvements related to activities scoping.

As noted in our 2023 Upstream O&G performance review above, this year we decided to move three integrated oil & gas companies to our mid- and downstream Terra sector instead of splitting their exposure based on the percentage of revenue share to upstream activities versus mid- and downstream activities. This is because the majority of our activities with these three companies is in mid- and downstream, and upstream exposure is comparatively small. And we further expanded the scope of our mid- and downstream coverage by including mid- and downstream oil & gas companies with an outstanding of less than €10 million, removing a previously set exclusion threshold. Overall, our outstanding in mid- and downstream (incl. above adjustment) went down from €7.7 billion at the end of 2022 to €6.5 billion at the end of 2023.

With the methane data now added to our initial assessment, we are able to plot our convergence pathway (dotted line) which will be used as a reference benchmark for steering towards the interim (2030) and long-term (2050) portfolio targets. In parallel and true to our Terra principles, we continue to strive to improve the data quality of our measurement by working with our data vendor and assessing multiple data sources. This might result in future updates of the emissions intensities for 2022 and 2023 and thus potentially updates of the convergence pathway.

Expanding our approach to trade & commodity finance

ING considers energy trade flows to be an integral part of the energy value chain. In March 2023, we therefore announced our aim to reduce the combined volume of traded oil and gas in line with IEA pathways, and to include our Trade and Commodity Finance (TCF) business in our Terra approach.

As of now, a methodology for aligning the finance of oil and gas trade flows with the energy transition pathways in climate scenarios does not exist. The short-term nature of commodity trade finance and the fluctuating intra-year and year-on-year price and trade patterns present unique challenges for GHG accounting and target setting. As we've done for other target-setting methodologies in our Terra approach, we're collaborating with peer banks and external experts to co-develop a GHG accounting methodology for TCF that enables us to align with net-zero scenarios. This methodology will distinguish between logistical emissions and product-related emissions of oil & gas trade finance. We aim to publish the methodology and set interim and long-term targets for oil & gas Trade and Commodity Finance by the end of 2024.

Oil & Gas sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- We are actively involved in multiple advisory engagements and have closed several lending transactions during the last 12 months in the New Energies space (see box-out below).
- In general, we continue to discuss carbon reduction measures with our clients as well as support investments in their green, net-zero and carbon-negative energy solutions.

Our advocacy actions to engage with government & policy:

- We are witnesses to a joint statement on the European Sustainable Carbon Package for the Chemical Industry, offered to the European Commissioner for Climate Action. This statement is a call to action for regulation that stimulates the uptake of sustainable carbon sources in the European chemical industry.
- We advocate to phase out fossil-fuel subsidies worldwide to allow for massively and rapidly scaling up the transition to alternative fuels.

We continue to improve our analysis where data availability allows and to work with others to promote supportive regulation. Notably, we track methane (CH_4) emissions now that data is available and have been recognised by third parties for our advocacy around methane regulations.

ING's economists also continue to share insights on how to lower emissions from oil and gas, for example in LNG.

Overcoming challenges

The sector is faced with major challenges. Production costs of sustainable fuels are generally multiple factors higher compared to fossil-based fuels due to a combination of sustainable raw material costs (such as green hydrogen) and production process costs. More government support and expansion of infrastructure would help to close this gap. Government mandates and recognition of the use of recycled plastic as feedstock (raw materials) for new plastic production could stimulate the use of non-fossil-based feedstock for the plastic industry. To accelerate the pace of the development and scaling of carbon capture and storage solutions, governments could make permitting procedures smoother - and share in the risks to address the current challenges of the inter-dependency of CO_2 capture, transport and storage projects.

ING's Hydrocarbons & New Energies team is focused on the value chains of three key areas:

1. Low-carbon (or 'sustainable') fuels, comprising e-fuels and biofuels like hydrogen, ammonia, biomethane and sustainable aviation fuel (SAF). Many of these sustainable fuels avoid additional CO_2 emissions as these are produced from non-fossil based feedstock, like green hydrogen or bio-waste.
2. Recycled feedstock solutions for plastic production through chemical recycling (e.g. through pyrolysis). The produced hydrocarbons from this recycling process are now blended in, but can eventually fully replace the fossil-based feedstock.
3. Carbon capture and storage solutions. CO_2 capture in industrial areas and storing in depleted gas fields or aquifers.

For more on how ING aims to facilitate collaboration within and across value chains, please see our Sustainable Value Chains approach.

Transaction highlight: Linden Renewable Energy

In December 2023, ING acted as Green Loan Structuring Agent and Coordinating Lead Arranger in a financing supporting the largest food waste-to-renewable natural gas facility in the US, located in Linden, New Jersey. The plant will divert approximately 1,500 tons of waste organics and fats, oils, and grease per day from New York City, Northern New Jersey and the broader metro region to produce 3,800 dekatherms of pipeline quality biomethane using proven anaerobic digestion technology. In doing so, the project will help avoid an estimated 120,000 metric tonnes of CO_2e emissions annually.

Automotive

ING's Automotive sector comprises an original equipment manufacturer (OEM) portfolio of many globally well-known names, almost all of which have net zero by 2050 ambitions and are already on their transition journey. Our strategy and actions are centered around engaging with our clients and financing their transition.

> Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

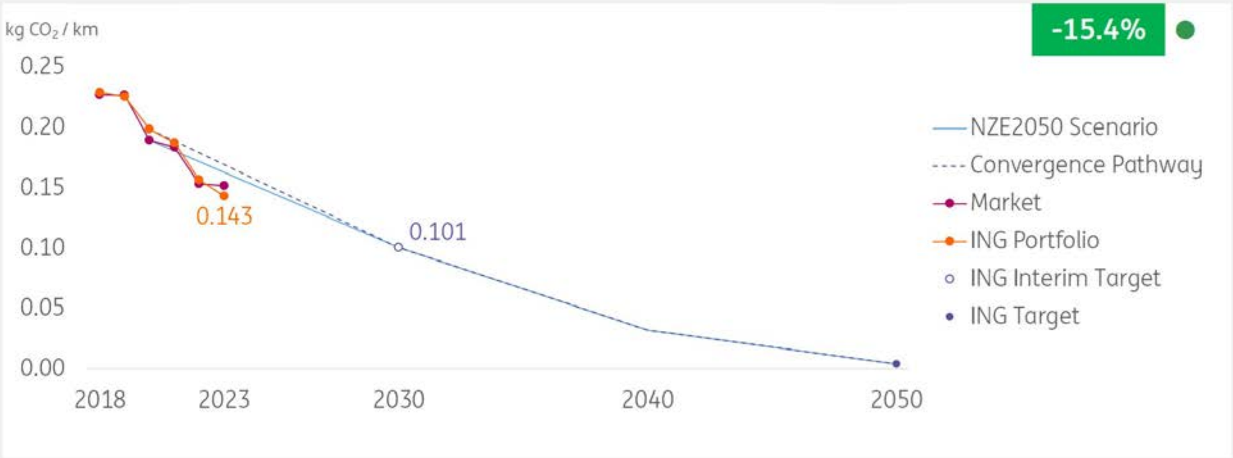
Based on the PACTA methodology, ING has been focusing on the original equipment manufacturers (OEMs) in its portfolio to steer towards net zero by 2050, disclosing intermediate targets and key alignment indicators for the light duty vehicle (LDV) sector.

2023 Performance

For the fifth consecutive year, the emission intensity of the vehicle fleet represented by our automotive clients decreased and stands now at 143 gCO_2/km. This means an 8.7% improvement from 2022 when the average emissions of our in-scope fleet were measured at 157 gCO_2/km. The development of our loan portfolio's emission intensity is therefore well below the convergence pathway towards the net-zero-aligned intermediate target in 2030. The overall global vehicle fleet has improved slightly, reaching an emission intensity of 152 gCO_2/km.

The technology mix of ING's portfolio still shows more vehicles with internal combustion engines in comparison to the market, consequently resulting in a smaller electric vehicle (EV) share than the market. The share of fully electrified vehicles, such as battery and fuel-cell electric vehicles, has slightly increased from 5% in 2022 to 6% in 2023. A major driver of the decrease in emission intensity is a strong improvement in efficiency of internal combustion engines from 171 gCO_2/km in 2022 to 158 gCO_2/km in 2023. So, while the technology mix of our portfolio shows a greater proportion of conventionally propelled vehicles, the overall fleet performs better than the market due to the strong efficiency improvement of internal combustion engines. The chart below provides an overview of the extent to which all drivers contributed to the emission intensity decrease.

Automotive



Outstanding in scope	CO_2 intensity 2023	2030 target vs. baseline
€ 2.9 billion	0.143 kg CO_2 / km	-49%

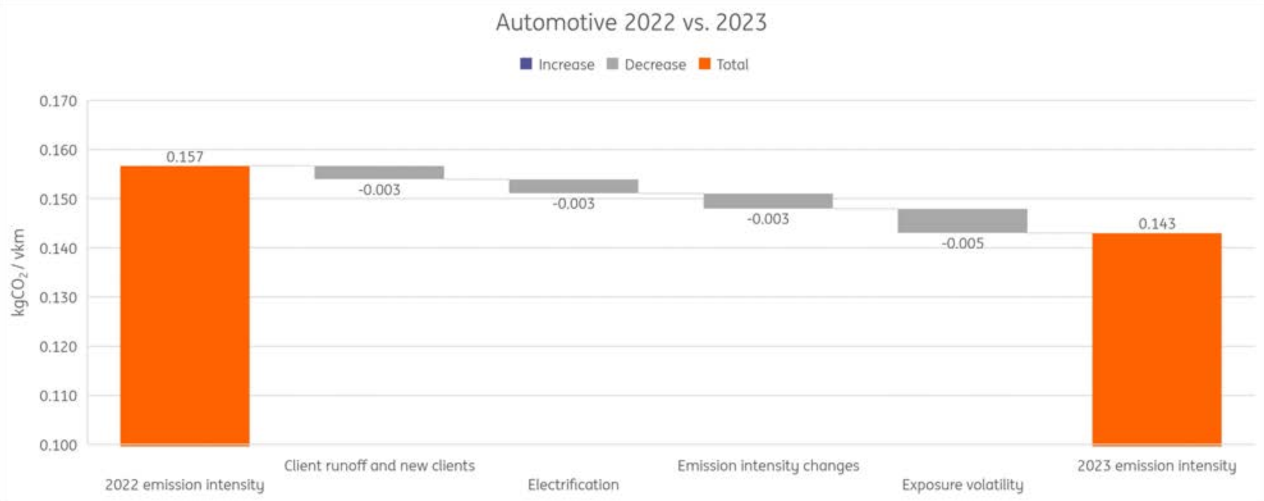


Figure 7: Automotive year-on-year changes

Automotive sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- Finance the transition of our clients by offering dedicated products and services, like our sustainability-linked loans, bonds, supply-chain financing, green loans, green bonds, and (for Germany only) financial market instruments.

Our actions in collaboration with industry & market:

- Continue supporting companies in the value chain, and create internal commercial incentives to support the development of critical parts in the value chain, such as traction batteries, EV charging infrastructure, increasing circularity in the sector, etc.
- ING co-led the NZBA's automotive working group which resulted in the publication of the NZBA's 'Climate Target Setting for Automotive Sector Financing' report published in February 2024. The report describes approaches and methodologies to support banks in meeting their commitment to set net-zero targets for the automotive sector.

Our advocacy actions to engage with government & policy:

- Monitor the development of green policies, recycling and waste treatment and advocate for setting more standards and data disclosure requirements.

ING's economists also continue to share insights (for example here and here) on how to green the automotive sector with electric vehicles.

Overcoming challenges

ING's automotive sector performance can be affected by changes in the pace and type of vehicles sold. We continue to play our role in advocating for standards and data disclosure requirements, and promoting EVs.

Transaction highlight: Volkswagen Leasing

ING supported Volkswagen (VW) Leasing GmbH in the completion of its first Green Bond transaction. Three bonds with a combined total of €2 billion were issued on the basis of VW's published Green Finance Framework. This highlights the importance of sustainability to VW and its international investors and is a core element of the group's MOBILITY2030 strategy. It gives appropriate weight to sustainability in the strategic refinancing mix, and supports the sales of electric vehicles from the Volkswagen Group. The proceeds from the Green Bonds will be used exclusively to finance BEVs (Battery Electric Vehicles).

Aviation

ING's Aviation sector team provides asset financing for aircraft and general corporate lending for airlines and aircraft lessors. With our continued focus and approach on financing best-in class assets, the share of next-generation aircraft[15] in our portfolio has gradually increased in recent years and is now well ahead of the global fleet average. Those next generation of aircraft are typically 20-25% more fuel-efficient than the preceding generation. Our approach and actions are focused on financing more of these next-generation aircraft so as to reduce the carbon emissions associated with the sector.

> Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

Methodology update to Pegasus Guidelines

We have been reporting the emission intensity and scenario alignment of our aviation portfolio using the Paris Agreement Capital Transition Assessment (PACTA) methodology since 2019, making ING the first bank to report emission intensity of its aviation sector portfolio. Under the PACTA methodology, the financing scope was limited to the secured aircraft financing portfolio, the emissions scope was limited to tank-to-wake emissions, and the metric was gCO_2 / passenger kilometre[16].

This year, we're proud to share that we have updated our methodology to the Pegasus Guidelines, a new standardised, science-based and more inclusive methodology for measuring the emissions associated with banks' aviation portfolios and determining the alignment of those portfolios with a 1.5°C roadmap. The Pegasus Guidelines were published in 2024 by the Center for Climate Aligned Finance at RMI together with a dedicated working group of global financial institutions. ING is pleased to now join several other global financial institutions in adopting the Pegasus Guidelines in 2024.

By using the Pegasus Guidelines we expand the scope of our measurements to also include:

- general corporate lending to commercial airlines and lessors.
- a more granular and inclusive measurement of commercial freight operations.
- in addition to the combustion of jet fuel (tank-to-wake), the upstream jet fuel emissions (well-to-wake)[17].
- committed amounts, instead of only outstandings.
- the impact of the use of low emissions fuel, referred to in the market as sustainable aviation fuel (SAF), when the data becomes available.

As a result, the measured metric has been updated to gCO_2e/RTK[18,19].

A more holistic approach to measuring aviation's climate impact

As well as an expanded scope, the methodology prescribed by the Pegasus Guidelines represents a more holistic approach to the decarbonisation of the aviation sector. Whereas ING's implementation of the PACTA-based methodology focuses on the emission intensity of each individual aircraft, the Pegasus Guidelines approach calculates the emission intensity of each balance sheet item by including the operations of the entire fleet of a particular aircraft model used by an operating airline. This encourages banks to steer on the decarbonisation of an airline's overall operations instead of a single aircraft. As such, this methodology allows us to assess our transactions with the broader decarbonisation of the fleet in mind, which we believe is key to making positive impact in the sector.

Setting new targets with the Mission Possible Partnership (Prudent scenario)

As prescribed by the Pegasus Guidelines, ING is adopting the Prudent scenario of the Mission Possible Partnership (MPP PRU) as a benchmark for aviation under the Terra approach. Like the IEA NZE benchmark scenario used in previous years, the MPP PRU is a 1.5°C-aligned pathway, with more granular assumptions about the market, traffic and technology.

The biggest difference between the IEA NZE and the MPP PRU scenario is scope. The IEA NZE pathway is based on tank-to-wake emissions (CO_2 only), passenger kilometres (pkm or RPK) and includes operations from both non-commercial and commercial aviation. The MPP PRU pathway, on the other hand, is based on well-to-wake emissions (CO_2e), revenue tonne kilometres (RTK) and is tailored to commercial aviation only.

Because the MPP PRU fits with the scope of the Pegasus Guidelines, it is currently the best-suited pathway for the sector.

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15 A next-generation aircraft is an aircraft built with lightweight materials or fitted with more efficient engines. For example: the Boeing 787 series, Airbus A350 series, and Airbus A320neo series are considered next-generation aircraft. This is a non-exhaustive list.
16 Passenger kilometre is the same as RPK (revenue passenger kilometre).
17 Tank-to-wake emissions include only the emissions from combustion of jet fuel, whereas well-to-wake includes emissions from combustion of jet fuel as well as emissions from upstream production of jet fuel.
18 CO_2e equivalent instead of CO_2 because upstream energy production of jet fuel emits CO_2-equivalent emissions. This measure does not include radiative forcing.
19 RTK = revenue tonne kilometres. RTK represents the total revenue generated by transporting one tonne of paying cargo (including passengers, baggage, mail, and freight) over one kilometre.

We have selected 2023 as the base year, because it is a year unaffected by disruptions from Covid-19, in line with SBTi requirements. The Pegasus Guidelines prescribe a bespoke pathway based on the MPP PRU scenario that accounts for a ratio of passenger to freight in a bank's portfolio. Depending on the exposure related to freight operations, the pathway must be adjusted to account for freight's inherently lower emission intensity.

2023 Performance

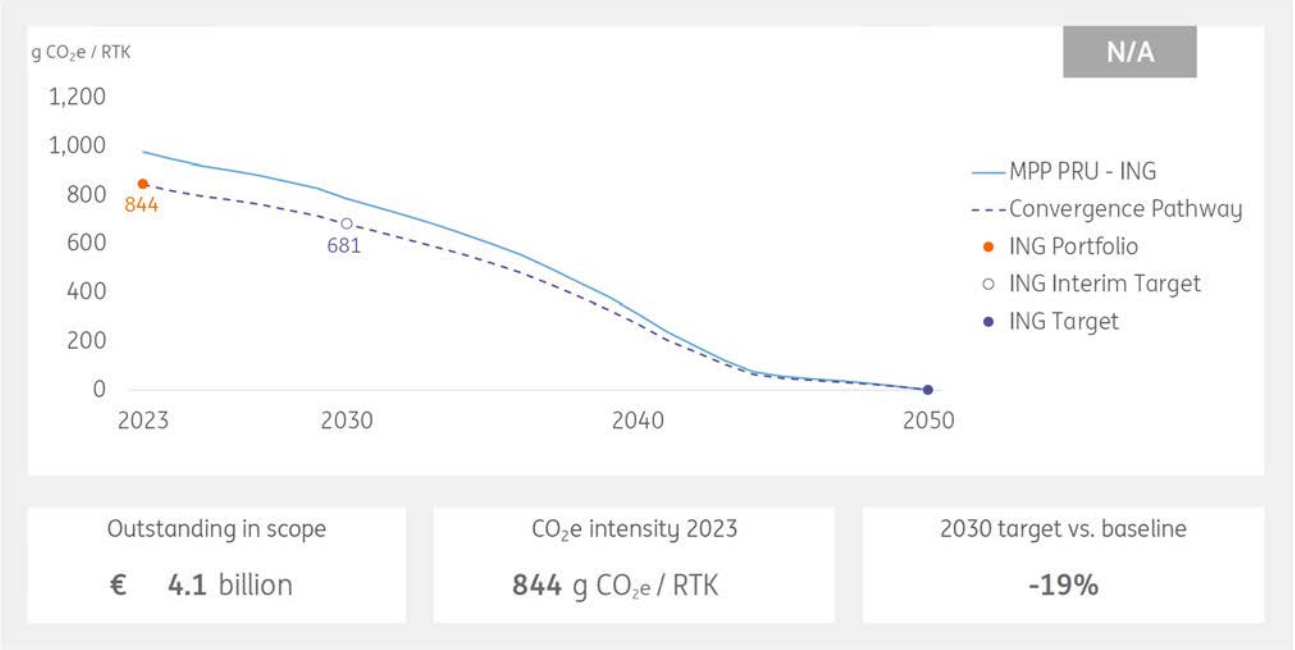
In this section, as part of the update from the former PACTA methodology to the Pegasus Guidelines, we share both methodology alignments to transparently show the changes.

With the Pegasus Guidelines, €4.1 billion in committed exposure as per YE2023 is in scope. Within such commitments, ING's global secured aircraft financing portfolio in scope of the methodology includes 517 aircraft. As of YE2023, 71% of the committed exposure related to aircraft financing was for next-generation aircraft. This is a significant increase from the 25% next-generation aircraft in 2019's portfolio and a further improvement on the 62.5% achieved in 2022. in addition to the secured aircraft financing portfolio, general purpose lending to airlines and lessors are now also included in the scope.

The emission intensity[20] of our portfolio for YE2023 is 844 gCO_2e/RTK using the Pegasus Guidelines. Because we use the SBTi's sectoral decarbonisation approach for target setting, we constructed a convergence pathway from this value to 2050. As the YE2023 emission intensity is the base year of the convergence pathway, an alignment score for this year is not applicable. However, we're pleased to already start on our updated pathway at 13% under the MPP PRU-ING-bespoke pathway benchmark for 2023.

Our target in 2030 is 681 gCO_2e/RTK and in 2050 it is 0 gCO_2e/RTK, implying reductions of 19% and 100% compared to 2023, respectively.

Aviation - Pegasus Guidelines



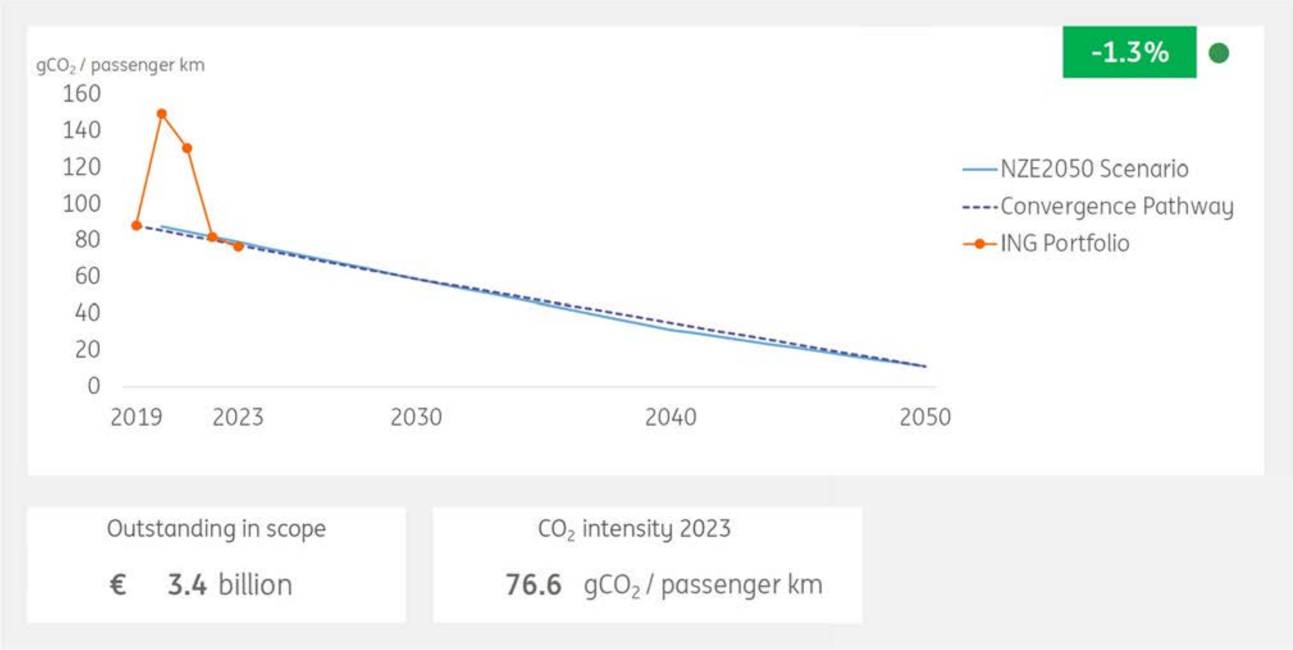
For comparison, using the PACTA methodology €3.4 billion in outstanding exposure as per YE2023 is in scope. This represents the same secured aircraft financing portfolio but does not include any general purpose lending.

With PACTA, the emission intensity of our secured aircraft financing portfolio for YE2023 is 76.6 gCO_2/RPK, which is -1.3% from the convergence pathway benchmark derived from the IEA NZE scenario for 2023. Whereas we report a score of -1.3% for the PACTA methodology alignment, we cannot yet provide an alignment score for the Pegasus Guidelines because the current year is the benchmark year for the convergence pathway.

Because the Pegasus Guidelines take a broader set of emissions and operations into scope than the PACTA methodology, the alignment scores for the same period may be different under each methodology.

[20] 2023 results do not include emission reductions from sustainable aviation fuel (SAF).

Aviation - PACTA Methodology



Aviation sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- Given that half of the global commercial aircraft fleet is owned by leasing companies, continue to engage with the leasing companies on calculation and reporting of emissions and setting emission reduction targets.
- Engage with our airline clients to finance their transition by offering robust products and services.
- Continue the focus on increasing the proportion of next-generation aircraft in our overall aviation financing portfolio.

Our actions in collaboration with industry & market

- ING is an initiator and founding member of 'IMPACT', a non-profit association that currently brings together more than 40 institutions globally active in the aviation sector (among others) to formulate clear and recognisable emission standards in financing contracts as the lever to making flying more sustainable.

ING's economists also continue to share insights on how to green the aviation sector, for example through sustainable aviation fuels.

Overcoming challenges

The IPCC recognises that aviation is a hard-to-abate sector due to its dependence on fossil fuels. There are no quick fixes for aviation due to long lead times for new technologies. Electrification, a realistic solution for other transportation sectors, is not yet possible for aircraft due to the insufficient energy density of batteries and long development and certification timelines of new aircraft designs for safety purposes. The rapid, large-scale adoption of alternative low emissions fuels like SAF is, despite the efforts already made, currently still challenged by limited supply and infrastructure.

With further investments made by market participants, and also based on government mandates, we are hopeful that a combination of the modernisation of fleets, adoption of low emissions fuel usage and continued optimisation of payload efficiency will have a positive impact on emissions from the aviation sector in the short-term. Behavioral as well as technological changes around aviation require cooperation of all industry players. Governments, businesses, airlines, banks, regulators and individuals all play a role in realising the decarbonisation of the aviation sector. ING is committed to contribute its expertise and capabilities in achieving such targets.

Shipping

Shipping is crucial to the global economy. More than 80% of the world's traded goods are transported by ships (vessels). ING's Shipping team provides finance to shipping companies secured by vessels operating in the deep-sea sectors, excluding cruise vessels. ING's shipping clients are top-tier international ship owners who own vessels across the dry cargo, tanker (including gas) and container segments. Our clients range from privately-held businesses to publicly-listed companies, each having a proven track record and a proactive approach to sustainability in shipping.

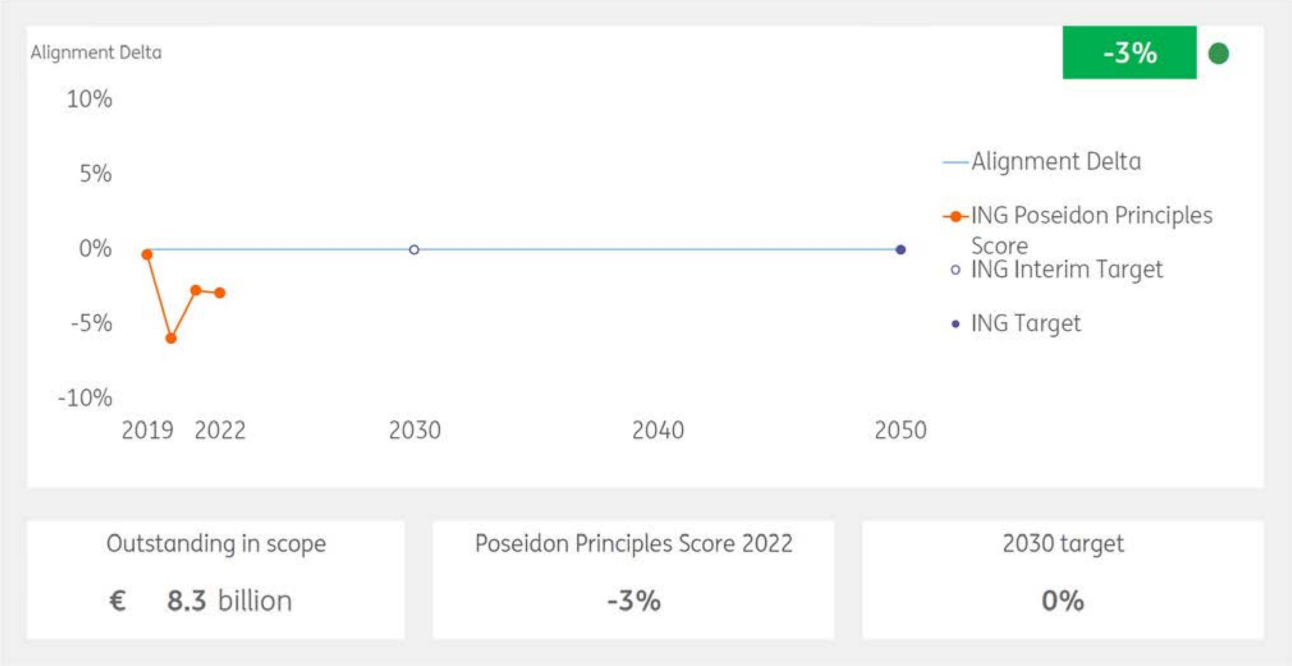
> Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

We continue to execute our strategy of financing top-tier clients who are focused on energy efficiency and committed to energy transition. Our aim is to drive sustainability in the shipping sector by engaging with our clients, financing their transitions to net zero and collaborating with key stakeholders to enable this transition.

ING was one of the founding banks of the Poseidon Principles (PP) in 2019 and continues to play a leadership role in its evolution and growth. ING is actively involved in steering the sector towards climate goals through our representation on key forums and initiatives – for example, as Treasurer of Poseidon Principles, a member of the UK Clean Maritime Council, and a member of Silk Alliance, a cross-industry group working to decarbonise container shipping in a so-called 'green corridor' between Asia and Europe.

ING is represented on the Maritime International Advisory Panel, established by the Singapore Ministry of Transport (MOT) and Maritime and Port Authority of Singapore (MPA), to seek global perspectives on key trends that will shape the maritime industry. ING is also a founder of the Responsible Ship Recycling Standards (RSRS), which promotes responsible ship recycling and works to minimise the dangers associated with hazardous materials on board.

Shipping



2022 Performance

Consistent with the Poseidon Principles methodology and reporting timeline, we have used the actual emissions data from the 2022 International Maritime Organisation (IMO) reporting period. Since shipping has the unique advantage of access to verified emissions data of the financed vessels from the International Maritime Organisation Data collection systems (IMO DCS), we continue to believe that the resulting accuracy outweighs timing when informing our stakeholders on sector alignment.

In this fourth year of Poseidon Principles reporting, aside from fulfilling our commitments under the Principles, we achieved our highest reporting rate to date of 97% of our portfolio. This is above the industry average and is indicative of the efficiency we have achieved in our processes and of the increasing acceptance of climate alignment objectives by shipping clients.

In October 2023, Poseidon Principles adopted the intermediate and 2050 net-zero targets of the IMO's revised GHG strategy. For the 2022 reporting period, Poseidon Principles decided to have signatories report against both the initial trajectory and the revised linear trajectories representing the revised IMO targets for 2030, 2040 and 2050. We reported a debt-weighted portfolio alignment of -3.0%, thus outperforming the initial trajectory for the fourth year running. This consistency is indicative of continuous improvement given that the trajectory targets reduce year-on-year. All signatories will continue to report their portfolio alignment against the revised PP linear trajectories in their current form as they provide a common baseline for all banks. Against the revised minimum and striving trajectories, our portfolio alignment stood at +12.4% and +16.6% respectively, significantly better performance than the average across signatories.

As IMO's short- and mid-term measures to achieve the revised GHG strategy targets will be declared in phases between 2024 and 2026, the PP trajectories will be a work in progress, and undergo revision in the above period. Until then, to have a realistic pathway for shipping consistent with established scenarios, we are working with the '1.5°C initiative', a group consisting of Det Norske Veritas (DNV) and ten other Poseidon Principles signatories.

The chart below provides an overview of the different drivers that contributed to the change in portfolio alignment delta between 2021 and 2022:

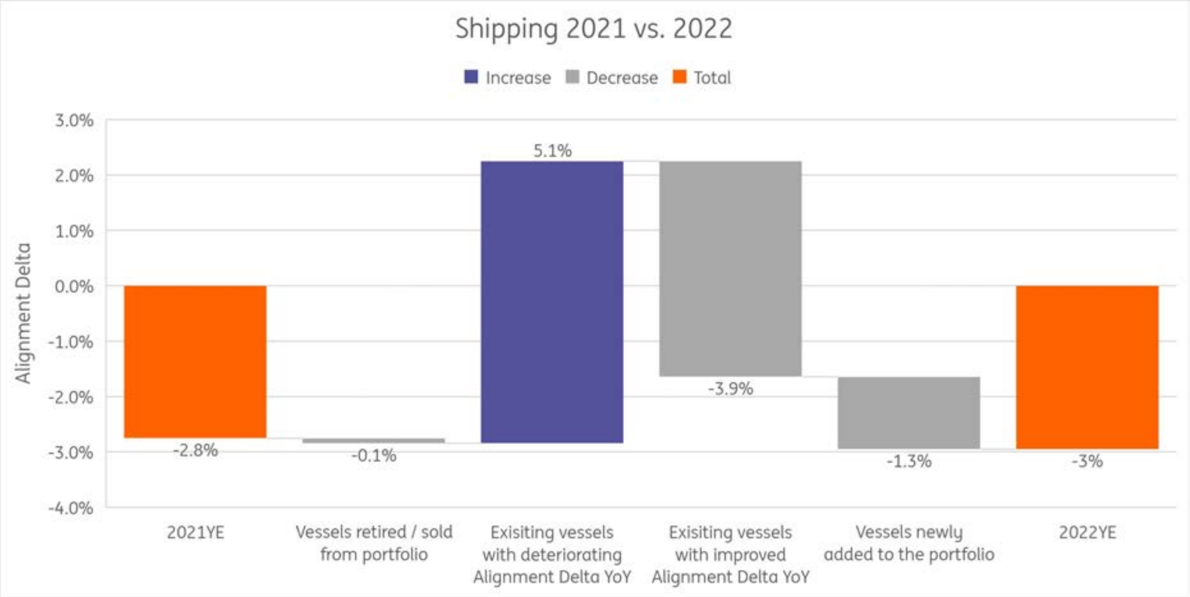


Figure 8: Shipping: Year-on-year changes

As with previous years, we continue to observe that the Annual Efficiency Ratio (AER), the intensity metric used for deriving the alignment delta, is highly influenced by the operations of the vessels. The existing methodology impacts some specific vessel segments more adversely than others. Efforts are underway to address these inconsistencies at the IMO and by the Poseidon Principles. We continue to take a prudent approach to client and vessel type selection by working with clients who operate the most efficient vessels and have a proactive approach to decarbonising their assets. In this context, we are using the Client Transition Plan (CTP) engagements as an opportunity to get a better understanding of our client's mid- to long-term transition strategy and identify how we can support them in their efforts.

Shipping sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- As of 4Q2023, GreenKnot Version 2[21] has been fully integrated into the transaction screening process across all shipping offices. The estimated portfolio alignment impact of any transaction using GreenKnot is now a requirement prior to approval.
- Proactively engage with clients and assess their transition plans in detail, including in cases where there is insufficient public information to have been able to generate a Client Transition Plan (CTP) with our internal tooling.
- On an ongoing basis, briefing sessions have been conducted for the global shipping teams on IMO's revised strategy, Poseidon Principles revisions, ETS, CTP and other shipping sustainability-related topics. In line with the commercial strategy, upskilling of the front-office personnel with sustainability knowledge has been earmarked as a key priority.
- As part of the CTP engagements with clients and during routine meetings, we are discussing future opportunities to finance their vessel retrofits and alternative fuel investments. We continue to develop and evaluate a framework that would enable us to support our clients more appropriately in their investments towards decarbonisation. We are actively proposing financing (including Export Credit Agency options) for the retrofitting of energy efficiency and alternative fuel engine systems to clients who have CAPEX plans.

Our actions in collaboration with industry & market:

- ING is now represented in both the Steering and Technical Committees of the Poseidon Principles. In May 2024, during the annual meeting of the Poseidon Principles, ING's global head of Shipping, Stephen Fewster, was re-elected as Treasurer for another two-year term.
- The number of signatories to the Poseidon Principles has now increased to 35, accounting for more than 80% of global ship finance volume. We continue to have ongoing dialogues with non-signatory banks to promote the Principles.

[21] GreenKnot is a shipping sustainability management tool developed in-house by ING's Shipping team

- ING is the only commercial bank in the Silk Alliance Green Corridor initiative and leads the finance workstream for the Alliance. In April 2024, ING presented a cost-gap analysis for green fuels to be a viable option and spurred discussions within the Alliance on actions necessary for accelerating the take-up of green fuels. The Silk Alliance engages with governments and ports as a part of their outreach and lobbying efforts for the Green Corridor.
- ING's Shipping team is working with the Global Centre for Maritime Decarbonisation (GCMD), a non-profit organisation based in Singapore that supports the decarbonisation of the maritime sector, on pilots to develop a framework for financing energy-efficiency technologies on ships as a proof of concept that can be developed for mass industry adoption.
- The shipping team has been actively involved with the energy sector's Hydrogen and Carbon Capture Utilisation and Storage (CCUS) groups. Information and research on projects and developments are shared between the sectors. For new alternative-energy projects which will involve shipping as a part of the supply chain, an opportunity for a cross-sector sustainable value chain approach could be a possibility in the future.
- ING's shipping team has been included in the NZBA working group for shipping and will play the role of a 'reviewer' to develop a framework for banks to set targets and report against them in line with NZBA requirements.
- ING was a part of the working group with other PP banks for an RMI-led initiative to develop procedures for NZBA reporting by adapting the PP methodology.
- In April 2024, ING's global head of Shipping took part in the Maritime International Advisory Panel (MIAP) meetings in Singapore. The MIAP is set up by the Ministry of Transport (MOT) and Maritime and Port Authority of Singapore (MPA), chaired by Singapore's Minister of Transport.

ING's economists for the Transport and Logistics (T&L) sector have published articles on the impact of including shipping in the EU Emissions Trading System (EU ETS), onboard carbon-capture and storage developments, operational efficiency, and role of synthetic fuels in the energy transition.

Transaction highlight: A.P. Moller-Maersk

In the first half of 2024, ING acted as Mandated Lead Arranger for the financing of six 17,000 TEU container vessels currently on order at Hyundai Heavy Industries (HHI), Korea. On delivery in 2025, the vessels will be capable of operating on green methanol and are expected to achieve savings of about 800,000 tonnes of CO_2 emissions annually.

TransMission advocacy pilot results

For an overview of how we're using the TransMission model to test how a systems-level approach could help shape ING's climate action and advocacy , please see 'Using systems change theory to inform our advocacy'. ING's Shipping sector was chosen as an example of a large global sector. The pilot application of the TransMission model resulted in the following suggested interventions and solutions. Please note that this is the first analysis based only on ING's internal expertise and assessment, and external validation is yet to be conducted. As a next step these actions will be validated by external stakeholders and where relevant will be integrated in ING's efforts to the extent possible.

Within our business, ING and other stakeholders should explore:

- Increasing the financing of alternative fuels and energy-efficiency retrofits, and supporting infrastructure.
- Making financing more attractive and available for high-performing clients willing to adopt new business models.
- Building ING's risk appetite to include new technologies and fuels, and engaging proactively with clients to support and accelerate their transition plans towards net-zero goals.

Beyond our business, ING and other stakeholders should explore:

- Partnering with governments, development banks, and specialised institutions to enable green corridors, and connecting clients to sustainability funds.
- Even if not through direct financing, supporting small ship owners with retrofits and collaborating with organisations working to improve data availability on energy-efficiency retrofits to drive standardisation in the industry.
- Collaborating with academic organisations to analyze transition trends and align climate science with business strategies, while also striving to have their voice heard in the International Marine Organisation.

In support of ING's climate action advocacy approach, ING should consider linking up with other stakeholders to explore advocating for:

- Increased shipyard capacity for retrofitting among governments, shipyards, and branch organisations to support sustainable practices in the shipping industry.
- The implementation of a CO_2-levy or market-based mechanism to incentivise emission reductions and promote environmental responsibility within maritime operations.
- Engagement with relevant NGOs to steer the narrative towards proactive environmental stewardship.

Cement

Cement is a chemical substance used to bind together the elements that make up concrete (sand and gravel), the world's most widely used manufactured material. It is the most commonly used synthetic material on the planet and the second most consumed element in existence, second only to water. Our Cement portfolio consists of cement manufacturers that are considered leading in terms of their climate strategies, of which 96% have set net-zero goals and have been active for many years in measuring and steering their emissions accordingly.

Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

Our strategy and actions are centered around engaging with our clients and financing their transition. Our current target related to ING's Cement portfolio is to reduce emission intensity by 29% by 2030 from a 2020 base year, in line with the IEA NZE scenario.

Since our previous reporting year, we have made two major adjustments to our climate alignment approach for the cement sector: we've updated our scenario from the Institute for Sustainable Futures Net Zero (ISF-NZ-2020) to that of the International Energy Agency (IEA NZE) scenario, and have recalculated previously reported data for years 2020-2022, as well as the convergence pathway and target for 2030.

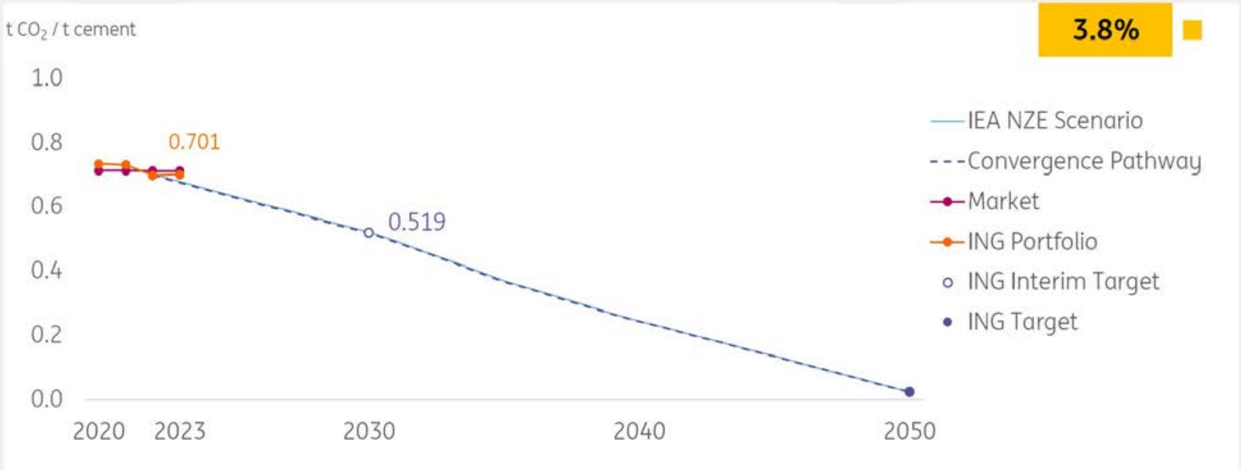
Scenario update from ISF-NZ to IEA NZE

In 2024, we adjusted our benchmark scenario as a result of new insights provided by the International Energy Agency (IEA) for the cement sector and moved from the previous ISF-NZ scenario to IEA NZE for cement scenario. This decision was also influenced by the fact that upcoming regulatory requirements are requiring us to disclose our climate alignment benchmarked against the IEA NZE scenario, as well as by the fact that most Terra sectors use an IEA scenario as benchmark. So this would ensure we align with the carbon budget that the IEA uses as underlying assumption. This scenario change determined a recalculation of our convergence pathway, as well as our target for 2030.

Recalculation of previously reported data for years 2020-2022, convergence pathway and target for 2030

Like other Katowice Banks[22], we have been collaborating with Asset Impact to assess the emissions intensity of our cement portfolio, by connecting their emissions intensity data to our cement clients. This year, methodology improvements and changes in the data inputs used to compute the final data provided by Asset Impact determined a recalculation of previously reported data for years 2020 (base year), 2021 and 2022, as well as a recalculation of our convergence pathway and 2030 target. The data we use to measure our emissions intensities is still subject to continuous improvements. For this reason, some of our measurements may require recalculations based on newly available, more accurate or more granular data in the future. We are aware that data sets have limitations, leading to the risk that they contain inaccuracies, and incorrect or incomplete data, which could impact our reporting.

Cement



Outstanding in scope	CO_2 intensity 2023	2030 target vs. baseline
€ 0.6 billion	0.701 t CO_2 / t cement	-29%

[22] In December 2018, at COP24 in Katowice, Poland, ING instigated the 'Katowice Commitment' together with BBVA, BNP Paribas, Société Générale and Standard Chartered. The five banks committed to measure the climate alignment of their lending portfolios, starting by focusing on the most carbon-intense sectors, developing an approach per sector, and engaging with clients to support them in their transitions.

2023 Performance

Emission intensity in 2023 shows a slight increase compared to 2022. The gap between ING's portfolio and the convergence pathway to net zero is 3.8%. As shown in figure 9, the change results from three main factors: (1) recalculation due to methodology adjustment; (2) changes in the companies' performance and (3) outstanding volatility which depends on when and by how much our clients use their available credit lines, and by how much funding we offer to them, resulting in a different weight assigned to each client at the moment of measurement.

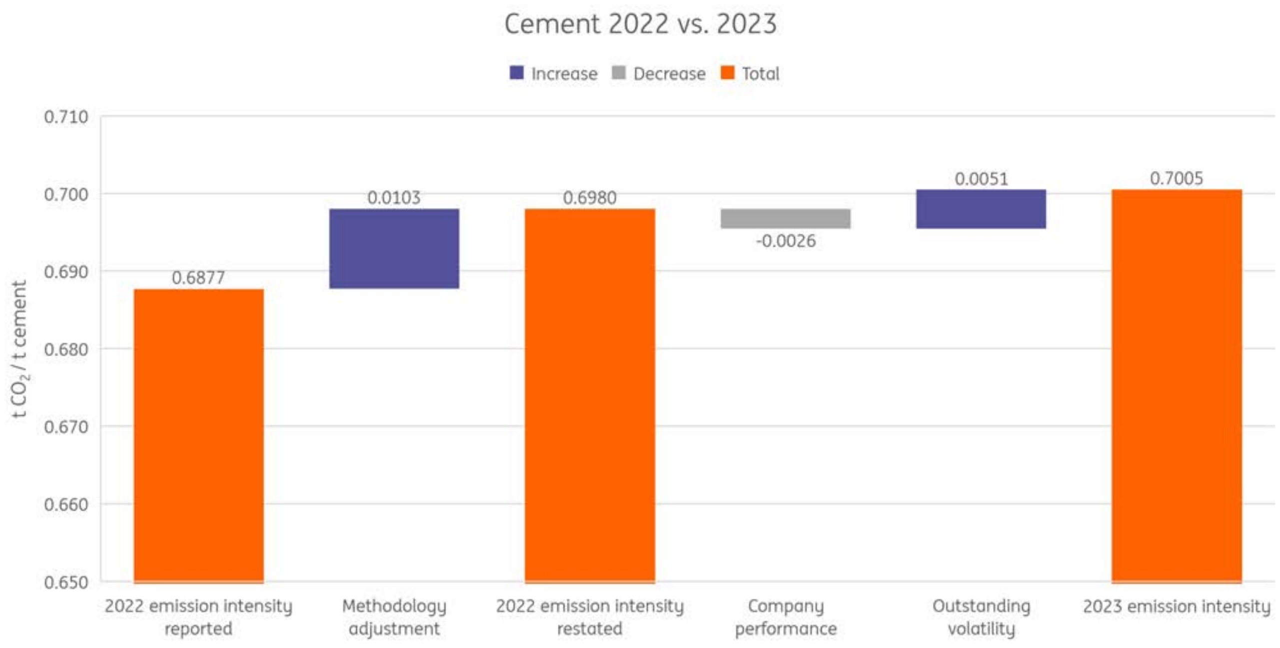


Figure 9: Cement year-on-year changes

Cement sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions:

Our actions in support of clients & portfolio:

- Focus on supporting clients in their transition pathways through dedicated Sustainable Finance solutions, and advising them on tailor-made Sustainable Finance frameworks in line with market standards and recognised science-based targets for the sector.
- Focus on Client Transition Plan discussions on specific ESG topics and transition strategies to identify new opportunities and support our clients in their concrete actions, initiatives and projects.
- Periodically review cement portfolio intensity to check alignment with our annual and medium Terra targets to further steer strategical commercial/credit decisions.
- Foster awareness of cement sector dynamics by hosting internal sessions and dedicated training sessions on internal tools to assess clients' transition plans.
- Upskill the organisation on cement sector dynamics by hosting internal sessions, e.g. webinar on circular cement, Terra deep-dive sessions, training on tooling and client engagement.

Our actions in collaboration with industry & market:

- Building on ING's leading role in the development of frameworks like the Poseidon Principles (Shipping), the Sustainable STEEL Principles and the Sustainable Aluminum Finance Framework, we intend to contribute to a cross-industry initiative (supported by RMI with other banks, cement companies and associations, industry experts, etc.) to develop a science-based approach to reporting on and monitoring the progress of the decarbonisation of the producers and financiers active in the Cement sector.

Our advocacy actions to engage with government & policy:

- Align with cement companies and associations (like Global Cement and Concrete Association) on their needs and make collective requests to policy makers.
- Monitor the development of decarbonisation policies and potential barriers in the geographies relevant to our clients.
- If we assess that delayed policy development and associated bureaucracy are creating barriers to meeting climate goals for the Cement sector, we would escalate via the cross-industry initiatives in which we plan to take part.

Overcoming challenges

The cement sector is the third-largest industrial energy consumer and the second-largest industrial CO_2 emitter, and represents about 7% of CO_2 emissions globally[23]. The main challenge concerns reducing CO_2 emissions while meeting the increasing demand for the next years. While many solutions have been already implemented - like (energy efficiency improvements, fuel switching and reduction in clinker content in cement or cement content in concrete - a big drop in GHG emissions can be possible only when new technologies such as carbon capture and storage (CCS) are fully available and utilised by cement producers. In this respect we keep on engaging with clients in strategic discussions about their transition strategies and new technologies to meet their emission targets.

Transaction highlight: Cemex

ING acted as joint bookrunner and sole sustainability coordinator for global construction materials company Cemex in the refinancing of its $3 billion senior corporate facilities (composed of a $2 billion RCF and $1 billion term loan). Back in 2021, ING advised Cemex in the establishment of its sustainability-linked financing framework, which was updated in 2023 to reflect additional material KPIs and industry-leading sustainability targets. The Sustainable Finance Framework received a second-party opinion from Sustainalytics, which confirmed full alignment with ICMA, LMA, LSTA, APLMA principles and best-industry benchmarks. Three KPIs focused on climate action, namely: (i) Scope 1 and 2 CO_2 emissions per ton of cementitious product ($kgCO_2/t$); (ii) clinker factor to cementitious; and (iii) % of alternative fuels rate. These 2030 decarbonisation targets are validated by the Science-Based Targets initiative (SBTi) for alignment with the 1.5°C scenario.

[23] See Cement Science Based Target Setting Guidance

Steel

Steel is a material essential to the functioning of the global economy. It's used in the production of everything from appliances to vehicles, and in the construction of buildings and infrastructure. Due to the nature of its production process, it is also a large source of industrial carbon-emissions and therefore decarbonising this sector is simultaneously one of the greatest challenges and opportunities of our time. Our Steel portfolio consists of a set of major steel companies and market disruptors to whom ING provides general corporate lending and dedicated financing for transition projects. The majority of these clients have already set net-zero-aligned targets (over 80% have short-term targets for 2030 or sooner, and now more than 80% also have long-term 2050 targets).

Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

After co-developing the Sustainable STEEL Principles (SSP)[24] in 2022, ING reports the climate alignment of its steel portfolio in line with the common measurement and disclosure framework these principles provide. The challenges and opportunities associated with transitioning to sustainable steel production are becoming increasingly well-understood by market participants, and the transition of the sector is gaining momentum. In 2023, we witnessed a marked increase in opportunities to support our clients' transition plans and facilitate the entry of green projects into the market. As this momentum builds, we anticipate a growing number of opportunities to assist clients, and support low and near-zero steelmaking projects due for financing. This further supports the achievement of our long-term climate alignment targets. The challenge we currently face is how to accelerate the net-zero alignment of our steel portfolio now and in the immediate future when the transition projects we finance still need to come to fruition to make substantial impact in driving down emissions.

Steel

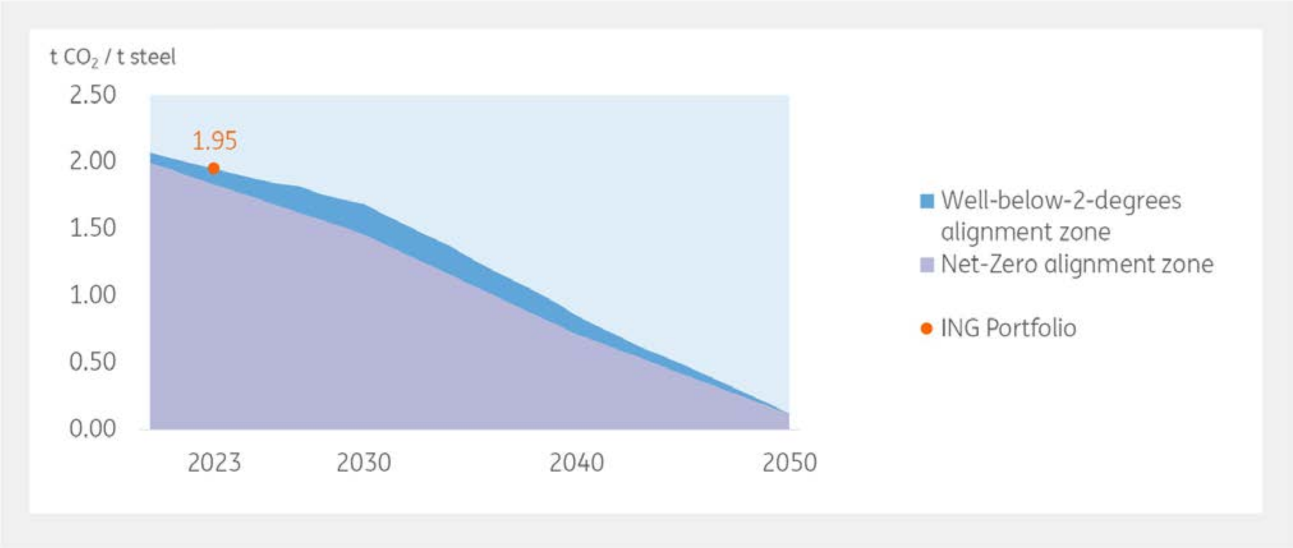
Outstanding in scope	SSP Alignment Score	2030 target
€ 2.0 billion	1.08	0

2023 Performance

ING's Portfolio Alignment score for this year is 1.08 which corresponds to an aggregated portfolio emission intensity of 1.95 t CO_2 / t steel[25]. This score puts our portfolio in the misalignment zone of the Sustainable Steel Principles at 6.6% above the benchmark for the reporting year. These results are a deterioration of the score from last year[26] and represent a divergence from the decarbonisation pathway for the sector. The main drivers behind our current performance are the increased ambition of the underlying scenario, a lower utilisation of mills due to reduced demand leading to lower efficiency, a slow transition from our clients [see 'Overcoming challenges' below], and the fact that the innovative decarbonisation projects we finance are yet to become operational[27].

[24] See more information about the SSP at: Making climate part of every steel loan - Sustainable STEEL Principles
[25] Data used in our calculations is based on preliminary data for the year 2023 as final yearly data will only be available after the publication date of this progress update.
[26] The portfolio alignment score reported in our 2023 Climate Report has been recalculated due to inconsistencies identified in the scope and emission data from our third-party data providers. Last year, the score was reported as 0.15 but it has been corrected in the graph above.
[27] According to the SSP methodology, projects that are not yet operational are not included in our score. If they were to be included, green projects would account for 15% of our steel portfolio and would markedly reduce our portfolio intensity.

ING Steel portfolio aggregated emission intensity



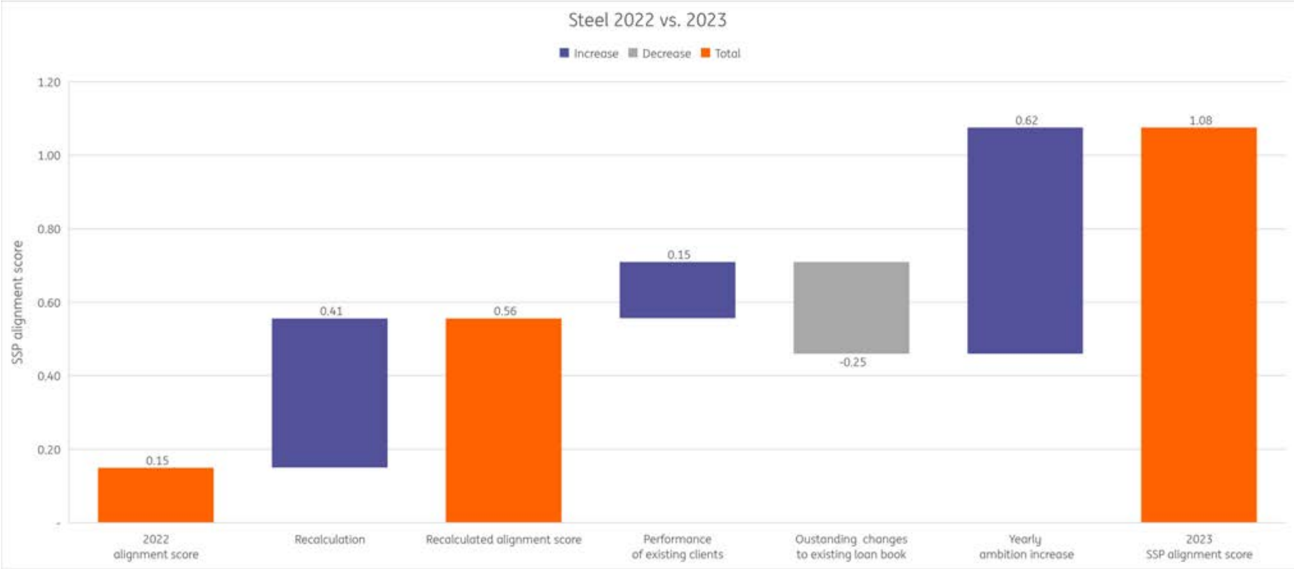


Figure 10: Steel year-on-year changes[28]

Over the past year, we have observed a stable climate performance among our key clients. However, as we move forward, the pathway to achieving net-zero emissions will become increasingly challenging, particularly if relying solely on existing operational improvements. The steel industry, recognised as being hard-to-abate and known for its gradual pace of change, is poised for a significant reduction in emissions once critical innovations are implemented and reach scale. A notable example is our leading role in the financing of the world's first green steel mill for Stegra (previously H2 Green Steel), which is projected to be operational by 2026. This development is expected to accelerate progress in aligning our steel industry portfolio with our climate goals. For further details, please see our 'Transaction highlight' below.

Steel sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we apply the Sustainable STEEL Principles (SSP) and are taking the following actions:

Our actions in support of clients & portfolio:

- Maintain a high level of awareness and understanding among ING Steel sector coverage colleagues on the latest developments in our Terra approach and the SSP, and how we're embedding targets in the business.
- Engage frequently with existing steelmakers, new entrants and projects on their plans, in order to stay up-to-date with the latest technological developments and finance projects that we deem impactful. Focus on dedicated liquid or crude steel project and asset financing on clients with net-zero-ready steel mills.

[28] Please note that the alignment scores are a combination of the producers scrap rate, emissions intensity and how they relate to the two decarbonisation curves used by the SSP – and as such, the relationship between alignment score and changes in emission intensity is not a linear one.

Our actions in collaboration with industry & market:

- Collaborate with key industry organisations (like Responsible Steel) to promote more green steel projects and the standardisation of metrics, while also incorporating and improve collaboration between SSP, NZBA and other institutions to facilitate target setting in this sector for other banks. As an example we worked with the NZBA and other stakeholders to draft an NZBA whitepaper on steel which lead to the first concrete climate guidance from the NZBA on Steel, as well as the NZBA endorsing the SSP as a methodology.
- Work together with our colleagues in the energy and transportation sectors to raise awareness for the use of low-carbon steel by organising roundtables and workshops and by sharing relevant research with various stakeholders across the entire value chain.
- Maintain high visibility and advocacy in the market by presenting at conferences focused on green steel and/or financing the transition.

Our advocacy actions to engage with government & policy:

- Actively engage with the European Commission at senior levels on measures that would facilitate a faster transition of the European steel industry.
- With the support of our Structured Export Finance team, collaborate with Development Finance Institutions / Export Credit Agencies to embrace SSP and support green initiatives in the steel sector.

ING's economists also continue to share insights on how to green the steel sector, for example through CCS, electrification and hydrogen.

Overcoming challenges

To complement our Steel sector transition plan, and in particular our actions to engage with government and policy, our sector team has identified a number of policy interventions that we believe are necessary for the sector to achieve its net-zero goals. In steering our own portfolio we have dependencies related to these external actions that influence our ability to meet the 2030 and 2050 targets that we have set.

The steel industry is recognised as a hard-to-abate sector operating within a highly competitive wholesale market. The long lifespan of its assets presents a significant challenge for industry players seeking to decarbonise their operations, as they must often wait for opportune moments, such as the retirement of a blast furnace, to make critical changes. Given the industry's sensitivity to costs, steelmakers cannot afford to adopt sub-optimal new technologies, as doing so could bind them to inadequate solutions for many years. Therefore, for the steel sector to be able to reach its net-zero targets, clear regulation that incentivises and facilitates the substantial investments needed in cutting-edge technologies is essential.

In addition, the transition the sector will need to go through will necessitate vast quantities of affordable green electricity and a robust hydrogen infrastructure. To prevent carbon leakage in the initial phase, cooperation between developed countries on carbon pricing and border taxes adjustments will be essential. The insights gained from these efforts should subsequently be leveraged to assist other major markets, such as China and India, in their own transition.

Transaction highlight: Stegra (previously H2 Green Steel)

ING acted as Pathfinder* on the €4.2 billion project financing for Stegra (previously H2 Green Steel). In addition to raising €4.2billion in debt, the project also raised €2.1bn in equity and €250m in grants, exemplifying the enormous amounts of capital that the steel industry needs to raise to decarbonise. In our role, ING was responsible for coordinating the documentation process amongst more than 20 banks, two ECAs and one supra-national institution.

The project will use direct reduction technology utilising hydrogen, which is expected to lead to an up to 95% reduction in the carbon footprint of the produced steel compared to the prevailing steel-making method using coal-based blast furnaces. This ground-breaking and large-scale green steel plant, based in northern Sweden (with good access to renewable electricity, high-quality iron ore, and a specialised and innovative local steel industry), is planning to start production during 2026.

* A Pathfinder is a financial institution that plays a leading role in the structuring of a complex financing

Aluminium

Aluminium is an essential material for our modern society. Although producing it is highly emissions intensive, it's fundamental in many decarbonisation technologies, like solar panels, windmills, electric vehicles and batteries. As such, the sector is essential in the journey towards net-zero alignment. ING's aluminium sector clients represent a diverse set of businesses, from fully-integrated aluminium producers – operating mines, refineries and smelters, as well as recycling and downstream rolling, casting, and extrusion – to companies focusing on specific parts of the value chain. Our clients include global companies, regional specialists, those with a sole focus on aluminium, and multi-metal producers.

As of 2023, ING began reporting on climate alignment for the aluminium sector using the Sustainable Aluminum Finance Framework (SAFF) on which ING worked closely with RMI's Center for Climate Aligned Finance (CCAF) and other leading banks in the sector.

The framework differentiates between primary aluminium production, recycling, and semi-fabrication. It uses a [Sectoral Decarbonisation Approach](#) (SDA) to create a tailored net-zero pathway for our clients and for ING's portfolio as a whole, which is a robust approach that accounts for the circumstances and emission profiles that can vary significantly. As such, it allows for better client engagement and progress monitoring at a granular level. The SAFF adopts a combination of two science-based scenarios to set a benchmark towards net-zero by 2050: the International Aluminium Institute and the Mission Possible Partnership 1.5 °C Roadmaps, which are science-based and sector-recognised benchmarks.[29]

2023 Performance

As a signatory to the Net-Zero Banking Alliance (NZBA), ING aims for a Portfolio Alignment Score (PAS) score of zero by 2030 and 2050. This means we are committed to fully aligning the trajectory of our portfolio emissions with the 1.5°C SDA pathway in the mid- and long-term.

Aluminium

Outstanding in scope	Portfolio alignment score	Target 2030
€ 0.5 billion	1.7%	0%
	CO_2e intensity 2023	2030 benchmark vs. baseline*
	8.16 tCO_2e / t aluminium	-21%

*Because benchmark values vary depending on portfolio changes, the target is set on the basis of the Portfolio Alignment Score. This ensures our target remains relevant regardless of underlying data fluctuations.

The 2023 assessment resulted in a Portfolio Alignment Score of 1.7% derived from an average emission portfolio intensity of 8.16 t CO_2e / t Al. We note that the average emission intensity of our clients is already materially lower than the global average sector benchmark for primary production which amounts to ~13.5 t CO_2e / t Al[30]. This reflects ING's approach towards client selection over the years, supporting clients that have a clear focus on sustainable operations. We have also been actively assisting these clients, most of whom have strong sustainability ambitions, in setting up green frameworks and sustainable improvement loans. The fact that our PAS score is above 0, whilst the emissions of our overall portfolio are low, reflects SAFF's ambition.

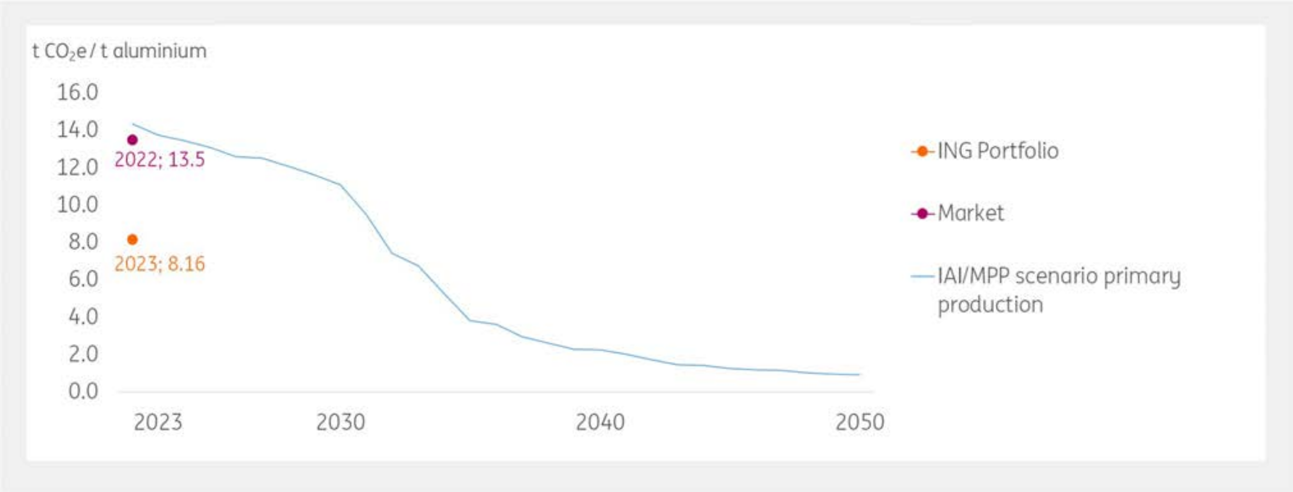
[29] Since 2023, the IEA has also included aluminium scenarios in its NZE 2050 roadmap, but its scope is significantly limited compared to the ones used by SAFF.
[30] Source: International Aluminium Institute (international-aluminium.org) excl. Transport-indirect and Ancillary emissions.

The primary source of information for this first year of reporting has been through third-party data providers[31] with a number of clients providing direct data in parallel. Where we use data providers, ING relies on those verified by the SAFF framework. Since the available information focuses on primary aluminium production, we have focused on this for now.[32] The majority of sector-related emissions are, however, still covered, and going forward we aim to enhance this using more client data and a wider coverage of the recycling and semi-production industry.

Aluminium sector facts and figures:

- ING aggregated SDA emissions intensity: 8.16 t CO_2e / t aluminium
- ING portfolio SDA alignment score (PAS): 1.7%

ING Aluminium portfolio aggregated emission intensity



The overall pathway of our net-zero benchmark depends on a combination of individual client trajectories that can differ over years reflecting our banking portfolio composition and future intention to extend the value chain scope that we are covering. Current reporting scope includes primary aluminium producers, while recycling and semi-fabrication, which generate only a fraction (<10%) of the sector emissions, is omitted at this stage. Aiming for full transparency in our reporting, we shall highlight any changes in the benchmark in due course and when applicable.

Overcoming challenges

In recent years, we've seen the sector increasingly focus on sustainability and decarbonisation, with a wide range of initiatives to support this. This varies from specific production optimisations and technical advancements to new technologies that have never existed before at commercial production scale (e.g. inert anodes). In the short term, the industry is expected to reduce its emissions footprint mainly by focusing on energy/electricity decarbonisation, increased levels of recycling and through the use of process optimisation. In the long term, however, the bigger challenge will be to address the technology-related aspects of decarbonisation[33].

Transaction highlights

Recent examples include ING acting as green structuring agent and bookrunner for Alcoa's debut green bond and ING acting as lead sustainability structuring bank supporting Emirates Global Aluminium (EGA) in the development of its recently launched green finance framework.

[31] The data used in ING's calculations for aluminium is primarily based on scope 1 and 2 emissions across the value chain and includes some scope 3 as well (relating to anode block production emissions).
[32] Data used in this report is based on actual figures for the year 2023 combined with estimations, as final yearly data will be available after the publication date of this progress update.
[33] ING will disclose a full transition plan for the aluminium sector in due course.

Dairy

Our dairy portfolio in the Netherlands consists of dairy processors and dairy farmers. Some of the dairy processors we finance have set short-term and long-term net-zero-alignment targets. As a member of the NZBA, ING has committed to disclosing our plans for supporting the transition of the agriculture sector and food value chains.

Acknowledging the dairy sector as one of the main emitters of greenhouse gas emissions within the food value chain[34], we've started measuring and steering our dairy portfolio towards 1.5°C – beginning with our home market, the Netherlands, and with the ambition to expand our scope from there. Our choice to start with the Netherlands is supported by a hotspot analysis (included in our 2023 Climate Report), which showed the dairy sub-sector for our Dutch medium-sized[35] corporate client base to be an emissions hotspot, accounting for around a quarter of the financed emissions of ING Business Banking in the Netherlands (BBNL). Our portfolio reporting in the Netherlands covers dairy processors financed via our Wholesale Bank (WB) and BBNL, as well as dairy farmers financed via BBNL. This represents a total of €974 million in outstandings, or 26% of agriculture, forestry and fishing-related lending across Business Banking and Wholesale Banking globally.

2023 Methodology and Performance

The metric we use to monitor our portfolio is kg CO_2e / kg fat and protein-corrected milk (FPCM). For our target setting, we applied the Science Based Targets initiative (SBTi) Forest, Land and Agriculture (FLAG) methodology, which uses the IPCC IMAGE SSP2 scenario. As part of this scenario, we applied the dairy emissions reduction pathway for Western Europe. In line with this guidance, we aim to decrease our portfolio emission intensity by 9% by 2030 compared to 2023.

The emission intensity is calculated based on scope 1, 2 and upstream scope 3 emissions (e.g. related to the production of feed and fertilizer) of dairy farmers and the produced milk volume. For dairy processors, scope 3 upstream emissions related to milk production are in scope, directly reflecting scope 1, 2 and upstream scope 3 emissions of farmers. The portfolio-weighted average is calculated based on our client outstandings. With 2023 as our base year, we will monitor our progress towards our near-term target in 2030, and update targets in line with our policy in the event that pathways, emissions calculations or underlying data change.

Dairy in the Netherlands

Figure 11: Intensity pathway for net zero in Dairy in the Netherlands

Balancing emission reductions, removals and nature

Emission reductions and removals are equally important for the dairy sector to meet net zero. Standardised calculation guidance for emission removals at farm level is still under development, and we have not yet identified methodology for modelling removals at the client level. As such, we refrain from setting GHG removal targets. We will monitor developments to enable future steering on removals in the ING portfolio.

When setting the appropriate decarbonisation ambition for the dairy sector it is also important to take into account the interconnectedness with other environmental changes related to nature and biodiversity loss, water- and land-use. Measures that are beneficial for reducing the carbon footprint of the sector might have a detrimental effect on, for example, biodiversity and demand proper balancing of the transition pathway. All new lending transactions for Wholesale Banking clients are therefore subject to assessment of not only climate change risk but other environmental risks such as water, pollution, biodiversity loss, and others (see Climate-nature nexus).

[34] See for example Figure 3 of 'Future warming from global food consumption'
[35] Business Banking NL works with three sub-segments: mid-corporates, SMEs (small and medium-sized enterprises) and the self-employed / micro businesses

Furthermore, we continue to engage with our clients, stakeholders and governments to find suitable transition opportunities and steer our portfolio in a manner that balances nature, climate, food security and other sustainability needs.

Data quality considerations

To drive change, we need to track progress at client level. Being at the start of this journey, we only have partial client-level insights. For 2023, we cover 54% of our outstandings in the dairy portfolio with client-specific data. For the remaining part of the dairy portfolio, we use sector and portfolio averages.

Portfolio emission intensities are modeled following the accounting rules of PCAF and ANCA ('Annual Nutrient Cycle Assessment' model, or 'Kringloopwijzer' in Dutch). Details of our methodology are in the Annex. In the future we aim to improve data quality and granularity by further working with clients.

Overcoming challenges

The need for the dairy sector to decarbonise is clear and is aggravated due to challenges across economic, environmental and social fronts. Stable and ambitious policy can have a positive influence on these challenges. On the economic front especially, costs and incentives of implementing change need to be distributed and allocated across the value chain in a feasible and equitable manner. A coordinated effort by stakeholders including governments, cooperatives and financial institutions will help in creating a balanced approach for decarbonisation of the dairy sector. ING is only at the start of this journey and will disclose further developments in due course.

ING's economists continue to share insights on the impact of climate change on food production and on the greening of the dairy sector.

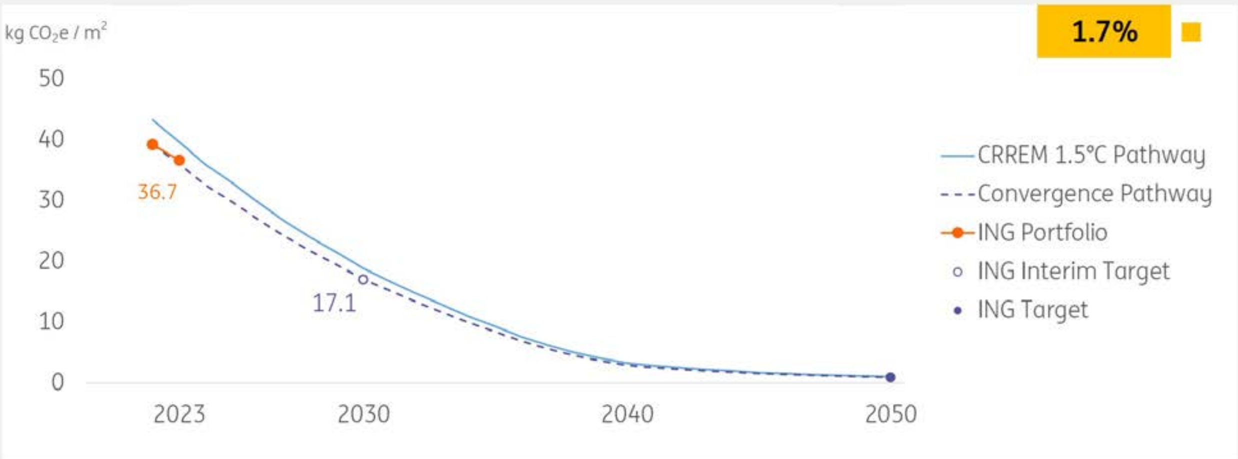
Commercial Real Estate

ING provides lending to the Commercial Real Estate (CRE) sector in both our Business Banking (BB) and Wholesale Banking (WB) segments. Our Wholesale Banking activities are focused on providing financing solutions for an international and institutional client base including global asset managers, exchange-listed real estate companies / REITs[36], pension funds, insurance companies and family investment offices. Within Business Banking[37], we serve both SMEs and mid-corporate clients (such as private investors and family offices). Both the BB and WB CRE teams provide financing for different kinds of asset classes, mainly residential, offices, logistics and retail.

> Information related to this sector is also included in ING's 2Q 2024 **Pillar III Template 3** disclosures. For further detail, please refer to the Index and technical notes of this progress update

In real estate, energy efficiency (kWh/m^2) is commonly used to indicate the performance of a building. CO_2 emissions are largely influenced by the energy mix in a country, whereas kWh is all about the energy efficiency of the asset itself. Steering on energy efficiency is where we can have the most impact. By engaging with all of our clients and focusing on helping them to improve the energy efficiency of buildings, we are confident in our aim to steer our entire portfolio to net zero by 2050. Our target is for the average kg CO_2e / m^2 for buildings in our portfolio to reach 17.1 kg CO_2e / m^2 in 2030, and 1 kg CO_2e / m^2 in 2050. For our business banking portfolio in the Netherlands, we have an ambition to reach net zero by 2045.

Commercial Real Estate WB & BB NL combined



Outstanding in scope	CO_2e intensity 2023	2030 target vs. baseline
€ 25.7 billion	36.7 kg CO_2e / m^2	-56%

2023 Performance

The above chart shows the combined performance of the global Wholesale Banking portfolio and our Business Banking lending in the Netherlands. This resulted in a carbon intensity of 36.7 kg CO_2e / m^2, which is a 6.5% year-on-year improvement, resulting in the portfolio being 1.7% above the convergence pathway. Proxy data for some assets was missing, resulting in an outstanding coverage of 86% of the secured portfolio for WB and BB.

Related to WB clients, we report a carbon intensity of 32.5 kg CO_2e / m^2, which was an improvement of 8.7% compared to the prior year. A significant part of the improved figures comes from applying new emission factors in the PCAF database, where the updated factors are materially lower. In addition we improved our data quality and updated our methodology, which results in an adjustment to our baseline year data (YE2022) from 42.6 kg CO_2e / m^2 to 35.6 kg CO_2e / m^2.

[36] Real Estate Investment Trusts
[37] This year, in addition to our Real Estate Business Banking Netherlands (RE BB NL) portfolio, we've started measuring our Business Banking portfolios in Belgium and Poland, however these are not yet integrated to the combined result.

For RE BB NL lending, this year we report a decline in our emissions intensity of approximately 3.7% compared to last year, to 46.6 kg CO_2e / m^2. The decline includes the impact of data-quality[38] improvements and the efforts of our clients to improve the CO_2e efficiency of their buildings.

Looking ahead, we forecast that the commercial real estate sector as a whole will struggle to remain on its net zero pathway, which will create challenges for ING to steer our portfolio along that path. This is because of low demand currently for renovations, in part as a result of increased renovation costs driven by inflation and high interest rates, and high dependencies on external circumstances that can restrict progress, like the lack of legislation[39] on energy performance certificates. However we'll continue to actively support and steer our clients, and believe the platforms, financing and advisory that we provide will play a key role in accelerating the transition. We anticipate that more stringent sustainability lending requirements will result in a steeper decline in emissions intensity over the coming years.

While data on our Belgium (BB) portfolio is not included in the above chart, we've completed our first assessment of the CO_2e intensity of those assets, with an outcome of 52.4 kg CO_2e / m^2. Data on our portfolio in Poland (BB & WB) is also not included in the above chart, but we have also made our first assessment of the CO_2e intensity of those assets, which for WB and BB combined is measured at 78 kg CO_2e / m^2.

The commercial real estate markets in both Belgium and Poland are currently characterised by the limited availability of energy performance certificates (EPCs). As a result, our initial assessments are largely proxy-based and use PCAF estimates, which makes setting and tracking progress towards a target for CO_2e intensity quite challenging. In the coming years we plan to collect more and better quality data and further develop our proxy models to enable us to steer this part of our lending book. In Belgium, for example, we've started reaching out to a selection of clients with the biggest exposures to directly retrieve data about their emissions and transition plans.

Commercial real estate sector transition plan update

See 'Sector transition plans' for an overview of the actions related to client engagement and the associated upskilling of colleagues that are common to all sectors. Building on this, and on the steps set out in our sector transition plan first published in our 2023 Climate Report, we're taking the following actions to continue to steer on our climate targets for Commercial Real Estate across our Business Banking and Wholesale Banking portfolios:

Our actions in support of clients & portfolio:

- Since our 2023 Climate Report, all new Wholesale Banking transactions, where data is available, are benchmarked against the CRREM convergence pathway, and either need to meet minimum standards for sustainable financing, or have a transition plan in place.
- In 2023, we collected and assessed the transition plans of more than 100 of our largest Wholesale Banking clients (including scope 1, 2 and 3 emissions, targets and investment plans for achieving energy label 'A' or equivalent by 2030). We continued to develop tooling to track the implementation and progress of these plans.
- We organised specific training sessions for real estate sector colleagues, focused on understanding client transition plans, and how to use relevant tooling to assess and monitor such plans.
- We increased the number of sustainability improvement loans within our wholesale and business banking to real estate clients, and supported more clients to develop their Green Finance Frameworks.
- We continued to increase the contribution from real estate assets financed to the ING Green Bond Framework 2022, where the volume for wholesale banking doubled from €400 million to €920 million from the previous year.
- We are working to collect action plans from all our Business Banking clients in the Netherlands commercial real estate sector, which should reflect renovations to buildings to reach a minimum of A-label by 2030. We also conducted a physical climate risk assessment of our RE BB NL portfolio focusing on the biggest climate risks in the Netherlands.
- While we have not yet published a CO_2e intensity target for our Business Banking book in Belgium, we are already implementing initiatives to empower our customers. These include an eco-renovation loan that supports customers to improve the energy performance of their buildings to an EPC target. We've also made a digital tool available to our CRE clients, called the 'Sustainable Buildings Guide', which provides insights on the costs and the impact of renovations on the EPC of their building(s). And we've entered into partnership with two prominent real estate consultancies, Bopro and Stadim, to provide relevant services to our clients, advising them on energy audits, certifications and transition plans.

Our actions in collaboration with industry & market

- We continued to collaborate with clients and industry leaders (like CBRE and CFP Green Buildings), working together to solve data challenges and address methodology questions. For example in Spain, we cooperated with the Building Research Establishment (BRE) to advise clients on the application of Building Research Establishment Environmental Assessment Method (BRREAM) certificates, and with CBRE to map the EU Taxonomy alignment of our portfolio.
- We continued to engage with national real estate players (owners, lenders, real estate organisations, technical advisors) to help develop standards, set new benchmarks and share experiences and best practices from the different countries where ING is active in the sector. An example, mentioned above, is our partnership in Belgium with Bopro and Stadim.

[38] Our data quality improved predominantly as a result of including a larger scope of our portfolio: now covering 96.5%.
[39] In some markets, like the Netherlands, we've seen the impact of ambitious regulation that mandates building owners to improve the sustainability of their buildings. We welcome the same in other markets, and expect to see that in the context of the transposition of the EPBD.

- In Belgium, ING is one of the founding partners of a new Green Building Council chapter. This organisation will promote and accelerate sustainability in real estate. We're also collaborating with peers to develop common data templates for SME customers to improve data collection and comparability.

Our actions to engage with government & policy

- We're an active member of, amongst others, the World Economic Forum, GRESB, mortgages-focused banking associations and other relevant regional or international real estate organisations, also engaging with regulatory bodies, the EU and national governments.
- We also shared our experience with business banking lending to real estate in the Netherlands to the Global Buildings & Climate Forum hosted by the French government in March 2024.
- In Poland, ING supported the creation of a new policy working group (Polsif) among peer banks, to collectively engage the government on effective implementation of the Energy Performance of Buildings Directive (EPBD) requirements.
- We continued to advocate for aligning green/transition definitions and methodologies across borders, including jointly publishing a paper on ESG adoption and implementation in EU Construction and real estate, with members of the Climate Positive Europe Alliance.

ING's economists continue to share insights on how to green commercial real estate and how to apply sustainability reporting standards.

Transaction highlight: Hines US Property Partners

ING acted as Managing Agent and sole Sustainability Structuring Agent for the corporate financing of a $425 million sustainability-linked facility for Hines US Property Partners (HUSPP), the diversified, open-end investment fund of global real estate investment manager Hines.

Hines is an ESG-focused investor, developing buildings with plans for carbon reduction, systems efficiency and social benefit. HUSPP is a financial product falling under Article 8 of the EU's Sustainable Financial Disclosure Regulation. The sustainability KPIs linked to the facility are aimed to incentivise HUSPP to improve its rating from GRESB, the leading ESG rating agency for real estate funds/companies globally.

TransMission advocacy pilot results

For an overview of how we're using the TransMission model to test how a systems-level approach could help shape ING's climate action and advocacy , please see 'Using systems change theory to inform our advocacy'. ING's Commercial Real Estate sector, with a focus on our business in the Netherlands and Germany, was chosen as an example of a sector with local variance and specificities. The pilot application of the TransMission model resulted in the following suggested interventions and solutions. Please note that this is the first analysis based only on ING's internal expertise and assessment, and external validation is yet to be conducted. As a next step these actions will be validated by external stakeholders and where relevant will be integrated in ING's efforts to the extent possible.

Within our business, ING and other stakeholders should explore:

- Structurally making the transition from financing 'brown' to 'green' real estate by adjusting internal risk appetite for green projects.
- Strengthening ESG criteria across all policies and include transition plans to support sustainability goals.
- Requiring external ESG due diligence reports at the property-level for clients involved in new transactions to ensure alignment with sustainable practices.

Beyond our business, ING and other stakeholders should explore:

- Enhancing transparency by communicating ING's financing strategy and engage stakeholders through campaigns on daily business and educational campaigns.
- Collaborating with industry peers to establish a green certification hub and standardise ESG due diligence practices.
- Researching state subsidies and analyzing government impacts on business while funding research on historical buildings' sustainability impact.

In support of ING's climate action advocacy approach, ING should consider linking up with other stakeholders to explore:

- Advocating for capital relief and discounts in capital consumption models to ease financial burdens on an EU level.
- Encouraging ECB/EU to include entire value of renovated 'brown' buildings as 'green' in the Green Asset Ratio because this form of renovation needs to be incentivised.
- Partnering with real estate organisations to align EU taxonomy and EPBD standards, to enable consistency and clarity in regulatory frameworks.

Residential Real Estate

The update we provide for this sector reflects ING's mortgages lending in the Netherlands, Germany, Belgium, Poland, and Spain. That covers approximately 85% of our mortgages outstandings, of around €332.4 billion. Globally, the building sector is off-track with net zero pathways[40]. Many stakeholders, including the Global Alliance for Buildings & Construction, have recognised that without a significant step-change, the sector will be even further off track by 2030. Significant policy and regulatory intervention from governments is needed to green the national energy mix and mandate an industrial-scale renovation of housing and other building stock.

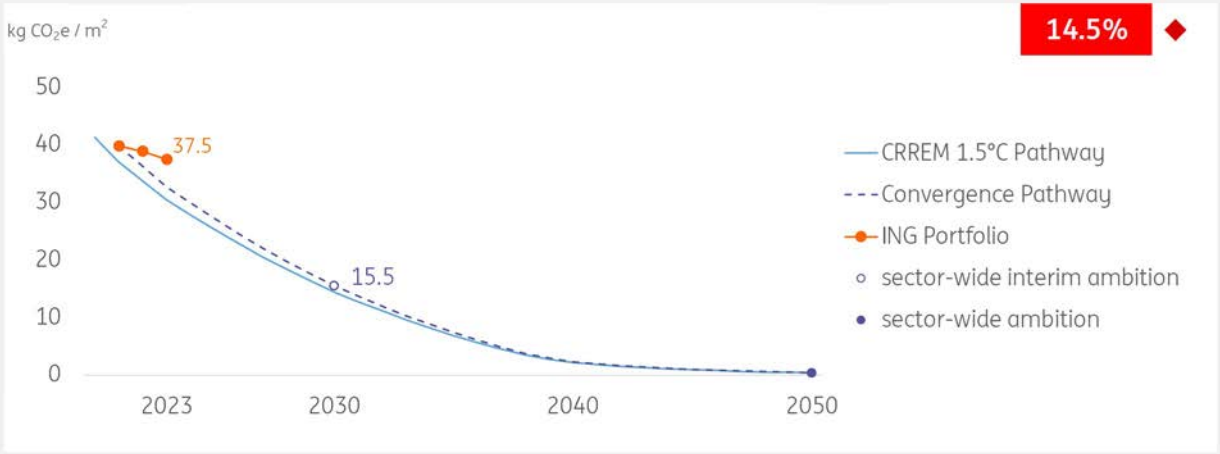
Governments are recognising the need to respond, and national policy frameworks are starting to steer and incentivise renovation. At the EU level, the Energy Performance of Buildings Directive (EPBD) has entered into force, and is now being transposed by member states. At global level, 28 countries launched the Buildings Breakthrough during COP28, committing to make near-zero emission and resilient buildings the new normal by 2030. Since then, the group has grown to more than 70 governments. If governments successfully implement policies like the EPBD and fulfil commitments like the Buildings Breakthrough, then steering the financing of the sector will be more likely to succeed too.

For residential real estate, we specifically refer to ‘contributing to’ a 2030 sector-wide ambition as opposed to the ‘targets’ we set for other sectors. We believe that the systemic challenges affecting this sector make it currently infeasible for ING to set and commit to realistic and achievable net-zero-aligned targets. In addition to the role financial institutions can and must play, the efforts of many stakeholders are required to reach the collective ambition, including governments, the energy sector, renovation and construction-sector stakeholders, and, finally and not least, homeowners. This broad group of stakeholders needs to act together in reinforcing loops to drive the system-level change required for the sector to get on track with net-zero pathways.

While this update represents our broader ambition to contribute to the decarbonisation of the whole sector, ING is planning to also work on an approach that reflects our contribution and advocacy in support of this sector's transition.

[40] IEA Breakthrough Agenda Report 2023: Buildings

Residential Real Estate



Outstanding in scope	CO_2e intensity 2023	2030 ambition vs. baseline
€ 282 billion	37.5 kg CO_2e / m^2	-61%

Australia is not included in this analysis.

2023 Performance

Across the in-scope countries, the sector-wide ambition is that homes in ING's mortgages portfolio should reach an average CO_2e intensity of 15.5 kg CO_2e / m^2 in 2030 and 0.3 kg CO_2e / m^2 in 2050.

At year-end 2023, the CO_2e intensity of our combined mortgages portfolio was 37.5 kg CO_2e / m^2. Based on this measurement, we assess that homes in our combined mortgages portfolio are not decarbonising quickly enough to stay on track with the CRREM-informed sector convergence pathway and net-zero milestones for 2030. There is however progress compared to 2022, thanks to improvements in the emissions from the grid in the five markets, and to renovations resulting in improved Energy Performance Certificate (EPC) labels.

Deficiencies in data availability and/or the methodology options used in some markets, when taken collectively, may cause us to appear either closer to alignment or further off-track than we likely are. We're committed to continually improving our data and methodologies to enable us to report more accurate progress, and to more effectively steer our portfolio towards alignment with the sector convergence pathway.

While we strive to show an as accurate-as-possible collective portfolio view, we also show country-level charts to give better insight into how the portfolio is transitioning in each market (see figure to the right). This year, we've excluded Australia from our portfolio reporting as we have not yet been able to satisfactorily overcome challenges with data availability and quality. We will continue to work with the Australian government and industry to improve our view of residential energy use and the energy-efficiency of housing stock, and aim to include Australia again when these data challenges are resolved.

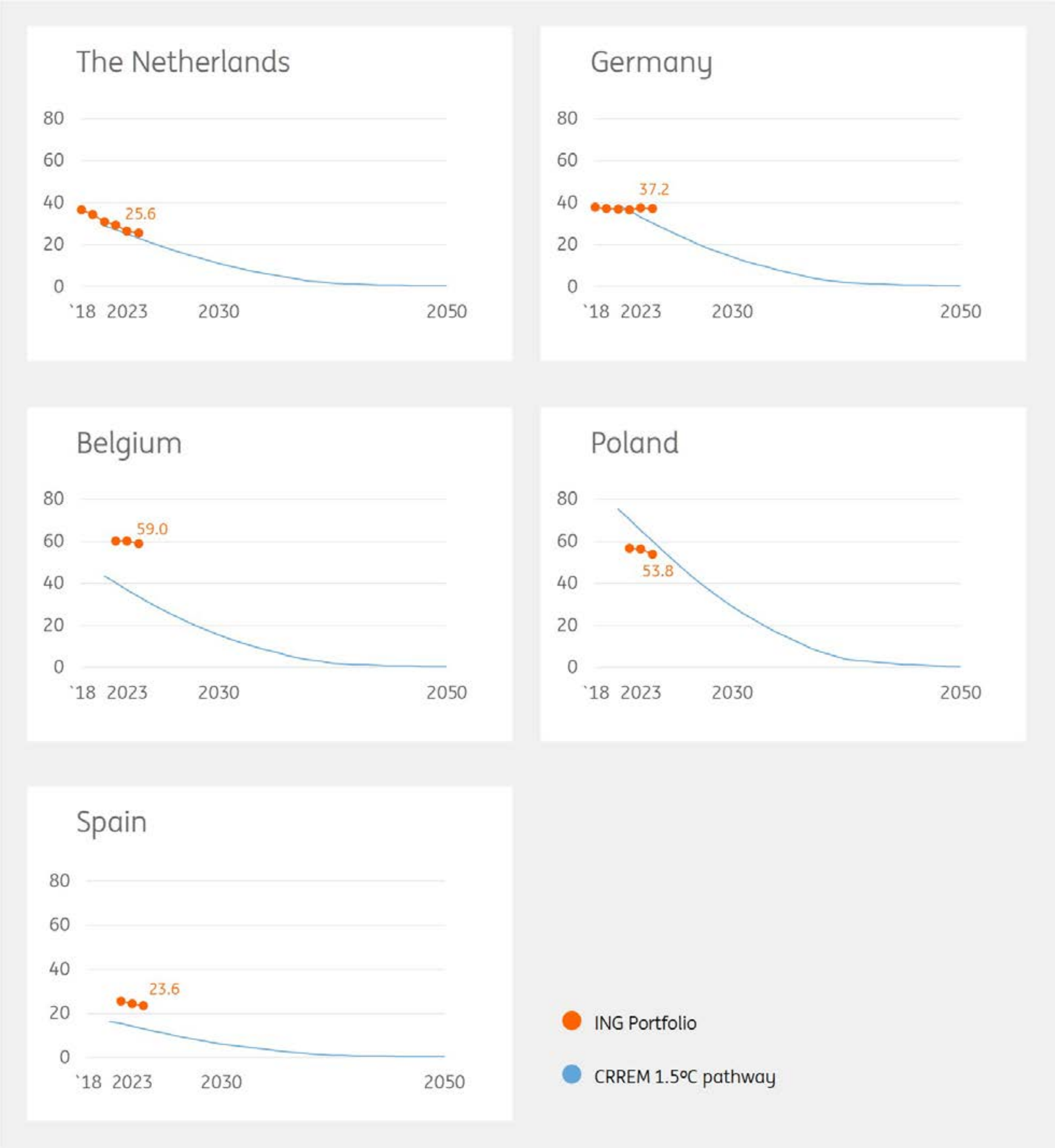
Residential Real Estate sector transition plan

When it comes to steering change within the housing sector, there are several factors that can support the transition. The first and most important factor in reaching net zero is the decarbonisation of grid-related energy sources for electricity and heating. While ING has committed to grow its annual renewable energy financing to €7.5 billion by 2025, we want to see governments set ambitious energy policy within their markets.

ING can have an impact on the new mortgages that we approve and accept into our book, for example through incentivising customers to purchase energy-efficient homes or renovate for improved energy-efficiency within 24 months post-purchase (as we're doing in the Netherlands). However, due to the low numbers of most-efficient homes in the housing stock, we need to look at additional ways to broaden our impact by supporting customers to make their homes more sustainable and therefore also more cost-efficient.

The largest factor we can influence, but which is still challenging, is supporting renovations by existing mortgage customers. So this is where we place most of our efforts in developing products and services, and engaging with customers. A lot can be done to enable customers to modernise their homes, but ING has limited influence on customer behaviour and market developments. If governments were to set ambitious renovation mandates, we believe this would drive renovation waves within the market and allow us to increase our support.

We continue to build our forecasting and transition steering tooling to understand these factors better, so that we can continue to improve our approach to customers, and know what topics we need to advocate for with governments.



ING is committed to empowering our customers throughout their sustainable renovation journey. Building on the steps set out in our sector transition plan in our 2023 Climate Report, we do this by:

- Inspiring customers to get started: We aim to raise awareness and educate customers about the benefits of sustainable renovation through customer communications such as email newsletters and our websites. For example, in the Netherlands, our web pages on sustainable housing have been visited more than a million times since the start of 2023.
- Enabling customers through digital scans: We provide customers with access to digital platforms that enable them to plan their sustainable renovations. These cover a range of aspects, such as determining what renovation actions to take, linking customers to renovation contractors, and connecting them to subsidies or financing to pay for the renovations. In the Netherlands, more than 21,750 clients have done scans using the homeQgo platform since the beginning of 2023.
- Providing advice: Mortgage advisors in several markets are trained to discuss sustainable renovations with customers, now a mandatory part of the conversation, and this is currently the practice in the Netherlands, Germany, Belgium and Poland.
- Providing access to renovation providers: Beyond scans and advice, we aim to connect our customers to companies delivering actual renovation services and installations. In Germany, ING can now direct customers to relevant contractors working in energy consulting or installation of solar panels and heat-pumps based on the client’s postcode. More than 25,000 customers visited our site for partnership connections in the first three months after their launch.
- Providing financing, including access to subsidies: We focus on financing sustainable homes and renovations through secured and unsecured lending. We offer sustainable mortgages which provide an incentive to customers choosing energy-efficient homes in the Netherlands, Germany, Belgium, Spain, Poland, Romania and Italy. In the Netherlands, we continue to also offer other mortgage features that encourage renovation, for example higher loan-to-value ratios to cover cost of renovations, and options for existing mortgage customers to increase their borrowing to cover renovation costs. We also offer unsecured sustainable consumer loans that can be used for energy-efficiency renovations in Belgium, Germany, Poland and Romania.
- In addition to our own financing, we contribute to efforts that connect homeowners to public subsidies and financing. For example, in the Netherlands we contribute (through our Business Banking lending) to the Warmtefonds (National Heat Fund), which aims to have both a positive environmental and social impact by enabling low-income households in the Netherlands to make their homes more sustainable. In 2023, ING made an additional €200 million of financing available to the Fund.
- Supporting customers to update their label: As a final step, we encourage customers to update their energy labels.

Our Residential Real Estate sector transition plan recognises that, moving forward, ING's transition alignment will need to follow national trajectories - such as the local transposition of the EPBD IV in Europe.

Financed emissions

We have measured our absolute financed emissions at year-end 2023 associated with our direct lending and investment activities, also known as absolute GHG scope 3 category 15 emissions. We use financed emissions and intensity metrics in a complementary way. Analysing financed emissions helps us to identify hotspots in our portfolios. For the relevant hotspots, where available data and methodologies allow, we select the most suitable methodology and metric to apply to each sector's activities as per our Terra toolbox approach.

We calculate our absolute financed emissions using the Global GHG Accounting and Reporting Standard for the Financial Industry, developed by the Partnership for Carbon Accounting Financials (PCAF). Emissions data and financial data are input for our absolute financed emissions calculation. We gather emissions data from, among others, PCAF and CDP and financial data from internal databases and Standard & Poor (S&P) Capital IQ.

The following tables show ING's financed emissions per asset class and business line. The tables present our outstandings as of 31 December 2023 and how much of these outstandings we have been able to measure against climate data, and for which we were able to calculate the absolute financed emissions.

In previous disclosures of financed emissions, we have covered scope 1 and scope 2 emissions of entities in our lending book. For the first time in this update and in the Pillar III Template 1 disclosures, we have also covered the scope 3 emissions of our corporate clients in sectors that significantly contribute to climate change. According to the Global GHG Accounting and Reporting Standard, we disclose these scope 3 emissions separately from scope 1 and 2 to prevent double-counting.

In line with our commitments to transparently report on financed emissions, we have calculated scope 1 and 2 emissions for almost the entire Wholesale Banking and Business Banking book. We have also calculated the financed scope 1 and 2 emissions for our Commercial Real Estate and Residential Real Estate (mortgages) portfolios. For these asset classes there is no scope 3 GHG accounting, as this is only applicable to corporate clients[41]. Currently, our scope 3 calculations are limited to sectors that significantly contribute to climate change, as specified in Pillar III Template 1.

"PCAF is laying a foundation for harmonised greenhouse gas emissions accounting that the financial system can build on. I'm delighted ING actively contributes to the shaping of this global standard from the Global Core team and helps to further enhance the measurement and reporting of absolute emissions. Equally important is of course to apply the standard in practice, enabling PCAF to meet the evolving needs of the global financial industry. We applaud the way ING uses PCAF to enhance transparency and accountability in aligning their portfolio with the Paris Climate Agreement."

Angélica Afanador, PCAF Executive Director

[41] GHG Protocol: Corporate Value Chain (Scope 3) Standard

Table 3: Financed emissions per asset class for 2023

Financed emissions 2023									
Asset class	Outstanding in EUR billion[1]	Scope 1 and 2				Scope 3 (upstream and downstream)[2]			
		Measured in EUR billion	Outstanding coverage	Financed emissions in kt CO_2e	PCAF data quality score	Measured in EUR billion	Outstanding coverage	Financed emissions in kt CO_2e	PCAF data quality score
Residential Real Estate (Mortgages)	332.4	332.0	99.9%	6,034	3.4				
Commercial Real Estate WB	22.7	16.6	73.1%	421	3.2				
Commercial Real Estate BB	23.7	11.6	49.0%	272	3.0				
Business loans – Wholesale banking	191.4	191.0	99.8%	39,772	3.7	103.2	53.9%	158,855	3.6
Business loans – Retail banking	76.8	76.8	100.0%	10,789	5.0	41.8	54.4%	47,912	4.6
Total lending in scope	**647.0**	**628.1**	**97.1%**	**57,288**	**3.7**	**145.0**	**22.4%**	**206,767**	**3.9**
Total Equity investments[3]	3.6	3.5	99.0%	78	5.0	3.5	96.5%	544	4.3
Total Corporate bonds[4]	1.0	1.0	100.0%	263	5.0	1.0	100.0%	316	2.4

Notes:
[1] Outstanding of the financial products in line with PCAF Standard Part A. Please note that the outstandings associated with our financed emissions may differ from the total outstanding as reported for some Terra sectors, as for those sectors the outstanding also covers financial products outside of the scope of financed emissions measurement.
[2] For the first time in this progress update and in the Pillar III Template 1 disclosures, we have also covered scope 3 emissions for our corporate clients in specific sectors that significantly contribute to climate change, as specified in the Pillar III disclosure requirements.
[3 & 4] on own balance sheet

Table 4: Detailed breakdown of financed emissions associated with our Wholesale Banking book for 2023

Sector (NACE Rev. 2 level 1)[1]	Outstanding in EUR million	Scope 1 and 2					Scope 3 (upstream and downstream)[2]			
		Measured in EUR million	Financed emissions in kt CO_2e	Scope 1 share in financed emissions	Relative contribution of sector	PCAF data quality score	Measured in EUR million	Financed emissions in kt CO_2e	Relative contribution of sector	PCAF data quality score
Agriculture, forestry and fishing	548	548	1,319	99.7%	3%	4.7	548	332	0.2%	4.6
Mining and quarrying	4,306	4,306	2,890	98%	7%	3.5	4,305	34,494	22%	3.7
Manufacturing	33,960	33,960	7,187	85%	18%	3.1	33,867	68,119	43%	3.1
Electricity, gas, steam and air conditioning supply	17,678	17,397	14,316	91%	36%	4.2	17,308	10,012	6%	4.2
Water supply; sewerage, waste management and remediation activities	2,194	2,194	578	95%	1%	3.9	1,783	367	0.2%	3.8
Construction	3,548	3,548	85	83%	0.2%	3.6	2,613	1,842	1%	3.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	21,629	21,625	2,733	87%	7%	3.5	21,432	33,376	21%	3.4
Transportation and storage	20,791	20,791	9,770	99%	25%	4.1	20,186	9,581	6%	4.0
Accommodation and food service activities	603	603	13	78%	0.03%	3.9	603	393	0.2%	3.3
Information and communication	12,686	12,686	198	65%	0.5%	3.8				
Financial and insurance activities	57,137	57,137	149	79%	0.4%	4.0				
Real estate activities	546	546	4	64%	0.01%	4.2	543	339	0.2%	4.0
Professional, scientific and technical activities	1,929	1,929	78	73%	0.2%	4.0				
Administrative and support service activities	10,007	10,007	303	86%	1%	3.8				
Public administration and defence; compulsory social security	2,168	2,168	110	45%	0.3%	5.0				
Education	90	90	1	39%	0.003%	4.7				
Human health and social work activities	1,170	1,170	25	38%	0.1%	4.3				
Arts, entertainment and recreation	221	221	6	41%	0.01%	4.1				
Other service activities	124	124	6	72%	0.01%	4.4				
Activities of extraterritorial organisations and bodies	-	-	-	-	0%	-				
Total Wholesale Banking lending	**191,336**	**191,050**	**39,772**	**92%**	**100%**	**3.7**	**103,188**	**158,855**	**100%**	**3.6**

Notes:
[1] Sector NACE T, "Activities of households as employers: Undifferentiated goods- and services-producing activities of households for own use" is excluded from the list.
This is because PCAF Standard Part A has not yet developed a method for consumer finance that applies to this sector. NACE is the Nomenclature of Economic Activities.
[2] For the first time in this progress update and in the Pillar III Template 1 disclosures, we have also covered scope 3 emissions for our corporate clients in specific sectors that significantly contribute to climate change, as specified in the Pillar III disclosure requirements.

Table 5: Detailed breakdown of financed emissions associated with our Retail Banking book for 2023

Sector (NACE Rev. 2 level 1)[1]	Outstanding in EUR million	Scope 1 and 2					Scope 3 (upstream and downstream)[2]			
		Measured in EUR million	Financed emissions in kt CO_2e	Scope 1 share in financed emissions	Relative contribution of sector	PCAF data quality score	Measured in EUR million	Financed emissions in kt CO_2e	Relative contribution of sector	PCAF data quality score
Agriculture, forestry and fishing	3,156	3,156	3,855	98%	36%	5.0	2,529	1,100	2%	4.5
Mining and quarrying	140	129	505	99.8%	5%	5.0	135	619	1%	4.7
Manufacturing	11,968	11,968	1,863	86%	17%	5.0	11,503	21,840	46%	4.6
Electricity, gas, steam and air conditioning supply	1,956	1,956	921	93%	9%	5.0	844	269	1%	4.7
Water supply; sewerage, waste management and remediation activities	775	775	422	97%	4%	5.0	616	384	1%	4.7
Construction	5,058	5,058	247	94%	2%	5.0	4,548	11,033	23%	4.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	15,310	15,310	707	99%	7%	5.0	14,359	7,579	16%	4.6
Transportation and storage	5,244	5,244	706	97%	7%	5.0	4,822	3,504	7%	4.7
Accommodation and food service activities	1,684	1,684	79	56%	1%	5.0	1,481	1,179	2%	4.5
Information and communication	1,518	1,518	178	85%	2%	5.0				
Financial and insurance activities	3,315	3,315	108	93%	1%	5.0				
Real estate activities	995	995	3	83%	0.02%	5.0	945	407	1%	4.8
Professional, scientific and technical activities	4,914	4,914	326	90%	3%	5.0				
Administrative and support service activities	4,257	4,257	403	92%	4%	5.0				
Public administration and defence; compulsory social security	8,968	8,968	208	73%	2%	5.0				
Education	547	547	16	60%	0.1%	5.0				
Human health and social work activities	5,327	5,327	173	50%	2%	5.0				
Arts, entertainment and recreation	483	483	13	37%	0.1%	5.0				
Other service activities	1,185	1,166	58	46%	0.5%	5.0				
Activities of extraterritorial organisations and bodies	-	-	-	-	0%	-				
Total Retail Banking lending	**76,800**	**76.771**	**10.789**	**93%**	**100%**	**5.0**	**41,783**	**47,912**	**100%**	**4.6**

Notes:
[1] Sector NACE T, "Activities of households as employers: Undifferentiated goods- and services-producing activities of households for own use" is excluded from the list. This is because PCAF Standard Part A has not yet developed a method for consumer finance that applies to this sector.
[2] For the first time in this progress update and in the Pillar III Template 1 disclosures, we have also covered scope 3 emissions for our corporate clients in specific sectors that significantly contribute to climate change, as specified in the Pillar III disclosure requirements.

Table 6: Financed emissions coverage of Terra per asset class for 2023

Financed emissions 2023									
Asset class	Outstanding in EUR billion	Scope 1 and 2				Scope 3 (upstream and downstream)[1]			
		Measured in EUR billion	Outstanding coverage	Financed emissions in kt CO_2e	Share of financed emissions in scope of Terra[2]	Measured in EUR billion	Outstanding coverage	Financed emissions in kt CO_2e	Share of financed emissions in scope of Terra[2]
Residential Real Estate (Mortgages)	332.4	332.0	99.9%	6,034	81%				
Commercial Real Estate WB	22.7	16.6	73.1%	421	85%				
Commercial Real Estate BB	23.7	11.6	49.0%	272	80%				
Business loans – Wholesale banking	191.4	191.0	99.8%	39,772	55%	103.2	53.9%	158,855	33%
Business loans – Retail banking	76.8	76.8	100.0%	10,789	3%	41.8	54.4%	47,912	0.5%
Total lending in scope	**647.0**	**628.1**	**97.1%**	**57,288**		**145.0**	**22.4%**	**206,767**	

Notes:
[1] For the first time in this progress update and in the Pillar III Template 1 disclosures, we have also covered scope 3 emissions for our corporate clients in specific sectors that significantly contribute to climate change, as specified in the Pillar III disclosure requirements.
[2] Share of financed emissions in scope of Terra is calculated as a ratio of financed emissions of Terra to the total financed emission for each asset class.

Financed emissions for certain shares of our portfolios are calculated using sector-specific emission factors. These factors approximate emissions when self-reported client data is unavailable. During the calculation process, we employ different industry classifications to identify each client's sector. We then select appropriate emission factors to estimate financed emissions across scope 1, 2, and 3.

For Retail Banking, we utilise factors at NACE Rev. 2 classification, an official industry classifier in the EU. For Wholesale Banking, equity investments, and corporate bonds, we rely on factors based on the NAICS[42] 2017 classifier. This aligns with our use of NAICS for our internal sector classification in Wholesale Banking.

Differences with Pillar III Template 1 disclosures and 2022 figures

In this progress update we present an analysis of financed emissions that covers emissions data and financial data as of year-end 2023. We select this reporting period for alignment with the Terra data presented in this update and to enable us to disclose coverage of absolute emissions of Terra clients. This is a different reporting period to ING's 2Q 2024 Pillar III Template 1 disclosures on financed emissions, published in September 2024.

In both this progress update and in our 2Q 2024 Pillar III Template 1 disclosure, we've calculated the scope 3 emissions of our corporate clients for the same list of sectors. When we compare our outstandings and financed emissions for this specific list of sectors that highly contribute to climate change between year-end 2023 (this publication) and the 2Q 2024 Pillar III disclosure, we see the following:

[42] NAICS is the North American Industry Classification System

Table 7: Financed emissions associated with sectors that significantly contribute to climate change

Data point[1]	This report as of end-year 2023	Pillar III template 1 as of 2Q 2024
Scope 1 and 2 in kt CO_2e	46,629	44,975
Scope 3 (upstream and downstream) in kt CO_2e	207,110	180,630

Note: [1] These data points represent figures across asset classes relevant for Pillar III: Business loans (Wholesale Banking and Retail Banking), Equity investments, Corporate bonds.

In 2023, the Scope 1 and 2 financed emissions associated with ING's lending books (excluding Commercial Real Estate) decreased by almost 8 percent compared to 2022. These results are not easily comparable due to fluctuations caused by (i) changes in outstandings of our clients, (ii) changes in the financial data (i.e. Enterprise Value (EVIC) and other balance sheet financial indicators), (iii) fluctuations in FX movements and (iv) other data quality improvements.

Table 8: Financed emissions per asset class for 2022

Financed emissions 2022					
Asset Class	Outstanding in EUR billion	Scope 1 and 2			
		Measured in EUR billion	Outstanding coverage	Financed emissions in kt CO_2e	PCAF data quality score
Residential Real Estate (Mortgages)	326.9	326.9	100%	7,018	3.8
Commercial Real Estate (incl. REFNL)	36.2	-	-	-	-
Business Loans - Wholesale Banking	187.1	186.9	100%	43,516	3.6
Business loans – Retail Banking (excl. REFNL)	87.1	87.1	100%	10,762	5.0
Total lending in scope	**637.3**	**600.9**	**94%**	**61,295**	**3.9**
Total Equity Investments	3.6	3.5	98%	80	5.0

We are committed to expanding our coverage over time. This extension means wider coverage of asset classes and an expansion of scope 3 calculations beyond regulatory requirements. We are also dedicated to improving data quality for financed emissions. While economic activity-based proxies play a role in our calculations, the scarcity of high-quality self-reported emissions from companies remains a challenge for the entire industry. We acknowledge the impact of ESG regulations like the CSRD on the availability of self-reported emissions data. Over the next three to five years, we anticipate tangible improvements in data quality.

Building up a sustainable future

Financing technologies and solutions for a low-carbon world

Building up the new low-carbon economy of the future requires huge financial flows in the order of trillions of euros globally of each year. So, as well as helping to steer our portfolios in the heavy-emitting sectors to drive down their emissions in line with net zero by 2050, ING continues to evolve and innovate its approach to sustainable financing. This covers a wide range of activity – from supporting the scale up of renewable energy to backing our clients' efforts to variously meet their sustainability goals, develop new break-through technologies and create new business models.

- We've set a **target to mobilise €150 billion per annum by 2027** of financing that contributes to more sustainable business models - as at end-June, we had mobilised €56.9 billion so far in 2024, a 21% increase year-on-year.
- The conversation is moving **beyond climate**, so ING is expanding its scope for sustainable financing towards other topics contributing to, and interlinked with, climate action - such as nature, plastics and the circular economy.
- In 2023, we created the **Sustainable Value Chains (SVC)** team to investigate new business opportunities arise from working across existing and new value chains within the ecosystems of key sectors.

Sustainable and transition finance

Through our financing activities, we aim to deliver on our main ambition: to help accelerate the transition by financing the change that's needed. And as the world of sustainable finance is maturing, so are we. We're adapting to new market standards, regulations, data availability and quality, and the release of new sector-specific pathways and frameworks that can accelerate sustainable transition. And as we continue to integrate and embed our climate action into our decision making and processes, we're changing the way we engage and do business with our clients.

To support our Wholesale Banking clients in their sustainability transition, we've set a target to mobilise €150 billion per annum by 2027 of financing that contributes to more sustainable business models[43]. As at end-June, we had mobilised €56.9 billion so far in 2024, a 21% increase year-on-year. Contributing to that total are the 367 sustainability deals supported by ING in the first half of 2024. A recent example of a deal focused on financing a more sustainable future is the $100 million debt financing of Voltera, a US-based infrastructure provider that develops, owns and operates strategically-located charging sites for electric vehicle (EV) fleets. This green financing, a first-of-its-kind for the EV charging industry in the US, will be used by Voltera to scale up its offering, and is an important development in the electrification and decarbonisation of the US transportation industry.

The conversation is moving beyond climate only, with ING expanding its scope towards other topics contributing to climate action, such as nature, plastics and the circular economy. The nature of client conversations in sustainable finance – and ING's offering – is also broadening from a focus on the structuring of sustainability-linked products – where companies set their sustainability goals and where related KPIs are closely tied to their financing – to the execution of broader green investment plans, as companies seek to make progress towards with their transition goals.

Another noticeable development in sustainable finance is the extent to which client behaviour is being shaped by the Corporate Sustainability Reporting Directive (CSRD), which, dependent on company size, is expected to come into force in 2024, 2025 or 2026. Clients are seeing CSRD compliance as an opportunity to refine or further detail their sustainability strategies, and are currently focusing on how to measure and

[43] Details of what counts towards our sustainable volume mobilised can be found at: https://www.ing.com/sustainability/performance-and-reporting

disclose progress towards reaching their goals, like those related to the reduction of scope 1, 2 and 3 emissions.

Along with the changing nature of sustainable finance, ING's approach to engaging with clients on this topic has also evolved [see ‘Sharpening our client engagement approach’]. We have moved from focusing on supporting our clients in structuring sustainable finance solutions to a more holistic approach. We take into account how our clients’ sustainability strategies are integrated in their business strategies, placing increased emphasis on understanding how our clients embed sustainability into their core operations, and what actions they are taking to reach their sustainability and net-zero transition goals.

As a result our approach has extended beyond the development of sustainable finance solutions for our clients. Our client engagement increasingly relies on data-driven and factual analysis, which allows us to understand the clients’ needs and challenges. This enables us to offer them relevant insights and advice across our entire range of products and services.

The expanded engagement approach also means that everyone in Wholesale Banking who has a direct relationship with a client needs to be equipped with the relevant data, information, knowledge and skills to contribute to how we support our clients decarbonise and meet their sustainability goals.

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Enhancing collaboration within and across value chains

Our climate alignment approach under Terra is sector-based, with sector-specific transition plans in place to guide our actions in aligning with the relevant net-zero pathway for each sector. We also work across sectors to better identify opportunities and risks, and to harness innovation and disruptive technologies that have the potential to accelerate the transition of our clients and our portfolio to net zero.

On the one hand, ING aims to supports individual companies on their journeys towards more sustainable activities, by financing their transition through specific projects or investments, while on the other hand, we also focus on the collaborations needed to reach those goals.

As well as engaging with individual clients, we also strive to make connections and support collaboration both within particular value chains and across them. We do this in different ways, with a focus both on the circular economy and innovative approaches to the broader energy system. This approach supports the development of the systemic solutions necessary to accelerate the transition.

The Sustainable Finance team works with our Wholesale Banking sustainability experts to achieve this collaboration, complemented by teams and centres of expertise dedicated to emerging themes. One of these teams is **Sustainable Value Chains (SVC)**, created in 2023 to investigate new business opportunities that cut across existing and new value chains. This is based on our belief that the initiatives and technologies needed to transition to a low-carbon economy span across sectors and in industries. This requires a deep commitment to co-creation and pioneering which in turn necessitates a shift in the mindset of those involved. SVC aims to cultivate a setting where innovative and unconventional ideas, essential for the transition, can flourish.

The SVC team serves as an incubator of sorts, bridging sector experts with the broader ING network and our wide range of expertise. It provides a platform where co-creation takes place on innovative and disruptive ideas where opportunities can be brought that have the potential to accelerate the transition of our clients and our portfolio to net zero. Through the SVC platform we aim to identify innovative opportunities with the capacity to scale, to simplify complex issues and to foster an environment where new technologies and business models can thrive.

Looking ahead, we have identified a range of key themes gaining prominence and which offer insight into the potential billion-euro sectors shaping a sustainable, low-emission future. Our strategy is to transform these future growth sectors into focal points for in-depth analysis, leveraging our research team and linking corresponding stakeholders. This approach will allow us to craft opportunities that are commercially viable and financially robust, with the aim of ultimately integrating them within our organisation.

SVC's current focus is geared towards:

- Battery value chains
- Charging and charging services (for electric vehicles)
- Recycling and bio-based materials
- Clean tech and electrification
- Nature-based solutions

In short, our SVC approach and team plays a vital role in helping us finance the transition, not only supporting ING's clients in their climate transitions plans, but in broader, systemic changes to industries. This is not something one single company can do alone – it's about working together in the value chain to make this happen collectively.

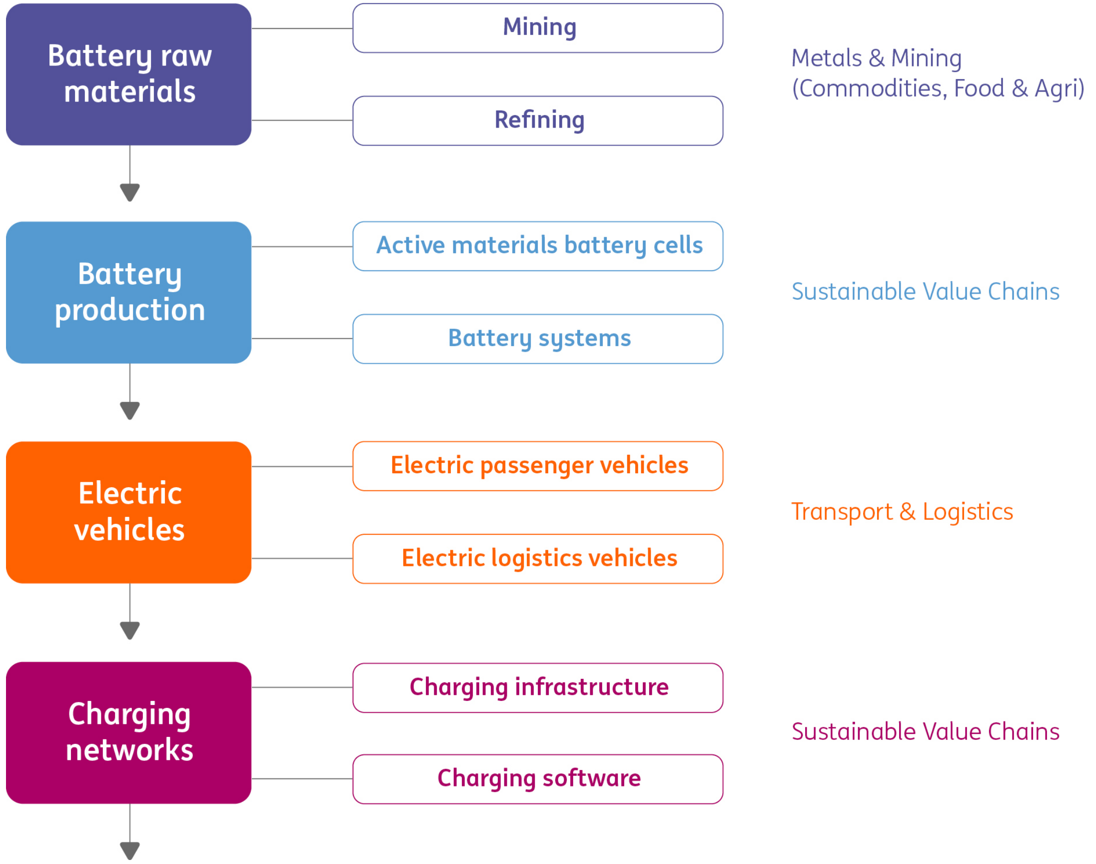

Figure 12: An illustrative example of the SVC team's work fits into the electric vehicle value chain

Including everyone

Finding new ways to enable people to stay a step ahead on climate

At ING we believe that most people want to be able to play a positive role in the transition to a low-carbon future. Our climate action approach includes finding ways to enable people to play their part and prepare for the future, starting with our retail customers. Over time we'll be striving to find new and innovative ways to empower individuals and communities to stay a step ahead on climate.

- Due to the scale of our mortgage portfolio, we have the opportunity to **help people to make their homes more sustainable**, opening up a practical way for many more to participate in the transition.
- In most of our mortgage markets we already offer **sustainable mortgages**, and we also have offerings to support people to **renovate and retrofit** their homes.
- The residential real estate sectors in our core European mortgage markets, including the Netherlands, Belgium and Germany, provide an **important testing ground** for efforts to develop more ways to support retrofitting. Plus, we are working **beyond the business** to connect homeowners to public subsidies and financing.
- We **engage with policy makers** at the global, European and country level to advocate for the systemic changes that can help accelerate the transition of the residential housing market. A crucial starting point here is the availability of robust and comparable data on the energy efficiency or actual energy use of households.

Empowering our retail customers to play their part

The built environment and residential homes produce a significant proportion of carbon emissions today[44]. Through our mortgage portfolio we finance a large number of homes in the markets where we operate. So we have the opportunity to help customers to make their homes more sustainable, giving many more people a practical way to participate in the transition.

First, we offer sustainable mortgages which provide an incentive to customers choosing energy-efficient homes, next to which we also have offers for mortgage or non-mortgage clients to renovate their homes. We have the strategic ambition to further develop our retrofitting offering in support of the net-zero ambitions of the residential real estate sector. In addition to our own financing, we're part of efforts that connect homeowners to public subsidies and financing. For example, in the Netherlands we contribute to the Warmtefonds (National Heat Fund), which aims to have a positive environmental and social impact by enabling low-income households in the Netherlands to make their homes more sustainable. Read more about how we finance the residential sector to transition under the section on residential real estate.

We also provide customers access to digital platforms that enable them to plan their sustainable renovations. Even relatively simple renovation projects can involve choices between technologies, government subsidies, license approvals, energy provider assistance and certification. This leaves homeowners unsure of where to start, or who to even talk to. These digital platforms link customers to contractors, connect them to subsidies and help to determine what renovation action to take. For example, in Germany customers are now making use of a renovation calculator that ING built in partnership with KfW bank. Going forward we intend to work with new partners and local authorities to create full-service one-stop-shop retrofitting offers.

Engaging with housing policy makers and advocating for change

Beyond our engagement with individual customers, we work with governments and other stakeholders to advocate for systemic changes that should accelerate the transition of the market. These include greening of the energy mix by transitioning away from fossil-fuel heating systems, long-term and ambitious national renovation plans with programmes that balance the onus on individual home-owners and the role that government and other institutions need to play, and, finally, increased access to EPC label and energy-usage data to enable banks to actually track and steer on progress.

At global level, ING is engaging with the COP Buildings Breakthrough Initiative for buildings led by the governments of France and Morocco. In March 2024, we participated in the first Global Buildings & Climate Forum with more than 70 Governments, UN Agencies, and representatives from the construction industry. There we contributed to a range of policy discussions, voicing the opportunities and challenges we see for steering both our residential and commercial real estate lending.

[44] according to the UN's Environmental Programme, the buildings and construction sector is by far the largest emitter of greenhouse gases, accounting for 37% of global emissions. Source: 'Building Materials And The Climate: Constructing A New Future' (September 2023)

At European Union level, for the past several years we contributed (as a member of the steering committee) to the former Energy Efficiency Financial Institutions Group and advocated for the now-finalised Energy Performance Buildings Directive (EPBD). We continue to engage on energy-efficiency policy with the EU's Directorate General of Energy.

At country level, we continue to engage governments on a range of policy topics. For example, in the Netherlands and Belgium, we participate in round-table discussions with government on how to finance improvements in energy efficiency. And in Germany, we're contributing to initiatives to improve the collection and sharing of EPC labels. Another example comes from Poland, where ING supported the creation of a new policy working group among peer banks, to collectively engage the government on an energy-efficiency renovation policy for housing. And in Spain, ING convened more than 30 policymakers from different political parties, together with relevant institutions and associations, to discuss net-zero housing and how to boost sustainable renovation in Spain.

We also contribute to thought leadership. In the Netherlands, ING Research partnered with economists at ABN AMRO and Rabobank to publish a report on how to achieve a 'climate proof' housing market. The report analysed measures to deal with physical climate risks and support climate adaptation and climate mitigation. It provides insights and recommendations for a timely, smooth, fair and cost-efficient transition to CO_2-neutral and climate-resilient (owner-occupied) housing stock.

"A sustainable, climate-resilient future means finding ways to include everyone in the transition. From empowering customers throughout their sustainable renovation journey to offering digital solutions, ultimately enabling people to stay a step ahead on climate change."

Pinar Abay, global head of Retail Banking, Management Board Banking

Next frontiers in a dynamic landscape

Our integrated approach

Around the world, huge efforts are underway to respond to the urgent challenge of climate change. It's a fast-changing dynamic landscape and our approach needs to evolve to keep pace. We're taking an holistic approach to climate action, which spans the scope of climate change mitigation, climate adaptation, nature and biodiversity, and human rights and 'just transition'. Our approach recognises that systemic solutions are needed in support of transitioning to a low-carbon economy at speed and scale.

- Climate change is a complex challenge, so we've been **broadening our approach** to take into account key interdependencies such as nature and human rights. As with climate change, we are **integrating nature** into our financing decision-making processes.
- We see **climate adaptation** as an important addition to climate mitigation efforts; for example, large investments in the electricity grid to support the decarbonisation of the power supply are pivotal in the energy transition.
- Increasingly, it is important that the low-carbon transition is delivered in an equitable way. So, we aim to understand how our efforts on climate are linked to **advancing human rights** and **fostering social resilience**.

Climate adaptation and resilience is increasingly becoming a global priority alongside climate mitigation. At the same time, there is growing awareness of the climate-nature nexus, with the halting of nature loss and the restoration of biodiversity as important ways to help build climate change resilience. And the transformation to a low-carbon economy cannot be truly sustainable without a fair and inclusive approach to social progress. These are complex and interconnected issues, and we're increasingly broadening our approach to take account of these major inter-dependent facets of the climate challenge, which also connect into the broader ESG agenda.

Climate adaptation

Climate adaption measures are crucial to building resilience and reducing society's vulnerability to the increasingly adverse effects of climate change. Climate adaptation measures can be categorised as preventing, responding, and adapting. Examples include protecting coastlines and dealing with sea-level encroachment, managing land and forests, dealing with and planning for reduced water availability, developing resilient crop varieties, and protecting energy and public infrastructure.

As the urgency of the climate crisis intensifies, the importance of building resilience through comprehensive and carefully planned climate adaptation measures becomes more acute. We acknowledge that financial risk models have a short, mid and long-term view of necessary adaptation, but as climate change accelerates, the risks associated with climate change have an increasingly short time horizon.

We also see climate adaptation as an important balance to our climate mitigation efforts. For example, large investments to support the decarbonisation of the electricity grid are pivotal in the energy transition. By reducing carbon emissions from fossil-fuel electricity generation, grid investments contribute to climate mitigation, but they also support adaptation by making the future grid more resilient and secure. Financing to support the transition of other critical public infrastructure – such as transportation – also similarly balances the need for climate mitigation and adaptation, as does investment to promote food security. We note that adaptation measures can sometimes have adverse biodiversity and human rights impacts. We have sought to address these in our Nature and Human Rights updates, published earlier in 2024.

Improving our understanding of physical climate risk drivers and their impact on our portfolio under different climate change scenarios will help us identify companies or business areas vulnerable to climate change. Once identified, we can then engage with them to support adaptation efforts. In other words, in addition to reducing the physical risk impact on our portfolio, we can support clients and communities to adapt through financing. Adaptation requires investment by governments, companies and private individuals. There is currently a financing gap which constrains climate action, in particular in developing countries.

To reduce the physical risk impact on our own operations and portfolios, and support clients and communities to adapt and become more resilient to climate change, ING's approach is to:

- continue adapting our own operations
- support adaptation through our financing
- promote thought leadership and advocate for climate adaptation standard-setting

Climate-nature nexus

Climate change, pollution and the destruction of nature are three interlinked, global crises faced by humanity. The UN calls this the 'triple planetary crisis' – a combined and compounded threat of three existential and inter-connected challenges. As a bank, we know that our actions to support the climate alignment and performance of our clients cannot be taken in isolation as they are also closely linked to the effective mitigation of nature loss and pollution. Likewise, the prevention of biodiversity and nature loss, and its eventual restoration, is an important aspect of climate action and mitigation. None of these challenges can be tackled in isolation.

This is why ING seeks synergies in our approaches to climate and nature, with our updated nature approach building on and incorporating learnings from our Terra approach. We aim to integrate nature in the structures we've already put in place for climate action, and in our sustainability approach in general. For example, this year we've started to integrate selected nature data points into our client transition plan assessments for the first time, allowing us to address nature and climate performance in a holistic manner. This is being designed to replicate our climate-focused client transition methodology to achieve impact on nature and biodiversity measures. For example, in cases where clients are active in sectors or commodities associated with deforestation risks, or plastic waste, we are stepping up our engagement efforts to drive reduced impact on nature. And in general we aim to expand and enhance our processes, as we want to develop nature-related metrics that enable the steering of our loan book, starting with the sectors with the biggest impact on nature. At the same time, we are also looking at our environmental risk assessment in a more holistic way that recognises the integration of climate and nature.

All of these actions reflect a growing recognition that we can't separate our approach to climate action from our approach to nature. More information on ING's nature approach, which has the goal of empowering our clients to contribute to halting and reversing nature loss, can be found in our 2024 Nature publication. This includes our hotspot analysis of the nature-related impacts and dependencies of sectors in ING's loan book.

Just transition

Climate change is a major threat to the environment and biodiversity, impacting people and their human rights. The world needs to transition to a low-carbon economy, based on cleaner and renewable sources of energy, but it has to transition in a fair and equitable way, achieving a 'just transition'. At ING, we're actively working to understand the implications of a 'just transition', maximising the social and economic opportunities of climate and environmental action, while minimising and managing potentially adverse impacts of these actions.

We have been working on just transition since 2021, participating in discussion internally and externally to gain knowledge on this topic. In 2023, experts from Global Sustainability provided information and training sessions to colleagues from various ING departments, as well as a dedicated just transition information session for ING's ESG Committee, along with members of the Management Board Banking and Supervisory Board.

Just transition has become one of ING's key sustainability topics in 2024. To better understand where we could embed elements of just transition in different parts of our business, we conducted research and analysis, supported by sustainability consultant Levin Sources. This involved reviewing ING policies and frameworks with relevance to just transition, and collecting input from different teams, including Environmental & Social Risk (ESR), Sustainable Finance, Wholesale Banking and the various functional departments of the bank. The findings were then compared against global normative frameworks, such as the United Nations (UN) Guiding Principles on Business and Human Rights, and other leading practice, such as UNEP-FI's Just Transition Finance: Pathways for Banking and Insurance.

With the findings of this research, we have drawn up a list of initiatives that will help us more closely align our climate action with a just transition. Starting in 2024 and continuing into 2025, these will include publicly disclosing and communicating ING's just transition efforts, closely examining just transition related impacts and mapping risks, and developing resources for high-risk sectors. Most importantly, we aim to prompt a shift in mindset from everyone in the business to understand how our efforts concerning climate and the environment are inextricably linked to advancing human rights and fostering social resilience. We anticipate that the topic of just transition will grow in prominence and we will continue to take into account the latest insights and market views.

For more insight and detail about our human rights approach, please consult ING's most recent human rights review.

Key enablers of effective climate action

Governance

ING put its climate governance structure in place in 2018, and since then we've continued to optimise the governance structure as an integral part of the business while focusing on climate-related risks, opportunities and disclosures.

Our ESG governance approach reflects ING's strategic priority to put sustainability at the heart of what we do, and we've integrated and aligned our ESG governance with the existing business-as-usual governance of the bank. For details, please see our 2023 Annual Report (page 41).

Terra governance

ING's climate alignment strategy is guided by our Terra approach. Terra is fundamental to our aim to steer the most carbon-intensive parts of our lending portfolio to net zero by 2050, which is why we highlight here the governance for Terra and the associated sector targets and transition plans.

ING's Management Board Banking (MBB) has responsibility for the global ambition-setting and oversight of our Terra approach. All Terra sector targets and the associated sector transition plans are owned by the business heads of the respective sectors (the Global Sector Heads). For Wholesale Banking (WB) this is governed by the WB Sustainability SteerCo along with the global heads of our energy; transport, logistics and automotive; real estate & infrastructure; food, agriculture and commodities; and construction sectors as part of corporate sector coverage. For Retail Banking (RB), this is governed by our RB Sustainability SteerCo, which includes the global head of Retail Products and the heads of Retail from the Netherlands and Germany.

The execution of sector transition plans is the responsibility of the business (the WB sector teams, and where relevant the heads of Retail and Business Banking), guided by the sector leads, sustainability leads and, where relevant, dedicated committees like the Net Zero Housing Committee, and with the support of other relevant departments (like Sustainable Finance, Research, and Risk). Per sector, progress on our climate targets is tracked and assessed on a quarterly basis, with an annual evaluation done on the outcomes of our actions, based on which we revise our plans if needed. The Terra SteerCo and Global Sustainability provide advisory and implementation support.

Managing ESG risks

ESG risk, and in particular climate risk, is a systemic risk that is non-diversifiable and affects the likelihood and severity of existing risk categories / risk types, therefore the management of ESG risk is embedded within all risk types.

Managing our climate (and other environmental) risks is a key element of our climate approach and ING's overall strategy. We have invested a significant amount of time and resources in developing our capabilities and expertise in this emerging and fast-developing area of risk, and strive for continuous improvement. For details, please see our 2023 Annual Report (pages 55 and 188).

ESG risk

The ESG Risk department is a function that is part of ING’s second line of defence. The ESG Risk department is responsible for adapting ING’s risk management framework to account for ESG risk, and challenges and provides oversight on the implementation of ESG risk practices by the first line of defence.

The ESG Risk department is responsible for:

- Maintaining the ESG risk framework and related policies and mandatory instructions
- Addressing the requirements of ESG risk regulations and supervisory guidance, such as the European Central Bank's guide on climate-related and environmental (C&E) risks
- Setting ESG risk appetite
- Identifying and assessing ESG risk
- Monitoring and reporting ING’s ESG risk profile

Environmental and social risk

Environmental and social risk (ESR) is a Wholesale Banking risk function that's part of the second line of defence of ING (the first line being the business itself). The ESR team is responsible for developing policies and procedures regarding the identification, assessment and mitigation of environmental and social risks associated with the clients and transactions the bank finances. The department takes the lead in communicating our standards internally and in training internal stakeholders. The ESR team also has an advisory role to support the deal principals, senior credit officers and approval authorities on individual transactions. The degree of the ESR team engagement in transactions is dependent upon (1) the risk profile of the client, project or business engagement, (2) ING’s exposure, and (3) the actual risks screened. In some locations an ESR-delegated adviser may be appointed if mutually agreed by the head of ESR and regional head. Such a role would support the senior credit officer (SCO), who is responsible for ESR in the region. Committees involved in managing environmental and social risks include the Global Credit & Trading Risk Policy Committee (GCTP) and the Global Credit Committee for Transaction Approvals (GCC-TA). The GCTP approves the policies, methodologies, and procedures related to ESR. The GCC-TA approves transactions that entail taking higher environmental and social risk.

The ESR function encompasses the following activities:

- Create and maintain policies for sensitive industry sectors
- Assess transactions for environmental and social risk
- Monitor high-risk clients to assess compliance with sustainability criteria
- Spread ESR awareness throughout ING
- Participate in European and global advisory groups (e.g. OECD advisory group, steering committee to the Equator Principles, Thun Group of Banks) to help bring all banks to the same high standard.

Upskilling and empowering our organisation for an effective sustainability culture

Sustainability is a strategic, business and commercial priority for ING. To be successful in achieving our strategic goals and business targets, we're putting sustainability at the heart of what we do – and working to instill an effective sustainability culture throughout the bank. This requires that we engage our colleagues with our sustainability approach and empower them to contribute to it.

As of May 2024 we've started measuring internal engagement on sustainability with our annual Organizational Health Index (OHI) Pulse survey. Our colleagues are asked to self-report on their understanding of ING's sustainability approach, whether they feel empowered to contribute to our sustainability goals through their own work, and how they perceive our leaders to be acting on sustainability objectives. The results are encouraging and, with a baseline measurement now made, the results of future OHI Pulse surveys will allow us to track progress, identify and address areas of attention, and uncover new insights and local best practices that help improve our engagement and upskilling initiatives.

In sharing the OHI survey results with managers, we provided a toolkit to guide them in having sustainability discussions with their teams. By engaging in dialogue on sustainability topics and ING's response to the challenges of climate change, managers help to bring learnings to life, while also identifying learning needs in their team. For teams that are further along on the awareness and upskilling journey, team discussions on sustainability can focus on how to integrate sustainability and climate action into the work they do, with business relevant sustainability-related individual and team targets as the outcome.

Recognising that our colleagues across ING have different levels of awareness and different opportunities for contributing to sustainability and climate action, our in-development internal engagement plan follows a three-step progression (see Figure 13), while building in flexibility to account for varying levels of maturity in different parts of the organisation.

As the first step, we try to make sure that our colleagues are highly engaged with our strategy and all sustainability-related topics, especially climate action. We seek to raise awareness and equip colleagues with the relevant knowledge and skills, along with a "we can, we will" mindset, to put sustainability and climate action into practice within and outside of the workplace.

Know

Colleagues **know** and understand ING's sustainability approach, and the external context in which we operate. They are equipped with the knowledge to be able to inform others, and the **skills** needed to deliver on the sustainability-related aspects of their role.

HOW: AWARENESS & UPSKILLING global Learning programme | topic/business-focused upskilling

Feel

Colleagues **feel** the urgency of taking action on climate, and **believe** in, and **feel proud** of, ING's sustainability approach and the actions we take. They recognise ING as a sustainability frontrunner in banking and feel **confident** to act as **ambassadors** for ING's approach.

HOW: IMPACTFUL COMMS & EXPERIENCES comms (internal / external / targeted) | Sustainability Week

Do

Colleagues **do** act as internal & external sustainability ambassadors. They incorporate sustainability-related **targets & KPIs** into their team and personal work objectives, and **act** to make a sustainable difference **in their work** / **for their customers** and in their communities.

HOW: LEADERSHIP & EMPOWERMENT role-modelling | team dialogues | team & individual KPIs

Figure 13: Global Sustainability internal engagement plan

Learning and upskilling

Continuous learning and upskilling on sustainability is necessary if we are to fulfil our aim to be a leader in accelerating the transition. This means learning and upskilling is a clear business need, but is also necessary to meet regulatory requirements. In support of these needs, we continue to develop and implement our global framework for sustainability learning. The global framework is built on these principles:

- Global consistency coupled with local flexibility
- Providing the right learning at the right level
- Data-driven, and guided by scientific insights
- Using existing (best practice) content and find synergies

… and has the goals of equipping colleagues to put sustainability into practice day-to-day and supporting ING leaders to unlock their people's full potential.

The first deliverable of the global framework was the foundational e-learning called 'Putting sustainability at the heart', made available to the global ING organisation in April 2023. As of end-August 2024, more than 75% of employees had completed the course, which is in our view an impressive result for what is a non-mandatory course. This foundational course is the first step on a prepared sustainability learning journey, and is supplemented by a full suite of complementary online training material, including deep-dives into topics like Terra and climate action. In 2024 we updated the module on nature & biodiversity to reflect the evolution of our nature approach. We're also using Climate Fresk to raise awareness of the causes and consequences of climate change and the (IPCC validated) science behind it. Climate Fresk is available to all colleagues in Belgium, the Netherlands and Spain (with well over 4,000 colleagues already trained) and is increasingly being adopted in other parts of the organisation. ING's growing number of Climate Fresk facilitators are equipped to connect the insights gained in a Fresk session with ING's global and local climate ambitions, building awareness and engagement.

We also focus on upskilling programmes aimed at developing more expert expertise. In the second half of last year we rolled out a comprehensive Climate & Environmental Risk (CER) learning programme that's tailored to different functions and roles in ING, such as front-office, risk, finance, corporate audit services and senior management. The CER upskilling programme has subsequently been augmented by the rollout of the new ESG risk framework that's being embedded in the Wholesale Banking business.

In the business lines and functions, specialist learning academies focus on the more specific learning needs of different departments. For example, in Wholesale Banking a tailored sustainability learning journey is provided to the front-office colleagues engaging directly with clients, we've developed a Sustainable Finance course in collaboration with Rotterdam School of Management at Erasmus University, and the WB Sector sustainability leads organise ongoing sector-specific trainings address the training needs related to the specific sector context. In Business Banking a sustainability-focused learning programme has been rolled out, and an example from our Retail Banking business is the Sustainability Academy of ING in the Netherlands, which provides a number of climate- and nature-focused online courses that constitute the ING Climate School. All employees of ING in the Netherlands are expected to complete at least two Climate School courses[45] and include this in their personal goals for 2024.

We offer additional learning opportunities by, for example, hosting regular 'Ask Us Anything' (AUA) webinars on sustainability topics, allowing colleagues to interact directly with our in-house experts. Several such sessions took place as part of our second annual Sustainability Week, including on climate action, Wholesale Banking's Client Transition Plan process and ESG risk (for WB).

Knowledge-building and upskilling at ING on sustainability topics, including climate action, are not without their challenges. Our global framework for sustainability learning has as one of its objectives to bring more focus and consistency to our learning offering, which is currently fragmented across different countries and business units and leads to discrepancies in sustainability knowledge across regions, countries and levels of seniority. There is also the challenge of keeping pace with the dynamic developments related to climate action, and making sure that learning materials reflect the latest scientific insights and policy developments. We also recognise that access to relevant learning and upskilling opportunities needs to paired with the employee empowerment, time and resources to make the most of them - which requires the buy-in and support of people leaders across the bank. Coupled with this is the requirement for people leaders to align and balance commercial team and individual targets with sustainability-specific targets as we increasingly put sustainability at the heart of what we do.

Building awareness through communication and experiences

Our main sustainability awareness initiative for colleagues globally is an annual Sustainability Week. The 2024 edition took place in late-March, with more than 100 activities spread across 24 countries. The majority of these online and in-person activities focused on knowledge-building. In the lead-up to Sustainability Week, we launched the 'Sustainability Difference' competition to celebrate ING teams who had made a specific contribution to our sustainability business objectives. The competition elicited 259 submissions from 17 different countries and businesses, and was successful in raising awareness of, and participation in, Sustainability Week. Next year's Sustainability Week will again take place in March, and we'll build on the learnings from the previous two editions.

A 'sustainability resource centre' on ING's global intranet collects all relevant information in one place – including explanatory video content, FAQs, guidelines to guard against greenwashing, and presentation material for engaging clients and other stakeholders with our approach. A Learning overview page provides colleagues with easy access to the main global sustainability learning resources that help them to take the next steps in growing their knowledge. The resource centre is supplemented by active sustainability communities on our enterprise social platform (Viva Engage) where information is shared and questions are asked and answered.

[45] 54% of ING The Netherlands employees have completed two Climate School courses in the first half of 2024

Aiming for net zero in our own operations

We want to play a role in the necessary transition to a net-zero society, including through our own operations. This means bringing our buildings, data centres and business travel in line with the net-zero economy of the future. We measure and steer our progress towards this ambition through our Environmental Programme.

In 2023 our total operational footprint emissions (from scope 1, 2, and scope 3 business travel) was 29 kilotonnes (kt) of CO_2e. This was a reduction of 0.13 kt compared to 2022. Our 2023 result represents a 72% reduction compared to our 2014 baseline (106 kt). Since our 2023 result is already close to our 2025 ambition of a 75% reduction compared to 2014, we aim to revisit our current ambition and baseline. For more information about our progress and methodology, please read ING's 2023 Annual Report (page 44).

Our ambition for our buildings worldwide, both owned and rented, is to reach net zero by 2035. We also have a scope 1 and scope 2 target of a 90% reduction by 2030 (compared to 2014), and in 2023, the scope 1 and 2 emissions related to our buildings were 14 kt CO_2e (an 81% reduction compared to 2014). To drive these emissions down further, we focus on improving energy efficiency, using space more efficiently, and moving towards lower-carbon heating systems where available. We also continue to improve the integrity of our renewable electricity sourcing and reporting.

We strive to reduce our air travel and its associated emissions through the use of CO_2 budgets, and policies designed to encourage the use of electric cars or rail transport for journeys below 500km. To limit the impact of car travel, we continue to electrify our fleet of leased cars in line with our ambition to reach at least 90% electric vehicles (EVs) in our fleet globally by 2030. By the end of 2023, 30% of our fleet was made up of EVs. In 2023, we continued to procure low-carbon fuel on a life-cycle basis, known in the market and referred to in this publication as 'Sustainable Aviation Fuel' (SAF), from our partners at SkyNRG and Neste. We also procured SAF certificates from Air France-KLM, Lufthansa Group, Singapore Airlines and Qantas. In total, we procured the equivalent of 1,465 megatonnes of SAF. We purchase these products to support the development of the SAF market and to demonstrate that there is corporate demand for fuels with a lower CO_2e impact.

We take accountability for our unabated emissions and look for ways to contribute to impactful projects that can mitigate climate change outside of our value chain. We do not use voluntary carbon credits. Instead, our approach focuses on contributing to organisations that restore nature, empower communities, and develop carbon removal technologies.

Our contributions in 2023 included our continued partnership with Milkywire, through the Climate Transformation Fund (CTF). We chose to support Milkywire's CTF as it seeks to create and build scale for new solutions to tackle climate change. The CTF focuses on climate impact, and supports small effective grassroots organisations (e.g. HUSK and Hierloom), climate advocacy projects (e.g. the Clean Air Task Force), and catalytic research into new carbon removal techniques

Enhancing our climate & environmental (C&E) data capabilities

More reliable and timely data and tooling is one of the key enablers for our climate approach. It allows us to make better decisions by more accurately assessing impacts, risks and opportunities. It drives our client engagement, risk management assessments, Terra measurements and our reporting of climate action progress. The success of our climate approach therefore depends on data availability and data quality.

Although data collection, processing and reporting is a core competency for ING, we recognise the need to keep improving our ESG data capabilities. We've applied best practices learned from the application of our other data models to design our ESG data framework.

It is encouraging to see more and more climate & environmental (C&E) data become available, with improvements in data quality happening concurrently – and we expect the resulting transparency and comparability to further increase with the implementation of the EU's CSRD. That said, current limits to the availability and quality of external C&E data present a challenge for ING, and we support a global approach to improving data reliability and consistency.

Governance to address rapidly growing demand for ESG data

We face an increasing demand for ESG-data-driven intelligence for business decision-making, risk assessments and for our ESG-related regulatory disclosures. To speed up and scale up our data collection efforts, ING has centralised the analysis of data requirements across all ESG initiatives.

Efficiently governed data assets are critical to delivering on our sustainability strategy and ensuring reliable ESG reporting. ING's overall Data Management Policy and Process Control Standards (DM PCS) are built on BCBS 239 principles to safeguard proper data management and keep our bank data secure and compliant, and ESG Data is being progressively brought under the same governance and corresponding controls.

Next steps in improving our climate & environmental data capabilities

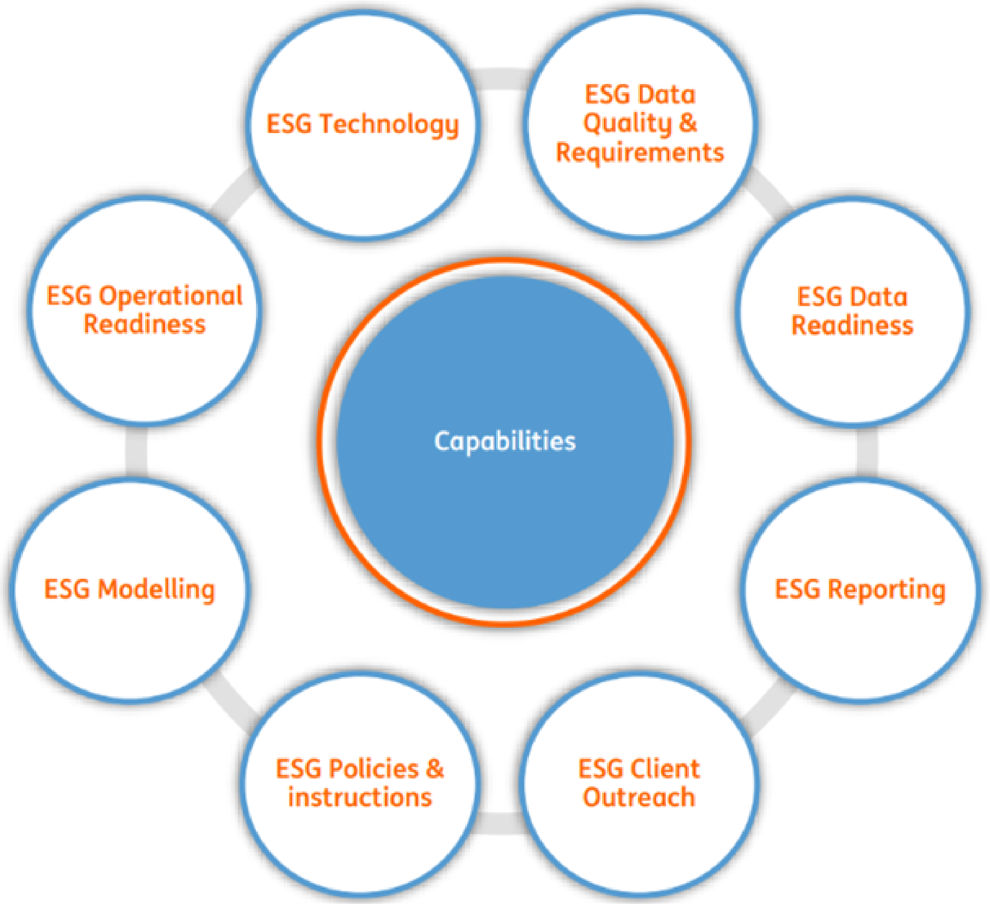

Figure 14: Eight dedicated ESG capabilities to meet the needs of ING and our stakeholders

Our external disclosures are supported by our existing controls, frameworks and technology & tooling. Embedding ESG data into our core platforms is our key challenge. We are working to reinforce our transformational processes and continue to invest in technology, data, processes and reporting. To address growing ESG data requirements in a structural manner, eight core capabilities have been identified (see Figure 14) that will leverage and build on existing technology and processes while strengthening those tools and processes from an ESG perspective.

To strengthen the links between the core capabilities and related initiatives, and create synergy between them, we're building data and technology solutions that aim to be future-proof and serve multiple needs. Our tooling strategy is evolving to support the transformation of unstructured data into actionable insights, a critical step in the digitisation of ESG-related business processes.

We're integrating transaction, client, sector, supply chain and broader ESG data - and where required, we enrich our internal data with available market data, data collected through client outreach or estimated by proxies. This integration allows the identification of macro trends within clients' value chains and in the the broader systems they're part of. Our data approach goes beyond compliance - we strive to use data to understand and navigate the dynamic sustainability landscape and effectively support our clients to accelerate their sustainability transitions.

For more about how data and tooling is enhancing how we engage with clients, see 'Sharpening our client engagement approach'.

Annex

Index

This Index indicates where information relevant to ING's transition may be found. The information is mapped against the four areas on which ING assesses clients' transition plan disclosures. It is non-exhaustive and intended for guidance purposes only. In 2022 we signalled our intention to publish a more detailed transition plan on how we aim to reach net zero. To that end we also include reference of the content in this publication to the Transition Plan Task Force Banks Sector Guidance, GFANZ Financial Institutions Net-zero Transition Plans Recommendations and Guidance and the NZBA Guidelines 2024.

Index for 2024 Climate Progress Update				
Content / topic area	**Section and page(s) of ING Climate Progress Update 2024 (CPU24)**	**Related disclosures in 2Q 2024 Pillar III**	**Related disclosures in ING Group Annual Report 2023 ('AR23') and ING Group Climate Report 2023 ('CR23')**	**References to Transition Plan Taskforce (TPT) Banks Sector Guidance; GFANZ Financial Institution Net-zero Transition Plans Recommendations and Guidance; and NZBA Guidelines 2024**
Area 1: Historic emissions				
Absolute emissions				
Scope 1 and scope 2 and business travel	Aiming for net zero in our own operations, p.90	n/a	AR23 pp. 44-45; 327-328; CR23 pp. 22-23; 43-46	TPT 2.1
Financed emissions scope 3 category 15	Financed emissions, pp. 69-74	Yes - Template 1	AR23 pp. 51; 329-331; CR23 pp. 85-87	TPT 4.2; GFANZ (Metrics and Targets)
Progress on emissions by sector				
Power Generation	Power Generation, pp. 38-39	Yes - Template 3	CR23 pp. 56-57	TPT 4.3; GFANZ (Metrics and Targets)
Oil & Gas Upstream	Oil & Gas Upstream, pp. 40-42	Yes - Template 3	CR23 pp. 59-60	TPT 4.3; GFANZ (Metrics and Targets)
Oil & Gas Mid- and Downstream	Oil & Gas Mid- and Downstream, pp. 42-44	Yes - Template 3	CR23 p. 60	TPT 4.3; GFANZ (Metrics and Targets)
Automotive	Automotive, pp. 45-46	Yes - Template 3	CR23 pp. 68-69	TPT 4.3; GFANZ (Metrics and Targets)
Aviation	Aviation, pp. 47-49	Yes - Template 3	CR23 pp. 71-72	TPT 4.3; GFANZ (Metrics and Targets)
Shipping	Shipping, pp. 50-52	Yes - Template 3	CR23 pp. 74-75	TPT 4.3; GFANZ (Metrics and Targets)
Cement	Cement, pp. 53-55	Yes - Template 3	CR23 pp. 62-63	TPT 4.3; GFANZ (Metrics and Targets)
Steel	Steel, pp. 56-58	Yes - Template 3	CR23 pp. 65-66	TPT 4.3; GFANZ (Metrics and Targets)
Aluminium	Aluminium, pp. 59-60	No	n/a	TPT 4.3; GFANZ (Metrics and Targets)
Dairy	Dairy, pp. 61-62	No	n/a	TPT 4.3; GFANZ (Metrics and Targets)
Commercial Real Estate	Commercial Real Estate, pp. 63-65	Yes - Template 3	CR23 pp. 77-80	TPT 4.3; GFANZ (Metrics and Targets)
Residential Real Estate	Residential Real Estate, pp. 66-68	No	CR23 pp. 81-82	TPT 4.3; GFANZ (Metrics and Targets)
Area 2: Targets & Metrics				
Sector targets - summary	Table 1, p. 34	n/a	CR23 p. 51	TPT 4.3; GFANZ (Metrics and Targets)
Power Generation target	Power Generation, p. 38	Yes - Template 3	CR23 p. 56	TPT 4.3; GFANZ (Metrics and Targets)
Oil & Gas Upstream target	Oil & Gas, p. 41	Yes - Template 3	CR23 p. 59	TPT 4.3; GFANZ (Metrics and Targets)
Oil & Gas Mid- and Downstream target	Oil & Gas, p. 42	Yes - Template 3	CR23 p. 60	TPT 4.3; GFANZ (Metrics and Targets)
Automotive target	Automotive, p. 45	Yes - Template 3	CR23 p. 68	TPT 4.3; GFANZ (Metrics and Targets)
Aviation target	Aviation, p. 48	Yes - Template 3	CR23 p. 71	TPT 4.3; GFANZ (Metrics and Targets)

Shipping target	Shipping, p. 50	Yes - Template 3	CR23 p. 74	TPT 4.3; GFANZ (Metrics and Targets)
Cement target	Cement, p. 53	Yes - Template 3	CR23 p. 62	TPT 4.3; GFANZ (Metrics and Targets)
Steel target	Steel, p. 56	Yes - Template 3	CR23 p. 65	TPT 4.3; GFANZ (Metrics and Targets)
Aluminium target	Aluminium, p. 59	No	n/a	TPT 4.3; GFANZ (Metrics and Targets)
Dairy target	Dairy, p. 61	No	n/a	TPT 4.3; GFANZ (Metrics and Targets)
Commercial Real Estate targets	Commercial Real Estate, p. 63	Yes - Template 3	CR23 pp. 77-78	TPT 4.3; GFANZ (Metrics and Targets)
Residential Real Estate ambitions	Residential Real Estate, p. 66	No	CR23 pp. 81-82	TPT 4.3; GFANZ (Metrics and Targets)
Area 3: Action plans				
Supporting businesses in their transition	pp. 31-35	n/a	AR23 pp. 45-48; CR23 pp. 47-53	TPT 2.2 & 2.3; GFANZ (Implementation & engagement strategy)
Helping our clients accelerate their plans	pp. 18-26	n/a	AR23 pp. 45-48; CR23 pp. 25-28	TPT 2.2, 2.3, 3.1; GFANZ (Implementation & engagement strategy)
How we partner and advocate for change	pp. 27-29	n/a	AR23 p. 18; CR23 p. 29 & sector plans	TPT 3.2 & 3.3; GFANZ (Engagement strategy)
Sustainable and transition finance	pp. 76-77	n/a	AR23 pp. 52-54	TPT 2.2; GFANZ (Implementation strategy)
Collaboration across value chains	p. 78	n/a	AR23 p. 53	TPT 2.2, 3.1, 3.2; GFANZ (Implementation & engagement strategy)
Sector transition plans (in CR23) and updates (CPU24)				
Power Generation	Power Generation, p. 39	n/a	AR23 p. 48; CR23 pp. 57-58	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Oil & Gas	Oil & Gas, pp. 43-44	n/a	AR23 p. 49; CR23 pp. 60-61	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Automotive	Automotive, p. 46	n/a	AR23 p. 49; CR23 p. 69	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Aviation	Aviation, p. 49	n/a	AR23 p. 50; CR23 p. 72-73	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Shipping	Shipping, pp. 51-52	n/a	AR23 p. 49-50; CR23 pp. 75-76	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Cement	Cement, pp. 54-55	n/a	AR23 p. 49; CR23 p. 63	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Steel	Steel, pp. 57-58	n/a	AR23 p. 49; CR23 pp. 66-67	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Aluminium	n/a	n/a	n/a	*Transition plan under development*
Dairy	n/a	n/a	n/a	*Transition plan under development*
Commercial Real Estate	Commercial Real Estate, pp. 64-65	n/a	AR23 p. 50; CR23 pp. 79-80	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Residential Real Estate	Residential Real Estate pp. 67-68	n/a	AR23 p. 50; CR23 pp. 82-84	NZBA 2024 Guidelines; GFANZ (Engagement strategy)
Area 4: Governance & strategy				
Climate ambition and strategy	pp. 12-14	n/a	AR23 p. 44; CR23 pp. 19-21	TPT 1.1, 1.2; GFANZ (Foundations)
External factors and trends	The climate action landscape, pp. 15-16	n/a	AR23 p. 18	TPT 1.3
Governance	p. 86	n/a	AR23 pp. 41-43; CR23 pp. 14-17	TPT 4.1, 5.1, 5.2 & 5.4; GFANZ (Governance)
Managing ESG risks	p. 87	n/a	AR23 p. 55; CR23 pp. 16-17; 30-31; 34-41	TPT 2.1
Upskilling and empowering our colleagues	pp. 88-89	n/a	AR23 p. 58; CR23 p. 32	TPT 5.3 & 5.5; GFANZ (Governance)
Aiming for net zero in our own operations	p. 90	n/a	AR23 p. 44-45; CR23, pp. 22-23; 43-46	TPT 2.1
Climate & environmental data capabilities	p. 91	n/a	n/a	TPT 2.1
Climate adaptation, just transition, climate-nature nexus	pp. 83-84	n/a	AR23 p. 50 (Nature); CR23 pp. 12, 31 (Adaptation) and 84 (Just transition)	

Methodological and technical notes

GHG inventory per Terra sector 2023YE

Our methodologies often refer to CO_2 equivalents. This table shows, for each of the sectors in the scope of Terra, what are the relevant greenhouse gases and which ones are covered in our measurement methodologies. To define relevant gases we apply a greater than 5% threshold to the total emissions per sector. For this, we use data from the Emissions Database for Global Atmospheric Research (EDGAR) from the Joint Research Centre of the European Commission. We aim and have succeeded to include all relevant gases in our measurements, as we have done for the Mid & Downstream Oil & Gas sector.

Table 9: GHG materiality per Terra sector

	CO_2	CH_4	N_2O	HFC	PFC	SF_6	NF_3
Oil & Gas Upstream							
Oil & Gas Mid- and Downstream							
Power Generation							
Cement							
Steel							
Aluminium							
Aviation							
Automotive							
Shipping							
Dairy							
Commercial Real Estate							
Residential Real Estate							

Material to sector and reported under Terra

Not material according to >5% threshold emissions

Power Generation

Outstanding in scope

For the Power Generation sector, a total of €10.1 billion is in scope of our measurement. This covers all on-balance / funded term loans and revolving credit facilities for power projects and utilities in specific NAICS codes that have assets generating electricity.

Methodology used to measure portfolio

For this sector, we are starting to apply the PACTA - emission intensity methodology in 2024 because of the increase of data availability at client level. Previously, we were applying the PACTA - technology mix methodology.

Emissions scopes covered

Following the PACTA methodology, we cover the direct emissions (scope 1) of power assets.

Metric and scenario/pathway

In the PACTA methodology, alignment for the Power Generation sector is measured by the emissions intensity metric expressed in kg CO_2e / MWh. IEA Net Zero Emissions by 2050 scenario (NZE) published by the IEA in the Net Zero by 2050 – Analysis - IEA report (May 2021).

Data vendors, data quality and limitation

Like other Katowice banks, we have been collaborating with Asset Impact (founded as Asset Resolution by 2DII) to assess the emissions intensity of our power generation portfolio, by connecting their emission factor to our power assets. Asset Impact offers a database with comprehensive numbers of data points, linking physical assets in the real economy and their activities and emissions to companies and securities, and applies a clear methodology for creating their emissions data at asset level. We have matched the emissions intensity data of Asset Impact to our clients in scope of the portfolio. In total 98% of our portfolio (i.e. our total of €10.1 billion in outstanding in scope) can be directly matched to the Asset Impact database, resulting in the portfolio value of 106 kg CO_2e / MWh at year-end 2023.

Oil & Gas

Oil & Gas: Upstream

Outstanding in scope

Our outstanding amount in upstream oil & gas covers on-balance/funded term loans and revolving credit facilities. The scope of our upstream oil & gas target includes companies involved in Crude Petroleum or Natural Gas extraction activities. This year we expanded our scope to include all upstream oil & gas exposures by removing a previously set threshold that excluded outstandings of less than €10 million.

Methodology used to measure portfolio

For our outstanding commitment we apply the PACTA methodology as presented in the PACTA methodology application paper. The applied methodology is an economic-activity approach based on absolute reduction in fossil-fuel financing.

On top of our previous disclosure and commitments related to outstandings, this year we disclose an additional metric expressed in absolute emissions for upstream oil & gas. For our absolute emissions disclosure, we use the PCAF Methodology and we make use of an external data provider (CDP) to estimate our client's emissions. For clients which don't report their emissions to CDP we are using economic activity-based emission proxies as per the PCAF Methodology to estimate their emissions.

Emissions scopes covered

Our absolute portfolio reduction target indirectly covers the scope 1, 2 and 3 emissions of our clients in the upstream oil & gas industry. By reducing our exposure to upstream oil & gas clients, we indirectly reduce the overall emissions associated with these clients. Our absolute emissions disclosure covers the scope 1, 2 and 3 emissions of our clients in the upstream oil & gas industry.

Metric and scenario/pathway

We applied the IEA NZE scenario published by the IEA in the Net Zero by 2050 – Analysis - IEA report (October 2023). Oil and gas supply (in EJ) declines over time by -35% in 2030 vs 2019, according to the IEA NZE advanced economies scenario which translates into a 50% reduction in absolute emissions. Based on this trajectory, our Upstream O&G target of a 35% reduction of our outstanding exposure in 2030 vs 2019, which translates into a 50% reduction of absolute emissions in 2030 vs 2019, has been set.

Data vendors, data quality and limitation

For the measurement of our target related to exposure, we don't require a third-party data vendor as the metric is our outstanding amount in our financial system.

For our absolute emissions disclosure, we make use of an external data provider (CDP) to estimate our client's emissions. For clients that don't report their emissions to CDP we are using economic activity-based emission proxies as per the PCAF Methodology to estimate their emissions.

Oil & Gas: Mid- and Downstream

Outstanding in scope

Our outstanding amount in mid- and downstream oil & gas covers on-balance/funded term loans and revolving credit facilities. The scope of our mid- and downstream oil & gas target involves companies with NAICS codes in processing, (pipeline) transport, storage, handling, liquefaction and refining. FPSOs (Offshore Oil and Gas Production Services) integrate both upstream and downstream activities given that they extract oil, process and store it onboard, and deliver the partially-treated crude oil to tankers for transport. However, for Energy Sector portfolio management and client coverage purposes, ING includes FPSOs in the scope of its mid- and downstream activities coverage. Trade and commodity finance transactions with mid- and downstream oil & gas clients, involving oil & gas, are not included as these transactions are covered through a separate GHG accounting and target-setting approach for Trade and Commodity Finance (TCF).

Additionally, the scenario used does not include petrochemical manufacturing activities and petrol/filling stations, which are respectively classified under the Chemicals and Buildings industries codes. Therefore, for consistency purposes, they are not included in the scope of this target.

This year we decided to move three integrated oil & gas companies to our mid- and downstream Terra sector instead of splitting their exposure based on the percentage of revenue share to upstream activities versus mid- and downstream activities. This is because the majority of our activities with these three companies are in mid- and downstream, and upstream exposure based on revenue share is comparatively small. This change also helps to standardise the scoping process and eliminate manual data collection work. At the same time we expanded the scope of our mid - and downstream coverage by including mid- and downstream oil & gas companies with an outstanding of less than €10 million, removing a previously set exclusion threshold.

Methodology used to measure portfolio

As there is no specific methodology to set targets on oil & gas mid- and downstream activities of banks, we have built our own approach based on the convergence approach (i.e. Sectoral Decarbonisation Approach) of the Science Based Targets initiative (SBTi).

Emissions scopes covered

Our approach concentrates on the operational performance (scopes 1 & 2) of our clients in line with the IEA's report on the operational emissions of the Oil & Gas industry (May 2023). The IEA's NZE scenario is expressed in 'kg CO_2 equivalent' which means it includes both CO_2 and CH_4 (methane) emissions in its modelling. We know methane is an important gas to be monitored and reduced in the oil & gas sector. Our initial baseline, published in the 2023 Climate Report, was CO_2 only and did not include methane due to the lack of data on methane at mid- and downstream asset- and company-level, which impeded us from reliably estimating the methane emissions intensity of our clients. This year, we've been able to add methane (CH_4) to the assessment of our mid- and downstream portfolio for both the base year (2022), as well as the current reporting year (2023).

Metric and scenario / pathway

The target metric we have chosen for mid- and downstream is emissions-based intensity, measured in kg CO_2e per barrel of oil equivalent (boe). The reference scenario and emissions data for alignment benchmarking is the latest version of the International Energy Agency's Net Zero Emissions by 2050 Scenario (NZE), published in the World Energy Outlook special report 'Emissions from Oil and Gas Operations in Net Zero Transitions' (May 2023). In fact, in its report, the IEA provided emission intensity reduction pathways in the NZE scenario separately for oil and gas, split between upstream and downstream (whereby the IEA's downstream scope largely mirrors ING's mid- and downstream categorisation). In its scenario, the IEA envisions a 15% reduction in emission intensity for oil and 45% reduction in emission intensity for gas in mid- and downstream in 2030 compared to 2022. In this special report, the IEA models the emissions intensity reduction up to 2030 only. However, based on the IEA NZE report we assume that the emissions intensity is net zero in 2050. Taking these reductions pathways, we combined this pathway data, resulting in a combined target of 24% reduction in emissions intensity for mid- and downstream oil and gas in 2030 compared to 2022. The combined emissions intensity reduction target was calculated by weighting the emissions intensity reduction of both oil and gas by their respective production volumes. As multiple clients have operations in both oil and gas, we decided to use this combined target of -24% in 2030 compared to 2022.

Data vendors, data quality and limitation

With the support of Rystad Energy, an independent research and business intelligence company from whom we procure data and research, we were able to assess the emissions intensities of our mid- and downstream portfolio clients. By combining 2021 emission intensity data from Rystad with the 2022 exposure data of our clients, the emissions intensities have been calculated as follows:

- Emissions intensity from the Rystad database has been used when there was a match with the financed assets (41% of the exposure in our portfolio). For refineries, scope 2 emissions at asset-level were not available.
- For the rest of our clients we used the weighted-average emissions intensity from the Rystad database for the corresponding sector activities (59% of the exposure in our portfolio).

- For integrated oil & gas companies we either used emission data directly from Rystad for companies with a direct match, whereas for companies without a direct match, we estimated using a proxy: the top 10 Integrated Oil and Gas companies (cross checked with a Forbes list) were selected from Rystad universe. We calculated their weighted average emission intensity which we used as proxy.

Automotive

Outstanding in scope

For the automotive sector in total €2.9 billion is in scope of our target. This covers all on-balance/funded term loans and revolving credit facilities to original equipment manufacturer (OEM) companies that manufacture light duty vehicles.

Methodology used to measure portfolio

The methodology we applied is the emission intensity approach described in detail in the PACTA methodology application paper.

Emissions scopes covered

Following the PACTA methodology, we cover the emissions related to the use of sold products from automotive OEMs (i.e. their scope 3 category 11 emissions).

Metric and scenario/pathway

In the PACTA methodology, alignment for the automotive sector is measured by the emissions intensity metric expressed in kg CO_2 / vehicle-kilometre (vkm). We applied the IEA NZE scenario published by the IEA in the Net Zero by 2050 – Analysis - IEA report (May 2021).

Data vendors, data quality and limitation

Like other Katowice banks, we have been collaborating with Asset Impact to assess the emissions intensity of our automotive portfolio, by connecting their emission intensity to our automotive clients. Asset Impact offers a database with comprehensive data coverage for the automotive sector. Asset Impact applies a clear methodology for creating their emissions data at company-level and are transparent on their data limitations. We have matched the emissions data of Asset Impact to 100% of our portfolio, resulting in the portfolio value of 0.143 kg CO_2 / vkm at year-end 2023.

Aviation

Outstanding in scope

For the aviation sector in total €4.1 billion of outstanding is in scope of our target. This covers all on-balance/funded term loans and revolving credit facilities for the purpose of aircraft asset-level finance and general corporate lending to airlines and lessors. We included all aircraft that we finance, except those for which there are no matches in the emission factor database provided by Cirium. The total outstanding of €4.1 billion equates to 99% coverage of our total portfolio.

Methodology used to measure portfolio

This year we have updated our methodology to the Pegasus Guidelines. The Pegasus Guidelines were published in 2024 by the Center for Climate Aligned Finance at RMI together with a dedicated working group of global financial institutions. The methodology is designed to help financial institutions meet aviation sector-specific net-zero targets that are consistent with current SBTi and NZBA guidance. We applied the Mission Possible Partnership Prudential Scenario (MPP PRU) to measure the alignment of the portfolio.

Emissions scopes covered

The Pegasus Guidelines account for clients' well-to-wake scope 1 and parts of scope 3 CO_2e emissions. Well-to-wake covers the emissions from the aviation fuel production process, delivery and combustion in use. It does not include non-CO_2 emissions produced in flight.

Metric and scenario/pathway

In the Pegasus Guidelines alignment for the aviation sector is measured by the emissions intensity metric expressed in g CO_2e/ revenue tonne kilometre. We applied the MPP PRU. We also compared the performance of the portfolio against the IEA NZE scenario.

Data vendors, data quality and limitation

ING uses Cirium to provide aircraft, airline and lessor level information. Cirium offers a database with comprehensive numbers of data points, linking aircraft to airlines and their flying cycles, distances and exact fuel consumption. The aircraft, airlines and lessors in the portfolio that were matched to the corresponding clients/aircraft in the database led to the portfolio value of 344 g CO_2e/ revenue tonne kilometre at year-end 2023.

Shipping

Outstanding in scope

ING has reported a €8.3 billion in-scope shipping portfolio based on Poseidon Principles reporting requirements. In line with the Poseidon Principles technical guidelines, the products in scope include loans and guarantees secured by vessels. Actual 2022 emissions data was received for approximately 97.1% of the portfolio with a non-reporting percentage of 2.9%.

Methodology used to measure portfolio

ING applies the Poseidon Principles methodology for the shipping sector. For details please refer to the Poseidon Principles technical guidance.

Emissions scopes covered

The methodology accounts for the emission of CO_2 from the combustion of fuel by financed vessels (i.e. scope 1 emissions), for vessels above 5,000 gross tonnage in accordance with the Poseidon Principles.

Metric and scenario/pathway

Shipping follows the Poseidon Principles methodology which is based on the initial International Maritime Organization (IMO) GHG strategy of a 50% GHG reduction by 2050 compared to 2008 levels. The intensity metric in the Poseidon Principles is the Annual Efficiency Ratio (AER) for cargo-carrying ships which use deadweight tonnage to measure their capacity, and capacity gross ton distance (cgDist). The intensity metric is compared against the Poseidon Principles trajectory for the vessel-type for a given year, to arrive at the alignment delta for each vessel. The portfolio alignment delta is the sum of the weighted average of each vessel's alignment delta using the corresponding debt outstanding for the vessel as a weighting factor. A positive alignment delta indicates misalignment while a negative alignment delta indicates alignment. The magnitude indicates to what extent the portfolio is aligned or misaligned for the given year against the trajectory to achieve the IMO's ambition of reducing total annual GHG emissions by at least 50% by 2050.

Data vendors, data quality and limitation

ING receives the actual annual fuel consumption and distance travelled data of the vessels directly from the clients. The data requested is the same as that which is submitted to the IMO Data Collection System (DCS) after verification by the Recognized Organization (RO) in compliance with IMO regulations. A Statement of Compliance (SOC) issued by the flag state or a verification letter issued by the RO is also requested along with the data, as proof that the regulatory requirements have been complied with.

Cement

Outstanding in scope

For the cement sector in total €582 million is in scope of our target. This covers all on-balance/funded term loans and revolving credit facilities to cement manufacturing companies within the relevant NAICS codes (100% coverage of our portfolio related to this sector).

Methodology used to measure portfolio

The PACTA methodology that we apply is an emission intensity approach described in detail in the PACTA methodology application paper.

Emissions scopes covered

Following the PACTA methodology, we cover the scope 1 and 2 emissions that occurred during the cement manufacturing process.

Metric and scenario/pathway

In the PACTA methodology, alignment for the cement sector is measured by the emissions intensity metric expressed in t CO_2 / t cement. Since 2023, we have applied the IEA NZE scenario published by the IEA in the Net Zero by 2050 – Analysis - IEA report (May 2021).

Data vendors, data quality and limitation

Like other Katowice banks, we have been collaborating with Asset Impact to assess the emissions intensity of our cement portfolio, by connecting their emissions intensity data to our cement clients. Asset Impact offers a database with comprehensive data coverage, and applies a clear methodology for creating their emissions data at asset- and company-level. This year, methodology improvements and changes in the data inputs used to compute the final data provided by Asset Impact determined a recalculation of previously reported data for the years 2020 (base year), 2021 and 2022, as well as a recalculation of our convergence pathway and 2030 target. The data we use to measure our emissions intensities is still subject to continuous improvements. For this reason, some of our measurements may require recalculations based on newly available, more accurate or more granular data in the future. We are aware that data sets have limitations, leading to the risk that they contain inaccuracies, and incorrect or incomplete data, which could impact our reporting. We have matched the emissions data of Asset Impact to 100% of our portfolio, resulting in the portfolio value of 0,7005 t CO_2 / t cement at year-end 2023.

Steel

Outstanding in scope

ING follows the Sustainable STEEL Principles (SSP) financial product scope. We cover all the mandatory and optional financial products to steel manufacturing companies in line with the SSP methodology. Our outstanding in the steel sector includes all lending products, such as term loans, revolving credit facilities, guarantees, letters of credit, etc. of our steel manufacturing clients based on their specific NAICS codes. We also cover all tenors, including the ones shorter than one year. For clients backed by parent guarantees, we have excluded outstanding exposures below €1 million. These financings equate to around 2% of our total in-scope outstanding for the steel sector and are, therefore, not material.

Methodology used to measure portfolio

The methodology that we applied is the Sustainable STEEL Principles. This framework was developed by a working group of five globally active financial institutions, led by ING.

Emissions scopes covered

Following the guidance provided by the Sustainable STEEL Principles, we cover scope 1 and 2 emissions of the companies in scope.

Metric and scenario/pathway

ING discloses the SSP Alignment Score as well as the emission intensity (t CO_2 / t steel) of the portfolio in the Terra Toolbox. The SSP Alignment Score is calculated based on a company's emissions intensity and the percentage of scrap used by the company. The IEA NZE pathway used by the SSP refers to the scenario published by the IEA in the Net Zero by 2050 – Analysis - IEA report (May 2021).

Data vendors, data quality and limitation

The selected third-party data vendor under the Sustainable STEEL Principles is the data vendor CRU. CRU offers a database with asset-level production, emissions intensity, and scrap rate data, which can be linked to companies. We have matched the asset-/company-level data of CRU with our portfolio. In total 100% of our portfolio (i.e. our total of around €2 billion of outstanding in scope) can be directly matched, resulting in a portfolio value of 1.95 t CO_2 / t steel and an SSP alignment score of 1.08 at year-end 2023.

Aluminium

Outstanding in scope

For the aluminium sector, there is a total of €0.5 billion of outstanding in scope of our climate sector alignment target. This covers guarantees and letters of credit, leases, revolving, and term loans which are mandatory and voluntary financial products according to the SAFF methodology. We include all borrowers with NAICS codes pertaining to the aluminium industry which are primary aluminium producers. We intend to disclose the climate alignment of recycled aluminium producers and semi-fabrication once data is available.

Methodology used to measure portfolio

The Sustainable Aluminum Finance Framework.

Emissions scopes covered

Following the guidance provided by the Sustainable Aluminum Finance Framework, we disclose our clients' emissions of smelters related to scopes 1, 2, and 3 (to the extent it relates to production emissions of anode blocks). For alumina and bauxite, we include data for scope 1 and 2.

Metric and scenario/pathway

We disclose ING's Aluminium Portfolio Alignment Score (PAS) and ING's aluminium portfolio aggregated emission intensity (t CO_2e / t aluminium). The PAS for primary aluminium is calculated based on a company's emission intensity at group level weighted for production and outstanding. We applied the scenario developed by SAFF for primary aluminium production which is a combination of the IAI 1.5 Degrees Scenario and MPP Aluminium Transition Strategy.

Data vendors, data quality and limitation

SAFF encourages banks to obtain emissions data from clients directly. Since the framework was only launched in late 2023, this was unfortunately not possible for all clients in our portfolio. As a result, the primary source of information for this first year's reporting has been the third-party data provider CRU. CRU has been verified and approved by SAFF as a provider for CO_2e emissions and production volumes for aluminium companies, which we then link to our client list. This year, we have been able to match 100% of our clients with companies in the CRU database. Data used in this report is based on actual figures for the year 2023 combined with estimations, as final yearly data will be available after the publication date of this climate progress update.

Dairy

Outstanding in scope

Our portfolio reporting covers dairy processors financed in the Netherlands via our Wholesale Bank and Business Bank, as well as dairy farmers financed via our Business Bank. Together, the portfolio represents €974 Million in terms of outstanding. This consists of €329 million for processors and €645 million financing (term loans, revolving and lease) related to dairy farmers in our BB NL portfolio.

Methodology used to measure portfolio

We model our portfolio emission intensities following the accounting rules of PCAF and ANCA, i.e. Annual Nutrient Cycle Assessment model, or 'Kringloopwijzer' in Dutch. This is an emission accounting tool for farmers, which models emissions based on primary data provided by farmers. Next to CO_2, methane and nitrous oxide are emitted in milk production. As we steer on CO_2 equivalents, other greenhouse gases are recalculated to CO_2e based on global warming potentials (GWPs).

Emissions scopes covered

Emission scope is in line with ANCA methodology, covering scope 1 emissions on each farm, e.g. CO_2 from energy usage, methane from rumen and intestinal fermentation, as well as manure, nitrous oxide from fertilizer and soil. Next to that, scope 2 and upstream scope 3 CO_2 emissions related to the production of concentrate, roughage and by-products, fertilizer, energy and other input materials are in scope. We only cover on farm and upstream emissions of dairy processors, which are their scope 3 upstream emissions.

Metric and scenario/pathway

The metric we use to monitor our portfolio is kg CO_2e / kg fat and protein-corrected milk (FPCM). We have applied the Science Based Targets initiative (SBTi) Forest, Land and Agriculture (FLAG) dairy emission reduction pathway for Western Europe for target setting - this uses the IPCC IMAGE SSP2 scenario. A weighted portfolio performance was calculated based on the outstanding amount and average emission intensity per farmer and processor.

Data vendors, data quality and limitation

To drive change, we need to track progress at the level of our clients. While we use 100% of our outstanding in scope for our targets, for 2023, we use client-level data for only 54% of that outstanding. We received emissions data directly from 35% of the farmers and 87% of the processors in scope by outstanding. For the remaining 46% of the dairy portfolio, we use the following proxies:

- Farmers: for the remainder of the farmer-only outstanding (65%), we use the weighted average emission intensity from the farmers in our sample
- Processors: for the remaining 13% outstanding with processors, we use the most recent Dutch average emission intensity from 2022 for our 2023 baseline, in combination with 2023 outstanding.

We retrieve this data through farm-level reports, the annual national report 'Deel rapportage Klimaatverantwoorde Zuivelsector 2022' and processor-specific reports.

In ANCA calculations, global warming potentials in line with Product Environmental Footprint Category Rules 2018a (PEFCR 2018a) were used up until and including reporting year 2022. As of 2023, ANCA uses global warming potentials in line with IPCC AR6, aligned with SBTi FLAG guidance. These values are summarized in the table below:

	CH_4 - fossil	CH_4 - biological	N_2O	Source
ANCA 2021 - 2022	36.75	34		Rekenregels Kringloopwijzer 2022 in line with PEFCR 2018
SBTi FLAG & ANCA as of 2023	29.8	27	273	IPCC AR 6

Table 10: Global warming values

For farmers for which we have farm-specific data and for national averages, the carbon footprint was available or recalculated in line with GWP IPCC AR6 values. For dairy processors of which the emissions data was available, we did not have access to sufficient data granularity to perform recalculation.

Commercial Real Estate

Outstanding in scope

Our portfolio reporting covers both our Wholesale Banking Real Estate (WB RE) and our Business Banking Real Estate for the Netherlands (RE BB NL), representing €25.7 billion in terms of outstanding. This consists of €15.1 billion (80% of secured loans) for WB RE and €10.5 billion (96% of secured loans) for BB RE NL.

Methodology used to measure portfolio

We measure our portfolio emissions intensities in alignment with PCAF, CRREM (Carbon Risk Real Estate Monitor) and GRESB. We use a balance sheet approach to aggregate portfolio emission intensity.

Emissions scopes covered

We cover both scope 1 and scope 2 emissions of each building (including the electricity consumption of tenants). Following the latest CRREM methodology, emissions from transmission and distribution (T&D) losses of purchased energy are out of scope.

Metric and scenario/pathway

We compare our CO_2e intensity (in kg CO_2e / m^2) with the CRREM 1.5°C GHG pathways (v.2.02, published January 2023), which are developed by CRREM in collaboration with the Science Based Targets initiative (SBTi). A weighted portfolio pathway is calculated based on the outstanding amounts per country and building type.

Data vendors, data quality and limitation

For WB RE, proxy data from Moody's in combination with PCAF emission factors is used to determine the emissions intensity per building, and loan-to-value is used to determine the attribution factor. Then the portfolio is measured in accordance with the balance sheet approach. Only income producing commercial real estate who are secured lending are in scope of the portfolio. Relatively small portfolios in Poland, Luxembourg, and Portugal are not in scope of reporting due to data access challenges. For the rest of the countries, approximately €3.3 billion in outstanding have been excluded from the analysis due to missing emissions data (e.g. Australia) or asset area information.

BB RE NL collaborates with CFP Green Buildings to design and execute its sustainability strategy. The CFP model plays a role in our internal and external sustainability calculations. Around 4% of the Netherlands portfolio is left out of scope, as there was no data available, or the data quality was insufficient.

The portfolio emission intensity of WB RE and BB RE Poland has been reported for the first time this year using the balance sheet approach to aggregate portfolio emission intensity. The portfolio emission intensity of BB RE Belgium has been reported for the first time this year using simple average to aggregate portfolio emission intensity. Due to the limited data availability, the majority of Belgium asset's energy performance is based on proxy.

Residential Real Estate

Sector-wide milestones are informed by a convergence pathway with the Carbon Risk Real Estate Monitor (CRREM V2.02) pathways.

Deficiencies in data availability and/or the methodology options used in some markets, when taken collectively, may cause us to appear further off-track than we likely are. We're committed to continually improving our data and methodologies to enable us to report more accurate progress.

Residential real estate may move from setting ambitions to targets in the future. These targets may differ from the ambitions.

Outstanding in scope

Our portfolio reporting covers five of our largest mortgages markets, representing €283.2 billion (approximately 85% of our mortgages book, including Westland-Utrecht Bank in the Netherlands and Record Credits in Belgium[46]) in terms of outstanding. Compared to last year, Australia has been removed, due to challenges in data availability and quality.

Methodology used to measure portfolio

In line with PCAF's GHG Accounting and Reporting Standard, we continue to use energy labels (also known as Energy Performance Certificates - EPCs) to calculate the properties' emissions intensities. EPC data is not widely available in all markets. Where this information is not (publicly) available, we apply proxies to estimate the energy labels. We continue to collect EPCs for new and existing mortgages in our markets, meaning each year we will have an increasingly accurate picture.

When aggregating the calculated emissions intensities to portfolio level, we also apply a weighting factor in our calculations over the loan-to-value (at origination) ratio, as per the guidance of PCAF and the Science Based Targets initiative (SBTi).

The methodology we apply is the same for all countries in scope, and in line with the CRREM methodology. This means that for each country we calculate the CO_2e intensity per m^2 for all energy used at the home (excluding the emissions from the transmission and distribution losses). The way the CO_2e intensity figure is calculated for each country differs, depending on data availability, local data sources and country characteristics. To measure the emission intensity of our global portfolio, we calculate the weighted average of each country's emission intensity based on the number of homes we finance in each of the countries in scope.

[46] Record Credits is a subsidiary of ING Belgium. and comprises a network of independent credit brokers who offer lending solutions to private individuals and the self-employed.

Metric and scenario/pathway

We compare our CO_2e intensity (in kg CO_2e / m^2 with the CRREM l.5°C pathways (v.2.02, combined for single- and multifamily homes, published January 2023).

Emissions scopes covered

We cover both scope 1 and scope 2 emissions of each residential building (including electricity consumption of the household). Following the latest CRREM methodology, emissions from transmission and distribution (T&D) losses from purchased energy (scope 2 emissions} are out of scope.

Data vendors, data quality and limitation

When external data sources are used, we always use the most reliable and latest data available, in most cases from governmental sources. Foremost countries we also use data from external data providers. This data contains assumptions and has not been audited.

Due to data availability, for some countries we are unable to analyze the full 100% of the portfolio. In those cases, we assume the remaining part of the portfolio has the same average emission intensity as the part that was analyzed.

Targets that we may release in future may be different from the current picture as we continue to develop experience with portfolio modelling and our ability to track the impact of actions by the bank.

Country-specific methodological choices are described in more detail as follows:

- In the **Netherlands** we included WestlandUtrecht Bank in our reporting. Our calculations are more granular compared to last year as they are performed per collateral. Because of this, the attribution factor is applied per collateral in alignment with the PCAF guidelines. Moreover, we updated our emission factors for 2023. For this year's report Calcasa remains our EPC data provider forming the basis of our CO_2e intensity calculations. However, from 2024 onwards, we will switch to another data provider which will provide us with real time data to assess and steer our mortgage portfolio. Due to the upcoming transition to the new data provider and adjusted methodology for proxy EPC labels we expect a deviation of CO_2e intensity outcome for next year's report.
- In **Germany**, we maintained our methodology where the emission factors are directly retrieved from the EPCs of the respective buildings in the portfolio - if a demand certificate (a so-called 'Bedarfsausweis') is available. If not, a proxy model trained with the available EPC label data is applied to estimate the emissions. For our 2023 calculation, we applied our proxy model to approximately 90% of our portfolio. From 2024 onwards, homeowners are strictly required to provide an EPC label (exceptions excluded) in the mortgage application process, otherwise the mortgage won't be granted. This will allow for more accurate reporting in the future as we will continuously increase the label share within our portfolio and thus the accuracy of our calculation and proxy model.
- In **Belgium** we continued increase the amount of real EPC data applied to our portfolio. In addition, we continued our partnership with Rock.estate through which we updated the calculations for our proxies. The coverage of assets now covered by actual data or our proxy calculations is approximately 97% of the properties in ING Belgium's mortgage portfolio (compared to 65% at the end of 2022) revealing a lower emission intensity as the data is more refined and precise. With this new data, we have reassessed our assets and have updated the values for the majority of assets of our portfolio which triggered us to restate the average emissions intensity for 2022 and 2021. Lastly, the methodology used for this year includes Record Credits which, due to the different segment it addresses in the Belgian Market, has a slightly higher average emissions intensity (approximately 3% higher emissions). However, the impact of this is limited by the fact that Record Credits portfolio only represents 29% of the number of properties in the total portfolio.
- In **Spain**, we continued our partnership with Sociedad de Tasación (SdT) to receive EPC data. We have updated our proxies and included more homes in our scope as we have more precise data available compared to the previous years. Therefore, we have recalculated the emission intensity for the last two years using the relevant PCAF factors of that year. Because the houses we were missing in our previous calculations were mostly older and thus, less energy efficient, the overall emission intensity is higher for these past years but has gone down by 3.7% in 2023 due to the usage of the latest PCAF factors. In 2023 we applied the attribution factor (LTV). This was not done retroactively for previous years as we lack necessary data.
- In **Poland** we recalculated the emission intensity for 2021 and 2022 taking 2021 as our base year due to changes in our methodology. To fully align with the PCAF guidelines, our emission intensity calculation has been updated as we applied the attribution factor (LTV) and weighted it by useable area. As the basis for the calculation, we used the final energy demand instead of the non-renewable primary energy as before. Lastly, home equity loans were excluded from the scope. One of the reasons for the decrease in emission intensity compared to previous years is the higher share of newer buildings with a lower energy consumption in our portfolio (23% in 2023 compared to 19% at the end of 2022). A decrease in the share of high-emission energy carriers, such as hard coal, in the structure of household energy consumption in favour of less emitting carriers contributed to a decrease in emissions at the portfolio level. Moreover, in 2023 the number of properties in our portfolio with EPC information increased significantly (amounting to 16%), which also resulted in a lower emission intensity.

Differences between Pillar III Template 3 and this publication

As from 2Q 2024, Pillar III requires disclosure of climate alignment metrics in Template 3. The alignment metrics in the Pillar III disclosure are reported for the same reference period as in this publication. Except for Shipping, all alignment metrics are reported for 2023. Pillar III introduces two metrics that are not disclosed in this publication. These metrics are based on the same convergence pathways that are used to report on progress towards ING's climate alignment targets in this publication:

- **Distance to IEA NZE2050 scenario**: Pillar III requires disclosure of the distance of the alignment metric for the year of reference towards the 2030 target under the IEA NZE2050 scenario. This metric represents the remaining reduction of emission intensity towards the 2030 target on the convergence pathway. ING reports progress towards the 2030 target versus the baseline year (first year of measurement) to indicate the total required reduction of emission intensity to meet the 2030 target.
- **Target**: Pillar III requires disclosure of the target for the year of reference plus three years. Therefore in Pillar III, where applicable, ING reports the 2026 datapoint on the convergence pathway. ING does not steer the portfolio on the intensity levels for the year of reference plus three years but with targets for 2030 and 2050 in accordance with its NZBA commitment. The Pillar III metric for the target is therefore not included in this publication.

List of abbreviations

2DII: 2° Investing Initiative
ACT: Accelerating low Carbon Transition
AER: Annual Efficiency Ratio
ANCA: Annual Nutrient Cycle Assessment
APLMA: Asia Pacific Loan Market Association
AR: ING Annual Report
BB: Business Banking
BCBS: Basel Committee on Banking Supervision
BEVs: Battery Electric Vehicles
boe: barrels of oil equivalent
BRE: Building Research Establishment
BRREAM: Building Research Establishment Environmental Assessment Method
BB: Business Banking
BBNL: Business Banking Netherlands
CO_2: Carbon Dioxide
CO_2e: Carbon Dioxide equivalent
C&E: climate and environmental
CAD: Climate Alignment Dashboard
CCAF: Center for Climate-Aligned Finance
CCS: Carbon Capture and Storage
CCUS: Carbon Capture Utilisation and Storage
CDP: formerly the Carbon Disclosure Project
CER: Climate and Environmental Risk
cgDist: capacity gross ton difference
CH_4: Methane
CRE: commercial real estate
CRREM: Carbon Risk Real Estate Monitor
CSDDD: Corporate Sustainability Due Diligence Directive
CSRD: Corporate Sustainability Reporting Directive
CTF: Climate Transformation Fund
CTP: Client Transition Plan
DM PCS: Data Management Policy and Process Control Standards
DNV: Det Norske Veritas
EAF: electric arc furnace
EBA: European Banking Authority
ECB: European Central Bank
EJ: Exajoules
EPBD: Energy Performance of Buildings Directive
EPC: Energy Performance Certificates
ESG: Environmental, Social and Governance
ESR: Environmental and Social Risk
ESRS: European Sustainability Reporting Standards
EU ETS: EU Emissions Trading System
EVs: Electric Vehicles
FLAG: Forest, Land and Agriculture
FPCM: Fat- and protein-corrected milk
FPSO: Offshore Oil and Gas Production Service
FSB: Financial Stability Board
GCCTA: Global Credit Committee Transaction Approval
GCMD: Global Centre for Maritime Decarbonisation
GCTP: Global Credit and Trading Policy Committee
GHG: Greenhouse gases
GFANZ: Glasgow Financial Alliance for Net Zero
GLC: Green-Light Committee
GWPs: Global Warming Potentials
ICMA: International Capital Markets Association
IEA: International Energy Agency
IFRS: International Financial Reporting Standards
IMO: International Maritime Organisation
IMO DCS: Data Collection System of the International Maritime Organization
IPPC: Intergovernmental Panel on Climate Change
ISF: Institute for Sustainable Futures
KPI: Key Performance Indicator
LDV: Light Duty Vehicle
LMA: Loan Market Association
LSTA: Loan Syndications and Trading Associations
LTV: loan-to-value
MBB: Management Board Banking
MIAP: Maritime International Advisory Panel
MOT: Ministry of Transport
MPA: Maritime and Port Authority of Singapore
MPP PRU: Prudent scenario of the Mission Possible Partnership
NAICS: North American Industry Classification System
NACE: Nomenclature of Economic Activities
NZBA: Net-Zero Banking Alliance
NZE: International Energy Agency's Net Zero Emissions by 2050 Scenario
O&G: oil and gas
OEM: Original Equipment Manufacturer
OHI: Organizational Health Index
PACTA: Paris Agreement Capital Transition Assessment
PAS: Portfolio Alignment Score
PCAF: Partnership for Carbon Accounting Financials
PEFCR: Product Environmental Footprint Category Rules
pkm: passenger kilometre
PP: Poseidon Principles
RB: Retail Banking
RCF: Revolving Credit Facility
RE: Real Estate
RE BB NL: Real Estate Business Banking Netherlands
REIT: Real Estate Investment Trust
RMI: formerly the Rocky Mountain Institute
RO: Recognized Organization
RPK: revenue passenger kilometre
RSRS: Responsible Ship Recycling Standards
RTK: revenue tonne kilometre
S&P: Standard & Poor
SAF: Sustainable Aviation Fuel
SAFF: Sustainable Aluminium Finance Framework
SBTi: Science Based Targets initiative
SCO: Senior credit officer
SDA: Sectoral Decarbonisation Approach
SDGs: Sustainable Development Goals
SDS: Sustainable Development Scenario
SdT: Sociedad de Tasación
SME: Small and Medium-sized Enterprises
SOC: Statement of Compliance
SPV: special purpose vehicle
SSP: Sustainable STEEL Principles
SVC: Sustainable Value Chains
T&D: transmission and distribution
TCF: Trade and Commodity Finance
TCFD: Task Force on Climate-related Financial Disclosures
TPI: Transition Pathway Initiative
TPT: Transition Plan Taskforce
UN: United Nations
UNEP-FI: United Nations Environment Programme Finance Initiative
vkm: vehicle-kilometre
WB: Wholesale Banking

Important legal information

In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2023 ING Group consolidated annual accounts, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS- EU'). All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions and customer behaviour, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates and the regional and global economic impact of the invasion of Russia into Ukraine and related international response measures (2) changes affecting interest rate levels (3) any default of a major market participant and related market disruption (4) changes in performance of financial markets, including in Europe and developing markets (5) fiscal uncertainty in Europe and the United States (6) discontinuation of or changes in 'benchmark' indices(7) inflation and deflation in our principal markets (8) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness (9) failures of banks falling under the scope of state compensation schemes (10) non-compliance with or changes in laws and regulations, including those concerning financial services, financial economic crimes and tax laws, and the interpretation and application thereof (11) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, including in connection with the invasion of Russia into Ukraine and the related international response measures (12) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks (13) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions (also among members of the group) (14) ING's ability to meet minimum capital and other prudential regulatory requirements (15) changes in regulation of US commodities and derivatives businesses of ING and its customers (16) application of bank recovery and resolution regimes, including write down and conversion powers in relation to our securities (17) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers or stakeholders who feel misled or treated unfairly, and other conduct issues (18) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA (19) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business and including any risks as a result of incomplete, inaccurate, or otherwise flawed outputs from the algorithms and data sets utilized in artificial intelligence (20) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, including such risks and challenges as a consequence of the use of emerging technologies, such as advanced forms of artificial intelligence and quantum computing (21) changes in general competitive factors, including ability to increase or maintain market share (22) inability to protect our intellectual property and infringement claims by third parties (23) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties (24) changes in credit ratings (25) business, operational, regulatory, reputation, transition and other risks and challenges in connection with climate change and ESG-related matters, including data gathering and reporting (26) inability to attract and retain key personnel (27) future liabilities under defined benefit retirement plans (28) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines (29) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, and (30) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.

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