



# Accelerating

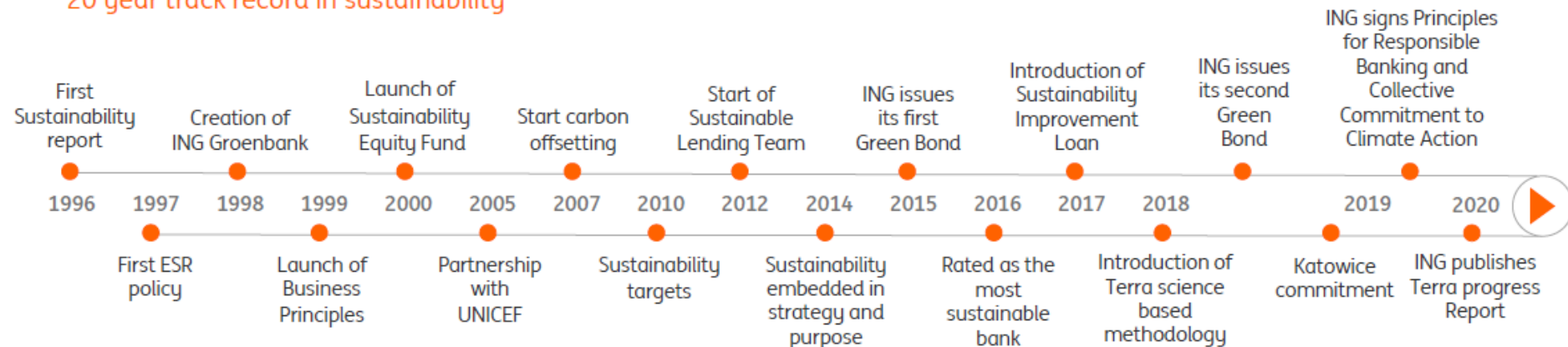
# Sustainable Finance

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# ING is strongly committed to sustainability

20 year track record in sustainability



## Sustainability direction supported by

Our own transition		Supporting clients' transition to sustainable business	
<ul style="list-style-type: none"> <li>Sourcing renewable energy</li> <li>Operating carbon neutral</li> <li>Integrating sustainable procurement</li> </ul>		<ul style="list-style-type: none"> <li>Offering simple and easy products and services</li> <li>Supporting customer decisions</li> <li>Creating societal impact</li> </ul>	
<ul style="list-style-type: none"> <li>Environmental and social standards</li> <li>Client assessment</li> <li>Publicly disclosed environmental risk framework</li> <li>Applied to business globally</li> </ul>		<ul style="list-style-type: none"> <li>Sustainable business</li> <li>Creating awareness</li> <li>Accelerating sustainable business innovation</li> <li>Developing new (sustainable) business models</li> </ul>	

## With the support of senior management

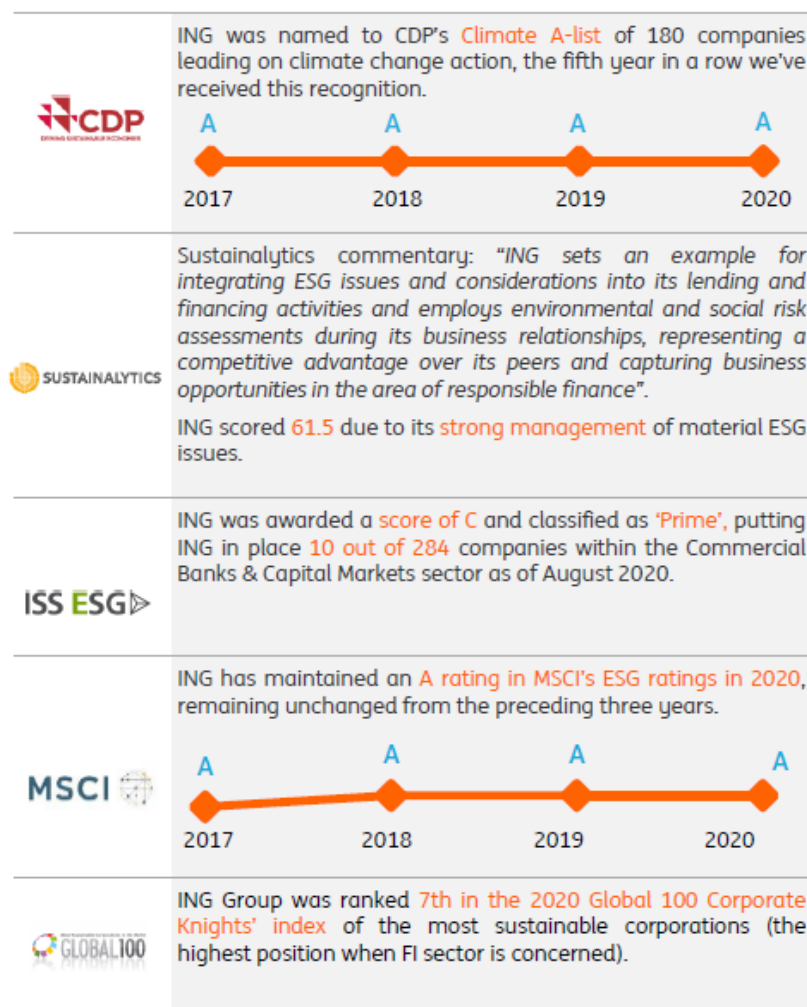


– Steven van Rijswijk  
CEO of ING

“ING aims to be a positive force in the fight against climate change. Our approach is inclusive and collaborative. We work together with our clients to facilitate their transition to low-carbon technologies.”

# ING is one of the frontrunners in Sustainability

ING's commitment to sustainable finance is engrained in our strategy and recognised by the market



## ESG Scores<sup>1</sup>

Banks	Sustainalytics <sup>2</sup>			MSCI	CDP
	Risk Rating	Management	Management		
<b>ING</b>	21.9	61.5	Strong	A	A
BofA	28.0	43.9	Average	BB	A
BNP Paribas	30.0	43.9	Average	A	A-
Citigroup	26.3	50.8	Strong	BBB	A
Deutsche Bank	30.0	48.5	Average	BBB	C
Goldman Sachs	31.1	42.2	Average	BBB	A-
HSBC	25.1	51.1	Strong	BBB	A-
J.P. Morgan	22.0	55.7	Strong	BB	-
Mizuho	19.9	60.1	Strong	A	B
Morgan Stanley	23.0	56.8	Strong	A	A
NatWest	20.5	55.0	Strong	BBB	B
Santander	32.0	45.0	Average	BBB	C
Standard Chartered	28.7	45.1	Average	AA	C
UBS	26.1	49.8	Average	AA	A-

## ING is recognized for its high sustainability performance

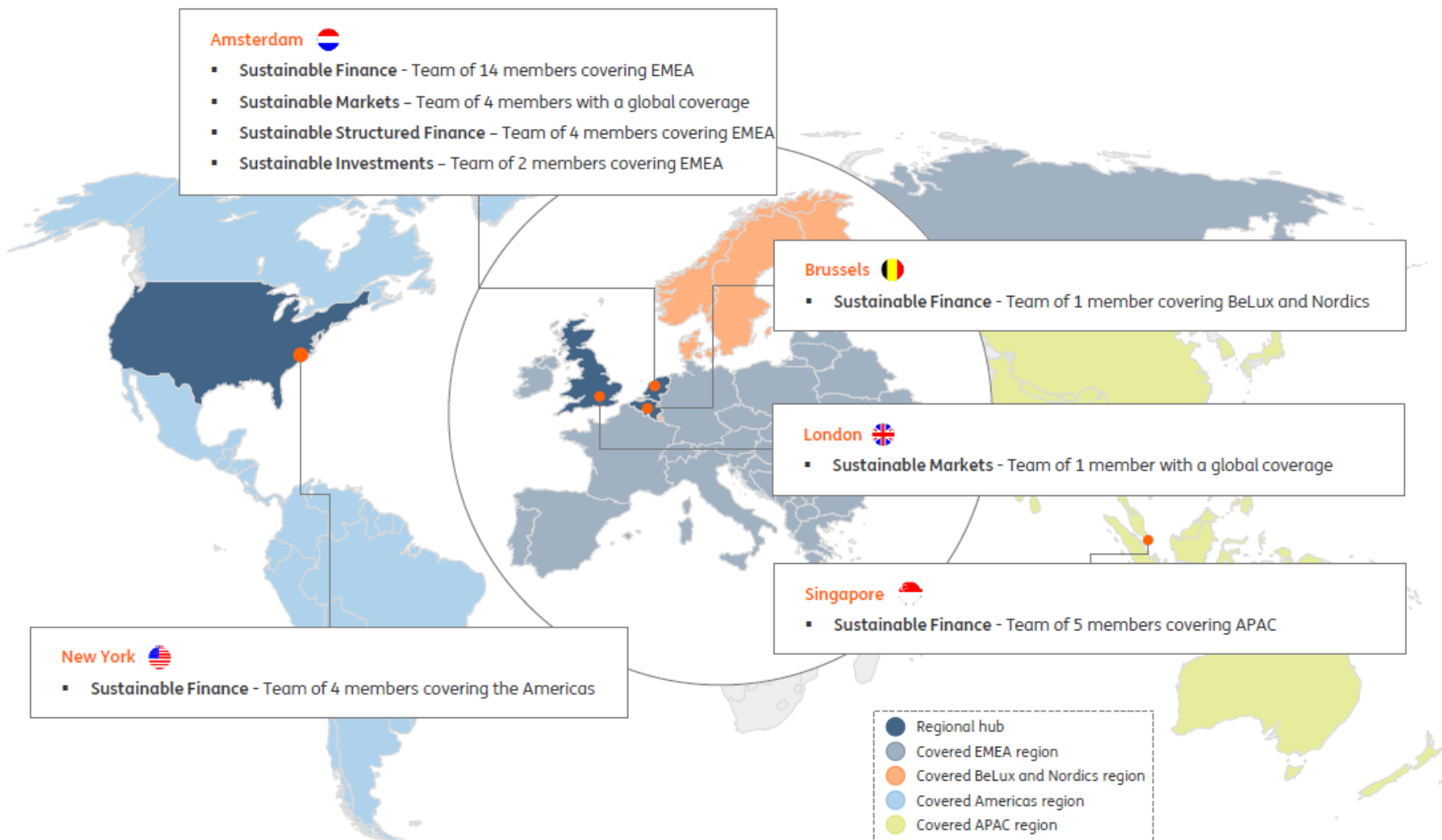
- ING's policies and actions are assessed by independent research and ratings providers, which give updates on them annually.
- ING ranks first in our market cap group by **Sustainalytics**, and in the 10th percentile of 374 listed and non-listed global banks.
- ING retains our 'A' rating (scale AAA to CCC) by **MSCI**, an investment research firm that provides indices, portfolio risk and performance analytics to institutional investors. The rating underscores ING's sound corporate governance, as well as our strengths in human capital development, privacy and data security and financing environmental impact.
- ING was recognised by **CDP** as a 'Climate change A-List' company leading on climate action. By scoring companies from A to D-, CDP uses measurement and disclosure to improve the way companies and governments manage environmental risk.

Source: publicly available data;

Note 1: Rank based on alphabetical order. Data as of September 10<sup>th</sup>, 2020. For CDP, the scores relate to Climate Change (2019); Note 2: Risk Rating evaluates the degree of a company's unmanaged material ESG risk by assessing a company's exposure to and management of the ESG issues that are considered most material for that company from a financial perspective. Please note, the lower the risk score, the better.

# Local roots, global reach

ING has invested enormously in helping our clients on sustainability





# ING has a constant focus on innovation and sustainable product development to support our clients' sustainable ambitions

## ING product capabilities

### Sustainable Debt Capital Markets

Debt Capital Markets instruments (bond, Schuldschein, private placement) of which the proceeds are used to finance green/ social/ sustainable/ transition projects or where a sustainability improvement target is included and connected to the coupon

### Green Loans

Loans where the use of proceeds is linked specifically to sustainable projects, green product development or a 'green' project portfolio of the client

### Sustainability Improvement Loans

Loans that can be used for general corporate purposes, which link the interest margin to the improvement of the client's external ESG score or tailored KPIs

### Sustainable Structured Finance

Structured lending for new business models, technologies and sectors such as circular economy, water and energy transition

### ESG Rating Advisory

Gap-analysis & review of client's sustainability performance and support in engaging with the ESG rating provider(s) to ensure investors' and lending banks' understanding of client's sustainability strategies



### Sustainable Capital Structuring

Supporting the company in refining its sustainability strategy, incl. e.g. an energy transition pathway, ESG materiality matrix and targets. This, connected to financial services and products to help realize the sustainability direction. Incl. identifying opportunities for and structuring of green and sustainability-linked financial products (incl. DCM) and M&A advisory.

### Green Guarantee Facility

A green guarantee facility is a type of financial backstop offered by a lending institution that ensures the liabilities of a debtor for its green projects. Equally, a Sustainability Improvement Guarantee can be structured.

### Sustainable Supply Chain Finance (SSCF)

Linking SCF discount rates or payment terms to sustainability performance of suppliers to strengthen the supplier base of our clients

### Sustainability Improvement Derivatives (SID)

Financial market derivatives, such as an interest rate swap, where a part of the pricing is linked to the company's (existing) sustainable finance KPIs

### Sustainable Investments

Range of equity, mezzanine instruments for scale-ups in new business models and technologies like circular economy, water and energy transition areas

# Two types of Sustainability Improvement Loans

## KPIs linked SIL



## ESG rating linked SIL



### Process considerations

- |                                                                                                                                                                                                                                                                                           |                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1 ING recognises [company]'s commitment to improve Environmental, Social and Corporate Governance (ESG) performance. On this basis, a sustainability improvement mechanism can be structured for [company]'s general corporate purposes</li> </ol> |                                                                                                                                                            |
| <ol style="list-style-type: none"> <li>2 ING and [company] to <b>set auditable</b> baseline figures for measuring improvements in ESG matters</li> </ol>                                                                                                                                  | <p>ING and [company] will agree on a sustainability rating agency that will issue a <b>sustainability rating / ESG score</b></p>                           |
| <ol style="list-style-type: none"> <li>3 ING and [company] agree on improvement steps to be achieved for these KPIs for the tenor of the facility. This is communicated to other lenders</li> </ol>                                                                                       | <p>ING and [company] agree on improvement steps to be achieved for the ESG score over the tenor of the facility. This is communicated to other lenders</p> |
| <ol style="list-style-type: none"> <li>4 The independent sustainability auditor provides assurance to verify the realised KPI performance annually</li> </ol>                                                                                                                             | <p>The sustainability rating agency will issue an updated ESG risk score on an annual basis, used to assess if [company] met the formulated targets</p>    |
| <ol style="list-style-type: none"> <li>5 Commercial characteristics of the facility improve / deteriorate inline with the [company]'s sustainability performance</li> </ol>                                                                                                               |                                                                                                                                                            |

### Pricing considerations



# Guidelines for selecting KPIs and example KPI categories

## General requirements for the KPI approach

- **S** – Specific, [3-5] quantifiable KPIs, limited assurance by external auditor;
- **M** – Measurable, with ideally 3-5 years of historical data;
- **A** – Ambitious, stretched, all encompassing for E, S, and G; no cherry picking;
- **R** – Realistic, motivational, in line with the Company's operations, strategic commitment;
- **T** – Time dependent, target for 202[x], covering tenor of the instrument

## Select KPIs that:

- Have current status and/or target value;
- Have not yet been reached / surpassed;
- Have clear connection to the sustainability concept;
- Are not sufficiently covered by laws or regulations;
- Are backed up by a clear methodology;
- Are auditable.

Typically, KPIs focus on 3-5 material ESG matters.

However, the external ESG rating could serve as one of the KPIs. In such case, the **ESG score would cover the overall sustainability performance** of the company, leaving room for choosing 2-3 **other targeted KPIs which are most relevant to your company**.

### Environmental

- Carbon emissions and / or carbon intensity
- Energy efficiency
- Share of renewables consumption
- Water use / intensity
- Waste / increase recycling rates
- Responsible sourcing (certification, traceability, anti-deforestation etc.)
- Nr of electric vehicles
- Spills
- Gasses escaped

### Social

- Injury frequency rate
- Reporting of overdue operating instructions
- Complaints received
- Enhanced labour rights
- Disabled people employed
- Education

### Governance

- Percentage of independent Directors
- Percentage of Female Board Members / management
- Director Age
- Increased reporting and public disclosure
  - GRI compliance
  - Limited Assurance
- (ISO) Certification of management systems
  - ISO 14001 environmental certification of sites
  - ISO 45001 health & safety certification of sites

# Sustainable finance benefits



## 1 Protect and enhance value

- Being future-proof, **sustainable companies perform financially better** in the long term
- By using a SIL, the company has the **opportunity to lock-in margin discount** under credit facility provided by banks
- Green investor appetite for well-structured green DCM products



## 2 Reputation

- Good **communication material** to be used both **internally and externally**
- Embedding green angle into financing will further **strengthen sustainable image** of the company



## 3 Materiality of ESG issues

- **Changing regulatory** environment but also the **preferences of customers** increase the **material impact of ESG** factors on business
- Up-to-date materiality assessment is needed to **monitor, measure and control critical ESG matters**



## 4 Internal alignment

- Leads to **closer engagement of CFO and other finance functions** as important stakeholders of sustainability
- Building **internal dialogue on importance of sustainability** and translating its priorities into a sustainability strategy



## 5 Stakeholder management

- **Alignment of priorities** with key stakeholders and **better understanding** of their perspective
- **Off-takers might set sustainability requirements** for its suppliers
- **Investors integrate ESG assessment** as standard practice

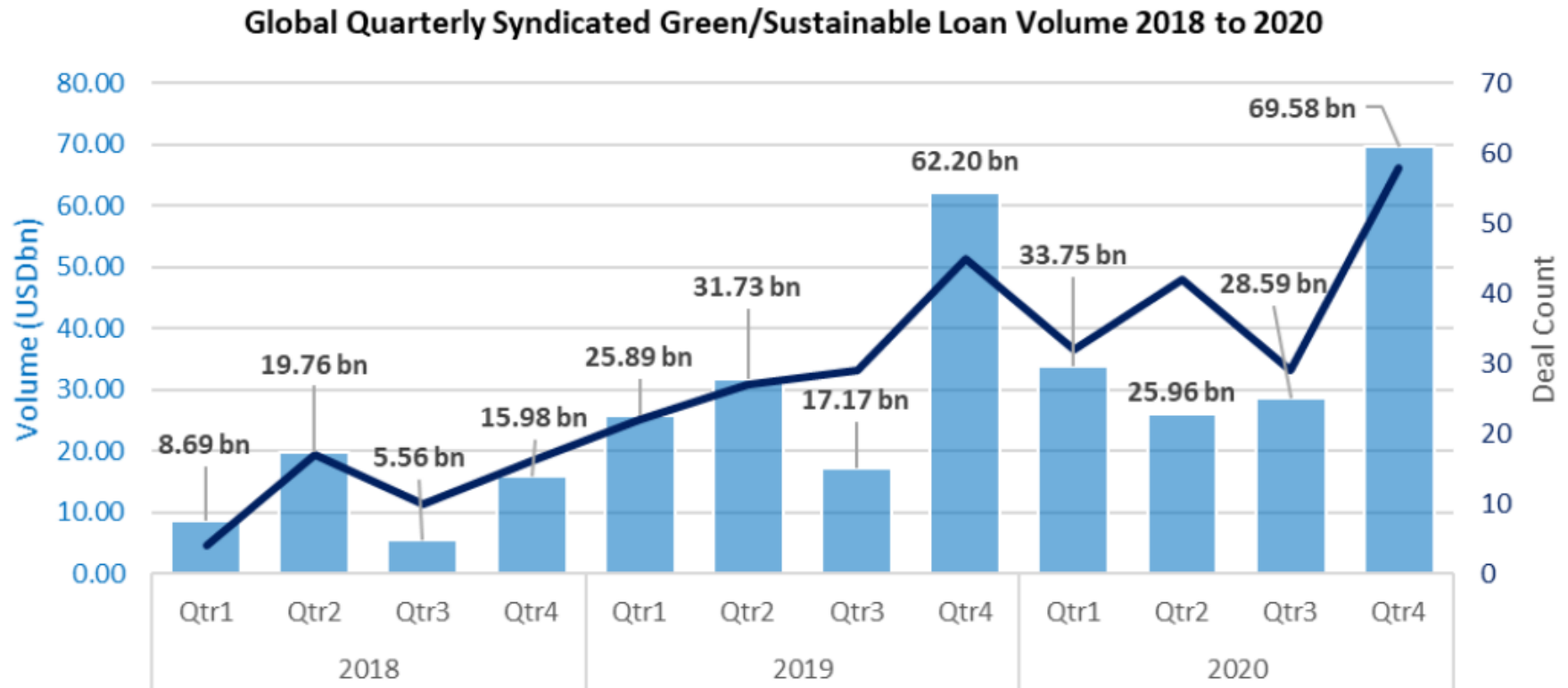


## 6 External review to improve

- Potential improvement in overall ESG rating
- **Better alignment** with markets' / lenders' sustainability requirements



# Syndicated Green/Sustainable Loan Market



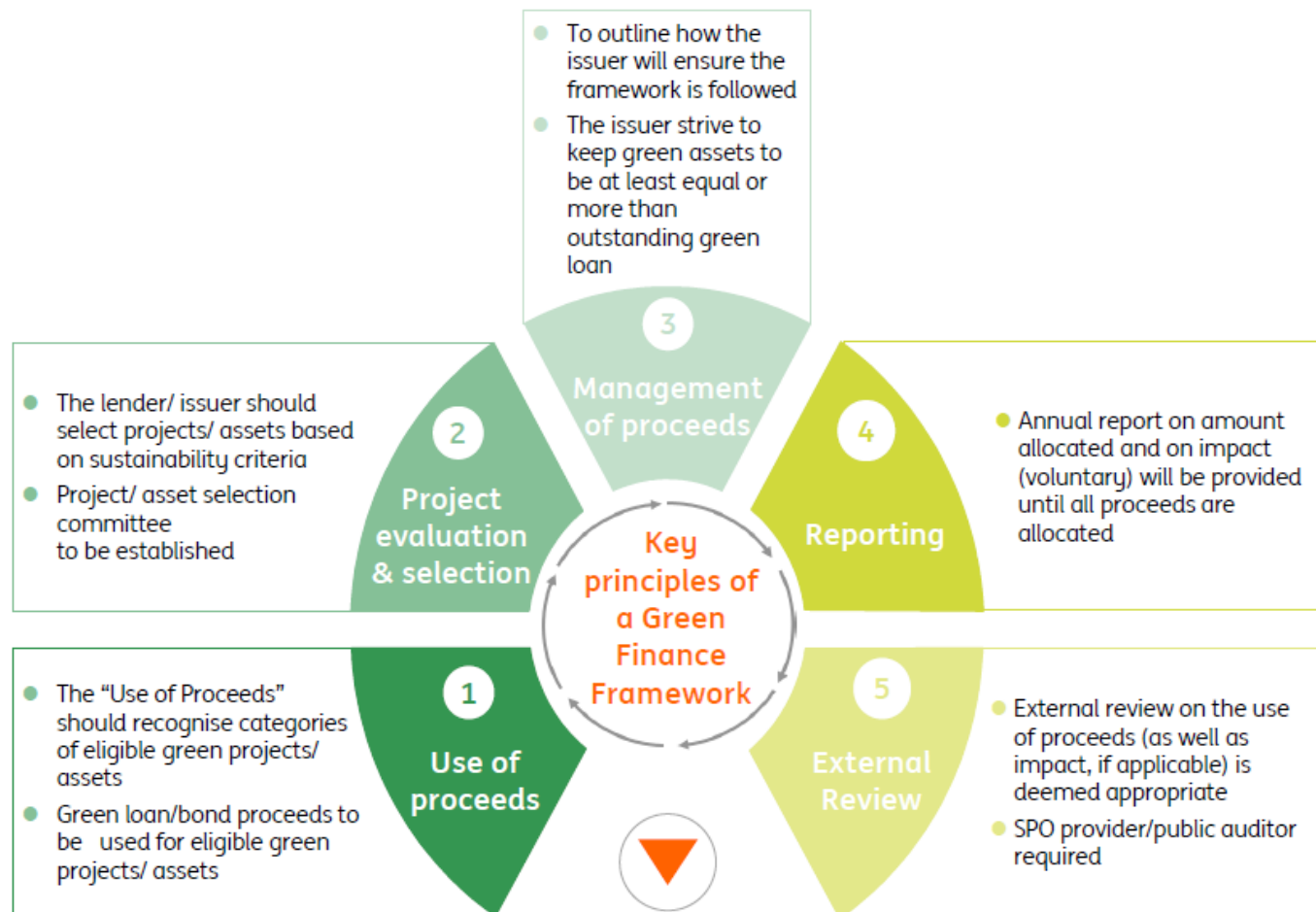
*Note: includes all loans linked to sustainability performance measures, typically environmental, social and governance (ESG) performance, corporate social responsibility (CSR) or key performance indicators (KPIs), as well as Green Loan Principles.*

*Data Source: Loan Radar*

# Green Finance Framework – to be aligned with the Green Loan and Green Bond Principles

## Considerations

- LMA's Green Loan Principles and ICMA's Green Bond Principles are internationally recognised guidelines to **promote transparency, disclosure and reporting**
- Green loans and green bonds are exclusively to **finance or re-finance**, in whole or in part, **new and/ or existing eligible green projects/ assets**
- In order to verify and validate the sustainability added value of any green financing, a **Green Finance Framework** is created
- A Green Finance Framework should contain a clear description of **categories of eligible green projects/ assets**
- Proceeds should be well **managed and tracked**
- **Reporting on allocation and impact (if applicable)** is very important
- It is essential a Green Finance Framework is being **reviewed** by an independent expert



Green Financing



do your thing