

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Bond Asset Pool

ING-DiBa AG

23 September 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Bond Framework</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• International Capital Market Association's (ICMA) Green Bond Principles (GBPs).</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• ING Group's Green Bond Framework (as of November 2018)</li><li>• ING -DiBa AG Asset Pool (as of August 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• For a single issuance after SPO publication</li></ul>

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## Scope of work

ING DiBa AG (“ING DiBa” or “the issuer”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond link to ING DiBa’s sustainability strategy – drawing on ING DiBa’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. ING Group’s Green Bond Framework (November 2018 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs).
3. The Asset Pool (as of August 2021)– whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Green Bond link to issuer’s sustainability strategy</b>	<p>According to the ISS ESG Corporate Rating published on 2021-04-28, ING Group shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks &amp; Capital Markets sector. The issuer is rated 15<sup>th</sup> out of 294 companies within its sector.</p> <p>The Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	<b>Consistent with issuer’s sustainability strategy</b>
<b>Part 2:</b>  <b>Alignment with GBPs</b>	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs.</p>	<b>Positive</b>
<b>Part 3:</b>  <b>Sustainability quality of the Asset Pool</b>	<p>The overall sustainability quality of the Asset Pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond will (re-)finance eligible asset category of residential real estate.</p> <p>Those use of proceeds categories have a significant contribution to SDG 1 “No Poverty” and SDG 11 “Sustainable Cities and Communities”. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<b>Positive</b>

<sup>1</sup> ISS ESG’s evaluation is based on the ING DiBa’s Green Bond Framework (November 2018 version), on the analysed Asset Pool (as on August 2021), and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 2021-09-23).

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND LINK TO ING GROUP'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF ING GROUP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>ING GROEP NV</b>	<b>COMMERCIAL BANKS &amp; CAPITAL MARKETS</b>	<b>1</b>	<b>VERY HIGH</b>

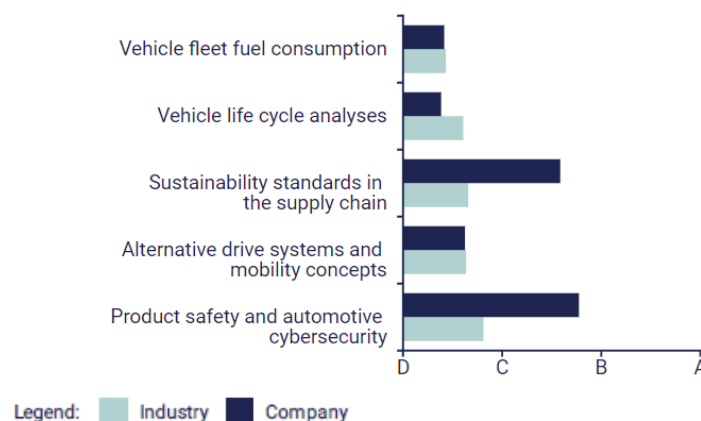
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

#### ESG performance

As of 23.09.2021, this Rating places ING Group, ING DiBa's parent organization, as 15<sup>th</sup> out of 294 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



#### Sustainability Opportunities

ING's subsidiary ING Groenbank offers retail clients green deposit products and provides lending services at favourable rates for a diverse range of sustainable projects, from wind turbines to organic farming to solar panels. Furthermore, ING Groenbank offers microfinance and a reasonable range of socially responsible investment products. In 2020, ING's sustainable assets under management rose to EUR 13.2 billion. Moreover, the climate finance portfolio amounted to EUR 16.5 billion and social impact finance to EUR 500 million. Although ING offers several financial services with a high social and environmental benefit, these do not represent a major business for the company.

### *Sustainability Risks*

ING has an environmental and social risk (ESR) framework in place, which sets standards for issues such as human rights, environmental protection, and animal welfare. An exclusion policy forms part of this ESR framework and covers a range of controversial topics. Furthermore, sector-specific policies are in place for sectors which ING considers likely to be associated with environmental and social risks: energy (oil & gas, power generation), chemicals, forestry and agro commodities, manufacturing, and mining and metals, defence, and infrastructure. The company has stopped financing new coal-fired power plants and thermal coal mines worldwide and aims to reduce its coal exposure close to zero by 2025. ING will also not finance any new clients whose business is over 10 percent reliant on operating coal-fired power plants and, by 2025, no longer finance clients in the utilities sector that are over 5 percent reliant on coal fired power in their energy mix. Nonetheless, ING Group NV's subsidiary ING Bank NV is financing the construction of the 1,000 MW Cirebon-2 coal fired power plant in West Java, Indonesia, which is being opposed by local stakeholders over its alleged prospective environmental impacts and contribution to climate change.

ING is committed to providing its customers with products that meet their needs, clearly explaining the potential risks and returns of its products and services, being transparent about prices and conditions, and using clear language. The company adequately addresses employee-related aspects e.g. through the implementation of measures to prevent and alleviate mental health problems and through various workplace flexibility options. As of March 2021, ING is in the process of implementing large-scale redundancies. In this regard, all employees are entitled to training and development to adjust to the restructuring. ING addresses all salient issues in the field of business ethics, such as corruption, conflicts of interest, insider dealings, and gifts and entertainment. In addition, the company has established a detailed whistleblowing policy and respective procedures. However, the company is allegedly involved in several money laundering controversies, including an allegation of involvement in money laundering through the company's ING Bank subsidiary in Italy in February 2020.




### *Governance opinion*

The company's governance structure is designed to ensure the separation of managerial and supervisory functions; all members of the board of directors, including the chair (Mr. Gerardus Johannes Wijers) are considered independent (as at February 5, 2021). In addition, fully independent board committees in charge of audit, nomination and remuneration are in place. The company discloses its remuneration policy for executives on an individual basis and sub-divided according to long-term incentive components, which is thought to foster sustainable value creation.

Regarding ING's sustainability governance, no independent board-level sustainability committee is in place. However, ING's variable remuneration of executive board members is linked to non-financial drivers, by means of a number of targets regarding economic, environmental, social and customer satisfaction criteria. ING addresses all relevant issues in the field of business ethics such as corruption, conflicts of interest, insider dealings, and gifts, favours and entertainment. In addition, the company has established a detailed whistleblowing policy and respective procedures. However, there is no evidence of further relevant compliance procedures such as third party anti-corruption due diligence. Additionally, the company is allegedly involved in several money laundering controversies, including an allegation of involvement in money laundering through the company's ING Bank subsidiary in Italy in February 2020.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of ING Group's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along ING Group's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
<b>Financing of renewable energy</b>	1.2%	CONTRIBUTION	 
<b>Financing of buildings certified to a relevant sustainable building standard</b>	1.4%	CONTRIBUTION	
<b>Others</b>	N/A	NO NET IMPACT	N/A

### *Breaches of international norms and ESG controversies*

The company is facing one severe controversy related to weaknesses in anti-money laundering controls.

In July 2019 media reported that the Spanish National High Court (AN) had initiated an investigation into ING Group NV's wholly owned subsidiary ING Bank NV (ING) over allegations that Bandenia Banca Privada PLC (Bandenia) used ING to launder money in Spain from 2015 to June 2017, until it was officially dismantled. According to media, ING failed to inform authorities of "a strong presence of cash income of unknown origin". Bandenia reportedly used ING's banking system to transfer at least €1.7 million through ING accounts. The illicit funds reportedly stemmed from drug trafficking, sexual exploitation as well as political corruption. Other banks targeted by the investigation in connection to Bandenia are CaixaBank SA, and Ibercaja Banco SA. Media reported that ING is collaborating with authorities. In communication with ISS ESG in December 2020, ING confirmed that there are no further updates with regard to the proceedings. The bank was previously fined €775 million by the Netherlands Public Prosecution Service in September 2018 for its involvement in a money laundering controversy. In December 2020 ING also updated ISS ESG on the roll-out of its anti-money laundering (AML) enhancement programme and remedial measures taken since 2017, which include a centralised monitoring unit, the establishment of global and local KYC committees, and the roll-out of its Global KYC policy and Risk Appetite statements. ISS ESG remains vigilant of developments.

## B. CONSISTENCY OF GREEN BOND WITH ING DIBA'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

Climate resilience, i.e. enacting effective measures to mitigate climate change and help businesses affected by climate change to adapt, is one of the most material topics identified for ING Group.<sup>2</sup>

As part of its efforts to address this topic, ING has been carbon neutral since 2007 and has set quantified future objectives around its operations, such as

- Reduce scope 1 and 2 CO<sub>2</sub>e emissions from ING Group's buildings and data centres by 80% by year-end 2022, and 90% by year-end 2030 (base year 2014).
- Reduce scope 3 CO<sub>2</sub>e emissions from business travel by airplane and car by 25% by year-end 2022 (base year 2014).
- Reduce energy consumption by 65% by year-end 2030 (new target, base year 2014).
- Continue to procure 100% renewable electricity for all ING buildings where the company has management control worldwide.

As a bank, ING Group recognizes it has an important role to play in financing the transition to a low-carbon economy. It has committed to measure and steer its lending portfolio towards a net-zero world by 2050, known as the Terra approach. ING Group has also signed the UN-backed Collective Commitment to Climate Action and joined the Net-Zero Banking Alliance in August 2021.

### *Rationale for issuance*

ING Group financed billions of euros in energy projects, from wind farms, solar energy, and geothermal power production; to energy efficiency in buildings and production lines; to electric vehicles and bio-based plastics; to (waste) water treatment and supply and circular economy solutions. 1.4% of revenue comes from financing of buildings certified to a relevant sustainable building standard. ING Group does this by issuing green loans, green bonds, and other innovative products and financing constructions.

<sup>2</sup> <https://www.ing.com/Sustainability/The-world-around-us-1/Materiality.htm>

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Residential Real Estate	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.*



## PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

### 1. Use of Proceeds

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

ASSET CATEGORY	INCLUDED IN GREEN BOND PORTFOLIO	SHARE OF ASSET POOL
a. Renewable energy	✗ No	-
b. Green buildings	✓ Yes	100 % <sup>3</sup>
c. Clean transportation	✗ No	-
d. Pollution prevention and control	✗ No	-
e. Sustainable water management	✗ No	-

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

- **Renewable energy:** defined as the financing or refinancing for the production, transmission, appliances, acquisition and products of renewable energy; as well as the connection of renewable energy production units to the electricity grid and the transportation through the network. Renewable energy sources can include:
  - a) On- and offshore wind energy
  - b) Solar energy
  - c) Small scale hydropower (20MW or under), or run-of-river projects
- **Green buildings:** defined as the financing or refinancing buildings which meet regional, national or internationally recognized regulations, standards or certifications:
  - a) Commercial real estate:
    - i. Commercial buildings with an Energy Performance Certificate label “A” in The Netherlands
    - ii. New or existing commercial buildings belonging to top 15% low carbon buildings in the region (for example: Germany, Belgium or Poland)
    - iii. Refurbished Commercial buildings with an improved energy efficiency of at least 30%

<sup>3</sup> ING DiBa will allocate exclusively to green residential real estate loans in Germany

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

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

## **2. Process for Project Evaluation and Selection**

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

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

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

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by ING Group's Sustainability Bond Framework as complete, exhaustive and aligned with the GBPs. Moreover, the projects selected are defined and transparent.

## **3. Management of Proceeds**

The Green Bond proceeds will be managed by ING in a portfolio approach. ING Group intends to allocate the proceeds from the Green Bonds to an Eligible Green Loan Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

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

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

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

#### **4. Reporting**

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

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

ING Group intends to align the reporting with the portfolio approach described in "Green Bonds-working towards a Harmonised Framework for Impact Reporting (December 2015)"<sup>4</sup>.

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

The allocation report will provide:

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

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

Where feasible, the impact report may provide:

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

The green bond report will be made available via the ING-DiBa website: <https://www.ing.de/ueber-uns/unternehmen/investor-relations/>.

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

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

<sup>4</sup><https://www.ifc.org/wps/wcm/connect/35c1cd76-b75f-474c-815a-dfb876543a22/Updated+logo+FINALPROPOSALIRH+CLEAN.pdf?MOD=AJPERES&CVID=mHrR8w4>

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

## **External review**

### **Second party opinion**

The Second Party Opinion as well as the Green Bond Framework will be made available to the Green Bond investors on <https://www.ing.de/ueber-uns/unternehmen/investor-relations/>.

### **Verification**

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

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE



### A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Asset Pool and using a proprietary methodology, ISS ESG assessed the contribution of the ING DiBa's Green Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS	
Green Buildings - Residential Real Estate	Significant contribution		

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ASSET POOL

### Green Buildings - Residential real estate

As a Use of Proceeds category, residential real estate has a significant contribution to the SDG 1 ‘No poverty’ and SDG 11 “Sustainable cities and communities”.

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

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

However, fair banking practices need to be in place in the retail client business in order to mitigate potential social risks, e.g. over-indebtedness or foreclosure.

The table below presents the findings of an ISS ESG assessment of the Asset Pool against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### Energy Efficiency prerequisites

- ✓ All the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. All buildings selected in Germany are part of the top 15% of the German market.

##### Construction standards

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

##### Responsible treatment of customers with debt repayment problems

- ✓ For 100% of projects, pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).
- ✓ For 100% of projects, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ For 100% of projects, the creditor excludes the selling of secured loans, with the rare exception where collateral has been realized and there is a continuing personal residual claim against the customer.

## DISCLAIMER

1. Validity of the SPO: For ING DiBa's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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## ANNEX 1: Methodology

### ISS ESG Green KPIs

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

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

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

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

### Environmental and social risks assessment methodology

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

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

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

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

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which ING DiBa's Green Bond contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

### Methodology - Overview

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

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

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

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

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

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

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

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

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

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

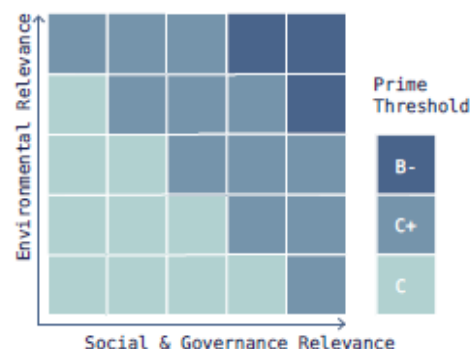
**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile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

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

## Methodology - Overview

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

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



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

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

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

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

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

A+: the company shows excellent performance.

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

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

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

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

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

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

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

## ANNEX 3: Quality management processes

### SCOPE

ING DiBa commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the GBPs and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs
- ISS ESG KPI set: - Residential Real Estate

### ISSUER'S RESPONSIBILITY

ING DiBa's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by ING DiBa based on ISS ESG methodology and in line with the ICMA GBPs.

The engagement with ING DiBa took place in August and September 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

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

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

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

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

For Information about SPO services, contact:

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