

Principal Adverse

Impact Statement

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ING Belgium takes into account the adverse impacts of investments on sustainability factors

The aim of the Sustainable Finance Disclosure Regulation (SFDR) is to provide more transparency on sustainability within the financial markets. With this document we are disclosing the negative effects which ING Belgium is taken into consideration in the investment process and when providing investment advice¹.

ING Belgium believes that investing comes with a responsibility that goes beyond merely looking at the financials. That is why we look at the world around us and we take people and the environment into account when we make investment decisions. Investments can have favorable, but also unfavorable consequences for sustainability factors. These negative consequences are also referred to as 'Adverse impact'. Sustainability covers a wide range of factors, from environmental, social and employment issues to respect for human rights and the fight against corruption and bribery.

In order to limit the negative impact on sustainability factors, ING Belgium considers the adverse impact of its investments on sustainability for certain types of financial products. In this statement we explain our policy with respect to those impacts.

This policy applies to our discretionary managed portfolios as well as to the universe of investments we take into consideration for advice. Within advisory services clients may hold other investments in their portfolio that are not necessarily aligned with the policies of ING Belgium.

¹ Providing investment advice regarding insurance-based investment products (branch 21 & 23)

Policy and principal adverse impacts

ING Belgium has a policy that is related to the identification and prioritization of principal adverse sustainability impacts: the Responsible Investment Guidelines. This policy, approved by the Sustainable Investment Committee at March 1st 2021, gives further substance to the incorporation of the environmental and social risk management policy with respect to investments. In this policy a distinction is made between responsible investments and sustainable investments.

1. Responsible investments

1.1 Equities and corporate bonds

When investing responsibly, ING Belgium aims not to invest in companies whose services or products come at the expense of people, the environment or society. For this reason, ING Belgium has developed its own method for assessing the non-financial data of a company resulting in the Non-financial indicator (Nfi). This method provides an objective and clear overview of the sustainability policy of a company in relation to the policy of comparable companies. Due to product development, or in the wake of a takeover, the sustainability of a company could change. Therefore, ING Belgium checks the data for all companies that are actively covered in the portfolios on an annual basis to determine whether the companies still satisfy the responsible investment requirements.

Exclusions

We exclude those companies with the greatest exposure to sustainability risks. These companies run the risk of becoming stranded assets or have a business model that we consider to be unsustainable.

We exclude the following companies for purchase:

- Producers of cluster munitions, manufacturers of controversial weapons, tobacco producers and companies that generate electricity through coal power plants or that are involved in the mining of coal.
- Companies that seriously violate UN policies for multinational corporations
These guidelines are anchored in the ten principles of the Global Compact and cover human rights, the environment, labor, and corruption.

1.2 Investment Funds

For regular investment funds (including ETFs) we rely on the investment policy of the asset managers managing the investment funds. On a regular basis a survey is sent to the asset managers of all investment funds to have a view on the investment policy and the exclusions applied.

Exclusions

- We exclude investment funds with underlying investments such as producers of controversial weapons and cluster munition.
- We also apply the European sanction list. This is a consolidated list of countries and companies, engaged in or suspected of money laundering or terrorism financing activities.

The selected investment funds must take into account sustainability risks in their investment policy, must have an exclusion policy that reflects at least the above mentioned exclusions and are preferable signature of the UN PRI. PRI means Principles for Responsible Investment and are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. If this is not the case, we engage with the asset managers of the investment funds to align with these exclusions in the future. For passive funds (such as ETFs), depending on the indices they track, the exclusions cannot always be applied due to the nature of the index (and absolute weight of the position: many positions in a wide index are very little and considered as residual).

2. Sustainable investments

2.1 Sustainable Investment Funds

For the selection of sustainable investment funds sustainability risks have a prominent role. In addition to the process described for regular investment funds, an exhaustive screening on the sustainability criteria is applied.

ING Belgium integrates the risks in two steps:

- **Quantitative assessment**, i.e. a numerical assessment of a wide range of factors. For this purpose, we submit a detailed questionnaire to investment fund managers. The answers give us insight into the fund house's policy on sustainability, how the fund manager applies sustainability in practice, and how sustainability is integrated into the fund. In this step we will also perform a holding check: all securities (stocks, bonds and other securities) within an investment fund will be checked towards ING's sustainable universe. Any differences will be reported and discussed with the asset manager.
- **Qualitative assessment.** For this, we literally engage in discussions with the asset managers. During these conversations, we discuss the results of the questionnaire and the holding check and examine the fund manager's motives. We also compare the company names in the fund portfolio with our own sustainable investment universe in order to form an overall impression of the role that sustainability plays in the investment fund.

ING Belgium has described the policy with regard to sustainable investment solutions in the Responsible Investment guidelines as it has an additional focus to limit exposure by excluding the following companies.

Exclusions

- Companies involved in oil, non-conventional gas, but also in other sectors such as pornography, gambling, ... fur and alcohol
 - For investment funds of ING Group, the asset manager will not invest for its sustainable investment strategies in companies with a focus on these activities. A threshold of five percent of total revenues of the company is applied.
 - For third party funds, we engage with the asset managers of the investment funds to align with these exclusions
- Companies that demonstrate controversial behavior according to the standards of research agency Sustainalytics
For its sustainable investment strategies ING Belgium does not select investment funds which invest in companies that exhibit seriously controversial behavior. When a company in a portfolio becomes entangled in serious controversy, we will engage with the asset manager.

Main actions to improve the adverse impact going forward

ING Belgium aims to improve the adverse impact. The main instruments to achieve this are:

- Application of the Responsible Investment guidelines to a wider range of investment solutions. This is a continuous process in which ING seeks the dialogue with its clients. ING cannot force clients to apply the Responsible Investment guidelines but can promote these principles as much as possible.
- Improvement and expansion of the mitigating actions within the Responsible Investment guidelines. This is a continuous process.

Compliance with codes of conduct and internationally recognized standards of corporate responsibility

ING Group endorses (is signatory of):

- Children's Rights and Business Principles (CRBP)
- The Core Conventions of the International Labour Organisation (ILO)
- EU Transparency Register
- United Nations Global Compact (UNGC)
- United Nations Guiding Principles on Business and Human Rights (UNGPR)
- UN Environment Finance Initiative Principles for Responsible Banking
- United Nations-backed Principles for Responsible Investment (PRI)
- The Universal Declaration of Human Rights (UDHR)
- Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

ING is a member of:

- The Academy of Business in Society (ABIS)
- Association for Financial Markets in Europe (AFME)
- Circle Economy
- Climate Markets and Investment Association (CMIA)
- CRO Forum, Sustainability Working Group
- Equator Principles Association (EP)
- European Financial Services Round Table (EFR)
- EUROSIF (VBDO)
- Institute of International Finance (IIF)
- International Capital Market Association (ICMA)
- International Integrated Reporting Council (IIRC)
- Netherlands Water Partnership
- Roundtable on Sustainable Palm Oil (RSPO)
- Thun Group of Banks
- United Nations Environmental Programme Finance Initiative (UNEP FI), including UNEP FI TCFD Pilot Phase II
- United Nations Generation Unlimited