



ING Principal adverse sustainability impacts statement (For Financial Market Participants (FMP))

Summary

The present statement is the consolidated principal adverse sustainability impacts statement of ING Luxembourg S.A., a public limited liability company organized under the laws of the Grand Duchy of Luxembourg, having its registered office at 26, Place de la Gare, L-1616 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B 6041 with LEI number 549300BT51N3KAXDPP56, (hereinafter referred to as “ING Luxembourg”, “We” or “the Bank”), for the provision of investment management services.

The aim of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (hereinafter referred to as “SFDR”) is to provide more transparency on sustainability related information within the financial markets. With this document We are disclosing about adverse impact of our managed portfolios on sustainability factors¹.

ING believes that investing goes together with responsibility for the consequences thereof. Not merely the financial consequences, but also the ones influencing the society. By being conscious of Environmental, Social and Governance (ESG) aspects, We are better able to manage risks and opportunities, and contribute to a more sustainable economy making investments decisions that are both beneficial for investors and society alike.

In order to limit the negative impact on sustainability factors, ING assesses the Principle Adverse Impacts (hereinafter referred to as “PAIs”) of its investments on sustainability factors via three ESG integration tools: exclusions, best-in-class and engagement. Next to this We indicate which international standards We endorse.

We consider PAIs of investment decisions on sustainability factors. On the one hand, for those financial products² that are governed by the “responsible, sustainable or impact investment approach” by excluding investment instruments³ that do not take into consideration the Principle Adverse impacts indicators that We deem most relevant, as detailed further on in this statement. On the other hand, for those products governed by the “traditional investment approach”, We take principle adverse impacts into account to a limited extent.

¹ According to SFDR, sustainability factors include environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

² When we use the term financial product in this document, we make reference to ING portfolios.

³ When we use the term financial/investment instrument in this document, we make reference to ING portfolios’ underlying (i.e. equity, bonds, funds etc.).



This means that the Principle Adverse Impacts that We deem most harmful are taken into consideration for the assessment of the investment instrument, however it is not mandatory to exclude all instruments that do not fulfil our requirements for this specific type of mandate. ING Group classifies financial products into four different categories, according to the respective investment approach (traditional, responsible, sustainable and impact). This product classification methodology is also used at ING Luxembourg. The management of PAIs depends on the investment approach chosen for the portfolio. Currently We only offer traditional mandates. However, based on the offering that We are looking to develop, We will also explain how PAIs will be managed for responsible, sustainable and impact mandates.

For each product, We disclose in the pre-contractual documents which type of investment approach is applied.

Description of principal adverse sustainability impacts and related due diligence

Currently the PAIs indicators on sustainability factors that We take into account are the ones set out in the list below. This is an indicative list that can be subject to change whenever We further develop our methodology. The list will be updated in case the Principle Adverse Impacts considered in our investment and advisory strategies will be subject to change (e.g. more PAIs will be taken into consideration in the future):

- Exposure to companies that have violated the principles of the United Nations Global Compact and the guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational corporation;
- Exposure to controversial weapons (antipersonnel mines, cluster munition, chemical weapons and biological weapons);
- Exposure to companies who produce electricity via coal power plant or who are involved in mining of coal;
- Exposure to companies that produce tobacco;
- Exposure to companies that are involved in weapons, oil, non-conventional gas, nuclear power, pornography, gambling, fur and alcohol (just for our sustainable approach);
- Greenhouse gas emissions (just for our sustainable approach).

We limit our exposure to these activities by setting thresholds for the exposure of companies to certain sectors. The table below contains the indicators that We consider:

	Topic for all investment approaches
1	exclusions of controversial weapons
2	exclusions of tobacco
3	exclusions of coal
4	exclusion of Global compact offenders

For direct lines (i.e. equity, bonds and options), We assess if the percentage of revenues of a company, coming from harmful activities like the production of controversial weapons, exceeds the thresholds set internally. If a company surpasses the threshold for one of the activities, then it will only be able to be part of a traditional mandate. If the company respects the threshold for each activity, then it can be included in responsible mandates. To assess if a company can be part of a sustainable or impact mandate, We use the same methodology by assessing additional PAIs indicators, as per the table below:

	Topic for Sustainable and Impact approach
1	exclusions of alcohol
2	exclusions of fur
3	exclusions of oil
4	exclusion of non-conventional gas
5	exclusions of weapons
6	exclusions of gambling
7	exclusions of pornography
8	exclusion of nuclear
9	exclusion of controversial conduct*

*controversy score from Sustainalytics

For other types of investment instruments (such as investment funds, insurance-based investment products, index funds or ETFs⁴), We assess the adverse sustainability impact by comparing how the instrument considers PAIs compared to our methodology (i.e. exclusion criteria) as mentioned above. This comparison is based on the collection and analysis of Morningstar data on the below indicators:

	Topic for all investment approaches
1	Product involvement in controversial weapons
2	Product involvement in tobacco
3	Product involvement in coal
4	Morningstar Globes ⁵

The Morningstar ESG related data allow us to categorize and rank these funds into one of our four investment approaches. We check whether funds exceed the thresholds set internally for the topics considered. For example, if more than 5% (illustrative threshold) of a fund is invested in companies that produce tobacco, then this fund will be categorized as traditional.

⁴ Exchange Traded Funds.

⁵ Morningstar provides an ESG score for funds (i.e. Morningstar Globes with a score from 1 to 5) which take into consideration various ESG criteria for each underlying assets (e.g. the controversial conduct of companies). This score allows us to identify the best-in-class funds.

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Under the supervision of the Commission de Surveillance du Secteur Financier (CSSF)

If the fund manager does not take all the first three indicators (controversial weapons, tobacco and coal) mentioned above into account, We will only consider this fund for portfolios where the traditional investment approach is applicable. On the contrary, if the fund manager does take into consideration all the three indicators, the fund may be considered for all other investment approaches (responsible, sustainable and impact), depending on their level and extent of integration. We believe that a fund manager considers PAIs in a meaningful way when the fund manager takes into consideration the whole list of PAIs indicators mentioned above. If a fund manager considers them partially, We will consider initiating an engagement procedure through the ING Group by asking the fund manager to comply with all topics in a period of maximum two years⁶. ING Luxembourg supports the engagement, while this procedure is carried out at the Group level. Depending on the importance and priority of the indicators that are not yet met, We may decide to categorize these funds as more than Traditional. If the engagement procedure is not successful, We will recategorize that fund.

In accordance with our four investment approaches as explained above, the “responsible” category of funds shall respect all the thresholds set for the three main PAI indicators as well as having an above-average ESG score according to the Morningstar Globes. With regards to our sustainable and impact categories funds, We expect a higher consideration of PAIs. Therefore, in addition to the ones set above, our “sustainable” category of funds shall respect the internally set thresholds for all the below indicators. Moreover, our “impact” category of funds shall be subject to a more qualitative assessment and the decision of the categorization will be made on the basis of the professional judgement of our investment analysts.

The below table lists the additional indicators to be considered by our “sustainable” and “impact” categories of funds. Besides consideration of PAIs, We expect managers of sustainable or impact funds to comply with other standards as well. These standards are described in the Responsible investment guidelines.

	Topic for Sustainable and Impact approach
1	Product involvement in alcohol
2	Product involvement in fur
3	Product involvement in oil
4	Product involvement in non-conventional gas
5	Product involvement in weapons
6	Product involvement in gambling
7	Product involvement in pornography
8	Product involvement in nuclear

⁶ The two-year period deadline is decided at group level on the basis of the professional judgement of the investment analysts.



Description of policies to identify and prioritise principal adverse sustainability impacts

The screening of PAIs at the instruments level is based on data provided by our third-party data providers: Sustainalytics for direct lines (equities, bonds and options) and Morningstar for funds. The analysis of the direct lines is being performed at the Group level by our sustainable investment analysts, and the analysis of the funds is performed by our local analysts and fund specialists.

The prioritization of PAIs depends on the ING investment approach followed by the portfolio manager. We categorize each investment product into “traditional, responsible, sustainable or impact”. Via this classification system the portfolio manager can easily identify and prioritise PAIs in its investment decisions. So, when creating a “sustainable” portfolio for example, the portfolio manager will know that investment instruments classified as “sustainable” will be more suitable to be part of that mandate. “Traditional” products manage PAIs mainly through the consideration of the exclusion criteria, while “sustainable, responsible and impact” products manage PAIs both through exclusions and best-in-class analysis. This does not mean that a traditional portfolio only includes traditional instruments, but rather that traditional instruments will mainly be included in traditional portfolios and will only be added to other mandate categories (e.g. responsible) if the client requests it. The same applies for “responsible” and “sustainable” instruments. It is worth to be mentioned that currently, funds that we label as “Traditional”, especially index funds and ETFs, could still be part of non-traditional portfolios. These types of instruments do not take PAIs into account by nature, as they track pre-defined indexes, which underlying cannot be changed. However, their inclusion in the portfolio is useful for the diversification of the financial instruments that compose the product. We will determine which funds do not take PAIs sufficiently into account and will decrease our exposure to these “traditional” funds accordingly.

ING has developed the below documents concerning the identification and prioritization of principal adverse sustainability impacts and that lead to the aforementioned categorization.

1. Global Environmental and social risk management policy

ING developed an Environmental and social risk management policy at group level. Based on this policy, a set of companies are excluded from our investment range because of their activities or conduct. This policy can be found [here](#).

2. Responsible investment guidelines

How we further take principal adverse sustainability impacts into account, depending on the investment approach chosen, is described in the Responsible Investment Guidelines. PAIs mitigation will have an increasingly higher priority from our traditional, responsible, sustainable, to our impact approach.

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When investing responsibly, ING's aim is not to invest in companies whose services, products or conduct come at the expense of people, the environment or society. For this reason, ING assesses the companies against Sustainalytics data in terms of their activities and conduct before investing in them. Due to business models and strategies evolution or in the wake of a takeover, the products or activities of a company could change. For example, a company could acquire a business that is involved in the sale of tobacco. Therefore, the ING Group Investment Office checks the data for all companies in the portfolios on an annual basis to determine whether the companies still meet the Responsible investment guidelines requirements. When We invest in investment funds, Morningstar data allows us to understand the ESG characteristics of these funds. A complete list of the data sources ING Group and ING Luxembourg uses can be found in Annex I.

After the assessment of PAIs using these policies and guidelines, there remains a margin of error regarding the identification and prioritisation of PAIs. This error exists because of the use of third-party data, which could be imperfect. Also, human judgement plays a role and could be subjective. The Global environmental and social risk management policy is not designed for the investment field and might not align perfectly. When We use externally managed assets, We invest in those instruments closest to our own policy, but this almost never exactly matches for the full hundred percent. We are aware of these margins of error and always aim to limit them.

The Responsible Investment Guidelines can be found on our website www.ing.lu/sfdr.

Engagement policies

ING Luxembourg does not engage directly with the companies it invests in, the engagement and voting is done at Group level. This means that the ING Group using its shareholder rights, holds companies accountable for their responsibility to create long-term value for all stakeholders. In this way ING contributes to responsible entrepreneurship and good corporate governance.

The ING Group enters into dialogue with companies and votes at shareholder meetings of the companies in which it holds shares. In this way it contributes to a system of good corporate governance and brings the interests of its investors directly to the attention of the companies. In the case the ING Group makes use of third-party investment managers, it relies on their voting and engagement policies.

ING's engagement focuses on the three themes below, which are aligned with the sustainability goals of ING Group:



1. The future of work: this engagement theme targets companies in blue-collar and white-collar sectors that are exposed to a high risk of automation and demographic changes. This engagement is focused on the “social” side.
2. Responsible cleantech: This engagement aims to encourage and enable the cleantech industry to grow in a more responsible manner, the growing supply of cleantech products also entails environmental and social challenges within the various processes across the value chain. This engagement is focused on the “environmental and social” side.
3. Living wage: this engagement aims to improve the payment of a living wage in the supply chain of the garment, and agri-food and retail value chains. This engagement is focused on the “social” side.

You can find more information on engagement in the ING Group [Engagement guidelines](#).

References to international standards

As part of the ING Group, ING Luxembourg is part of many initiatives regarding international standards. The following standards are explicitly applicable for ING’s investment activities:

- United Nations Global Compact (UNGC): the UNGC is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. At ING We expect the companies We invest in to follow these principles. We divest from companies from our internally managed portfolios that are seen as offenders of the Global Compact Guidelines, and intend to report on that in our periodic reporting.
- United Nations-backed Principles for Responsible Investment (PRI): the PRI provides six principles that offer a menu of possible actions for incorporating ESG issues into investment practices. We also recognize that applying these Principles may better align investors with broader objectives of society. We integrate these principles in our investment approaches and encourage our suppliers to do the same. We will each year report to the PRI, which is publicly available.

We do not use forward looking climate scenarios. Our portfolios are diversified portfolios that take environmental aspects as well as social and governance aspects into account. Furthermore, the forward-looking climate scenarios are still full of uncertainties and only provide a narrow view of the future. We follow the developments in this field and take these scenarios into consideration once the data is more accurate and more relevant.



ING Adverse sustainability impacts statement (For Financial Advisors (FA))

Summary

The present statement is the consolidated principal adverse sustainability impacts statement of ING Luxembourg S.A., a public limited liability company organized under the laws of the Grand Duchy of Luxembourg, having its registered office at 26, Place de la Gare, L-1616 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B 6041 with LEI number 549300BT51N3KAXDPP56 (hereinafter referred to as “ING Luxembourg”, “We” or “the Bank”), for the provision of investment management services.

The aim of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (hereinafter referred to as “SFDR”) is to provide more transparency on sustainability related information within the financial markets. With this document We are disclosing about adverse impact of our managed advisory mandates on sustainability factors⁷ when We provide investment advice.

ING believes that investing goes together with responsibility for the consequences thereof. Not merely the financial consequences, but also the ones influencing the society. By being conscious of Environmental, Social and Governance (ESG) aspects, We are better able to manage risks and opportunities, and contribute to a more sustainable economy making investing both beneficial for investors and society alike.

The level of integration of environmental, social and governance (ESG) characteristics can differ per advice provided by ING. That is also the case with regard to adverse sustainability impacts. We discern four investment approaches for advice: traditional, responsible, sustainable and impact. We consider PAIs of investment decisions on sustainability factors, for those products⁸ that are governed by the “responsible, sustainable or impact approach”, for example by excluding investment instruments⁹ that do not take into consideration the Principle Adverse Impacts indicators that We deem most relevant, as detailed further on in this statement. With respect to financial products governed by the “traditional investment approach”, We take principle adverse impacts into account to a limited extent.

⁷ According to SFDR, sustainability factors include environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

⁸ When we use the term financial product in this document, normally we make reference to ING portfolios.

⁹ When we use the term financial/investment instrument in this document, we make reference to ING portfolios’ underlying (i.e. equity, bonds, funds etc.).

This means that the Principle Adverse Impacts that We deem most harmful are taken into consideration for the assessment of the investment instrument for the advice, however it is not mandatory to exclude all instrument that do not fulfil our requirements from this specific type of advisory mandate.

ING Group classifies products into four different categories, according to the respective advice approach (traditional, responsible, sustainable and impact). This product classification methodology is also used at ING Luxembourg.

The management of PAIs depends on the investment approach chosen for the advisory mandate. Currently We only offer traditional mandates. However, based on the offering that We are looking to develop, We will also explain how PAIs will be managed for responsible, sustainable and impact mandates.

For each product We disclose in the pre-contractual documents which type of advisory approach is applied.

Description of principal adverse sustainability impacts and related due diligence

Currently the PAIs indicators on sustainability factors that We take into account are the ones set out in the list below. This is an indicative list that can be subject to change whenever We further develop our methodology. The list will be updated in case the Principle Adverse Impacts considered in our investment and advisory strategies will be subject to change (e.g. more PAIs will be taken into consideration in the future):

- Exposure to companies that have violated the principles of the United Nations Global Compact and the guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational corporation;
- Exposure to controversial weapons (antipersonnel mines, cluster munition, chemical weapons and biological weapons);
- Exposure to companies who produce electricity via coal power plant or who are involved in mining of coal;
- Exposure to companies that produce tobacco;
- Exposure to companies that are involved in weapons, oil, non-conventional gas, nuclear power, pornography, gambling, fur and alcohol (just for our sustainable approach);
- Greenhouse gas emissions (just for our sustainable approach).



In our advisory mandates We limit our exposures to these activities. We do this for our direct lines (such as equity, bonds and options). We limit our exposure to these activities, by setting thresholds for the exposure of companies to certain sectors. In the below table, We list the indicators that We consider:

	Topic for all investment approaches
1	exclusions of controversial weapons
2	exclusions of tobacco
3	exclusions of coal
4	exclusion of Global compact offenders

For direct lines We assess if the percentage of revenues of a company, coming from harmful activities like the production of controversial weapons, exceeds the internally set thresholds. If a company surpasses the threshold for one of these activities, then it will only be able to be part of a traditional mandate. If the company respects the threshold for each activity, then it can be included in responsible mandates. To assess if a company can be part of a sustainable or impact mandate, We use the same methodology by assessing additional PAIs indicators, as per the table below:

	Topic for Sustainable and Impact approach
1	exclusions of alcohol
2	exclusions of fur
3	exclusions of oil
4	exclusion of non-conventional gas
5	exclusions of weapons
6	exclusions of gambling
7	exclusions of pornography
8	exclusion of nuclear
9	exclusion of controversial conduct*

*controversy score from Sustainalytics

For other types of investment instruments (such as investment funds, insurance-based investment products, index funds or ETFs¹⁰), We assess the adverse sustainability impact by comparing how the instrument considers PAIs compared to our methodology (i.e. exclusion criteria) as mentioned above. This comparison is based on the collection and analysis of Morningstar data on the below indicators:

	Topic for all investment approaches
1	Product involvement in controversial weapons
2	Product involvement in tobacco
3	Product involvement in coal
4	Morningstar Globes ¹¹

The Morningstar ESG related data allow us to categorize and rank these funds, into one of our four investment approaches. We check whether funds exceed the thresholds set internally for the topics considered. For example, if more than 5% (illustrative threshold) of a fund is invested in companies that produce tobacco, then this fund will be categorized as traditional.

If the fund manager does not take all the first three (tobacco, coal and controversial weapons) indicators mentioned above into account, We will only consider this fund for advisory mandates where the traditional investment approach is applicable. On the other hand, if the fund manager does take into consideration all the three indicators, the fund can be considered for all other advisory approaches (responsible, sustainable and impact), depending on their level and extent of integration. We think that a fund manager considers PAIs in a meaningful way when the fund manager takes into consideration the whole list of PAIs mentioned above.

In accordance with our four investment approaches as explained above, the “responsible” category of funds shall respect all the thresholds set for the three main PAI indicators as well as having an above-average ESG score according to the Morningstar Globes. With regard to our sustainable and impact categories funds, We expect a higher consideration of PAIs. Therefore, in addition to the ones set above, our “sustainable” category of funds shall respect the internally set thresholds for all the below indicators. Moreover, our “impact” category of funds shall be subject to a more qualitative assessment and the decision of the categorization will be made on the basis of the professional judgement of our investment analysts and advisors.

¹⁰ Exchange Traded Funds.

¹¹ Morningstar provides an ESG score for funds (i.e. Morningstar Globes with a score from 1 to 5) which take into consideration various ESG criteria for each underlying assets (e.g. the controversial conduct of companies). This score allows us to identify the best-in-class funds.



The below table lists the additional indicators to be considered by our "sustainable" and "impact" categories of funds.

	Topic for Sustainable and Impact approach
1	Product involvement in alcohol
2	Product involvement in fur
3	Product involvement in oil
4	Product involvement in non-conventional gas
5	Product involvement in weapons
6	Product involvement in gambling
7	Product involvement in pornography
8	Product involvement in nuclear

Funds that respects the threshold for all the above indicators can be categorized as "sustainable or impact". Besides consideration of PAIs, We expect managers of sustainable or impact funds to comply with other standards as well. These standards are described in the Responsible investment guidelines. Once the different funds are categorized and ranked according to possible PAIs, the Investment Advisor can use this ranking to select funds depending on the investment solution provided to the client.

Annex I: data sources

For the execution of the Sustainable Top-down Investment Process We need several reliable data. Below you find the list of data and the sources we use at ING Group level and ING Luxembourg level.

Investment step	Indicator	Source
Outlook	All kinds	BofA Securities, Credit Suisse, Goldman Sachs, Bloomberg, CreditSights, UBS, Standard & Poor's, Moody's, Fitch, ING FM, Citi, J.P. Morgan, Refinitiv Datastream, Sustainalytics and/or Reuters Metastock
Asset-allocation	All kinds	BofA Securities, Credit Suisse, Goldman Sachs, Bloomberg, CreditSights, UBS, Standard & Poor's, Moody's, Fitch, ING FM, Citi, J.P. Morgan, Refinitiv Datastream, Sustainalytics and/or Reuters Metastock
Sub-asset allocation	Exclusion of high risk sectors	Sustainalytics (Product involvement); Morningstar Direct
Investment selection	Quality of management	ING Non-financial indicator, Sustainalytics (ESG Risk rating, ESG Score); Morningstar Direct
	Exclusion of risky conduct	ING Controversy score, Sustainalytics (Controversies), Bloomberg, Factset, news sources
	Preference for sustainable activities	Sustainalytics (Sustainable product), Bloomberg, Factset
	Investment funds assessment	ING Non-financial indicator score, ING Fund survey
	Sovereign assessment	ING Non-financial indicator score, Yale University, Transparency, Amnesty, ICRC, UNOG, SPI
Return and risk management	(adverse) impact measurement	Sustainalytics, Factset, Morningstar Direct
	Carbon footprint	Sustainalytics Carbon emissions
Improvement	Voting	Sustainalytics
	Engagement	Sustainalytics, Platform Living Wage Financials