Sustainability Risks Policy

ING policy and disclosures on sustainability risks and characteristics

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I. Introduction

The Sustainable Finance Disclosure Regulation ("SFDR") applies to Financial Market Participant ("FMP") and Financial Advisor ("FA").

FMP include banks and MiFID investment firms providing portfolio management, fund managers (AIFMs, UCITS management companies), institution for occupational retirement provision ("IORPs"), manufacturers of pension products, insurance undertaking which makes available an insurance-based investment products ("IBIPs"), Pan-European personal pension product (PEPP) provider, manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013 and manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013.

FA include banks and MiFID investment firms providing investment advice, AIFMs/UCITS management companies providing investment advice, insurance intermediaries or insurance undertakings providing insurance advice in relation to IBIPs.

This Policy is made in compliance with article 3 of EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, the SFDR.

Its objective is to explain how sustainability risks are integrated into investment decision-making and investment advice activities.

In the course of its daily activities and in line with SFDR definitions, ING Luxembourg ("the Bank") acts as an FMP when providing Tailor Made Discretionary Management and Managed Funds Portfolio which are part of discretionary portfolio management services, and as an FA when providing Financial Advisory Account, Private Banking Access Service and Advisory Portfolio Management.

II. Information on sustainability risks integration in ING Luxembourg

In addition to the traditional risks of investing (market risk, currency risk, interest rate risk, etc.), sustainability risks are becoming increasingly important and should be taken into consideration in any investment.

In this Policy, sustainability risks are defined in more details and it is explained how ING Luxembourg deals with sustainability risks when making investment decisions in the context of discretionary portfolio management solutions (Tailor Made Discretionary management and Managed Funds Portfolio) and when providing investment advice in the context of the following investment advisory solutions: Financial Advisory Account ("FAA"), Private Banking Access Service ("PBAS") and Advisory Portfolio Management ("APM").

1. What are sustainability risks

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Such events may concern inter alia damage from climate change, scarcity of natural resources, pollution, poor working conditions, corruption and/or poor governance.

In addition to the large variety of impacts, the scope of sustainability risks is wide because not only individual companies but entire sectors can be negatively affected by sustainability risks. For example, if a company does not adapt its business model properly to the energy transition or is faced with a physical climate risk such as rising sea levels, this can have negative consequences for the operations and profitability of a company or even endanger the survival of the company and also, from an overall societal vision, have detrimental consequences on environment.

Sustainability factors are often referred to ESG criteria which stands for environmental ("E"), social ("S"), and governance ("G"). ESG events and conditions can be of influence on all types of investments, including, among others, equities, corporate bonds, government bonds, investment funds and derivatives. There is not a single exhaustive list of ESG factors. Those are often interlinked, and it can be challenging to classify an ESG factor as only an environmental, social or governance one.

Though on a broad and general basis ESG factors may be split as such:

- **Environmental** factors related to the conservation of the natural world like carbon emission energy efficiency, waste management, pollution, biodiversity or water scarcity;
- **Social** factors related to consideration of people, relationships and social cohesion: labor standards, relations with workforce and the community, gender and diversity, education, child care.
- **Governance** factors related to best-practices and standards for running a company like board composition and independence, management and audit structure, remuneration, compliance policy related to bribery and corruption, whistleblower schemes, fiscal practices.

ESG factors represent important information to assess investment risk and opportunities and have an impact on the financial outlook of a company and therefore its value. Integrating these factors results in better-informed investment decisions which could result in higher risk-adjusted returns.

The magnitude of sustainability risks is difficult to quantify. If sustainability risks materialize this is likely to have negative consequences for the value of investments.

For example: Companies active in the mining of thermal coal could be impacted by a (increase of) taxation on carbon by governments, to reduce greenhouse gasses. This could have a negative consequence of market value on these companies.

2. How does ING Luxembourg deal with sustainability risks?

ING Luxembourg is part of the ING Benelux Investment Office and thus aims to follow the Responsible Investment Guidelines (issued from time to time by the ING Benelux Investment Office) which describe a top-down investment policy with sustainability considerations. The Responsible Investment Guidelines are transposed on the Bank's local portfolio as described in this Policy.

ING Benelux Investment Office employs sustainability experts and consults independent experts in sustainable investing practices and sustainability risks. These experts help developing ING's policies, programs and targets on sustainability-related risks and opportunities, in line with the ING's global sustainability direction. This enables ING Benelux Investment Office to define and execute a suitable strategy to encourage sustainable investing, identify sustainability risks and to manage these risks by integrating them in the investment decision making process and investment advice processes.

In addition, ING Group has established a Sustainable Investment Committee of which ING Investment Office is part of. The Sustainable Investments Committee evaluates and approves the responsible and sustainable investment policies. This committee consists of representatives from different countries and meets periodically to discuss sustainability trends and sustainability risks.

III. ING's approach and investment solutions

ING Luxembourg follows the same approach in terms of integration of sustainability risks for both discretionary portfolio management and investment advice. However, the Bank differentiate the way in which sustainability risks are integrated into investment decisions and investment advices depending type of investments: direct line investments versus investments through investment funds.

ING Group serves many different clients, who all have different needs and interests on both financials and/or on sustainability features. To accommodate these different preferences, the level of integration of ESG factors can differ per investment solution provided by ING Group. The diagram below shows high-over how ING Group investment solutions differentiate on the integration of ESG factors between its investments solutions.

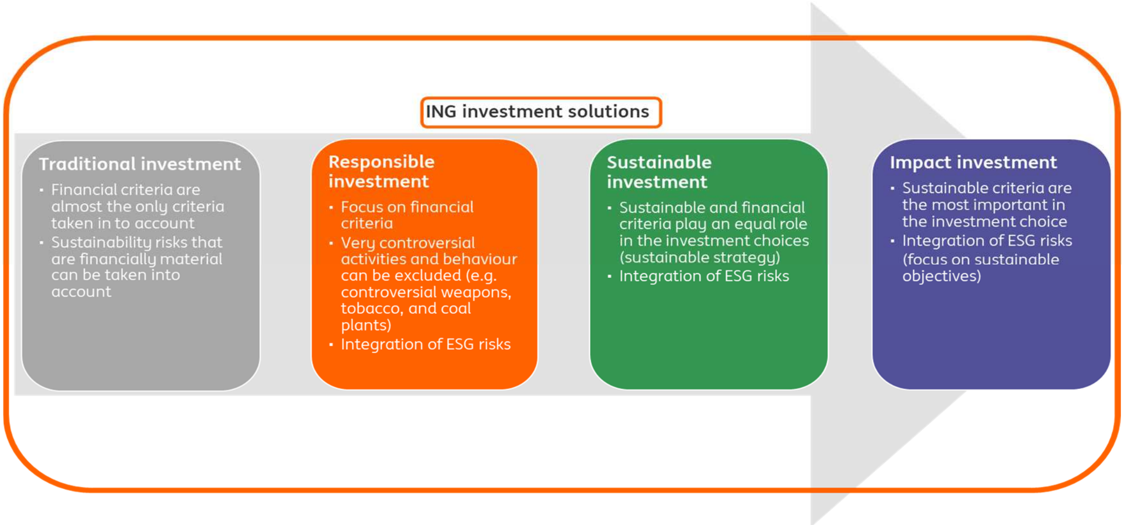

Figure 1: ING investment solutions (source ING Investment Office)

More information about ING investment solutions is available in the Responsible Investment Guidelines.

Considering ESG factors and risks as described above, as of today, ING Luxembourg offers Traditional investments for discretionary and advisory mandates.

IV. Discretionary portfolio management and advisory services

ING Luxembourg has its own responsibility when it comes to the integration of sustainability risks within the decision making process and investment advice.

Within discretionary portfolio management and when providing investment advice, the Bank selects direct investments, such as equities and bonds (government and corporate bonds) and /or investment funds.

1. Direct investments

1.1. Investments in equities and corporate bonds

For direct investments in equities and corporate bonds, the Bank applies the following methods to integrate and mitigate sustainability risks.

Exclusions
The Bank excludes companies with a negative exposure to the below mentioned sustainability factors. These companies run the risk of becoming stranded assets or have a business model that the Bank considers to be unsustainable.

The Bank excludes investment decisions and investment advices into the following companies:

- 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 United Nations guidelines for multinational corporations. These guidelines are covered in the ten principles of the United Nations Global Compact and cover human rights, the environment, labor, and anti-corruption.
- Companies that demonstrate controversial behavior according to the standards of research agency Sustainalytics which is a Morningstar Company providing high-quality, analytical ESG research, ratings and data to institutional investors and companies.

Assessing non-financial information
To integrate sustainability risks in the decision-making and investment advice processes, ING Luxembourg looks beyond the financial data of the companies by also assessing the company's sustainability policy. Companies that do not have a sustainability policy are considered more exposed to sustainability risks.

In addition, ING Group has developed its own method for assessing the non-financial data of a company resulting in the Non-financial indicator (Nfi). This method is used by ING Luxembourg and provides an objective and clear overview of the sustainability policy of a company in relation to the policy of comparable companies. Nfi score is available on the investment universe of the Bank in order to determine the level of sustainability risks associated with the selected investments.

Which company characteristics determine the Nfi score?

In order to calculate the Nfi score, ING Group uses information about a total of 127 different company characteristics.

This covers general topics such as anti-corruption and anti-discrimination policies, which are relevant to all companies but also sector-specific policies, such as promotional practices for the sale of medicines and the energy commodity mix of energy companies. More information about the Nfi is available in the Responsible Investment Guidelines.

After calculating the score, it is compared with other companies score in the same sector. Companies are classified in 5 categories depending their respective Nfi score. This assessment of companies on their sustainability management is carried out once a year.

For the sustainable investment universe, the Bank takes the Nfi into account and prefers the ones that show better governance of ESG issues than their competitors.

1.2. Other products (government bonds, derivatives, structured notes)

The Bank limits its investment decision / advice to bonds of OECD countries.

In principle, for structured notes the Bank applies the same exclusion lists as for direct lines. The structured notes are nevertheless limited in our portfolio.

Derivatives can be an important factor in portfolio risk management. The disadvantages of derivatives are the lack of transparency regarding their products, their dependence on third parties and the conflicting positions that may be taken. For these reasons, we prefer to restrict the use of derivatives to a minimum.

2. Investment funds

When investing in investment funds (including ETFs), sustainability risks can be considered in both their investment philosophy as well as in their selection of individual financial instruments. Every investment fund should have its own policy in that respect. More information on the sustainability risk integration process at the level of the investment fund can be found in the prospectus of the relevant investment fund.

When the Bank selects investment funds, it distinguishes between regular investment funds, i.e. investment funds that do not specifically focus on ESG-characteristics or that do not have a sustainable objective, and sustainable investment funds (investment fund promoting ESG characteristics among others, or has sustainable investment as its objective). Investment funds which do not integrate any kind of sustainability-considerations (such as ESG characteristics or a sustainable objective) into its investment process are not eligible to be included in the universe of sustainable investment funds.

For regular investments funds, the Bank does not currently take sustainability risks into account.

For the selection of sustainable investment funds, sustainability risks have a prominent role. An exhaustive screening on the sustainability criteria is applied.

ING Luxembourg as part of the ING Benelux Investment office integrates the risks in two steps:

1. **Quantitative assessment (collection of information)**, i.e. a numerical assessment of a wide range of factors.
   For this purpose, the ING Benelux Investment office submits a detailed questionnaire to investment fund managers. The answers collected 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 management strategy of the fund.
   In this step the ING Benelux Investment office also performs a holding check: all underlying financial instruments (stocks, bonds and other financial instruments) within an investment fund will be checked towards ING's sustainable universe. Any differences will be reported and discussed with the asset manager.

2. **Qualitative assessment**. For this, the ING Benelux Investment office engages in discussions with the asset managers. During these conversations, the results of the above-mentioned questionnaire and the holding check are discussed and an examination of the fund manager's motivations is performed. A comparison of the company names in the fund portfolio with the ING Benelux Investment office's own

sustainable investment universe is done in order to form an overall impression of the role that sustainability plays in the investment fund.

Investment funds must pass both the first (quantitative) and the second (qualitative) assessment in order to be admitted to the sustainable investment funds universe of the ING Benelux Investment office.

Exclusions
In addition, for sustainable investment funds, the following exclusions apply:

- Investment funds with underlying investments that do not fit the ING's sustainable universe such as producers of controversial weapons and cluster munition for purchase;
- Mention of the fund or the underlying investments on the European sanction list. This is a consolidated list of countries and companies, engaged in or suspected of money laundering or terrorism financing activities.;
- Investment funds that invest in companies involved in oil, non-conventional gas, pornography, 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.
- Investment funds that invest in companies that demonstrate controversial behavior according to the standards of research agency Sustainalytics which is a Morningstar Company providing high-quality, analytical ESG research, ratings and data to institutional investors and companies.
  For its sustainable investment fund universe, ING Luxembourg does not select investment funds which invest in companies that exhibit seriously controversial behavior (i.e. behaviors included in different exclusion lists applicable by the Bank). When a company in a portfolio becomes entangled in serious controversy, we will contact the asset manager.

Important information

This document describes the integration of sustainability risk elements within the investment decisions-making process and investment advice of ING Luxembourg. This document is compiled by ING Luxembourg and applicable to all products and services under FMP and FA obligations, but 'does not in any case, reflect any investment recommendation. The policy and the cross reference to the Responsible Investment Guidelines are compiled in order to provide an overview if ESG factors are considered in the management of products and services. Before making any investment decision, please read carefully the pre-contractual documentation of the relevant products and services.

As a Policy, this document may be amended unilaterally by ING Luxembourg.