ING Solutions Investment Management

Date: April 2025

Responsible Investment Guidelines

ING believes that investing should always involve a sense of responsibility. Because this means more than just financial responsibility, we also take non-financial information into account when selecting our investments. This benefits investors and society alike.

ING Solutions Investment Management S.A. (ISIM) aims to offer customers the best possible investment experience by focusing on positive long-term results (financial and non-financial), managing risks, and providing clear reporting and information.

Responsible investing is based on three metrics: Environmental, Social and Governance – commonly referred to as ESG. The integration of ESG differs for each of our four categories of investment solutions: Traditional, Responsible, Sustainable and Impact investing. In these **Responsible Investment Guidelines,** we explain the role of ESG in every step of our investment process, for each of these four categories.

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Our approach to sustainability

Our approach to sustainability

ING's investment decisions are not driven only by financial results. Environmental, Social and Governance (ESG) factors also play a major role. And that means our investment solutions benefit investors and society alike.

Our investment solutions

ING provides investment solutions for a wide range of customers. Each customer has different financial and sustainability objectives. The various investment solutions we offer integrate ESG factors to varying degrees:

Four ESG investing approaches

Traditional investing approach: ESG aspects are not part of the investment decision process, except for mandatory exclusions such as controversial weapons.

Responsible investing approach: ESG aspects are part of the investment decision process. Investments in companies with the greatest adverse impacts about sustainability (such as controversial weapons, coal mining or the tobacco industry) are restricted. Companies involved in controversial activities are excluded from the portfolio.

Sustainable investing approach: the investment decisions focus on ESG considerations. Investments in companies with significant adverse impacts about sustainability are excluded from the portfolio. Environmental and social characteristics are promoted.

Impact investing approach: sustainability is the main objective, with a higher priority than financial returns. This approach invests in companies and projects with a positive impact on society or the environment. This includes investments in companies and projects with a positive contribution to one or more of the United Nations' Sustainable Development Goals (SDGs).

Our guidelines and regulations

To improve the provision of information on the sustainability effects of investments by various market participants, the European Commission introduced the Sustainable Financial Disclosure Regulation (SFDR). Under this regulation, asset managers and advisors are required to be transparent on how they integrate ESG criteria into their investment decisions.
The SFDR distinguishes three levels of ESG integration:

1. Investment products that fall under **Article 6** of the SFDR (referred to as SFDR 'Article 6 products'). At this level, ESG aspects are not integrated, or integration is limited to certain sustainability risks.
   SFDR Article 6 products are captured by ING's **Traditional** investing approach.

2. Investment products that fall under **Article 8** of the SFDR (referred to as SFDR 'Article 8 products'). At this level, the investment decision process takes full account of ESG aspects.
   We offer two approaches here: **Responsible** investing and **Sustainable** investing.
   The **Responsible investing approach** involves certain safeguards towards the environment and society. Companies are only

selected if their products and conduct do not exceed a certain level of adverse impact.
The **Sustainable investing approach** targets companies that show that they behave ethically and sustainably towards the environment and society. Only companies that demonstrate sustainable conduct are selected. Non-sustainable products are avoided.

3. Investment products that fall under **Article 9** of the SFDR (referred to as SFDR 'Article 9 products'). These investments have an explicit sustainable objective. At this level investments are restricted to companies with sustainable activities.
   This is covered by our **Impact investing approach**.

Sustainable Top-down Investing Process (STIP)

ING uses the Sustainable Top-down Investing Process to integrate sustainability in our investment strategy. Throughout this process we use eight Sustainability Integration Tools (specified in the next paragraph). These Sustainability Tools must ensure the integration of sustainability consideration throughout the process, starting from a macro perspective. The application of these Sustainability Tools differs per ESG investing approach.

The overview below outlines the seven steps we use to select investments and the extra sustainability research we carry out when we are investing.

Determining the long-term outlook and long-term sustainability trends

The first step in the STIP is to determine the long-term outlook. As well as key macro-economic and financial trends, our investment decisions take account of sustainability-related trends and developments.

Asset allocation and ESG impacts on assets

The second step is to determine how to spread assets over the main asset classes (shares, bonds, real estate and possibly alternative investments). This spread must suit your investment goals, while still taking account of sustainability considerations.

Sub-asset allocation; excluding high-risk sectors

The third step refines our allocation of investments across asset classes and industry sectors by excluding certain businesses or sub-sectors (such as controversial weapons, coal mining or the tobacco industry) with an adverse impact on ESG factors. Concerning weapons, a distinction is made between controversial weapons (anti-personnel mines, biological weapons, chemical weapons, and cluster munition), disputed weapons (white phosphorus, depleted uranium, and nuclear weapons), and other weapons.

Investment selection: based on quality, conduct and activities

Quality of management

The fourth step involves selecting the companies to invest in. These decisions can be driven by our forecasts of financial returns and/or by sustainability considerations. Financial returns often relate more to the shorter term, while sustainability considerations focus – by their very nature – more on the longer term. In this way, the two aspects complement each other.

Excluding high-risk behaviour

Controversial behaviour may have an adverse impact on a company's performance. In this step of the STIP, we exclude companies with such behaviour; for example, companies whose activities are not in line with the United Nations Global Compact guidelines.

Including sustainable activities

Companies that provide solutions for a sustainable future qualify as investments for our Sustainable and Impact investing strategies.

Building a balanced portfolio

Completing the above four steps results in a portfolio of securities that balances sustainability considerations and financial returns.

Evaluating risk and return; measuring impact

The sixth step is to assess the portfolio's risk and return profile as well as its sustainability characteristics. This is an ongoing process and may mean we sometimes have to recalibrate the composition of the portfolio to ensure we achieve the long-term sustainable and financial objectives.

Improvement, voting and engagement

The seventh and final step in the STIP consists of an extra assessment of the positions in our portfolios. This is a recurring process that is linked to step 4B, called "engagement". Engagement with companies means discussing ESG issues with them and/or attending their shareholder meetings. If a company's strategy is not sufficiently sustainable and we see too little improvement following our engagement, this could ultimately lead to divestment, which means we would sell that investment.

Sustainability Integration Tools

Our Sustainable Top-down Investment Process consists of the following eight interlocking Sustainability Integration Tools. We use these tools to make sustainability considerations an integral part of our investment decisions:

- Exclusion based on activities: screening to see whether a company is involved in controversial activities
- Exclusion based on conduct: screening to see whether a company is involved in controversial behaviour
- Best-in-class: setting a preference for companies that are ESG-aware
- ESG integration: including ESG data in our financial analysis to best capture companies' activity risks and opportunities
- Thematic/impact investing: investing in companies whose business activities contribute to a more sustainable society or environment
- Voting: influencing companies' strategies on sustainability when voting at shareholder meetings
- Engagement: maintaining a dialogue with the companies we invest in and with asset managers to enforce a culture of sustainability
- Reporting: tracking progress

The diagram below illustrates how our Sustainability Integration Tools (in green) are integrated into our Top-down Investment Process (in orange).

ESG integration and our investing approaches

The following sections describe how these eight Sustainability Integration Tools are embedded into our Sustainable Top-down Investment Process. This differs for each of our five investing approaches:

- Traditional investing
- Responsible investing
- Sustainable investing
- Impact investing

Traditional investing

Traditional investing

The Traditional investing approach does not integrate ESG criteria in its investment decision process. This approach only considers certain sustainability risks that are recognised when analysing investments, as well as mandatory exclusions that are imposed by regulations.
When using an instrument managed by a third party (such as a fund manager), we must rely on that party's approach to integrating ESG features. We discuss the specific selection process used for those instruments in point 8 below.

1. Determining the long-term outlook and long-term sustainability trends

We take account of the most relevant long-term macro-economic and financial developments, but also societal and environmental developments that impact on investment risks and returns.

2. Asset allocation

Traditional investing solutions are driven by forecast levels of capital gains, dividends, and interest earnings.

3. Sub-asset allocation; excluding high-risk sectors

We take account only of the relevant legal requirements. Our direct investments in bonds, equities and options exclude companies involved in controversial activities (such as controversial weapons).

4. Investment selection, based on quality, conduct and activities

ESG developments are considered only to the extent that they can have an adverse effect on companies' financial results. If investments are in funds, we ask the asset managers whether, and how, they integrate ESG risks into their selecting of investments.

5. Building a balanced portfolio

We consider all risks, including sustainability risks, when screening investments to include in our Traditional investing solutions, even though ESG risks are not generally integrated into the financial results of these investments.

6. Evaluating risk and return

In our evaluation of these portfolios, we only look at the risk and return characteristics.

7. Improvement

ING Group is committed to improving ESG in all its investment solutions, including those using a Traditional investing approach. The final step in the process involves trying to improve the sustainability profile of the companies we invest in. Although we do not engage with every company, we clearly align our engagement activities with the ING Group focus, wherever possible. ING focuses particularly on climate and financial health. These two themes also guide how we engage with companies.

Voting

We make our voice heard when attending shareholder meetings and make sure the directors of the companies we invest in are committed to their responsibility to make their businesses more sustainable. However, we will vote when the benefits for the investment products outweigh the costs of voting. Indeed, if there is a disproportion between the cost of voting and the possible impact of our vote, the votes will not be casted.

Engagement

ING Group has signed the Principles for Responsible Investment (PRI). We are also members of the Dutch Association of Investors for Sustainable Development (VBDO). The themes on which we engage are the following: Human Capital Management, Sustainable & Good Governance, Net Zero Transition. Zero deforestation, Platform Living Wage Financials.

8. Integrating ESG considerations when investing in funds

About investing in funds, the Traditional investing approach does not integrate ESG considerations into the investment decisions.

Responsible investing

Responsible investing

ESG aspects are part of the investment decision process in the Responsible investing approach. Investments in companies with the greatest adverse impact about sustainability (such as coal mining or the tobacco industry) are restricted. Companies involved in very controversial activities are excluded from the portfolio.

The Responsible investing approach reflects various international guidelines, including the United Nations guidelines for good business practices (the Global Compact) and the Principles for Responsible Investment (PRI). The starting point here is the ING Environmental and Social Risk (ESR) policy framework. This framework is used to assess companies, especially in ING's lending activities. It can result in ING limiting business relationships with certain companies and sectors, and scrutinizing companies in high-risk sectors in more depth.

In the case of investments managed by third parties, we must rely on their approach to integrating ESG features. We discuss the process for selecting these instruments in point 8 below.

1. Determining the long-term outlook and long-term sustainability trends

We consider the most relevant economic, financial, societal and sustainability trends and developments when defining the long-term outlook.

2. Asset allocation and ESG impacts on assets

The solutions chosen in the Responsible investing approach are driven both by our forecasts of capital gains and by sustainable considerations. The assets selected take account of whether companies' activities reflect social considerations. The selection process relies on data from parties such as Sustainalytics, which provides ESG ratings for companies.

3. Sub-asset allocation; excluding high-risk sectors

Our direct investments in bonds, equities and options exclude issuers in the following sectors:

- Manufacturing of controversial weapons (anti-personnel mines, biological weapons, chemical weapons and cluster munition)
- Production of tobacco products
- Generating of electricity in coal power plants
- Coal mining

We also exclude companies that derive some of their revenues from these sectors. In the case of controversial weapons, we have set a threshold of 0%. In all other cases, we exclude companies if more than 5% of their production revenues or 10% of their distribution or services revenues come from such activities. We expect this to limit possible sustainability risks of companies in our portfolios and to limit adverse impact about sustainability.

Every year, we review the ESG characteristics of companies we invest in for consistency. We sell our investments in any companies whose business activities no longer match our ESG requirements.

4. Investment selection, based on quality, conduct and activities

We evaluate companies to see how they embed sustainability into their organization and how they conduct their business.

Organization

A few decades ago, Socially Responsible Investing (SRI) was mostly restricted to excluding certain non-sustainable activities and products (such as weapons, tobacco, and fur). Today it has evolved to a strategy that focuses on inclusion, with investments in companies that contribute positively to sustainability.

To assess the sustainability of companies, ING relies on the data from Sustainalytics (now part of Morningstar), one of the largest providers of sustainability data. We combine these data in our own sustainability metric: the Nfi (non-financial indicators). More information on the Nfi can be found in the Governance section in these guidelines.

Business conduct

In addition to the sustainability assessment based on the Nfi, we carry out a complementary review of companies' business conduct and the above-mentioned activities. Reasons for exclusion focus on:

- Labour
- Human rights
- Environment
- Anti-corruption

We exclude companies whose conduct is not in line with the UN Global Compact. Our assessment of companies is based on the controversy assessments from Sustainalytics or equivalent data providers. We exclude companies that we assess with very severe controversial conduct (e.g. category 5 in the rating of Sustainalytics).

In our Responsible investing portfolios, only issuers of sovereign bonds that are not involved in social violations are considered. All direct investments in sovereign bonds for these portfolios are restricted to bonds issued by OECD countries. We only invest in bonds issued by non-OECD countries through funds managed by third-party managers.

5. Building a balanced portfolio

We consider all risks, including sustainability risks, when screening for investments to include in our Responsible investing solutions. This results in diversified portfolios, with a balance between financial and non-financial considerations. This limits the possible adverse impacts of severe sustainability risks.

6. Evaluating risk and return; measuring impact

As well as measuring risks and returns, we review the results from non-financial metrics for consistency each year. These reviews may mean we sometimes have to recalibrate the composition of the portfolio to ensure long-term achievement of the sustainable and financial objectives.

7. Improvement

The final step in the process involves trying to improve the sustainability profile of companies we invest in. Although we do not engage with every company, we clearly align our engagement activities with the ING Group focus, wherever possible. ING Group is committed to including ESG in its investment solutions. Its Responsible investing solutions focus mainly on climate and financial health.

Voting

We make our voice heard when attending shareholder meetings and make sure the directors of the companies we invest in are committed to their responsibility to make their businesses more sustainable. However, we will vote when the benefits for the investment products outweigh the costs of voting. Indeed, if there is a disproportion between the cost of voting and the possible impact of our vote, the votes will not be casted.

Engagement

ING Group has signed the Principles for Responsible Investment (PRI). We are also members of the Dutch Association of Investors for Sustainable Development (VBDO).. We pursue further engagement routes in our Responsible investing approach. The themes on which we engage are the following: Human Capital Management, Sustainable & Good Governance, Net Zero Transition. Zero deforestation, Platform Living Wage Financials.

8. Integrating ESG considerations when investing in other funds

When investing in other funds, we assess how the managers integrate ESG criteria into their investment decisions. For this we use an ESG Fund survey, in which we ask asset and product managers about their:

- Policy on responsible investment
- Signing of the PRI
- Active engagement and voting programmes.
- Integration of sustainability risks
- Exclusion of controversial weapons
- Exclusion of tobacco products
- Exclusion of coal

Whether we regard investment funds as eligible for investment depends on the outcome of the survey. If an investment fund no longer matches the criteria for our Responsible investing approach, it is classified as a Traditional investment.

To monitor the alignment of investing approaches and objectives, we also measure the following indicators for companies and for sovereigns in the other funds on a best effort basis, by performing a look-through to the individual underlying investments:

- For companies:
  - The percentage (%) of companies with sufficient sustainability awareness scoring (Nfi), developed by ING, which shows how a company scores on the management of ESG risks and adverse impacts on sustainability, compared to others of its sector.
  - The percentage (%) of companies with very severe controversial conduct.
  - The percentage (%) of companies with revenues deriving, above a certain threshold, from activities with highest adverse impact (such as but not limited to Controversial weapons, Tobacco, Coal).
- For sovereigns:

The percentage (%) of sovereigns involved in social violations.

Other funds might never be perfectly aligned. For a positive judgement it is crucial that the differences in the sustainability approach of the other funds investment manager are limited and explainable.

Sustainable investing

Sustainable investing

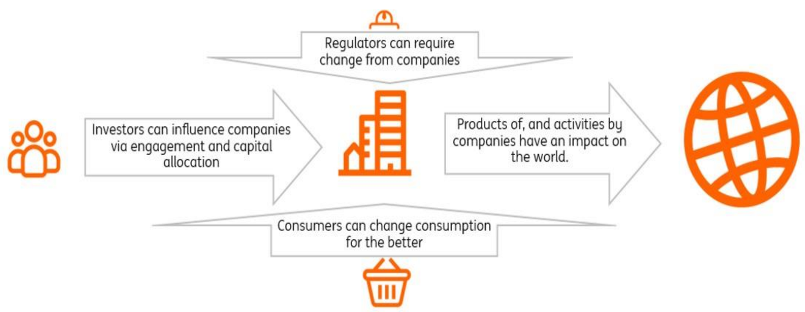
In the Sustainable investing approach, the investment decisions focus on ESG aspects. Investments in companies with significant adverse impacts about sustainability are excluded from the portfolio. Investments in companies offering solutions to limit adverse impacts on sustainability are promoted.

The Sustainable investing approach reflects various international guidelines. For example, the United Nations guidelines for good business practices (the Global Compact) and the Principles for Responsible Investment (PRI). But the starting point in this approach is the ING Environmental and Social Risk (ESR) policy framework. This framework is used to assess companies, especially in ING's lending activities. It can result in ING limiting business relationships with certain companies and sectors, and scrutinizing companies in high-risk sectors in more depth. In principle, our in-house investment solutions based on our Sustainable investing approach do not invest in companies that ING's ESR framework excludes. In the Sustainable investing approach, we go beyond the ESG awareness used in the Responsible investing approach. The key factors when making investment decisions in this approach are environmental, social and governance.

In the case of investments managed by third parties, we must rely on their approach to integrating ESG features. We discuss the process used for selecting these investments in point 8 below.

1. Determining the long-term outlook and long-term sustainability trends

We consider the most relevant economic, financial, societal, and sustainable developments when determining the long-term outlook. Long-term trends in sustainability also shape our investment choices. Sustainable investing allows investors to reflect their sustainability-related interests and concerns in their investments. Regulations and changing consumption patterns also help to drive sustainable change.



The portfolio in this approach reflects the following aims:

- Ensuring that sustainability drives investment decisions
- Seeking to influence companies to act more sustainably
- Limit risks to investments from adverse ESG developments

2. Asset allocation and ESG impacts on assets

The assets selected take sustainability characteristics into account either by reducing sustainability risks or by capturing opportunities that promote positive ESG developments.

3. Sub-asset allocation; excluding high-risk sectors

When investing directly in bonds, equities, or options, we exclude companies involved in

- Alcohol
- Fur

- Coal
- Controversial weapons (anti-personnel mines, biological weapons, chemical weapons and cluster munition)
- Disputed weapons (white phosphorus, depleted uranium and nuclear weapons)
- Oil and gas from non-conventional sources
- Gambling
- Nuclear energy
- Adult entertainment
- Tobacco
- Other weapons

We also exclude companies that derive some of their revenues from these sectors. In the case of controversial and disputed weapons, we have set a threshold of 0%. For nuclear energy, the threshold is set at 30%. In all other cases, we exclude companies if more than 5% of their production revenues or 10% of their distribution or services revenues come from such activities. We expect this to limit possible sustainability risks of companies in our portfolios and to limit adverse impact about sustainability.

Each year, we review the sustainability characteristics of companies we invest in for consistency. We sell our investments in any companies whose business activities no longer match our sustainability requirements.

When investing in sovereigns (e.g., government bonds), we assess the robustness of the country that issues the bond and its institutions, based on the following ESG characteristics:

- Environmental:
  - Environmental Performance Index (EPI)
- Social:
  - Social Progress Index (SPI)
  - Exclude bonds issued by countries that carry out the death penalty
  - Signatory of at least one of two treaties: Ottawa Convention, and Convention on Cluster Munitions
- Governance
  - Corruption Perception Index

Only sovereigns with an above-average score in all three indices and a positive rating on both social aspects are eligible as investments for our Sustainable investing approach.

Sustainability bonds are bonds (issued by companies or sovereigns) that have special sustainability characteristics, such as bonds with a green, social, climate or sustainable label. These bonds are often referred to as green or social bonds. Not all green or social bonds are eligible for our Sustainable investing approach. We assess issuers to see whether they meet our sustainability requirements. We perform an extra analysis of each instrument to see whether, for instance, a bond aligns with the best practices defined by the ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bonds Guidelines (SBG). These voluntary guidelines enforce transparency and promote integrity.

Derivatives can play an important role in risk management. We limit their use in our portfolios because they can come at the expense of transparency and imply an extra dependency on counterparties. Instead, we prefer to use derivatives with instruments issued by sustainable companies or indices as the underlying.

Quasi-sovereigns (such as companies predominantly owned by one or several sovereigns) can also be assessed as companies. The Sustainable Monitoring Committee will decide what is the best approach towards assessing these entities in order to classify it certain category.

4. Investment selection, based on quality, conduct and activities

Organization

A few decades ago, Socially Responsible Investing (SRI) was mostly restricted to excluding certain non-sustainable activities and products (such as weapons, tobacco, and fur). Today it has evolved to a strategy that focuses on inclusion, with investments in companies that contribute positively to sustainability.
To assess the sustainability of companies, ING relies on the data from Sustainalytics (now part of Morningstar), one of the largest providers of sustainability data. We combine these data in our own sustainability metric: the Nfi (non-financial indicators). More information on the Nfi can be found in the Governance section in these guidelines.

In our Sustainable investing approach, we only invest in companies with the best Nfi scores (´=´; ´+´; ´++´).

Business conduct

As well as the sustainability assessment based on the Nfi, we carry out a complementary review of companies' business conduct. Conduct-based exclusions focus on:

- Labour
- Human rights
- Environment
- Anti-corruption
- Animal welfare
- International standards and values

We exclude companies with adverse conduct based on ESG data from Sustainalytics and other public sources, combined with our own professional judgement. When we assess that the conduct of a company goes against the UN Global Compact principles, we exclude this company from our investments. For our Sustainable and Impact investing approaches we go a few steps further. We not only exclude companies that we assess with very severe controversial conduct (e.g. category 5 in the rating of Sustainalytics) but also with severe controversial conduct (e.g. category 4 and sometimes 3 in the rating of Sustainalytics).

Business activities

After defining which investments are eligible for the Sustainable investing approach, we identify companies whose business activities address important issues relating to sustainable development. We obtain extra information on the business activities of companies from data providers such as Sustainalytics or Bloomberg and from companies themselves.

Companies matching the following criteria are classified as Sustainable Investments (Art. 2.17 of the SFDR, as defined in the Governance section of these Responsible Investment Guidelines):

- Companies with the sufficient sustainability awareness scoring (Nfi score: ´=´; ´+´; ´++´).
- Sustainable exclusions based on business conduct
- Sustainable exclusions based on business activities
- Companies with sustainable activities or production models (based on criteria such as, but not limited to, minimum 5% of total revenue deriving from sustainable products or services)
- For bonds: labelled as green, social, climate or sustainable bond

Enforcing sustainable objectives

At least 20% of the investments in the portfolio are committed to be Sustainable Investments (with a target of at least 25%).

Within the Sustainable Investments we also consider the EU taxonomy alignment on the six environmental objectives.

5. Building a balanced portfolio

We consider all risks, including sustainability risks, when screening investments to include in our Sustainable investing solutions. This results in diversified portfolios, with a balance between financial and non-financial considerations. This limits the possible adverse impacts of severe sustainability risks.

6. Evaluating risk and return; measuring impact

As well as risk and return characteristics, we review the results from non-financial metrics for consistency each year. These reviews may mean we sometimes have to recalibrate the composition of the portfolio to ensure long-term achievement of the sustainable and financial objectives. We also assess the Carbon Footprints of the companies we invest in. Over time we plan to add extra measurements of sustainability impacts and to get a better grip on related risks in the portfolio.

7. Improvement

The final step in the process involves trying to improve the sustainability profile of companies we invest in. We do not engage with every company, but our engagement activities aim to align with the focus of the ING Group, which is currently on climate and financial health.

Voting

We make our voice heard when attending shareholder meetings and make sure the directors of the companies we invest in are committed to their responsibility to make their businesses more sustainable. However, we will vote when the benefits for the investment products outweigh the costs of voting. Indeed, if there is a disproportion between the cost of voting and the possible impact of our vote, the votes will not be casted.

Engagement

ING Group has signed the Principles for Responsible Investment (PRI). We are also members of the Dutch Association of Investors for Sustainable Development (VBDO). We pursue further engagement routes in our Responsible investing approach. The themes on which we engage are the following: Human Capital Management, Sustainable & Good Governance, Net Zero Transition. Zero deforestation, Platform Living Wage Financials.

8. Integrating ESG considerations when investing in other funds

When investing in other funds, we assess how the managers integrate ESG criteria into their investment decisions. For this we use an ESG Fund survey, in which we ask asset and product managers about their:

- Policy on responsible investments
- Signing of the PRI
- Active engagement and voting programmes
- Integration of sustainability risks
- Exclusion of controversial weapons
- Exclusion of tobacco products
- Exclusion of coal
- Exclusion of offenders against the UN Global Compact

As well as the above elements, this approach includes additional criteria. These include, but are not limited to:

- Animal welfare / fur trading
- Oil and gas from non-conventional sources
- Gambling
- Nuclear energy
- Adult entertainment
- Disputed weapons
- Other weapons

We then perform a two-step analysis to assess how asset managers make their investment decisions:

- The first step is a 'quantitative' test (i.e., a numerical assessment) of a wide range of factors. Fund managers' answers to our detailed questionnaire give us insight into their views on sustainability and how they translate these into practice. We also perform a holding check to compare all the securities in a fund with ING's list of assets eligible for Sustainable Investment. This highlights any differences between how ING and the fund assess companies' sustainability. In this way we can check whether the fund is exposed to controversial activities or invests in some of the assets we have agreed to exclude. Any differences are reported to and discussed with the asset manager.
- The second step is a qualitative assessment, when we initiate discussions with fund managers. This involves discussing the results of the questionnaire and the holding check and examining what drives the managers. We also compare the names of the companies in the fund's portfolio with the list of companies we have classified as Sustainable Investments.

Whether we regard investment funds as eligible for investment depends on the outcome of this process. If an investment fund no longer matches the criteria for our Sustainable investing approach, it is classified as Traditional investment. This process can take up to two years. If the process does not produce satisfactory results, we will sell and replace the investment. (A link to procedures specific to certain fund structures can be found in Annex I of these guidelines.)

To monitor the alignment of sustainable investing approaches and objectives, we also measure the following indicators for companies and for sovereigns in the other funds on a best effort basis, by performing a look-through to the individual underlying investments:

- For companies:
  - The percentage (%) of companies with sufficient sustainability awareness scoring, developed by ING, which shows how a company scores on the management of ESG risks and adverse impacts on sustainability, compared to others of its sector.
  - The percentage (%) of companies with severe or very severe controversial conduct.
  - The percentage (%) of companies with revenues deriving, above a certain threshold, from activities with a high adverse impact (such as but not limited to Controversial weapons, Disputed weapons, Nuclear energy, Tobacco, Coal, Alcohol, Other weapons, Gambling, Pornography, Oil and non-conventional gas, Fur).
  - The percentage (%) of companies with sustainable activities or production models (based on criteria such as, but not limited to, total revenue deriving from sustainable products or services), or alternatively in case of fixed income, bonds with a green, social, climate or sustainable label.
- For sovereigns:
  - The percentage (%) of sovereigns passing the sustainability awareness scoring assessment, developed by ING (based on criteria such as, but not limited to, (i) higher scoring on E/S related indices and (ii) exclusions based on E/S factors).
  - The percentage (%) of bonds with a green, social, climate or sustainable label.

Other funds might never be perfectly aligned. For a positive judgement it is crucial that the differences in the sustainability approach of the other funds investment managers are limited and explainable. Specially, concerning disputed weapons, other funds investment managers, but also ING Group, have a different perspective to disputed weapons (mostly nuclear) then we have in these guidelines. Exposure to disputed weapons might be found in other funds. In principle this exposure is limited to companies that are not weapon manufacturers, or based in countries that did not sign the non-proliferation.

Financial products following the Sustainability Investing Approach that are labelled with Towards Sustainability label and have other funds in their portfolios apply the following additional criteria:

- At least 90% of the other funds must meet the quality standard requirements of Towards Sustainability label:
  - other funds that have the Towards Sustainability label. These other funds can be considered meeting all the quality standard criteria requirements (on the level of the top-level portfolio).
  - other funds, for which third-party manager received a formal commitment by the managers of the underlying portfolios to be compliant with Towards Sustainability label quality standards. The manager remains however, fully accountable, and responsible for the underlying portfolio's compliance with these quality standards.
  - other fund in the form of index-based funds evaluated on Towards Sustainability label quality standards compliance using a look-through approach, if based on a solid regular monitoring and audit system. The look-through approach shall ensure that the composition of the indices is compliant with the exclusionary requirements of these quality standards.
  - To a maximum of 30% of other funds, (unlabelled) sovereign bonds portfolios that only invest in sovereign-issued instruments issued by States compliant with the criteria for high-income economies.

- The remainder of the other funds must be:
  - other funds that promote ESG characteristics, complying with Towards Sustainability label quality standards on Sustainable Investments, and considering principal adverse impacts on sustainability factors.
  - other funds in the form of money market funds being considered as cash-equivalent and that do not have to be evaluated if their only purpose is technical or for the hedging of risks " [1]

9. ESG and sustainability terms in fund names

Funds managed by ING/ISIM and using Sustainability or ESG related words (e.g. "Sustainable, ESG, SRI, …") in their name as defined in the ESMA Guidelines on Funds names using ESG or sustainability related terms dated 21 August 2024 , in addition to the criteria defined for the Sustainable approach, needs to also comply with the following additional constraints:

- threshold of minimum 80% related to the investments used to meet environmental or social characteristics in accordance with the binding elements of the investment strategy.
- exclusions based on controversial conduct include companies that violate the United Nations Global Compact (UNGC) principles or

the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

- exclusions based on activities include:
  - companies involved in the cultivation and production of tobacco.
  - companies that derive more than 1 % of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite.
  - companies that derive more than 50% of their revenues from exploration, extraction, manufacturing, or distribution of gaseous fuels.
  - companies that derive more than 50% of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh (*for monitoring purposes, we consider companies that derive more than 50% of their revenues from electricity generated through oil, gas and/or thermal coal*);

When investing in other funds, we assess how the managers integrate these additional constraints into their investment decisions and ensure that these funds take necessary measures to comply with applicable criteria defined by the ESMA Guidelines that have to be considered by our funds.

Impact investing

Impact investing

Sustainability is the main objective in the Impact investing approach. We invest in companies and projects that achieve a positive societal or environmental impact by, for example, contributing to the United Nations Sustainable Development Goals (SDGs).

The Impact investing approach reflects various international guidelines, including the United Nations guidelines for good business practices (the Global Compact) and the Principles for Responsible Investment (PRI). But the starting point is the ING Environmental and Social Risk (ESR) policy framework. This framework is used to assess companies, especially in ING's lending activities. It can result in ING limiting business relationships with certain companies and sectors, and scrutinizing companies in high-risk sectors in more depth. In principle, our investment solutions based on our Impact investing approach do not invest in companies that ING's ESR framework excludes. In the Impact investing approach, we go beyond the ESG awareness used in the Responsible investing approach. The key factors when making investment decisions in this approach are environmental, social and governance.

In the case of investments managed by third parties, we must rely on their approach to integrating ESG features. More details on the process for selecting these investments can be found in point 8 below.

1. Determining the long-term outlook and long-term sustainability trends

Sustainability is the main objective in our Impact investing approach. We put this objective into practice by investing in companies and projects that have a positive impact on societal or environmental issues by, for example, contributing to the United Nations Sustainable Development Goals (SDGs).

2. Asset allocation and ESG impacts on assets

When investing sustainably, we examine which asset classes will contribute most to our sustainability objectives and encourage positive ESG developments.

3. Sub-asset allocation; excluding high-risk sectors

When investing directly in bonds, equities, or options, we exclude companies involved in:

- Alcohol
- Fur trading or sectors with a poor reputation for animal welfare
- Coal
- Controversial weapons (anti-personnel mines, biological weapons, chemical weapons, and cluster munition)
- Disputed weapons (white phosphorus, depleted uranium, and nuclear weapons)
- Gambling
- Nuclear energy
- Oil and gas from non-conventional sources
- Adult entertainment
- Tobacco
- Other weapons

We do not invest in companies that focus on any of these activities. We also exclude companies that derive some of their revenues from these sectors. In the case of controversial and disputed weapons, we have set a threshold of 0%. For nuclear energy, the threshold is set at 30%. In all other cases, we exclude companies if more than 5% of their production revenues or 10% of their distribution or services revenues come from such activities. We expect this to limit possible sustainability risks of companies in our portfolios and to limit adverse impact about sustainability.

Each year, we review the sustainable characteristics of companies we invest in for consistency. We sell investments in any companies whose business activities no longer match our sustainable requirements.

If investments are in funds, we ask the fund managers whether, and how, they integrate sustainability risks into their selecting of investments.

When investing in sovereigns (e.g., government bonds), we assess the robustness of the country that issues the bond and its institutions, based on the following ESG characteristics:

- Environmental:
  - Environmental Performance Index (EPI)
- Social:
  - Social Progress Index (SPI)
  - Exclude bonds issued by countries that carry out the death penalty
  - Signatory of at least one of two treaties: Ottawa Convention, and Convention on Cluster Munitions
- Governance
  - Corruption Perception Index

To become eligible for our Impact investing approach we expect countries to score above average with regard to the indices and the PAIs (Principle Adverse Impact indicators), and positively on the two exclusions.

Sustainability bonds are bonds (issued by companies or sovereigns) that have special sustainability characteristics, such as bonds with a green, social, climate or sustainable label. These bonds are often referred to as green or social bonds. Only sovereigns passing the sustainability awareness scoring assessment, developed by ING (based on criteria such as, but not limited to, (i) higher scoring on E/S related indices and (ii) exclusions based on E/S factors are considered in the Impact investing approach.) We perform an extra analysis of each instrument to see whether, for instance, a bond aligns with the best practices defined by the ICMA's Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bonds Guidelines (SBG). These voluntary guidelines enforce transparency and promote integrity.

In our Impact investing approach, only sustainable issuers of bonds that qualify as green, social, or sustainable bonds are retained.
Derivatives can play an important role in risk management. We limit their use in our portfolios because they can come at the expense of transparency and imply an extra dependency on counterparties. Instead, we prefer to use derivatives with instruments issued by sustainable companies or indices as the underlying.

4. Investment selection, based on quality, conduct and activities

Organization

A few decades ago, Socially Responsible Investing (SRI) was mostly restricted to excluding certain non-sustainable activities and products (such as weapons, tobacco, and fur). Today it has evolved to a strategy that focuses on inclusion, with investments in companies that contribute positively to sustainability.
To assess the sustainability of companies, ING relies on the data from Sustainalytics (now part of Morningstar), one of the largest providers of sustainability data. We combine these data in our own sustainability metric: the Nfi (non-financial indicators). More information on the Nfi can be found in the Governance section in these guidelines.

Business conduct

As well as the sustainability assessment based on the Nfi, we carry out a complementary review of companies' business conduct. This focuses on:

- Labour
- Human rights
- Environment
- Anti-corruption
- Animal welfare
- International codes of conduct

We exclude companies with adverse conduct based on ESG data from Sustainalytics and other public sources, combined with our own professional judgement. When we assess that the conduct of a company goes against the UN Global Compact principles, we exclude this company from our investments. For our Sustainable and Impact investing approaches we go a few steps further. We not only exclude companies that we assess with very severe controversial conduct (e.g. category 5 in the rating of Sustainalytics) but also with severe controversial conduct (e.g. category 4 and sometimes 3 in the rating of Sustainalytics).

Issuers of sovereign bonds in our Impact investing portfolios are not assessed on governance or controversial conduct. All direct investments in sovereign bonds for these portfolios are restricted to bonds issued by OECD countries. We only invest in bonds issued by non-OECD countries through funds managed by third-party managers.

Business activities

After defining which investments are eligible for the Impact investing approach, we identify companies whose business activities address important issues relating to sustainable development. We identify these companies based on the use the United Nations' 17 Sustainable Development Goals (SDGs). We add the companies identified in this way to the list of eligible investments. We obtain extra information on the business activities of companies from data providers such as Sustainalytics or Bloomberg and from companies themselves.

Companies matching the following criteria are classified as Sustainable Investments (Art. 2.17 of the SFDR, as defined in the Governance section of these Responsible Investment Guidelines):

- Companies with the sufficient sustainability awareness scoring (Nfi score: ´=´; ´+´; ´++´).
- Sustainable exclusions based on business conduct
- Sustainable exclusions based on business activities
- Companies with sustainable activities or production models (based on criteria such as, but not limited to, minimum 5% of total revenue deriving from sustainable products or services)
- For bonds: labelled as green, social, climate or sustainable bond

Enforcing sustainable objectives

In principle, all investments in the portfolio are committed to be Sustainable Investments (with a minimum 75%).

Currently 10% of the revenues of the companies in the portfolio are in line with the EU framework for sustainable activities (the 'taxonomy').

5. Building a balanced portfolio

We consider all risks, including sustainability risks, when screening investments to include in our Impact investing solutions. This results in diversified portfolios, with a balance between financial and non-financial considerations. This limits the possible adverse impacts of severe sustainability risks.

6. Evaluating risk and return; measuring impact

As well as assessing risk and return characteristics, we review the results from non-financial metrics for consistency each year. This may mean we sometimes have to recalibrate the composition of the portfolio to ensure long-term achievement of the sustainable and financial objectives. We also assess the Carbon Footprints of the companies we invest in. Over time, we plan to add extra measurements of sustainability impacts and to get a better grip on related risks in the portfolio.

7. Improvement

The final step in the process involves trying to improve the sustainability profile of companies we invest in. Although we do not engage with every company, our engagement activities clearly aim to align with the ING Group focus, wherever possible. ING Group is committed to including ESG in its investment solutions. Its Impact investing solutions focus mainly on climate and financial health.

Voting

We make our voice heard when attending shareholder meetings and make sure the directors of the companies we invest in are committed to their responsibility to make their businesses more sustainable. However, we will vote when the benefits for the investment products outweigh the costs of voting. Indeed, if there is a disproportion between the cost of voting and the possible impact of our vote, the votes will not be casted.

Engagement

ING Group has signed the Principles for Responsible Investment (PRI). We are also members of the Dutch Association of Investors for Sustainable Development (VBDO). We pursue further engagement routes in our Impact investing approach. The themes on which we engage are the following: Human Capital Management, Sustainable & Good Governance, Net Zero Transition. Zero deforestation, Platform Living Wage Financials. The companies we invest in commit to increasing their share of sustainable initiatives over time.

8. Integrating ESG considerations when investing in other funds

When investing in other funds, we assess how the managers integrate ESG criteria into their investment decisions. For this we use an ESG Fund survey, in which we ask asset and product managers about their:

- Policy on responsible investments
- Signing of the PRI
- Active engagement and voting programmes
- Integration of sustainability risks
- Exclusion of controversial weapons
- Exclusion of tobacco products
- Exclusion of coal
- Exclusion of offenders against the UN Global Compact

As well as the above elements, this approach includes additional criteria. These include, but are not limited to:

- Animal welfare / fur
- Oil and gas from non-conventional sources
- Gambling
- Nuclear energy
- Adult entertainment
- Disputed weapons
- Other weapons

We then perform a two-step analysis to assess how asset managers make their investment decisions:

- The first step is a ‘quantitative’ test (i.e., a numerical assessment) of a wide range of factors. Fund managers’ answers to our detailed questionnaire give us insight into their views on sustainability and how they translate these into practice. We also perform a holding check to compare all the securities in a fund with ING’s list of assets eligible for Sustainable Investment. This highlights any differences between how ING and the fund assess companies’ sustainability. In this way we can check whether the fund is exposed to controversial activities or invests in some of the assets we have agreed to exclude. Any differences are reported to and discussed with the asset manager.
- The second step is a qualitative assessment, when we initiate discussions with fund managers. This involves discussing the results of the questionnaire and the holding check and examining what drives the managers. We also compare the names of the companies in the fund’s portfolio with the list of companies we have classified as Sustainable Investments.

Whether we regard investment funds as eligible for investment depends on the outcome of the survey. Eligible investments include funds that are aligned with our Impact investing approach.
Moreover, our funds that are classified under Article 9 under SFDR only invest in other funds (except money market funds) that are classified under Article 9 under SFDR.
If a fund does not match our Impact investing approach or no longer qualifies as an SFDR Article 9 product, we exclude the fund or initiate an improvement process with the fund or asset manager. This process can last for up to two years. If the process does not produce satisfactory results, we sell and replace the investment.

Other funds might never be perfectly aligned. For a positive judgement it is crucial that the differences in the sustainability approach of the fund manager are limited and explainable. Specially, concerning disputed weapons, other funds investment managers, but also ING Group, have a different perspective to disputed weapons (mostly nuclear) then we have in these guidelines. Exposure to disputed weapons might be found in other funds. In principle this exposure is limited to companies that are not weapon manufacturers, or based in countries that did not sign the non-proliferation.

To monitor the alignment of sustainable investing approaches and objectives, we also measure the following indicators for companies and for sovereigns in the other funds on a best effort basis, by performing a look-through to the individual underlying investments:

- For companies:
  - The percentage (%) of companies with sufficient sustainability awareness scoring (Nfi), developed by ING, which shows how a company scores on the management of ESG risks and adverse impacts on sustainability, compared to others of its sector.
  - The percentage (%) of companies with severe or very severe controversial conduct.
  - The percentage (%) of companies with revenues deriving, above a certain threshold, from activities with a high adverse impact (such as but not limited to Controversial weapons, Disputed weapons, Nuclear energy, Tobacco, Coal, Alcohol, Other weapons, Gambling,

Pornography, Oil and non-conventional gas, Fur).

- The percentage (%) of companies with sustainable activities or production models (based on criteria such as, but not limited to, total revenue deriving from sustainable products or services), or alternatively in case of fixed income, bonds with a green, social, climate or sustainable label.

- For sovereigns:
  - The percentage (%) of sovereigns passing the sustainability awareness scoring assessment, developed by ING (based on criteria such as, but not limited to, (i) higher scoring on E/S related indices and (ii) exclusions based on E/S factors).
  - The percentage (%) of bonds with a green, social, climate or sustainable label.

9. ESG and sustainability terms in fund names

Funds managed by ING/ISIM and using "impact" (or impact-related term derived from "impact") in their name as defined in the ESMA Guidelines on Funds names using ESG or sustainability related terms dated 21 August 2024 , in addition to the criteria defined for the Impact approach, needs to also comply with the following additional constraints:

- threshold of minimum 80% related to the investments used to meet sustainable investment objectives in accordance with the binding elements of the investment strategy.
- exclusions based on controversial conduct include companies that violate the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.
- exclusions based on activities include:
  - companies involved in the cultivation and production of tobacco.
  - companies that derive more than 1 % of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite.
  - companies that derive more than 50% of their revenues from exploration, extraction, manufacturing, or distribution of gaseous fuels.
  - companies that derive more than 50% of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh (*for monitoring purposes, we consider companies that derive more than 50% of their revenues from electricity generated through oil, gas and/or thermal coal*);

When investing in other funds, we assess how the managers integrate these additional constraints into their investment decisions and ensure that these funds take necessary measures to comply with applicable criteria defined by the ESMA Guidelines that have to be considered by our funds.

Governance

Governance

Sustainable Investment at ING

ING has been offering sustainable investment solutions since 1999, when we developed a framework for screening companies on sustainability. In 2001 we introduced non-financial indicators (Nfi) for companies. In 2015, we developed our Responsible investing approach. ESG considerations have been part of ING's investment policy since 2000, when we set up a Sustainable investment team within our investment department. This team develops and implements the various policies, which we review annually. This implementation is subject to an ongoing monitoring of the Sustainable Monitoring Committee.

Regulation

The most important ESG regulation is currently the Sustainable Financial Disclosure Regulation (SFDR). Under this regulation, there are three ways to integrate ESG into a portfolio:

1. ESG characteristics are not integrated, or the integration is limited to sustainability risks. In SFDR terms a product with these characteristics is referred to as an 'Article 6 product'.
2. ESG is integrated into the management of the portfolio at various levels. In SFDR terms a product with these characteristics is referred to as an 'Article 8 product'.
3. The portfolio has an explicit sustainable objective, such as investing in companies that focus on sustainable products or services, or that have a target for greenhouse gases. In SFDR terms a product with these characteristics is referred to as an 'Article 9 product'.

Definition of Sustainable Investment (Art. 2.17 SFDR)

Article 2.17 SFDR: '*An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.*'

Our interpretation of 'Sustainable Investment 2.17'

ING Investment Office developed the ING approach based on market practices and our approach to sustainable investing. This approach is in line with our current sustainable investing practices and is supplemented by information on sustainable activities.

Sustainable Investments meet the following criteria and exclusions:

- For direct investments in companies (equity or fixed income):
  - Only companies with a good sustainability awareness scoring (Nfi score: '=', '+' or '++').

- Exclusion of companies with severe or very severe controversial conduct.
- Exclusion of companies with revenues deriving, above a certain threshold, from activities with a high adverse impact (such as but not limited to Controversial weapons, Disputed weapons, nuclear energy, Tobacco, Coal, Alcohol, Other weapons, Gambling, Pornography, Oil and non-conventional gas, Fur);
- Only companies that have sustainable activities or production models (based on criteria such as, but not limited to, minimum 5% of total revenue deriving from sustainable products or services), or alternatively in case of fixed income, corporate bonds with a green, social, climate or sustainable label.

Pass/fail test: either an investment in a company meets all the above criteria and exclusions (pass), or not (fail).
The result is binary: either an investment in a company is considered as a Sustainable Investment as a whole, or not at all.

The above criteria and exclusions rely on ING methodology and/or data primarily sourced and processed from Sustainalytics. Data from Sustainalytics may be prone to data revision, which may require further investigation if such revision suggests that criteria and exclusions may not be met anymore for some Sustainable Investments. These data are then further reviewed by ING/ISIM analysts, based on their own professional judgement and/or other data sources.

Following this data review, an investment in a company is still considered as a Sustainable Investment or not.

- For direct investment in sovereigns (fixed income):
  - Only sovereigns passing the sustainability awareness scoring assessment (based on criteria such as (i) higher scoring on E/S related indices and (ii) exclusions based on E/S factors);
  - Only sovereign bonds that have a green, social, climate or sustainable label.

Pass/fail test: either an investment in a sovereign meets all the above criteria and exclusions (pass), or not (fail).
The result is binary: either an investment in a sovereign is considered as a Sustainable Investment as a whole, or not at all.

- For investments in other funds:
  - Only sustainable investments identified as such by the asset managers of the other funds (or potentially by applying a different approach based on e.g., sustainability indicators performing look-through).

Pass/fail test: either the underlying investment of another fund is identified as a sustainable investment (pass), or not (fail).
The result and the determination of Sustainable Investments for another fund therefore depend on its underlying proportion of sustainable investments.

Sustainable Investment 2.17 across our various approaches

Traditional	Responsible	Sustainable	Impact
No commitment	No commitment	Min. 20% (with a target of 25%)	Min. 75%

- Sustainable investing approach: a minimum of 20% of Sustainable Investments, without any distinction made between environmental or social investments.
- Impact investing approach: in principle, the funds following this approach will only make Sustainable Investments (except cash investments).

Non-financial indicator (sustainability awareness scoring)

Measuring sustainability

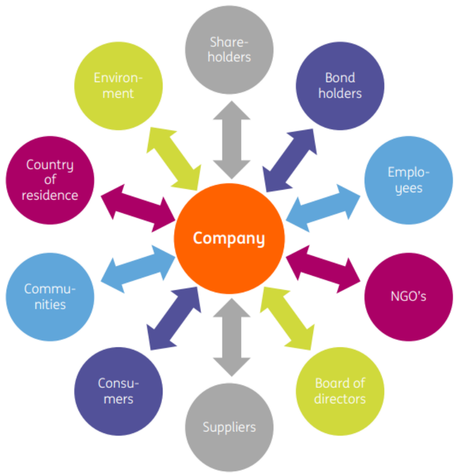
In recent decades, SRI has evolved from a strategy based on excluding certain unsustainable activities (such as weapons, tobacco, and fur) to a strategy that focuses on inclusion; investing in companies that contribute positively to sustainability. To measure that positive contribution, of course, you need data. In the early 2000s, investors still had to collect these data themselves, but later dedicated data providers became active. At ING, since the start, we have been using Sustainalytics (now part of Morningstar), one of the largest providers of sustainability data. We combine the data needed to measure sustainability into one metric, the Nfi. This score, amongst others, is used to select companies for our sustainability portfolios. Because sustainability is a concept that continuously develops; and at the Investment Office we want to determine autonomously how we asses sustainability. In this way, our investment decisions fit well with our client's expectations and the principles of the Investment Office. It must be noted that some companies do not have a complete ESG dataset available. In that case we will make estimates.

Best-in-class approach

The Nfi provides insight on how a company takes its key stakeholders into account. If that awareness is high, then it is easier for the company to sense what is going on in society and respond to it. We therefore expect that a high level of sustainability awareness will translate into a lower risk profile for the company in the longer term. That company will be better able to respond to opportunities that arise. This assessment of sustainability awareness exists alongside our test for controversial behaviour or controversial products. Companies with controversial products or behaviour are not eligible for the ING portfolios that follow the Sustainable investing approach, no matter the level of sophistication of their sustainability awareness.

Sustainability awareness

To measure sustainability awareness, we look at the way in which the company takes account of its stakeholders. This includes not only shareholders and bondholders, but all parties with whom a company has direct or indirect interactions. The diagram below provides a sense of the wide variety of possible stakeholders.



The elements of the Nfi

To measure sustainability awareness, we look at five elements, shown in the diagram below.

1. The ESG Risk Management score (40% weighting). This score, compiled by Sustainalytics, measures the extent to which a company manages sustainability risks. For this, we look at six to nine key sustainability issues. These range from greenhouse gas emissions and corporate governance to employee relations. The topics used to measure ESG Risk Management may differ per company, as you can imagine a utility company has to deal with different ESG issues than an employment agency. Given the large number of subjects that contribute to this score, we give this measurement the highest weight in the Nfi methodology.

2. The ESG Momentum score (10% weighting). This element looks at the development of a company's exposure to- and management of sustainability risks over the past twelve months. We believe it is important that companies do stay stationary and continue to develop their awareness of sustainability. In that case, we show our appreciation by means of a higher Nfi score. Moreover, research shows that "momentum" has a positive correlation with the company's share price.

3. The Sustainable product score (10% weighting). The score is related to the degree the company makes products that contribute positively to one of the Sustainable Development Goals (SDGs). These are seventeen goals initiated by the United Nations, to make improvements in the areas of planet, people, and prosperity. In the end, impactful products are an important vehicle for achieving those goals.

The fourth and fifth elements are both related to PAI indicators. These are indicators that reflect a company's (**P**rincipal **A**dverse **I**mpact) on sustainability. These indicators were created by the European Union with the aim of creating transparency in the field of sustainability. And also, to reduce the negative impact of companies. For example, a company may already have a good score on greenhouse gas emissions. That is great, but ultimately, we would like to see those emissions disappear time over time. The PAI scores are the key indicator of that.

4. The Environmental PAI indicators (20% weighting)

This includes the following indicators:

- Carbon footprint (relative to enterprise value)
- Carbon intensity (relative to revenue)
- Exposure to revenues from fossil fuels
- Extent of consumption or production of renewable energy
- Intensity of energy use compared to sectors with high climate impact
- Being active in biodiversity sensitive areas
- Amount of wastewater
- Amount of hazardous waste
- Greenhouse gas reduction policy

ISIM is monitoring the environmental footprint of the investments in the funds being transparent about the climate impact of our financial products. We are aware of the transition needed for a sustainable economy and we are following the initiatives of the investees to limit the global warming and align with Paris Agreement temperature targets.

5. The social PAI indicators (20% weighting).

This group includes the following indicators:

- Processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Violations of these principles of the Global Compact
- The gender pay gap
- Board gender diversity

The calculation method

Once we have determined which data we need for each of the five elements, we calculate the individual score per indicator and per company.

a) We determine the ranking between zero and one for each company per indicator. Companies that score the worst on an indicator get a zero. Companies that score the best get a 1. This is how each company determines where it stands in relation to other companies in its sector. We do this for all companies in all sectors.
b) After this calculation, we add up the rankings for each indicator, per element, for each company and divide them by the number of indicators of each element. In this way we end up with a ranking for all companies for each of the five elements.
c) As mentioned earlier, the four elements have their own specific weight. This leads to an overall score.
d) We rank this score again so that we can classify all companies by sector into deciles.
e) With these deciles we can classify companies into the categories that are distinctive for the Nfi. These can be found in the table below.

Nfi - -	Nfi -	Nfi =	Nfi +	Nfi ++,
Under-performer, it belongs to the worst 10%	Laggard, it belongs to the worst 30%	Average performer, it scores between minus or plus 20% of the average	Forerunner, it belongs to the best 30%	Frontrunner, it belongs to the best 10%

Five categories of sustainability: Nfi--, Nfi-, Nfi=, Nfi+ and Nfi++

After calculating the various scores for each sub-aspect, we determine a relative score for each company in relation to the other companies assessed in the sector. We rank the companies on their sustainability score and divide them into five Nfi categories. The highest score (Nfi++) means that the company is in the top 10% of its sector. A score of Nfi- or Nfi-- stands for an unsatisfactory rating and is automatically a reason to exclude the company from ING's universe of eligible investments. This means the company cannot be selected for the Sustainable investing approach. The other three Nfi categories also indicate a company's relative performance. The category Nfi-- (the worst-scoring 10%) indicates that the company has no views on important social developments or is not transparent about them.

Representational

Because we are comparing companies by sector, it is important that enough companies are represented within each sector. Therefore, we calculate the Nfi score for 5000 companies. This selection includes the following companies:

- All companies that we monitor as part of our equity and bond portfolios (approximately 600 companies)
- All Benelux companies of which we have sustainability data available (approximately 225)
- International companies that have a market capitalization of at least USD 2 billion, until we have 5000 in total

For the Nfi, as already mentioned, we compare companies with other companies within the same sector. In fact, we should use the term 'industry.' In investing, we are usually talking about the eleven sectors of the official GICS classification, the Global Industry Classification System. However, a comparison within the official GICS sectors does not always provide a good result, as some sectors are very diverse. For example, in the industrial goods sector you will find both aircraft manufacturers and employment agencies. We instead use a fine-grained classification in which we group companies into 41 industry groups. That way we have groups of similar companies with sufficient size to do a representative ranking.

Disclaimer

This document describes the responsible investment guidelines compiled by ING Solutions Investment Management S.A. ('ISIM'). These are to be followed when, for example, managing funds established by an ING Groep N.V. entity. The document applies to all ISIM funds and sub-funds, but does not, in any circumstances, comprise an investment recommendation. The ISIM Responsible Investment Guidelines and the references to the various websites are intended to provide an overview of how ESG criteria are used in managing funds. Before making any investment decision, please read the KIID and prospectus of the relevant instrument carefully. All documents can be found on https//http://www.ing-isim.lu

Annex I: Additions

Although some ING portfolios deviate from the five investing approaches on sustainability described above, the solutions applied are always based on one of these approaches. This annex lists these portfolios and explains how they differ.

ING Solutions Investment Management (ISIM) contributes to ING Group's environmental, sustainable and governance ambitions. To help achieve these ambitions, ISIM pays great attention to implementing the ING Responsible Investment Guidelines when managing its funds. A clear outline of each investing approach (Traditional, Responsible, Sustainable or Pension) applied to each fund range can be found here.

1 **The ING Global Index Portfolio range is a range of ING Aria sub-funds.**
2 **The ING World Fund range is a range of ING World ICAV sub-funds.**
3 **ING Sustainable Bonds is an ING Aria sub-fund.**

do your thing

Signatory of:

PRI Principles for Responsible Investment