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# Sustainable Finance at the Center of the Green Recovery: ING Case Study





ING, a global bank with a strong European base, is a pioneer in digital banking and an industry leader in innovation. It serves individual customers, corporate clients and financial institutions with products, including savings, payments, investments, loans and mortgages. Listed on the Amsterdam, Brussels and New York stock exchanges, ING is deeply committed to sustainability and its shares are included in leading environmental, social and governance (ESG) index funds.

Key Facts

**57,000**  
employees

**40**  
countries of operations

**39.3 million**  
customers served

“ We encourage clients across all sectors to improve their sustainability performance and offer them incentives to do so. Companies can benefit from a sustainability rating and an improved rating can result in a lower cost of funding.

Roland Mees  
Director Sustainable Finance, ING



OBJECTIVES, DRIVERS AND CHALLENGES

**Paving the Way to Sustainable Success**

Climate change is one of the biggest challenges of our era. ING, consequently, believes that sustainable business is better business and – as most of its impact is achieved through financing, via the money loaned to companies and customers – the bank has committed to steer its lending portfolio towards the goals of the UN Net Zero Banking Alliance (NZBA). These goals are aimed at keeping global warming at 1.5 degrees. In order to get there, the world must reach net zero emissions by 2050.

ING is determined to use its financing and advisory products and services to actively support its clients’ transition to new sustainable business models. It is its ambition to help customers originate, structure and execute projects that support sustainable development, specifically in areas such as the circular economy, renewable energy, waste, water and social projects.

In 2017, ING Wholesale Banking launched its first sustainability-linked loan for non-listed companies to support the transition to new sustainable business models. It ties the interest rate on the loan (which could be a term loan, a revolving credit facility or a guarantee facility) to the sustainability performance of the company. Improvements in sustainability are rewarded by a reduction in the interest rate; conversely, any deterioration in sustainability performance effects an increase in the cost of financing. In short, the loan system “makes sustainability pay”, and having a sustainability rating or setting ambitious sustainability KPIs are key requirements for a borrower looking to secure this type of loan.

**At the same time, increasing investor, regulatory and societal expectations to act sustainably and disclose progress are putting pressure on all companies, including financial institutions.**

“ Much remains to be done to achieve the goals of the UN Net Zero Banking Alliance (NZBA). Working with EcoVadis, we want to help, motivate and reward our business customers to advance and validate their sustainability agenda. We are convinced that companies that deliver ambitious sustainability performance are the winners in the economy of tomorrow. That is why sustainability is an important subject in every conversation we have with clients.

Leonie Schreve,  
Global Head of Sustainable Finance, ING.

APPROACH

### Addressing the Need for Sustainability Performance Validation and Benchmarking

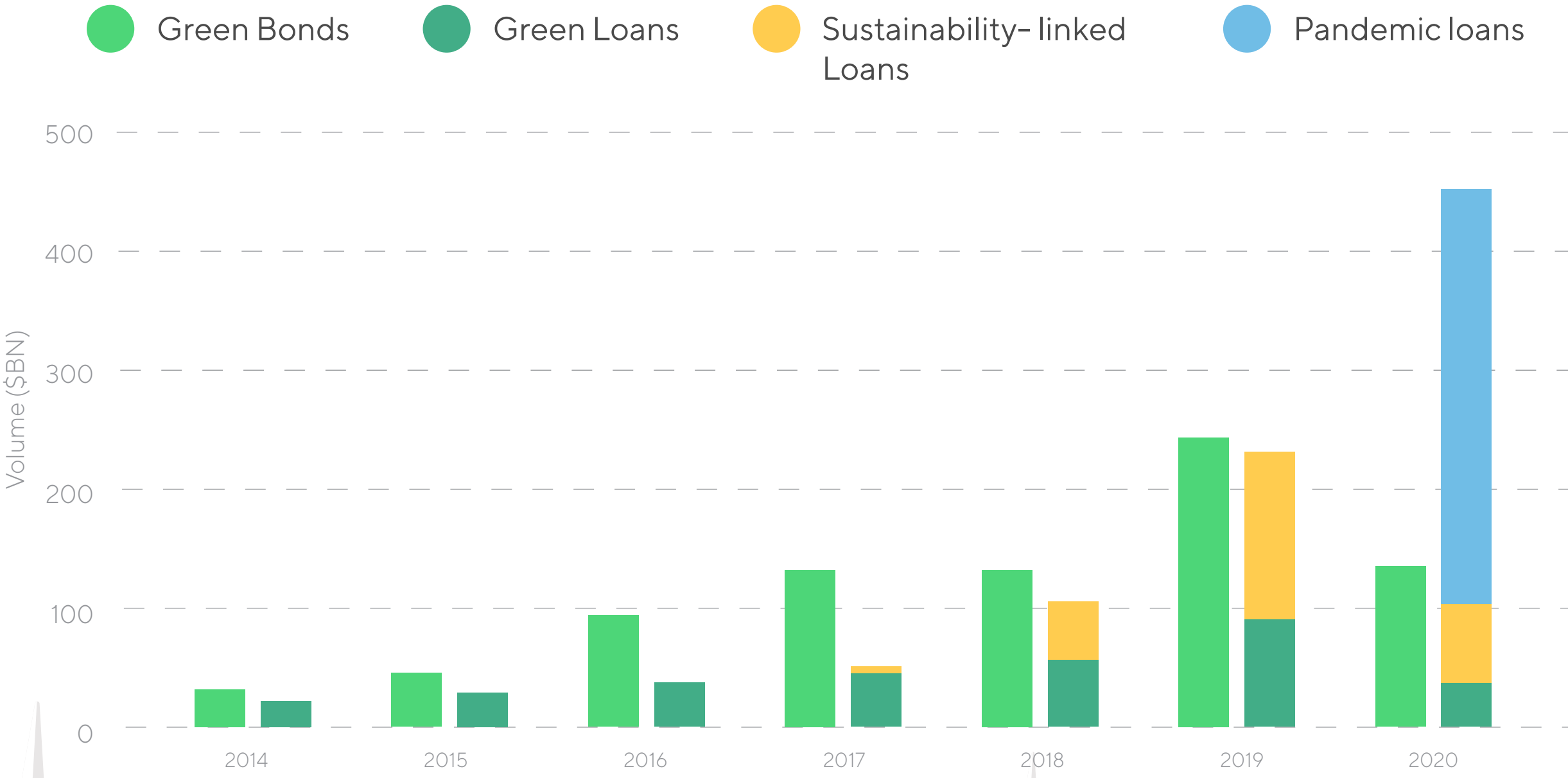
ING believes that sustainability performance needs to be validated and assessed by a third-party rating provider. This creates an objective standard that helps companies align on performance expectations specific to their industry so they can benchmark progress against their peers. Plus, aside from the rating being integrated into the loan agreement, the rating itself can also be an important assessment for improvement for any business.

In addition to the ESG rating, companies availing of sustainability-linked loans can also choose to tie their margin to specific sustainability-related key performance indicators (KPIs).

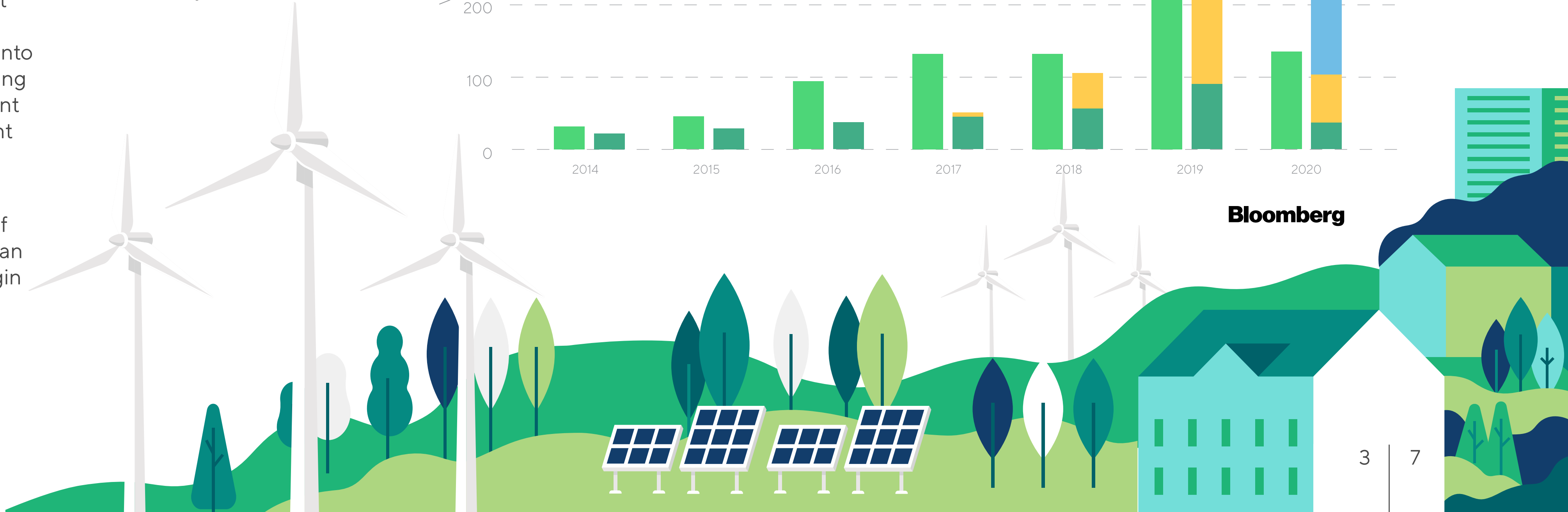
In close dialogue, the client and ING formulate three to five science-based and ambitious KPIs to be achieved during the lifetime of the loan.

In 2020, ING supported 62 green, social and sustainability bonds and 61 sustainability-linked loans.

Issuance of Green Bonds, Green Loans, Sustainability-Linked Loans and Pandemic Loans



**Bloomberg**



## Successful and Sustainable Financing Around the World and Across Industries

### Kelag's Sustainability-Linked Loan Facilitated by ING and EcoVadis Rating

Kelag is a leading energy service provider in Austria with strong sustainable ambitions. The company and its subsidiaries have developed and implemented strategic goals of growth and innovation focusing on renewable energy as the core of their strategy and sustainability is embedded in the finance team, who take the lead when it comes to undergoing sustainability assessment.

These ambitions have positioned Kelag as a key player in supporting the climate protection goals of the European Union and the Paris Agreement in Austria. The company was keen to renovate a revolving credit facility (RCF) and, given the sustainable nature of the business, it determined that a sustainability-linked loan presented a significant opportunity for performance improvement.

As the Kelag team explored options for ESG ratings they found that EcoVadis exhibited a more holistic approach than other providers.

The assessment proved crucial in obtaining the sustainability-linked loan and, at the same time, provided a third-party certification for the company's sustainability performance.

Kelag secured a five-year €250 million RCF, which is linked to its sustainability performance as assessed by EcoVadis, resulting in a sustainability rating. Sustainability performance results impact the RCF's margin, causing it to increase or decrease, depending on the EcoVadis Rating.

ING acted as Coordinator for this transaction, managing all activities necessary to structure the loan, including the ESG component. UniCredit Bank Austria and Raiffeisen Bank International also acted as lenders in the transition, helping them to further expand their renewable energy portfolio.



## Why EcoVadis?



EcoVadis is a standard for sustainability performance and helps companies aligned on expectations for their industry.



The scorecard provides action-oriented feedback on improvement areas and helps define the roadmap for your sustainability journey.



## About EcoVadis

EcoVadis is the world's most trusted provider of business sustainability ratings, intelligence and collaborative performance improvement tools for global business. Backed by a powerful technology platform and a global team of domain experts, EcoVadis' easy-to-use and actionable sustainability scorecards provide detailed insight into environmental, social and ethical risks across hundreds of industries and countries. Industry leaders such as Johnson & Johnson, Verizon, L'Oréal, Subway, Nestlé, Salesforce, Michelin and BASF are among the thousands of businesses on the EcoVadis network, all working with a single methodology to evaluate, collaborate and improve sustainability performance in order to protect their brands, foster transparency and innovation, and accelerate growth. Learn more on [ecovadis.com](https://ecovadis.com), [Twitter](#) or [LinkedIn](#).

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