



FINANCIAL INSTITUTION

ING

2020 REVENUES

€17.64 BN

TARGET

NET ZERO EN 2050

Achieving net zero emissions for portfolio and operations

Net-zero emissions is the condition in which anthropogenic carbon dioxide (CO₂) emissions are balanced by anthropogenic CO₂ removals over a specified period. Although the financial world is increasingly embracing stakeholder alliances for carbon neutrality, the number of stakeholders setting an emissions reduction strategy to achieve science-based targets remains limited. ING Group, a Dutch bank founded in the late 19th century, is currently a leader on the European banking market, having set targets and made efforts to decarbonise both its portfolio and its own operations.

Achieving net zero in the business strategy

ING Group became one of the pioneers in the financial world by signing a letter in 2015 announcing its intention to commit to net zero. This was to begin taking the form of concrete targets with the emergence of a viable method developed by SBTi. Thus, in the first half of 2019, ING Group joined the SBTi Expert Advisory Group focused on financial institutions. The advisory group's objective is to assist in developing a [methodology](#) for verifying net zero targets set by members of the financial sector. Prior to this, in 2018, ING became the first international bank to commit to net zero, relying on climate scenarios to guide its business strategy.

This new business strategy was established in tandem with ING's decision to align its loan portfolio (total amount over €500 bn) with the objectives of the Paris Agreement. To implement this strategy, ING Group created what it calls the "[Terra](#) approach". Terra is an approach anchored in science-based scenarios that are combined with asset-level data to align the loan portfolio with the objectives of the Paris Agreement, through customer engagement or the bank's investment choices. It draws on several different methodologies such as PACTA (Paris Agreement Capital Transition Assessment) and the SBTi SDA (SBTi Sectoral Decarbonization Approach).

One of the fundamental principles of

the Terra approach involves sectoral steering of the portfolio. ING's portfolio activities are divided into sectors (power generation, fossil fuels, automotive, aviation, etc.) insofar as each has its own transition scenario. Each sector therefore has its own methodology, scope, portfolio targets and metrics. For each sector, a four-stage presentation is then followed. These stages both explain the commitment involved in decisions and contextualise the latter by explaining the challenges the sector will face. Thus, each sector has its own decarbonisation targets that contribute to achieving the portfolio-wide objective.

Banking on a change in technology

In order to keep shareholders informed of the progress of this methodology, ING publishes an annual report that includes a *Climate Alignment Dashboard*. Two main avenues have been identified to drive progress and limit emissions: supporting the engagement of existing customers to drive a shift towards low-emissions technologies and shifting investment choices to low-emissions technologies.

The [2021 report](#) explains that in 5 of its 9 portfolio sectors (power generation, residential real estate, automotive, marine, upstream oil and gas), ING has successfully reduced the carbon intensity^a of investments below the relevant market or climate scenario standards. The carbon intensity of the cement, steel and commercial real estate sectors, on

the other hand, increased between 0.5% and 3%. Aviation, whose carbon intensity increased by 74.9%, remains a drag.

Decarbonising its own operations

Beyond efforts to decarbonise its portfolio of assets, ING is also striving to achieve net zero in [its own operations](#). This includes an environmental programme to reduce Scope 1 and 2 emissions, as well as Scope 3 emissions from business travel. The company has furthermore developed its renewable energy sources and self-generation of renewable power, reaching 100% renewables in 2020. ING also participates in the voluntary carbon market to [offset](#) its business travel emissions by financing REDD+ projects.

^a Carbon intensity is a ratio that measures the volume of emissions (e.g. measured in kgCO₂) relative to a volume of activity expressed in a sector-specific metric. For example, ING measures the carbon intensity of its power generation investment portfolio in kgCO₂e/MWh, rather than kgCO₂e/\$ invested.