



Global Sustainability
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Business & Human Rights Resource Centre
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Date	Contact	E-mail
15 July 2019	Arnaud Cohen Stuart	arnaud.cohen.stuart@ing.com

Subject
Amazon Watch Publication

Dear Business & Human Rights Resource Centre stakeholders,

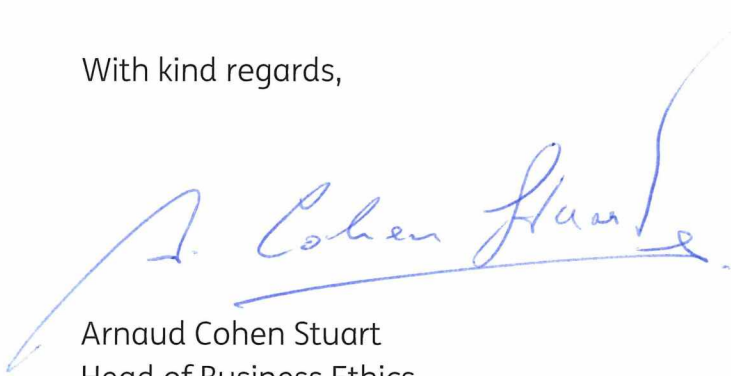
We appreciate your invitation to respond to a recent report by Amazon Watch. The report considers the Brazilian regulatory landscape and potential forthcoming changes in environmental and social regulation. The report further analyses 56 companies that were fined for environmental crimes in the Amazon since 2017 and identifies where northern commerce does business with the named companies. In relation to the financial sector the report concludes with recommendations for a strong deforestation policy. Shedding light on these topics is deeply important.

Regardless of national legislation, ING is guided by our Environmental and Social Risk Framework. Within this framework, deforestation and/or burning down of tropical forests is a restricted activity. This means zero tolerance to provide a product or service that facilitates deforestation and/or burning down of tropical forests. Please see the appendix below for the reference to our public framework.

Within our ESR Framework we include a forestry and agricultural commodities sector policy. As mentioned therein, ING recognises that while we do not finance products directly facilitating deforestation in the Amazon, commodity traders such as the client's listed within the aforementioned report face supply chain risks. We take these risks into account. In our 2018 ESR Framework review a key change has been made in enhanced supply chain due diligence. A comprehensive highlight is included in the appendix below.

Accompanying our sector policy, the ESR Framework guides ING to re-assess clients running high risks on a yearly basis, and clients with normal risk profiles every three years. Within this continuous monitoring we would be made aware of fines issued to our clients. Based on the nature of the controversy, the sector, the region involved, as well as the client profile we can set out an engagement plan with our clients. We are not able to disclose the nature of these dialogues due to client confidentiality but please be informed that we take client controversies seriously and engage and take action where needed. We do disclose case studies regularly to share with our stakeholders our ESR assessment and engagement.

With kind regards,

A handwritten signature in blue ink, reading "A. Cohen Stuart". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Arnaud Cohen Stuart
Head of Business Ethics
Global Sustainability

Appendix

ING's Environmental and Social Risk (ESR) Framework

(<https://www.ing.com/Sustainability/Sustainable-business/Environmental-and-social-risk-policies.htm>) guides our corporate lending relationships and how we manage risks therein. As such, our due diligence including our deforestation policies are included in our forestry and agricultural commodities sector policy as well as the overarching human rights and climate change policies. As a highlight, within our Framework we are guided by:

- Sector best practices, where we use our leverage to encourage clients to adopt best practice certifications (page 49);
- Recognising deforestation as a restricted activity (page 50);
- Client expectations, as we recognise that clients operate in different jurisdictions with various levels of advancements, we expect clients to align with our standards, including;
 - Compliance with ING's ESR human rights (page 23) and climate change and environmental policies (page 27)
 - Avoiding trade commodities that evidently originate from land grabbed from others (page 50 among other expectations found on the same and subsequent page)
- Our evaluation approach, such as how we conduct more in-depth evaluation for engagement (page 52)
- A public stance on deforestation (<https://www.ing.com/Sustainability/Our-Stance/Deforestation.htm>);

Commodity traders, such as the client's listed within the aforementioned report face supply chain risks that are taken into account when we assess these clients under our ESR Framework. Assessment includes company disclosure; analysis and mitigation to environmental and social risks in supply chains; and whether the company translates this into acceptance criteria in its selection and monitoring of suppliers (page 53).

We acknowledge that a client's ability to monitor their supply chain is dependent on operational control and leverage. This can be contingent for example on factors such as size, the commodity itself and traceability. This is a complex ecosystem and means supply chains vary significantly. As such, we follow a risk-based approach and encourage multiple types of evaluation, like (page 54):

- The client's primary supply base and countries of origin;
- The sourcing policy of the client that selects and maintains suppliers based on environmental, social and corporate governance (ESG) criteria relevant for the industry;
- Human rights concerns in the countries or regions of origin;
- The ES supply chain track record of the client and its primary supply base (identification of accidents/incidents, legal penalties, protests or other allegations and how have these been managed);
- Availability of or the commitment to obtain internationally recognised certificates, where applicable;
- Traders are expected to have a sustainability/ESR sourcing policy in place. If not, the trader is expected to put such a policy in place within a reasonable timeframe. Compliance and progress on this standard is to be monitored on a regular basis.

Please see further details and context in our ESR Framework (linked above).