



ING AGM questions 2017

Amsterdam, 08.05.2017

Ladies and Gentlemen, Board Members, CEO

My name is Kuba Gogolewski and I come from Poland to give testimony in the name of communities united in a Coalition „Development YES- Open-Pit Mines NO” and effected by coal mining and coal combustion. I was also asked to ask questions in the name of Turkish communities threatened by lignite opne-pit mining expansion.

Current ING policy excludes project financing for coal mines and coal power plants and limits financing to extremely undiversified coal companies. The later only applies to new ING clients.

In spite of this commitment billions of euros are still available to state-owned utilities – PGE and ENEA – which in line with the Polish government vision are currently constructing over 3GW of coal fired power plants, planning yet new coal mines and coal power plants.

I will focus on the biggest Polish state-owned utility – PGE S.A. 90% of PGE’s power production stems from burning lignite and hard coal¹. PGE owns and operates Europe's biggest power plant in Bełchatów (5,3 GW) with the largest CO₂ emissions in the EU – 35 million tons of CO₂ every year.

Despite public opposition in Poland, Germany and the Czech Republic PGE plans to open two greenfield open-pit mines holding 2 bln tonnes of lignite².

Next to new mines, PGE constructs more hard coal and lignite power plants right now: two units of 1,8 GW will be burning coal and half a GW lignite unit. To feed the new power plant lignite open-pit mine must renew its mining concession **past 2020** which causes significant distress and opposition on the Czech side³.

¹ 69,4% and 21,2% hard-coal

² Złoczew and Gubin- Brody

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Poland has the highest percentage of water intake by the coal sector in the world. 70% of Poland's water intake is used up by the coal mining and generation industry with 30% of water left for all other uses – tourism, agriculture, households use etc...

Every 3 years PGE mines' drain the equivalent of the biggest lake in Poland⁴. This in a country with forth lowest water resources per capita in the EU – lower than those of Holland. Next to climate and the health impacts, the detrimental impacts on water are the main reason for farmers, fishermen, people working in tourism and local communities to unite against open-pit mining in Poland⁵.

In September 2015 ING together with a consortium of banks signed a syndicated loan of PLN 5,5 bln (EUR 1,3 bln) with PGE S.A. the biggest energy utility in Poland deriving over 90% of its electricity production from burning coal and lignite. The loan agreement signed on the 7th of September 2015 was linked directly to investment needs of the PGE S.A. such as the construction of two hard-coal units of 900 MWe each in Opole power plant⁶ and out of the PLN 5,5 bln – PLN 3,63 bln is to be paid back by 2023 while the remaining PLN 1,87 bln is in the form of revolving credit facility.

ING has signed long-term bond issue agreements with PGE Sweden AB in May 2014 for an indefinite period of time and another one from May 2009 which allows the PGE to issue bonds worth up to PLN 5 billion (EUR 1175 million) with no bonds issued under this programme by PGE as of 31 of December 2016. Additionally a bond agreement from 2011 signed together with Bank Pekao S.A. for issuing bonds worth up to PLN 5 bln (EUR 1175 million) has only been used by PGE with bonds emitted worth PLN 1 billion issued under this programmes as of the end of 2016.

This is a ticking climate bomb for a company planning new open-pit mines holding close to 2 billion tons of lignite and building over 2 GWe of new coal capacity.

So we have a company – PGE S.A. - which has been blacklisted by Norway Sovereign Wealth Fund in March 2017 and billions of euros available to it from ING.

Questions:

- 1) When is ING planning to stop transactions with old clients who reliant in over 50% on electricity production from coal and or thermal coal mining?
- 2) When is the ING planning to lower the percentage to 30% for new clients?

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In 2016, PGE drained 228 million cubic meters of mine waters and used 1,1 billion cubic meters of water for cooling.

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<http://rozwojtak-odkrywkinie.pl/index.php/en/rt-on-en/o-nas-en>

6 Official statement from PGE S.A. quoted here: http://prawo-energia.pl/m/tag_firma,24,pge_polska_grupa_energetyczna_sa,272

3) When is ING planning to stop providing any form of financing and financial services to companies planning new coal capacity or new coal or lignite mines?

ING Is also supporting coal utilities in Turkey. The state owned enterprise EÜAŞ (Electricity Generation Utility) owns 58,% of Turkey's total lignite resources (roughly 14.5 billion tons). The utility recently has taken the lead role in developing new finance and business models for exploring new local coal reserves in Turkey, increasing them from 8 billion tons in 2005 up to 15 billion tons in 2016 and making unprofitable coal projects bankable for investors and financiers. Currently, 10 GW of planned coal power capacity lays in the hands of EÜAŞ, which will render Turkey a ticking climate bomb emitting millions of tonnes of GHGs, once the projects go online.

As the ING group has provided substantial amount of loans and underwriting services to the utility in the last 6 years, how does this fit into the bank's 2015 commitment to be a part of the solution to climate change?

ING's CEO answer (see here (question 01:15:08 to 01:19:43 <https://webcast.ing.com/ing-ava-2017/webcast?lang=2&vidaud=0#> answer right after)

"I understand your question, it's quite specific.

Our portfolio projects that we decrease the commitment to coal and that's what we're doing. In some cases we have actually entered into a commitment to these companies before we changed our policy. I'm sure you'll appreciate that in weighing the balances of all stakeholders that on one side we try to come to policies that generate discussion with our clients in order to decrease the carbon footprint on one side. When we have made commitments before the change of policy then we also honour a commitment like that because it's a client, it's a legal agreement that we have signed. And that's the way we treat our clients. We pre-agreed to do something but we honour that agreements. We look at the future as to how we can motivate a client like that and how can we engage a client to think along in order to decrease the carbon footprint. That's what we do with this coal-related clients as well. Therefore we did initiate a policy with a threshold of 50% and we'll see how that develops and how we will further decrease to 30%. I am not going to give you a commitment on that at this moment. The policy is always in development. What I do want to stress though is that, from the total portfolio that we have in power generation, a 9 bln power generation portfolio, 39% of that portfolio is already green. So we are making headways and we are truly improving on it and we'd rather do this in engagement with our clients, than exclusion of clients. Because that's what we call an influence.

Kuba Gogolewski's comment: Can you say, for example, at this year or that year we are thinking of ending the engagement with the most problematic clients who don't want to respond?/.

I'm not going to commit on it. These are things that we do as we see the trend, as we can convince clients and that's how we work. Our direct footprint in Poland is 100%

renewable already. That's our direct footprint.

In response to other shareholder's questions on coal-fired power plants:

“Just to make one thing clear: We are not financing new asset-based coal plants. And, yes, we are continuing corporate financing to companies of which the coal fired power plants represent a lower percentage than 50%. And, indeed, indirectly, we do finance then coal fired power plants but in our relationships with those clients we do have the conversations to see how they can further decrease their percentage of coal fired power plants in their portfolio.

So, for us it's about an active engagement with our customer to see how coal-fired power plants, as a percentage of total energy generation, can further decrease. As part of our portfolio, I already mentioned the fact that out of the 9 billion portfolio, 39% are fully renewables already. So really making progress and that's crucial.

On the two projects that you mentioned. The Cirebon and the Punta Catalina, on the other side of the world: both are projects that we engaged with before change of our policy, that's one. Secondly: clearly, both have to continue to fulfil Equator principles and requirements, otherwise we will not finance them. The Punta Catalina is at this moment, because of alleged bribery, in front of a judge. There is not being any financing released under that loan. And the Cirebon project: The environmental license was pulled and therefore there is, we will not finance that project until that environmental license is reinstated.”