



## Application of the Dutch Banking Code by ING Bank N.V. (FY 2017)

8 March 2018



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# Introduction

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## Introduction

In September 2009, the Dutch Banking Association (NVB) published the first Banking Code (*Code Banken*). The Banking Code laid out the principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration and came into effect on 1 January 2010 on a so-called '*comply or explain*' basis.

Following the first Banking Code in 2010, the Committee Wijffels published a report in 2013 on the structure of Dutch banks (*'Naar een dienstbaar en stabiel bankwezen'*). The report paid great attention to the stability of the industry and the importance of competition and diversity in Dutch banking. In its report, the Committee called upon the banks to take additional steps towards regaining trust from customers and society as a whole by setting out the role they want to play in society in a social charter.

In 2014, in response to the aforementioned request, the NVB introduced a document entitled '*Future-oriented Banking*'. This document contained the requested Social Charter, the rules of conduct associated with the banker's oath and an update of the Dutch Banking Code.

The updated Banking Code came into effect on 1 January 2015 and takes into account the recommendations of the Banking Code Monitoring Committee, the aforementioned report of the Committee Wijffels and the vision of the NVB. It applies to all activities performed in or directed towards the Netherlands by banks that are established in the Netherlands and licensed by De Nederlandsche Bank (DNB; Dutch Central Bank) pursuant to Section 2:11 of the Financial Supervision Act (*Wet op het financieel toezicht (Wft)*). The Banking Code does not replace applicable legislation or regulatory requirements that prevail above the Banking Code in case of a conflict.

The principles of the 'old' Banking Code, which have now been incorporated into legislation and regulations, are not repeated in the new Banking Code. ING will – evidently – continue to comply with these national and international rules.

ING applies the Dutch Banking Code to all its entities with a Dutch banking license (including ING Groenbank N.V. and Bank Mendes Gans N.V.) for activities performed in or directed towards the Netherlands. Banks that are members of a group and subject to the Banking Code may apply parts of it at the level of the entity heading the group. The Management Board Banking has decided to apply the corporate governance principles of the Banking Code at the consolidated level, i.e. for the Management Board Banking and Supervisory Board of ING Bank N.V. The remuneration principles, insofar as they relate to executive remuneration, also apply to the members of the Executive Board of ING Groep N.V.

In this booklet ING reports how the principles of the Banking Code are applied and – where applicable – explains if a principle is not (entirely) complied with. In addition, – where applicable – this booklet elaborates on the progress made in applying the principles and gives examples how these principles are applied. ING's application of the Dutch Banking Code is based on the official Dutch text of the Banking Code which is available on the website of the [Dutch Banking Association](#). The Dutch Banking Association also provided an unofficial English translation of the Code on its website which is included in this booklet and can be found [here](#).

ING strongly supports the principles of the Banking Code to regain trust, ensure stability and protect the interests of our stakeholders. Regaining trust requires a sustainable approach and continuous attention. Following the significant steps taken to comply with the principles of the Banking Code from 2010 onwards, ING has continued and improved its efforts over the financial year 2017.

ING recognises that complying with the Banking Code principles is an on-going process.

# 1 Sound and ethical operation

Text Banking Code 2015	Implementation by ING
<p><b>To build and maintain its position as a stable and reliable partner</b>, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.</p>	<p>ING's purpose and strategy can be found on <a href="http://ing.com">ing.com</a>. Our Think Forward strategy has been set by the Management Board Banking in 2014. The Management Board Banking decided in 2016 to accelerate the Think Forward strategy beyond 2017 on the path to convergence towards one digital banking platform and creating a differentiating customer experience. The strategy update has been approved by the Supervisory Board.</p> <p>We empower people and organisations to realise their own vision for a better future. Our purpose therefore is: Empowering people to stay a step ahead in life and in business. We support our purpose with four transparent promises to our customer:</p> <ul style="list-style-type: none"><li>▪ We make banking clear and easy</li><li>▪ We are there for you anytime, anywhere</li><li>▪ We empower you to make smart financial decisions</li><li>▪ We will keep getting better</li></ul> <p>In order to create a differentiating customer experience, we continuously strive to simplify and streamline our organisation, enhance operational excellence and the performance culture within ING and expand our lending capabilities.</p> <p>The objectives are derived from the strategy and are set by the Management Board Banking for the long term and are continuously monitored and evaluated by means of periodic Business Reviews and Strategic Dialogues. ING's risk appetite is directly linked to ING's mission, strategy and objectives. The various risk policies of ING ensure adherence and monitoring of the risk appetite which is set and periodically reviewed and updated by the Management Board Banking, supervised by the Supervisory Board and cascaded throughout ING.</p> <p>In 2017, the role of Chief Transformation Officer was installed at the level of the Management Board Banking, this role is combined with the role of Chief Operations Officer. On a monthly basis updates on transformation topics are addressed by the Management Board Banking. In addition, on a quarterly basis a transformation review is brought to the Management Board Banking addressing the various projects.</p> <p>ING's Think Forward strategy drives the annual Mid-Term Plan (MTP) process, which incorporates plans for the medium term. The MTP for the period 2018-2021 was approved by the Management Board Banking and by the Supervisory Board. In addition to the MTP, countries have developed 2021 plans, to safeguard and foster longer term thinking and execution.</p>

	<p><i>ING's Sustainability Direction:</i> The world is changing so quickly, sometimes it is hard to keep up. We at ING are here to help people stay a step ahead of these changes. To help them thrive in tomorrow's world by turning the threats of climate change and fast-changing technology into opportunities. If we want to get there, doing nothing is not an option—and saying no is not enough. However, banks cannot do it alone. That leaves the question, where can we make a real impact?</p> <p>Banks can bring about change through their financing choices. Therefore, ING is going to put our money where our mouth is. Reduce funding to companies and sectors that are not transforming to be a part of tomorrow's world. But more importantly, increase funding to people and companies that are leading the change the world needs. Manage our portfolio so that it is working towards keeping the rise of global temperatures to well below two degrees. We will help customers lead more sustainable lives and households. We will work to empower a self-reliant society, unravelling the psychology behind how people make financial decisions, and then creating tools to help them make better ones.</p> <p>It is up to us to offer the things that people can say yes to. To fund the alternatives that will help the world transform—to be climate resilient. Socially resilient. Financially resilient. Out of all the banks helping to make the world last, we want to be the first. Our aim is to empower:</p> <ul style="list-style-type: none"> <li>▪ a low-carbon society; and</li> <li>▪ self-reliant society.</li> </ul> <p>An outline of our Sustainability Direction can be found on <a href="http://ing.com">ing.com</a>. Sustainability is a standard discussion agenda item at the Annual General Meeting.</p> <p>Our financing and investment policies, as well as our broader business ambitions, are structured around strongly embedded social, ethical and environmental criteria. An extensive environmental and social risk (ESR) policy framework is in place to guide our decisions for client engagement and assessing finance proposals in an automated manner across our global operations. These ESR policies and other sustainability policies are available to the public and are assessed and updated on a regular basis. How we apply them and why we finance certain sectors/activities is further explained on our website under "<a href="#">Our Stance</a>". Here visitors can find an easy to understand explanation on a host of topics on which questions were raised by our stakeholders.</p>
<p>A bank chooses its positioning such that <b>its commercial interests and social role are extensions of each other</b>. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.</p>	<p>Pursuant to the charter of the Management Board Banking, the Management Board Banking shall, in performing its duties:</p> <ul style="list-style-type: none"> <li>▪ be guided by the interests of ING and the business associated with it, thereby carefully considering and balancing the interests of all stakeholders of ING, while giving importance to the customer interest as set out in the Dutch Banker's Oath (Banker's Oath must be taken by our employees in the Netherlands, and also the members of our Management Board Banking and the Supervisory Board); and</li> <li>▪ foster a culture focused on long-term value creation and stimulating openness and accountability within ING and its subsidiaries.</li> </ul> <p>Proposals to the Management Board Banking and Supervisory Board must at least address two elements:</p> <ul style="list-style-type: none"> <li>▪ the impact the proposal may have on customers and other (internal/external) stakeholders. It must be explained how the</li> </ul>

- customer's interests have been taken into account in the consideration of all interests involved in the bank and must clarify what the estimated impact of a proposal will be; and
- the strategic fit. It must explain how the proposal will help ING to deliver on its purpose of "*Empowering people to stay a step ahead in life and in business*" with reference to the four transparent promises to our customer (clear and easy, anytime anywhere, empower, keep getting better).

Furthermore, the Management Board Banking launched the Orange Code in 2014. The ING Orange Code applies to all employees. The Orange Code is a set of ING Values and Behaviours which sets out our way of working.

As a global company, we're responsible for our own environmental and social footprint. As a bank, we have an opportunity and responsibility to finance and facilitate the shift to a more sustainable society, whether supporting our clients in their own transition to becoming more sustainable or by financing sustainable projects.

Our goal is to ultimately contribute to society's transition to be more sustainable. Not only a greener society, but one with people who make better financial decisions and who are more empowered to take control of their finances. That is why sustainability is inherent to our purpose of empowering people to stay a step ahead in life and in business and is embedded in our business. This is also reflected in ING's governance of the Sustainability department which has a direct reporting line to the Vice-Chairman of ING.

Stakeholder engagement has always been an important element of ING's overall strategy. We continuously listen to different stakeholder, the most important of which are customers, employees, supervisors, shareholders, civil society organisations, government(s) and citizens. We (pro-)actively seek feedback from and – when requested – provide feedback to our stakeholders on different issues by engaging in constructive dialogues, for example during investor days, roadshows and meetings with regulators.

To identify what economic social and environmental topics we should prioritise to further improve the way we do business and drive sustainable progress in society, ING conducts and publishes a materiality assessment. The results of our regular materiality assessment guide us in our strategic decision-making, stakeholder engagement agenda and reporting framework. Our 2017 assessment builds on work done in previous years: For the 2015 materiality assessment, ING reached out to senior management and six stakeholder groups (business and retail customers, investors, NGO's, regulators and employees) in five countries. In total, over 1,500 respondents from the Netherlands, Poland, Germany, Spain and Turkey provided us with insights into the issues that matter most to them. This resulted in the materiality matrix that is disclosed in ING's Annual Report and on [ING's website](#).

In 2016 and 2017, ING organised *qualitative* stakeholder engagement meetings in which we further discussed the outcomes of the 2015 quantitative materiality assessment. In these meetings representatives of all our (internal and external) stakeholder groups were represented. The discussions ultimately led to different nuances being placed on the importance of some of the outcomes of the quantitative materiality survey of 2015 (2017 results will be published in our Annual Report 2017). Our material topics are published in the Annual Report.

Throughout the year we organise stakeholder meetings at various levels. On the highest level, we organised stakeholder meetings between our Vice-Chairman and two NGO's (Greenpeace and Oxfam) on two separate occasions about our coal policy, some of the projects we are involved in and climate change.

	<p>We have ongoing dialogues with stakeholders, including NGO's, as a source for early warning signals and to better understand concerns that might exist. This enables us to learn which matters are most important to our stakeholders and how we can best align their interests with our business. We prefer to take an integrated approach towards stakeholder engagement. Rather than having one-off consultations around specific topics, we have an ongoing dialogue about our role in society, our products and services, our business performance and other topics.</p> <p>In addition, ING actively tries to address certain social issues. This year at ING Bank Netherlands we developed a proposition for senior mortgage customers called "Ready for your future". Providing senior home owners with advice and a product solution to renew their mortgage. By ensuring a financial responsible and carefree situation, on their way to their pension. With this proposition we provide an answer to a Dutch social issue: 75% of seniors are not sure if they will reach their (rising) pension age having a job and 66% is not sure if his income will be on the same level. At the same, time 87% are not worried, trusting on a surplus value of their home. We help our customers to be ready for the future by e.g. adjusting the mortgage in time. We were the first bank to respond to the call of The Ministry of Housing to provide a solution for this growing group. Customers, the ministry and regulator were pleased with this initiative.</p>
<p><b>The executive board and supervisory board are</b> – with due regard for each other's duties and powers – <b>responsible for setting up a sound governance structure and compliance with the governance principles.</b></p> <p><b>The members of these boards will set an example</b> to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.</p>	<p>ING's Articles of Association, the Board Charters, the ING Governance Manual and the ING Decision Structure are reviewed on at least an annual basis and are aligned with relevant Dutch and international corporate governance standards, including the new Dutch Corporate Governance Code that took effect from 1 January 2017 and that was embedded in Dutch law on 7 September 2017. ING has an active dialogue with regulatory bodies, government representatives and peers on relevant developments with respect to corporate governance. Rules and regulations applicable to ING are embedded in internal policies and procedures and can be found via the Policy &amp; Procedures section of ING's intranet. The policies and procedures are published here and serve as the single source of truth for all ING employees. An Internal Control Framework is in place to manage the process of global standard setting and local implementation in line with the accelerated Think Forward strategy to support an efficient and effective control environment with appropriate approvals on new or updated external requirements.</p> <p>At different times during the year, on an ad hoc or regular basis, the Management Board Banking and Supervisory Board reflect and report on governance related aspects and ING's compliance therewith, for example in the periodic meetings between the Management Board Banking and the Supervisory Board and during the Annual General Meeting, supported by the information in ING's Annual Report.</p> <p>Furthermore, the Management Board Banking is aware of its position and the importance of setting an example. A board effectiveness assessment was done in 2017 and the Management Board Banking periodically assesses the effectiveness of its meetings (e.g. by reviewing periodic surveys filled out by other participants of the meetings). On a regular basis, the Supervisory Board evaluates the functioning of the individual members of the Management Board Banking.</p>

**The executive board and supervisory board are** – with due regard for each other’s duties and powers – **responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank.**

In addition, **they ensure there are proper checks and balances and they safeguard a solid IT infrastructure** that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the executive board and supervisory board.

#### **Standards on integrity, morals and leadership**

All Management Board Banking members have taken the Banker’s Oath. In addition, ING employees in the Netherlands as well as the Supervisory Board have taken the Banker’s Oath.

Our business centres around people and trust. Only by acting with professionalism and integrity we can maintain our stakeholders’ confidence and preserve our company’s reputation. Everything ING does is built on a foundation of integrity and responsibility. Whatever business activity we are involved in, we stick to our values. We place integrity above all and insist on acting prudently and honestly.

Within ING it is important to give each other feedback and have open dialogues. If employees notice a suspected or actual misconduct by or within ING they are foremost encouraged to raise their concern via the existing channels (e.g. immediate or next higher level manager or Human Resources department or Compliance Officer) and not keep it to themselves or ignore it. This will prevent impairment of ING’s integrity. ING will not ignore, tolerate or excuse behaviour that breaches ING Values. However, if employees feel unable or uncomfortable to raise concerns through the existing channels, the Whistleblower channels provide means for employees to report concerns. In line therewith, ING has a Whistleblower Policy in place. Any suspected breach of the ING Values, ING Behaviours (together the Orange Code) or a (local) code of conduct can be reported via the ING Whistleblower channel or the external Whistleblowing channel.

After the decision from the Management Board Banking to launch the Think Forward Leadership Programme in 2017, almost 290 leaders including the board members followed the first phase of the Think Forward Leadership Programme. The first phase of the programme focussed on 3 proficiencies that directly serve our business context by honouring the individual leadership capabilities. The Think Forward Leadership Programme phase 2 will be delivered in 2018 focussing on 3 other leadership proficiencies to complete the specific leadership capabilities we need in the performance culture that we want. Unlike many other leadership programmes, this programme pays equal attention to the needs and purpose of each individual leader, the context of our business and the culture we want to create within ING. Our Human Resources department carefully examined our strategy and the overall health of our organisation to get insights on what leadership practices will produce the most successful outcomes. Amongst other things, we used the Organizational Health Index (OHI) and the engagement survey (WPC) results.

#### **Safeguarding a solid IT infrastructure**

ING believes IT plays a vital role in the functioning of the bank and that it is crucial in achieving the promises and enablers of our accelerated Think Forward strategy of creating a differentiating customer experience. Our Chief Operations Officer, who is also a member of the Management Board Banking, has the responsibility to ensure that IT is properly addressed and taken into account at board level and across the rest of the organisation.

ING is committed to deliver a solid IT infrastructure, meaning that the delivery of services and data to our stakeholders, in terms of confidentiality, integrity and availability of the data and services at reasonable costs, is well-maintained and constantly improved for future needs and developments of our customers and other stakeholders.

	<p>In order to achieve the aforementioned objectives, ING has put a governance (of people, processes and technologies) in place to continue and, if needed, improve our services. This covers for example processes for setting standards and policies, processes to maintain and change the IT infrastructure, processes for assessments by auditors (both internal and external) and processes to design for future needs. As part of this, information risk management is one of our key priorities to contribute to a solid IT infrastructure.</p> <p>ING has updated its target operating model to set the direction for IT going forward to support the accelerated Think Forward strategy. This operating model is about one global approach on our IT processes (way of working), our technology and our IT workforce of software engineers. The underlying principles to this model are: ensuring a secure and reliable IT environment, a technology platform for global scalability, and the fact that technology engineering is a crucial skill.</p> <p>Simplifying our IT landscape will contribute to reliability. As an example we have introduced our ING Private Cloud which contributes to simplifying our IT landscape. It brings benefits to the applications supporting the services to our customers, to run on top of an infrastructure that is scalable to handle the load.</p> <p>In addition, we continue our investments in automation of our software delivery by taking out repetitive manual work which is also one of topics of our target operating model.</p> <p>The availability of the internet and mobile channels towards our retail customers in the Netherlands, has also improved compared to 2016. The average availability in the service window of the online channels has been 99.97%.</p> <p>IT is of strategic importance to ING, therefore we do not only focus on safeguarding a solid IT infrastructure from an operational and availability perspective, but also from an IT Risk perspective. Cybercrime threats on our infrastructure and our data are increasing. Building on a strong level of staff awareness, ING Bank continuous to improve capabilities to predict, detect, respond and mitigate cybercrime related threats. On top of that, ING grows and extends international cooperation with banks, governments, institutes and networks to actively defend the bank and the sector against the continuing growth of cybercrime related threats.</p> <p><b>The compliance function</b> The Chief Compliance Officer directly reports to the CRO and has direct access to the Risk Committee of the Supervisory Board. The Chief Compliance Officer and the chairman of the Risk Committee have periodic bilateral consultations which is reflected in the relevant charters.</p>
<p><b>The executive board will promote responsible behaviour and a healthy culture</b> both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other</p>	<p>In 2014 ING developed the Orange Code. The development of the Orange Code marked an important step towards one shared culture across ING. The Code is our set of Values and Behaviours which sets out how we go about achieving our purpose. A set of standards that we collectively value, strive to live up to, and invite others to measure us by.</p> <p><b>Integrity above all</b> ING's operations touch many lives: customers, employees, shareholders, suppliers and society at large. Each individual within these groups can, and should, expect us to act with integrity. Balancing the rights and interests of everyone involved is key to our ongoing viability. To act in ways that can stand the test of time; to live up to the Values we hold as true. By being explicit about our Values, we tell the world this is how you can expect us to behave.</p>

stakeholders. The supervisory board supervises this.

The Orange Code is the sum of two parts: (i) Values, and (ii) Behaviours.

**Values** – the non-negotiable promises we make to the world. The principles we stick to no matter what:

- *We are honest*

We carefully weigh the impact of our actions and make decisions that are considerate of all involved. We give honest, clear and frank advice to our customers. We respect the law and the rules we set for ourselves. We expect our customers and suppliers to do the same.

We tell the truth. We are open, which means we are honest about what we do while balancing the interests of all involved.

- *We are prudent*

We deal with other people's money and financial information. Few things in life or business could be more important or more sensitive.

We put the customer's interests at the centre of all our activities. They can rightly expect their trust placed in us to be honoured, meaning we care and have the right competence to manage their assets, interests and information.

We manage financial risks carefully and take such risks only if these risks have been properly assessed.

- *We are responsible*

From the projects we finance to the lighting in our offices, we are mindful that every aspect of our business has social and environmental impact. We respect human rights and care for the environment, avoiding or managing impact. We engage with our customers to promote continuous improvement.

We encourage all forms of diversity, not just because it is the right thing to do, but because it is from different backgrounds and ways of thinking that new ideas spring forth.

We invest in our communities, support good causes, and encourage employees to participate in volunteer activities.

**Behaviours** – our way of being that makes us different from the rest. The commitments we make to each other and the standards by which we will measure each other's performance.

- *You take it on and make it happen*
- *You help others to be successful*
- *You are always a step ahead*

**Customer Centricity**

In the Orange Code and Orange Promise, Customer Centricity ('Klantbelang Centraal') is embedded.

ING adopted the ING Customer Golden Rules, five principles that ensure that ING consistently ensures Customer Centricity in product development and sales activities. The Customer Golden Rules are an integrated part of the Product Approval and Review Process.

Customer Centricity is monitored and findings are acted upon, for example regarding the complaints handling processes and the Net Promoter Score (this is a tool to measure customer satisfaction).

ING's procedures concerning responsible behaviour and a healthy culture include:

- A strong link between the Orange Code and performance management. Senior Management of ING is annually appraised against the requirements of the Orange Code. As part of the Step Up Performance Management program, individual behavioural targets are set based on the Orange Code as one of the three defined dimensions for performance (in addition to Job Performance and Stretch Ambitions).
- The Orange Code Pulse Check, a tool to help evaluate how well we are acting in line with the Orange Code Behaviours. By identifying areas for improvement, it aims to help individuals and teams to start open conversations about their behaviour in line with the Orange Code and how well they are working together.
- The Kudos tool, ING's online Orange Code compliment tool which gives employees the possibility to send compliments (known as 'Kudos') to colleagues for displaying Orange Code behaviour.
- Promoting Integrity Program (PIP) modules for training integrity led behaviour by means of e-learning and dialogue sessions. In 2017, the PIP e-learning 'ING Values: Integrity in practice' was rolled out globally and mandatory for all staff. Focus was on what it means to act with integrity.
- The Whistleblower policy process that enables reporting (anonymously) via internal or external channels on integrity related issues next to normal reporting channels.
- The Conduct and Ethics initiative where tools are being developed and applied, supporting the business and staff functions in safeguarding and further developing a culture of integrity. Important elements in this context:
  - Compliance Risk Culture Monitoring (CRCM): an interview based methodology that maps employee's perception on compliance risk culture and soft controls (e.g. communication, leadership, decision-making, enforcement, risk awareness and group dynamics). Based on interviews, recommendations are made to management on organisational development from a risk culture perspective. Many questions from our engagement survey (WPC) also relate to these soft controls, therefore often a link to the WPC-scores of the department in scope is made.
  - Orange Code Dilemma Dialogue: a decision making model and workshop developed on the basis of the Orange Code. The goal of the decision making model is to support employees in properly balancing the rights and interests of all stakeholders involved when they are faced with dilemmas in the course of their work in a consistent way. The Orange Code Dilemma Dialogue makes it possible to jointly analyse a dilemma in order to increase the quality of decision making and to share lessons learned with regard to recurring dilemmas.
  - Corporate Audit Services performs risk and control culture assessments as part of their audits. Results are reported to the Management Board Banking and Audit Committee quarterly.

In ING Bank Netherlands:

- A culture based on the ING Orange Code Values and the Behaviours remained a key priority in 2017. We have integrated the desired Orange Code Behaviours in the way we work as well as organized targeted programmes on the Orange Code.

- The desired Behaviour as stated in the Orange Code is strongly supported by the one agile way of working based on agile principles that has been implemented throughout the ING Bank Netherlands organisation since 2015. Working according to the agile principles fosters a culture of trust, as professional competence and taking personal responsibility are key elements. It is stimulating employees to openly share knowledge, failures and learnings. Employees work in multidisciplinary teams that focus on delivering the best solutions possible for all stakeholders, with special attention for the interests of customers.
- The integrated transition of both ING Values, ING Behaviours and the one agile way of working is supported by senior management.
  - A Think Forward Leadership Programme has been offered to all managers throughout the ING Bank Netherlands organisation. Most managers were trained in understanding ING's purpose and strategy: how one can contribute, the importance of a fact-based approach, enhancing personal awareness and self-reflection, promoting feedback and dilemma dialogues.
  - New ways of communication have been introduced that have enabled senior management to openly show, share and discuss strategy and the latest insights into serving customers and society. For example, every week an informal stand up meeting is held with members of senior management and all employees.
- The Orange Code Values and Behaviours and the one agile way of working are part of the performance (planning-coaching-appraisal) cycle.
- The metrics used to closely monitor the one agile way of working reflect crucial aspects of a culture based on the Orange Code. We conduct a periodic independent survey (WPC) which covers topics such as trust and openness. The results show that trust in colleagues and leadership is positive and has continued to increase.
- The Dutch Banker's Oath has been rolled out since 2015. By taking the Oath, employees promise that they will carefully consider the interests of our customers, our shareholders, the bank itself, its employees and other stakeholders, with special attention to the rights and interests of our customers. The integration of the disciplinary procedure following the Oath into the ING General Code of Conduct Netherlands has been published and employees have been informed.
- A Compliance procedure is in place for employees at ING to address violations of the General Code of Conduct and Banker's Oath. Employees are requested to notify a breach of the code of conduct to their manager, to speak up if they notice a suspected violation. Suspected breaches/irregularities are investigated by Corporate Security & Investigations. Their findings are discussed in a multi-disciplinary committee, which applies a carefully determined protocol, in which the interests of all parties involved are secured, to come to a conscious thought-through conclusion. Lessons learned are being addressed.
- The Ethics Centre of Expertise (ECE), which facilitates dialogues, provides advice and documents decisions made on dilemmas and as such contributes to developing, defining and communicating integrity led behaviour by providing a moral compass for the organisation, has been integrated into the Compliance function. This will further foster the transition to a Values-driven organisation in which acting with integrity and carefully considering the rights and interests of our customers, society, our shareholders, the bank itself and other stakeholders are of utmost importance.
- An on boarding process is offered to new ING employees in the Netherlands. In this process new employees are introduced to the ING Values, the Orange Code Behaviours, the one agile way of working and the purpose and strategy of ING. These new employees are prepared for taking the Bankers' Oath. This is a meaningful ceremony and includes an e-learning module and a dialogue session. Each new employee is invited to take the Banker's Oath within 3 months. A report is made on a regular basis, which

	<p>provides insight of new employees who do not take the Banker's Oath in time. In parts of ING where this happens, responsible managers are asked to take measures.</p> <p>To ensure sound decision-making in which all rights and interests are carefully considered, and the quality of the solutions and services we offer to our customers, ING provides their managers and all multidisciplinary teams the following standards and guidelines:</p> <ul style="list-style-type: none"> <li>▪ The Product Approval and Review Process (PARP) includes the Customer Golden Rules. The purpose of the PARP is to ensure that the interests of the customer and other stakeholders are carefully considered, putting the customer at the centre when developing products, services and customer communication. The Customer Golden Rules are five principles that ensure that ING consistently ensures Customer Centricity in product development and sales activities. In addition, the PARP supports compliance with relevant laws, regulations and policies. The PARP has been integrated step by step into the one agile way of working.</li> <li>▪ The Customer Experience Improvement Cycle (CEIC) supports a customer centric approach. The CEIC method has been developed and offered to all squads in ING Bank Netherlands. Special training is offered. It is an agile and customer-centric approach for developing new products, services or propositions. In the CEIC-approach customer insights are key and customer feedback is also embedded in the innovation and development process, through regular customer testing.</li> </ul> <p>ING wants to be a bank for all retail customers, for the self-employed (in Dutch "zzp'ers"), small and medium enterprises, large business &amp; institutions and Corporate Clients. We want to empower them to realise their own ideas for a better future, how big or small these are, for example:</p> <ul style="list-style-type: none"> <li>▪ The Performance Indicator empowers customers of ING Bank Netherlands to make financial decisions of their own. Our Performance Indicator is an online tool, providing customers insights on possible returns on their personal finances, by comparing their investments vs. savings. The tooling uses a chat box to interact with customers and assists them during their journey. The tooling is used by 16,000 customers on average a month, and numbers are growing.</li> <li>▪ BusinessBoost: In cooperation with SME Netherlands ("MKB Nederland") we empower our business clients in improving the financial structure of their company and in spotting business opportunities. BusinessBoost inspires by facilitating local entrepreneurs sharing knowledge and insights and it offers strategic tools for developing strategy, reshaping business models and innovation. In 25 highly valued events hundreds of entrepreneurs met and challenged their business model.</li> </ul>
<p><b>A bank's culture must also express the assumptions in the Social Charter</b> of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Social Charter.</p>	<p><b>Our purpose and strategy</b></p> <p>ING's purpose and strategy can be found on <a href="http://ing.com">ing.com</a>. Our Think Forward strategy has been set by the Management Board Banking in 2014. The Management Board Banking decided in 2016 to accelerate the Think Forward strategy beyond 2017 on the path to convergence towards one digital banking platform and creating a differentiating customer experience. The strategy update has been approved by the Supervisory Board.</p> <p>We empower people and organisations to realise their own vision for a better future. Our purpose therefore is: Empowering people to stay a step ahead in life and in business. We support our purpose with four transparent promises to our customer:</p> <ul style="list-style-type: none"> <li>▪ We make banking clear and easy</li> <li>▪ We are there for you anytime, anywhere</li> <li>▪ We empower you to make smart financial decisions</li> <li>▪ We will keep getting better</li> </ul>

In order to create a differentiating customer experience, we continuously strive to simplify and streamline our organisation, enhance operational excellence and the performance culture within ING and expand our lending capabilities.

#### **Our stakeholders**

In all our activities, we carefully weigh the interests of our various stakeholders such as customers, including individuals, families, small businesses, large corporations, financial institutions, governments, public-private entities and supranational agencies. Other important stakeholders are our shareholders and bondholders, regulators, civil society organisations, citizens and our employees.

#### **Our employees**

Differences in gender, age, background, sexual orientation, physical ability and religious beliefs enable us to solve problems and respond to challenges in different ways. Diversity is good for business because different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes.

Embracing diversity also increases our pool of potential candidates. It helps us attract and retain the best and brightest talent and allows us to better understand different customer groups. It makes us more adaptable, helps us avoid group-think, and contributes to disrupting the status quo.

ING aims to have a workforce that reflects the diversity of its customer base and foster an inclusive culture. It is important that employees feel comfortable being themselves irrespective of who they are, what they believe or where they come from.

ING is committed to accelerating the development of diversity, including gender, age, background, sexual orientation, physical ability and religious beliefs.

We also promote equal opportunities and have policies in place to ensure that discrimination is not tolerated.

Different diversity challenges exist in each of our locations and business units so we have a combination of global and local activities to help tackle these challenges:

- Diversity manifesto.
- Internal networks.
- Overcoming unconscious bias - unconscious bias workshops.
- Improving the number of women in leadership positions.

#### **ING's role in society**

ING wants to understand what issues are most important regarding our business activities and role in society. ING uses a tool called 'The Materiality Assessment' for determining which economic, social and environmental topics we should prioritise. In 2015, the quantitative assessment consisted of:

- Identifying the variety of issues that are currently important to ING and our stakeholders worldwide;

- Prioritising the issues in a Materiality Matrix, based on the issues that are most important to our stakeholders and the issues that could potentially impact our business most. Prioritisation is done through a Materiality Survey sent to stakeholders worldwide;
- Reviewing the issues with the highest materiality (on global and local level).

For more information, please see the 2017 Annual Report.

In 2016 and 2017, we organised *qualitative* stakeholder engagement meetings in which we further discussed the outcomes of the 2015 quantitative materiality assessment. In these meetings representatives of all our (internal and external) stakeholder groups were represented. The discussions led to different nuances being placed on the importance of some of the outcomes of 2016 (2017 results will be published in our Annual Report 2017). Furthermore, we hosted a series of internal sessions in which representatives of seven key departments (Risk, Retail, Wholesale Banking, Corporate Strategy, Finance, HR and Sustainability) could also provide their views on the 2016 results.

As a follow up on the above, we will use the highest priority material topics as content for this year's Integrated Report, as these are the most important topics for our stakeholders and our business. Disclosure of materiality is also required by the reporting guidelines of the Global Reporting Initiative (GRI G4), International Integrated Reporting Council (IIRC) and an important factor that contributes to our rating in the Dow Jones Sustainability Indices (DJSI).

#### **ING's Sustainability Direction:**

The world is changing so quickly, sometimes it is hard to keep up. We at ING are here to help people stay a step ahead of these changes. To help them thrive in tomorrow's world by turning the threats of climate change and fast-changing technology into opportunities. If we want to get there, doing nothing is not an option—and saying no is not enough. However, banks cannot do it alone. That leaves the question, where can we make a real impact?

Banks can bring about change through their financing choices. Therefore, ING is going to put our money where our mouth is. Reduce funding to companies and sectors that are not transforming to be a part of tomorrow's world. But more importantly, increase funding to people and companies that are leading the change the world needs. Manage our portfolio so that it is working towards keeping the rise of global temperatures to well below two degrees. We will help customers lead more sustainable lives and households. We will work to empower a self-reliant society, unravelling the psychology behind how people make financial decisions, and then creating tools to help them make better ones.

It is up to us to offer the things that people can say yes to. To fund the alternatives that will help the world transform—to be climate resilient. Socially resilient. Financially resilient. Out of all the banks helping to make the world last, we want to be the first. Our aim is to empower:

- a low-carbon society; and
- self-reliant society.

An outline of our Sustainability Direction can be found on [ing.com](http://ing.com). Sustainability is a standard discussion agenda item at the Annual General Meeting.

Climate change is an unparalleled challenge for our world, one where banks also have a role to play, which ties into the second focal point mentioned above. As such ING has been active on various fronts from impact lending, to decreasing our coal portfolio to joining international calls for change. Here are a few examples:

- We published our climate statement in 2016;
- We have been climate neutral since 2007;
- We have put billions of euros into financing wind farms, solar energy and geothermal power production. Furthermore, ING has also decided to no longer finance new coal-fired power plants and coal mines as of 2015. Since the end of 2015, our coal mine portfolio decreased by 26% and our coal fired power plant portfolio decreased by 9%. As of 2017 ING took the next step with an even stricter approach and we announced that we will support new clients in the utilities sector only when their reliance on coal is 10% or less and they have a strategy to reduce their coal percentage to close to zero by 2025. By the end of 2025, we will no longer finance clients in the utilities sector that are over 5% reliant on coal fired power in their energy mix. We will however continue to finance non-coal energy projects for these clients in support of their energy transition. We will phase out our lending to individual coal-fired power plants by the end of 2025;
- In April 2017, just before the G20 Finance Ministers Spring Meetings of the World Bank Group and the International Monetary Fund in Washington, the WEF Climate Leaders Alliance (of which ING is a member) urged G20 governments to formally accept the Recommendations on Climate-related Financial Disclosure (TCFD) as set by the Financial Stability Board (FSB) Taskforce.

We embed our Sustainability Direction in the organisation and sustainability updates are on the agenda of the Management Board Banking and Supervisory Board on a periodical basis. Furthermore, these topics are also part of the Permanent Education programme.

### **The results**

As a result of our efforts, ING now is one of the leading sustainable banks according to e.g. the Dow Jones Sustainability index (DJSI). In 2017, the DJSI named ING among world leaders in the industry category Banks and again included ING in the World Index and the Europe Index of this category.

Moreover, this year ING received a higher 'environmental dimension' score, and the highest industry scores in the environmental indicators business risks and opportunities, climate strategy, and environmental reporting. We also improved our scores in the areas of corporate governance, materiality, and risk and crisis management.

### **The circular economy**

The circular economy is about rethinking how we use our raw materials and resources to create a sustainable economy free of waste and emissions. It means shifting from the current linear model of "take, make, waste" to an economy where we "reduce, reuse, recycle". But moving to a real circular economy is not only about sharing or recycling. We also have to design differently, sell differently, value differently, treat risk differently, and finance differently. That's where ING comes in.

We want to be more than a thought leader—we want our actions to lead the way. That's why we started the Orange Circle, ING's circular economy programme, which has the ultimate ambition to help our clients make the transition from ownership to access.

ING's Orange Circle programme covers five areas:

- Knowledge: our Economics Department has a unique position to analyse the financial benefits of going circular and publishes this in high-quality reports. We also organise client meetings to share knowledge;
- Operations: we use our purchasing power to create market demand for circular products;
- Deals: we do circular deals and build relationships with circular clients;
- Ecosystem: we look at the funding for circular business models with other financial partners;
- Innovation: we work together with our clients to develop circular propositions.

We have already done some ground-breaking circular deals, like the merger of Shanks and Van Gansewinkel Groep to create Renewi, one of Europe's leading circular economy companies, and the IPO of sustainable bio-plastics company Avantium.

ING joined the CE100 programme, an initiative of the Ellen MacArthur Foundation (EMF), in 2016. The EMF is a global thought leader on the circular economy. Through our membership, ING aims to grow our knowledge and network on this topic, collaborating with experts, the EMF's partners and other CE100 members to promote the circular economy and unlock business opportunities related to it.

At the World Economic Forum in Davos we took the lead in creating a European Circular Economy hub, a public-private platform to address the big questions related to financing the circular economy. We did this together with circular economy frontrunners and parties such as the Ellen MacArthur Foundation.

Sustainable Finance originates, supports and promotes transactions throughout all Wholesale Banking disciplines which accelerate the transition to a sustainable economy. The team drives ING's business towards best-in-class clients and sustainable developments in all sectors including renewable energy, public transport, green buildings and (waste) water treatment. For more information on ING's global financing of sustainable projects, please see the applicable paragraph in the 2017 Annual Report.

In 2017, in the Netherlands we contributed to high impact projects in the field of financial empowerment, entrepreneurship, employability, education, sports, culture and nature conservation. ING continued job coaching for mortgage clients looking for a job. For these clients, ING organises job coaching sessions with Randstad HR Solutions and ING covers the costs hereof. Clients are advised on drafting their resume's and letters of application, on effective networking and how to best search for suitable job vacancies. This service is part of our broader client support package including a Mortgage Helpline and various online tools. Another example of a project is ING employees who volunteer and provided almost 850 lessons on money matters at primary schools during the Global Money Week. Additionally we provided 25 lessons of the financial literacy program for secondary school which we developed ourselves.

ING is a long term sponsor of UNICEF and Dutch football (amateur and the Royal Dutch Football Federation). Cultural icons such as the Rijksmuseum, the Kunsthall Rotterdam and the Royal Concertgebouw Orchestra Amsterdam receive ING long term sponsorships. And with regard to nature conservation, ING has been a sponsor of Natuurmonumenten for 2 decades.

Furthermore, by providing donations, the ING Netherlands Fund supports high impact projects that empower people. For example, the Foundation Learn Yourself Online (Stichting Leer Zelf Online). This foundation developed free online learning courses on money matters for intellectually disabled people, so they can access dedicated online learning to become more financially aware. In 2017, we partnered with 'Hoe word je Rijk?' ("How to become rich?"), which is a debt prevention program for secondary education. Furthermore,

our partnership with Impact Hub focusses on helping social entrepreneurs, with a strong focus on solutions that contribute to a circular economy, strengthening their strategy and raising the necessary funding.

ING Green Bank has a balance sheet total of EUR 745 million and is a 100% subsidiary of ING Bank. ING Green Bank finances sustainable investment by offering lending services at favourable rates to sectors such as organic farming, renewable energy generation, sustainable construction and the re-use of waste materials, all with a strong focus on the Netherlands. All underlying assets must receive Dutch government accreditation. This allows an accurate quantification of the sustainable impact of these assets. Up to 10% of the Greenbank balance is deployed for impact finance; helping to achieve the United Nations' Sustainable Development Goal (Decent work and economic growth). This consists of lending, education and research.

Real Estate Finance (REF) Netherlands helps its clients to become more sustainable in five steps consisting of the ING REF Sustainable App, free BREEAM Energy Scans, green financing (ING Green Bank) with interest discount and 100% financing of sustainable investments, subsidy advise and free label certificates. REF aims for a 100% green client portfolio in 2023 and to gear up sustainability within the real estate sector.

More information can be found on [ING's website](#).

In 2017, ING also collaborated with client Royal Philips in the role of sustainability coordinator as part of the issue of the award winning first-ever syndicated loan with an interest rate linked to a company's sustainability rating. Sustainability Improvement loans reward clients for improving their rating and penalize them for not meeting their commitments. Our strong sustainable finance expertise has led to several other transactions including green/social bonds, green loans and other sustainability improvement loans.

More information can be found on [ING's website](#).

**All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are** – with due regard for each other's duties and powers – **responsible for this**. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.

The ING Values and Behaviours are captured in the ING Orange Code. This code applies to all employees and has been endorsed by the Management Board Banking.

The Orange Code is our set of values and behaviours which sets out how we go about achieving our purpose. It is a declaration who we are. It describes what we can expect from each other when we turn up for work each day. A set of standards that we collectively value, strive to live up to, and invite others to measure us by.

Next to that, various initiatives further emphasise that every employee understands how their actions and behaviours can help earn and retain customer and stakeholder trust. More specifically:

- ING employees, as well as the members of the Management Board Banking and the members of the Supervisory Board have taken the Banker's Oath.
- Rules and regulations applicable to ING can be found via the Policy & Procedures Section of ING's intranet. All policies and procedures are published here serving as the single source of truth for all ING employees.
- An Internal Control Framework is in place to manage the process of global standard setting and local implementation in line with the accelerated Think Forward strategy to support an efficient and effective control environment with appropriate approvals on new or updated external requirements.

- By means of various communication channels and e-learning modules awareness, expectations and changes in internal rules and standards are being actively brought to employees' attention among others via e-learning (such as on market abuse, due to new regulations as per mid-2016). ING's e-learning not only include aspects relating to policy content but also to the ING Values and Behaviours.

Every ING employee has a personal responsibility to be aware of the ING Values, ING Behaviours and (local) Code of Conduct. Employees may report a suspicion of (potential) breaches of the ING Values, ING Behaviours or (local) Code of Conduct through the ING Whistleblower Policy, in addition to normal reporting lines.

#### **ING's three lines of defence model**

ING Bank's risk management framework is based on a '*three lines of defence*' governance model, whereby each line has a specific role and defined responsibilities in such a way that the execution of tasks is separated from the control of the same tasks. At the same time they have to work closely together to identify, assess and mitigate risks. This governance framework ensures that risk is managed in line with the risk appetite as approved by the Management Board Banking and the Supervisory Board, and is cascaded throughout ING Bank's business operations.

The commercial (including their operational) departments form the first line of defence having primary responsibility for the day-to-day risk management. They originate loans, deposits and other products within applicable frameworks and limits, they know our customers well and are well-positioned to act in both the customers' and ING's best interest.

The second line of defence consists of oversight and risk management functions with a major role for the risk management organisation headed by the Chief Risk Officer (CRO), who is primarily responsible for risk management in the Management Board Banking. As a member of the Management Board Banking, the CRO ensures that risk management issues are heard and discussed at the highest level, thus establishing the appropriate tone at the top. The CRO steers a functional, independent risk organisation both at global and business-unit level, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to keep the risk profile within the set risk appetite.

The internal audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls of the first two lines, including financial and non-financial risk management and forms the third line of defence.

## 2 Supervisory Board

Text Banking Code 2015	Implementation by ING
<p><b>The supervisory board</b> will be composed in such a way that it is able to perform its tasks properly. It <b>will form a risk committee and an audit committee.</b></p> <p><b>The members of the supervisory board</b> will be prepared and able to make sufficient time available for their duties and <b>exhibit effort and commitment.</b> They will at the same time be <b>critical and independent.</b></p>	<p>The composition of the Supervisory Board of ING allows the board to fulfil its tasks properly. The Supervisory Board presently consists of nine members (one of the Supervisory Board members, Margarete Haase, is currently considered an observer (an observer does not have voting power) as, together with the membership of our Supervisory Board, Margarete Haase's directorships exceed the maximum number of directorships as described in CRD IV. In light of the planned reduction of the number of her directorships, the appointment of Margarete Haase will become effective 1 May 2018. The diversity in the composition of the Supervisory Board is among others reflected in, gender, age, geography and professional background. The broad diversity in professional background of the members of the board ensures the complementary profile of the board. The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis. All members of the Supervisory Board except one meet the independence criteria as laid down in the Dutch Corporate Governance Code. Each year the Supervisory Board performs a self-assessment, which addresses among others the composition of the Supervisory Board.</p> <p>The Supervisory Board has drawn up a profile which includes the basic principles for its composition and competences. This profile is reviewed (at least on an annual basis) and updated when needed, taking into account relevant internal and external ING developments. The last update was in March 2016, and shared with the AGM in April 2016.</p> <p>The members of the Supervisory Board of ING are sufficiently available and accessible to fulfil their tasks. The availability of the members of the Supervisory Board is among others reflected in the attendance lists of the Supervisory Board meetings. In 2017 on average 99% of the Supervisory Board members were present in and participated at the Supervisory Board and committee meetings. The Supervisory Board has four permanent committees: a Risk Committee, an Audit Committee, a Nomination and Corporate Governance Committee and a Remuneration Committee. The Audit Committee and the Risk committees at least convene prior to the publication of ING's (quarterly) results. Outside these meetings, discussions take place via e-mail or by phone if and when needed. Also, individual Supervisory Board members visit the ING offices upon request or on their own initiative.</p> <p>The Supervisory Board members actively discuss, query and challenge proposals that are being put forward by the Management Board Banking. If and when needed, the Supervisory Board members also ask for additional clarification or deep dives into certain topics.</p>

**Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders.**

ING's function in society and interests of all stakeholders are taken into account by the Supervisory Board when performing their duties. Each Supervisory Board member follows a tailor-made introduction programme after his/her appointment so as to become better acquainted with ING, particular topics and his/her role as a Supervisory Board member. In addition, ING organises a regular knowledge day for Supervisory Board members to acquire additional in-depth knowledge regarding relevant developments for the bank and the financial sector, the duty of care towards the client, integrity, corporate governance, risk management and financial reporting. The annual Supervisory Board Knowledge Day, that took place on 12 January 2017, focused on the art of banking in an increasingly digitalised world. On the agenda were sessions related to transformation management, cybersecurity, data management, advanced analytics and ethics, robotics and artificial intelligence. The Supervisory Board was also updated on developments regarding ING's annual talent review achievements, including a trend analysis. In addition, corporate governance, ING's technology platforms, risk management (with a focus on the process of pricing assets and liabilities, and use of external ratings), non-financial risk including compliance, IFRS 9/15/16, performance and recognition management, as well as on remuneration practices, ECB supervision, the (potential impact of) new regulation (such as Basel IV, IFRS 9 and the Payment Services Directive 2), non-financial risk, partnering with fintechs, transformation management, sustainably focusing on how ING contributes to accelerating financial empowerment, and the highlights of the upcoming Payment Services Directive 2 and a business visit to Amsterdam and Brussels in September 2017 – where among others meetings with clients took place – have been part of the Permanent Education programme for the Supervisory Board.

As a standard practice, proposals to the Supervisory Board must address at least two elements:

- the impact the proposal may have on customers and other (internal/external) stakeholders. It must be explained how the customer's interests have been taken into account in the consideration of all interests involved in the bank and must clarify what the estimated impact of a proposal will be; and
- the strategic fit. It must explain how the proposal will help ING to deliver on its purpose of "*Empowering people to stay a step ahead in life and in business*" with the four transparent promises to our customer (clear and easy, anytime anywhere, empower, keep getting better).

**There are specific competence and experience requirements for members of the supervisory board's risk and audit committees.** Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough

Both the members of the Audit Committee and the Risk Committee must meet specific requirements regarding competence and experience which are laid down in the Charters of the Audit Committee and the Risk Committee of the Supervisory Board and the Supervisory Board Profile. Furthermore, the Supervisory Board is currently preparing, together with the 2017 Annual Report, a diversity and competence matrix of the Supervisory Board.

With the appointment of Margarete Haase to the Supervisory Board she is considered a "financial expert" as defined by the SEC in its final rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 (Margarete Haase currently acts as an observer to the Supervisory Board, see page 21 for further explanation). Eric Boyer de la Giroday is a financial expert as defined in the Dutch Corporate Governance Code considering his academic background as well as his knowledge and experience in his previous role as board member and vice-chairman of ING Groep N.V. and ING Bank N.V.

knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.

**The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary.**

The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.

In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, a Permanent Education Programme for the Supervisory Board is in place. As part of the annual self-assessment, Supervisory Board members may request further training or education on specific topics which are implemented in the Permanent Education Programme.

Each Supervisory Board member follows a tailor-made introduction programme after his/her appointment so as to become better acquainted with ING and his/her role as a Supervisory Board member. In addition, ING organises a regular knowledge day for Supervisory Board members to acquire additional in-depth knowledge regarding relevant developments for the bank and the financial sector, the duty of care towards the client, integrity, corporate governance, risk management and financial reporting. The annual Supervisory Board Knowledge Day, that took place on 12 January 2017, focused on the art of banking in an increasingly digitalised world. On the agenda were sessions related to transformation management, cybersecurity, data management, advanced analytics and ethics, robotics and artificial intelligence. The Supervisory Board was also updated on developments regarding ING's annual talent review achievements, including a trend analysis. In addition, corporate governance, ING's technology platforms, risk management (with a focus on the process of pricing assets and liabilities, and use of external ratings), non-financial risk including compliance, IFRS 9/15/16, performance and recognition management, as well as on remuneration practices, ECB supervision, the (potential impact of) new regulation (such as Basel IV, IFRS 9 and the Payment Services Directive 2), non-financial risk, partnering with fintechs, transformation management, sustainably focusing on how ING contributes to accelerating financial empowerment, and the highlights of the upcoming Payment Services Directive 2 and a business visit to Amsterdam and Brussels in September 2017 – where among others meetings with clients took place – have been part of the Permanent Education programme for the Supervisory Board.

<p>In addition to the supervisory board's annual self-evaluation, <b>the functioning of the supervisory board will be evaluated under independent supervision once every three years.</b> The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.</p>	<p>Annually, the functioning of the Supervisory Board is evaluated through a self-assessment process. Similar to last year, the 2017 self-assessment took place under supervision of an external independent party. The results of the annual assessment are first discussed between the chairman of the Supervisory Board and each of the members individually. The consolidated results are subsequently discussed collectively, during the regular Supervisory Board and Committee meetings. For 2017, a select group of regular Supervisory Board meeting attendees have also been invited to share their views on the Supervisory Board's composition, expertise and dynamics. Their feedback is summarised in a separate report for comparison and discussion purposes.</p>
<p><b>Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.</b></p>	<p>The compensation of Supervisory Board members of ING does not depend on the bank's results. Supervisory Board members only receive fixed remuneration. In addition to the annual fixed remuneration, each member of the Supervisory Board also receives a fixed fee for committee membership and a fee for each meeting they attend outside their country / continent of residence.</p> <p>No variable remuneration is awarded to Supervisory Board members.</p> <p>In 2016 the AGM approved a new remuneration policy for the Supervisory Board. The policy aims to:</p> <ul style="list-style-type: none"> <li>▪ Move to a simpler and more transparent structure;</li> <li>▪ Bring remuneration levels more in line with peers and with levels adequate to attract qualified (international) Supervisory Board members;</li> <li>▪ Further align remuneration with increased responsibilities and time spent.</li> </ul> <p>More information on remuneration of the Supervisory Board is disclosed in the Remuneration Report of ING's Annual Report.</p>

### 3 Executive Board

Text Banking Code 2015	Implementation by ING
<p>The executive board will be composed in such a way that it is able to perform its tasks properly. <b>Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.</b></p>	<p>The Management Board Banking is composed in such a way that it is able to perform its tasks properly. Members of the Management Board Banking have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management. The Executive Board Profile (containing the requirements on the composition of the Management Board Banking) and the individual profiles of the board members can be found on the ING website. Board members are subject to a “fit and proper”-test by DNB and the ECB in order to ensure that the composition of the Management Board Banking is sufficiently fit and proper. The Management Board Banking recognises the importance of diversity within the board and considers this a clear priority (e.g. encouragement of diversity through ING’s talent management programme). The Management Board Banking has one female member as per 1 September 2016. The Management Board Banking acts as a collective body and strives to take decisions on a consensus basis. On a regular basis the Supervisory Board evaluates the functioning of the individual members of the Management Board Banking.</p> <p>In ING’s accelerated Think Forward strategy, ING aims to create a differentiating customer experience, enabled by simplifying and streamlining our organisation, further striving for operational excellence. In performing its duties, the Management Board shall carefully consider and act in accordance with the interests of ING, taking into consideration the interests of all ING’s stakeholders. When considering these interests, the Management Board shall take into account the continuity of ING, the environment in society, in which ING operates, as well as applicable legislation, regulation and codes of conduct.</p>
<p><b>One member of the executive board will have the duty of preparing decision-making by the executive board on risk management.</b> This member will be involved in good time in the preparation of decisions that are of material significance for the bank’s risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. This member may combine his or her function with other responsibilities, provided that he or she does not</p>	<p>As of 2007, ING has appointed a Chief Risk Officer (CRO) to the Management Board Banking who bears primary overall responsibility for the Risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING’s risk profile is consistent with its financial resources and risk appetite. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the entire organisation. The CRO in the Management Board Banking does not combine his role with any commercial focus areas.</p> <p>ING’s risk management framework is based on the ‘<i>three lines of defence</i>’ model which ensures that risk is managed in line with the risk appetite as defined by the Management Board Banking (and ratified by the Supervisory Board) and is cascaded throughout ING Bank. The risk committees are part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the Management Board Banking and have an advisory role to the CRO.</p> <p>The CRO is co-chairman of the Asset and Liability Committee (ALCO) of the bank. The ALCO determines the appetite for market and liquidity risks taken within Wholesale Banking and Retail Banking, and monitors if the actual risk profile is in line with this risk appetite. The CRO is also chairman of the CRO Staff and co-chairman of the Finance &amp; Risk Committee (F&amp;RC). The F&amp;RC is a platform for the CRO and the Chief Financial Officer (CFO), along with their respective direct reports, to discuss and decide on issues that relate to both</p>

<p>bear any individual commercial responsibility and operates independently from commercial areas.</p> <p>Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.</p>	<p>the finance and risk domains. As part of all this, the CRO is closely involved in risk matters and decisions that may have a material impact on the bank. He is also a member of the Global Credit and Trading Policy committee (GCTP), which discusses and approves policies, methodologies and procedures relating to credit, trading, country and reputation risks within ING Bank and a member of the Global Credit Committee – Transaction Approval (GCCTA), which discusses and approves transactions that entail taking credit risk above a certain threshold. Furthermore, the CRO is also a permanent member of the Non-Financial Risk Committee (NFRC).</p> <p>As an example of how ING's Risk management includes a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank, ING complements its regular standardised risk reporting with (ad hoc) stress tests. A stress test is an instrument to check whether a financial institution can withstand specific negative events or economic changes. More specifically, stress testing examines the effect of exceptional but plausible events on the capital and liquidity position of the financial institution and provides insight in which business lines and portfolios are vulnerable to which type of scenarios.</p> <p>Each year several stress tests are conducted, of which some are specified by regulators (e.g. the European Banking Association or the European Central Bank (ECB)) and others that are specified internally. The scope of the stress tests may vary: sometimes the impact of the scenario is calculated for the bank as a whole, while in other cases the focus is on a specific country, asset class or risk type. Stress tests can represent various economic situations from mild recession to extreme shock.</p> <p>For further information on Risk Management, see the Chapters on Risk Management in the ING Annual Report.</p>
<p><b>The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary.</b></p> <p>The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements for lifelong learning.</p>	<p>Next to their day-to-day involvement and responsibilities for the ING franchise, a collective Permanent Education (PE) Programme for the members of the Management Board Banking is in place. The PE Programme covers the following main themes (i) developments at the Bank and in the financial sector, (ii) corporate governance in general and in the financial sector, (iii) duty of care towards the client, (iv) integrity, (v) risk management, (vi) financial reporting, and (vii) audits. The programme is organised to provide collective Management Board Banking PE sessions at least on a quarterly basis. Thought leaders and experts are invited to educate on various topics. Topics that have been included in the 2017 collective sessions cover amongst others corporate governance, ING's technology platforms, risk management (with a focus on the process of pricing assets and liabilities, and use of external ratings), non-financial risk including compliance, IFRS 9/15/16, performance and recognition management, as well as on remuneration practices, ECB supervision, the (potential impact of) new regulation (such as Basel IV, IFRS 9 and the Payment Services Directive 2), non-financial risk, partnering with fintechs, transformation management, sustainability focusing on how ING contributes to accelerating financial empowerment, and the highlights of the upcoming Payment Services Directive 2. Furthermore, at the annual Knowledge Day in January 2017, on the agenda were sessions related to transformation management, cybersecurity, data management, advanced analytics and ethics, robotics and artificial intelligence.</p>

## 4 Risk Policy

Text Banking Code 2015	Implementation by ING
<p>A bank's risk policy is characterized by a <b>comprehensive approach</b>, is <b>transparent</b> and has both a <b>short- and long-term focus</b>. The risk policy also takes <b>reputational risks and non-financial risks</b> into account.</p>	<p>ING has multiple risk policies in place ensuring a comprehensive approach towards risk management. Credit Risk policies are in place describing amongst others the credit risk appetite, concentration framework, single name and sector concentration risk. High level policies, concepts and assumptions behind methodologies used in the quantification of risk are presented and approved at the Global Credit and Trading Policy committee (GCTP), chaired by the CRO, with a view towards consistency across all types of risks.</p> <p>The Credit Risk Appetite statements for the bank and countries, the governance structure for lower risk policy and transaction approval bodies as well as the delegated authority matrix (below the Global Credit Committee – Transaction Approval) and the connected charters are approved by the GCTP, ensuring a comprehensive and consistent approach towards credit risk.</p> <p>Market risk policies describe amongst others the product approval process, funding and liquidity appetite and stress testing, funding planning and liquidity forecasting. The Asset &amp; Liability Committee (ALCO) Bank, which is chaired by the CRO and CFO, approves and implements amongst others the Bank interest rate framework, applicable product approval review processes and the funding &amp; liquidity risk management policies and standards. Model Validation risk policies describe the governance and standards for the validation of models in the different risk domains, and are approved by the CRO.</p> <p>The Non-Financial Risk (NFR) function encompasses the Compliance, IT, Corporate Security and Operational Risk Management functions. It ensures appropriate risk controls in these functional areas by implementing clear policies and minimum standards which are embedded in ING Bank business processes throughout the whole bank. The necessary infrastructure is in place to enable management to track events and non-financial risk issues. A comprehensive system of internal controls that are reviewed and updated as necessary creates an environment of continuous improvement in managing non-financial risk.</p> <p>Operational risk includes next to the financial loss also the related reputational and legal risk. Reputational risk is multidimensional and reflects the perception of or impact of ING behaviour on other market participants, like customers, counterparties, shareholders, investors or regulators that can adversely affect ING's ability to maintain existing, or establish new, business relationships and continued access to sources of funding (e.g. through the interbank or securitisation markets).</p> <p>Given the heavy reliance on IT systems in financial institutions, controls that monitor the various aspects of IT risk, such as integrity, availability and confidentiality, are embedded in ING Bank's risk and control framework.</p>

	<p>With regards to compliance risk, the Bank Compliance Risk Management function established a compliance control framework in which controls are defined based on laws, regulations and standards that are part of the internal control framework of ING applicable to non-financial risks. To support management in mitigating compliance risks, the Bank Compliance Risk Management function actively trains and advises the business in managing compliance risks related to e.g. money laundering, terrorist financing, sanction and export control compliance, conflicts of interests, mis-selling, corruption and protection of customers' interests, Financial Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS), and US withholding tax and information reporting regulations.</p> <p>ING designed controls to mitigate the compliance risks associated with the above-mentioned risk areas. The effectiveness of these controls is tested periodically, and senior management has the responsibility to ensure their processes are compliant with applicable laws and regulations, ING internal policies, procedures and the Orange Code.</p> <p>In cases where an employee of ING suspects irregularities or misconduct within ING that leads to or could lead to a violation of ING Orange Code, any ING Policy and/or any law, regulation or code, this can be reported via the normal reporting channels as well as anonymously in line with the Whistleblower Policy, via internal or external channels.</p> <p>For more information on Financial and Non-Financial risk, please see ING's Annual Report.</p>
<p><b>A bank's executive board will be responsible for its risk policy and ensure proper risk management.</b></p> <p>The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.</p>	<p>While the Management Board Banking has a collective responsibility with respect to managing risk, one of the Management Board Banking members has been appointed CRO. The CRO is primarily responsible for ING's risk policies and monitors adherence with the risk appetite statement. Each year, the risk appetite is set by the Management Board Banking and submitted to the Supervisory Board for approval (boundaries of the risk appetite levels). Any material changes within this period are also set by the Management Board Banking and submitted to the Supervisory Board for approval. This principle has been reflected in the Charter of the Management Board Banking.</p>
<p><b>The supervisory board will supervise the risk policy pursued by the executive board.</b> As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and</p>	<p>On a quarterly basis, the Risk &amp; Capital Integration Update is provided by the Management Board Banking to the Supervisory Board. This report provides a comparison of the actual risk profile (for solvency risk, liquidity &amp; funding risk, market risk, credit risk, non-financial risk (including compliance risk), business risk and regulatory risk) versus the approved risk appetite. This enables the Supervisory Board to discuss and assess whether the commercial activities of the bank are appropriate in the context of the risk appetite of the bank.</p> <p>Since August 2009, the Supervisory Board has a Risk Committee. Since 2017, Risk Committee meetings take place 5 times a year. The Risk Committee prepares the discussion and the decision making by the Supervisory Board with respect to risk management. This principle has been reflected in the Charter of the Supervisory Board.</p>

whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the supervisory board will be advised by its risk committee.

Each year, the risk appetite is set by the Management Board Banking and submitted to the Supervisory Board for approval. This principle has been reflected in the relevant Charters.

## 5 Audit

Text Banking Code 2015	Implementation by ING
<p><b>A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations.</b></p>	<p>ING has an internal audit department – Corporate Audit Services (CAS) – that prepares and executes an annual risk based audit plan. This audit plan is approved by the Management Board Banking and the Audit Committee of the Supervisory Board prior to finalisation.</p> <p>With the implementation of the Dutch Corporate Governance Code the review and approval lines have been changed to Executive Board review and approval, Audit Committee review and Supervisory Board approval as per 2 November 2017.</p> <p>CAS reports on the progress of the audit planning realisation and on the results of the audits on a periodical basis to the Management Board Banking and the Audit Committee. With the implementation of the Dutch Corporate Governance Code CAS formally reports to the Executive Board and the Audit Committee.</p>
<p>To this end, a bank will have its <b>own internal audit department with an independent position</b> within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.</p> <p>The internal audit department, external auditors and supervisory board's audit committee will consult periodically.</p>	<p>CAS is independently positioned within ING. CAS staff report to the General Manager of CAS. The General Manager CAS reports directly to the CEO of ING as well as functionally to the Supervisory Board. The CAS General Manager has regular bilateral meetings with the chairman of the Audit Committee. CAS' independent position within ING is periodically assessed as part of the external quality review performed by the Institute of Internal Auditors Netherlands (IIA).</p> <p>CAS periodically exchanges information with stakeholders like DNB and the ECB as well as the external auditor in order to update its risk analysis and audit plan.</p>

**The internal audit department will take the initiative in arranging talks with DNB and the external auditors at least once a year** to discuss each other's risk analyses, findings and audit plans at an early stage.

**The bank's executive board and internal audit department will encourage these tripartite talks,** aiming for a clear delineation of each other's duties and responsibilities.

CAS prepares and discusses its risk analysis and audit plan with the Management Board Banking, the Executive Board, the Audit Committee of the Supervisory Board, the external auditor and the ECB / DNB. Subsequently, CAS periodically exchanges information with these stakeholders in order to update its risk analysis and audit plan when needed, but at least bi-annually.

Tripartite talks have not taken place since the supervisory responsibilities moved from DNB to the ECB. Regular meetings with the external auditor and separately with the ECB/DNB have taken place during the year. The external auditor does have separate meetings with the ECB/DNB.

## 6 Remuneration Policy

Text Banking Code 2015	Implementation by ING
<p><b>The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.</b></p> <p>The remuneration policy will have a primarily <b>long-term focus</b> and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the <b>expectations of the various stakeholders and social acceptance</b>. It will also take the <b>relevant international context</b> into account.</p>	<p>The remuneration policy of ING Bank strikes a balance between interests of its clients, employees, shareholders and society at large, and supports the long-term objectives of ING.</p> <p>The general principles underpinning ING's remuneration policies are as follows:</p> <ul style="list-style-type: none"> <li>▪ support a pay for performance culture;</li> <li>▪ support a focus on the long term interests of ING and balance the interests of its stakeholders, including staff, customers and shareholders;</li> <li>▪ align with the business strategy, corporate culture and values and measures to avoid conflicts of interest;</li> <li>▪ align with ING's overall risk appetite, support a strong focus on risk control and protection of a sound Capital Base, promote robust and effective risk management, taking into account all risks including reputational risks and risks resulting from the mis-selling of products, and do not promote risk taking behaviour that is outside the level of tolerated risk within ING;</li> <li>▪ treat employees fairly across the globe;</li> <li>▪ support the development of employees;</li> <li>▪ prohibit the use of personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in remuneration arrangements;</li> <li>▪ ensure the alignment of ING's pension schemes with ING's long term interests.</li> </ul> <p>The variable remuneration is linked to clear targets of which a large part are non-financial, e.g. operational excellence, customer focus and top employer. Variable remuneration is based for at least 50% on non-financial performance criteria.</p> <p>The variable remuneration policy of ING is compliant with the maximum ratios as determined by applicable remuneration regulations. ING has implemented the principles of the Banking Code in its Remuneration Regulations Framework and into specific policies for the Executive Board and Management Board Banking.</p> <p>The charters of the Executive Board, Management Board Banking and the Supervisory Board reflect that ING is committed to ensuring that the execution of the remuneration policy remains in line with the criteria set out in this principle.</p> <p>More information is disclosed in the Remuneration Report of ING's Annual Report.</p>

**The total income of a member of a bank's executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context.**

The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.

The remuneration policy for the Executive Board and Management Board Banking is in line with the criteria described in this principle.

The total compensation levels and pay mix are benchmarked against the Eurostoxx 50, a peer group of major (financial and non-financial) European multinationals. Current remuneration levels of the Executive Board are below the median of the Eurostoxx 50 benchmark, and in the case of the CEO position, significantly below.

In accordance with relevant remuneration regulations the variable remuneration of the members of the Executive Board is subject to tiered vesting over a period of five years.

More details can be found in the Remuneration Report of ING's Annual Report.