

Application of the Dutch
Banking Code by
ING Bank N.V. (FY 2019)



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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 over 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 Bank N.V. (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 on how the principles of the Banking Code are applied and – where applicable – explains if, and why 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 of 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 its efforts to improve even further.

However, on 4 September 2018, ING announced that it had reached a settlement agreement with Dutch authorities relating to an investigation that found serious shortcomings in the execution of customer due diligence and requirements related to fighting financial economic crime. We are continuing our know your customer (KYC) enhancement programme, emphasising regulatory compliance as the key priority. ING continues to work hard on enhancing our customer due diligence files and on a number of structural solutions to bring our anti-money laundering activities to a sustainably better level. For more information see the 2019 [Annual Report](#).

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

1 Sound and ethical operation

Text Banking Code 2016

1. To build and maintain its position as a stable and reliable partner, 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.

Implementation by ING

ING's purpose and strategy can be found on [ing.com](https://www.ing.com). Our Think Forward strategy was 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 to create a differentiating customer experience. This acceleration programme has been approved by the Supervisory Board. The Management Board Banking and Supervisory Board actively discuss the progress periodically, and where needed prioritisation choices are made.

Further information on our strategy and developments can be found in the 'Our strategy' and 'How we create value' chapters of the 2019 [Annual Report](#).

ING's Think Forward strategy drives the continuous Dynamic Planning process, which incorporates plans for the medium term. The Dynamic Plan for the period 2019-2021 was approved by the Management Board Banking and by the Supervisory Board. The

Dynamic Plan includes the 2021 plans developed by the countries to safeguard and foster longer term thinking and execution.

Our 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 - saying no is not enough. However, banks cannot do it alone. That leaves the question of, where can we make a real impact? How we think we can do that is explained in [Our direction](#) and the updates are amongst others explained in the 'non-financial appendix' of our [Annual Reports](#).

The two key pillars of our Sustainability Direction are formed by:

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

Climate change is an unparalleled challenge for our world, one where banks also have a role to play, which ties into the first focal point mentioned above. We explain our efforts with regards to climate change in more detail on [ing.com](https://www.ing.com). The second focal point is about improving the resilience of people by helping them in (financial) decision making in a world with increasing changes (this is further explained on [ing.com](https://www.ing.com)).

Our policies, as well as our broader business ambitions, are structured around embedded social, ethical and environmental criteria. An extensive Environmental and Social Risk

(ESR) policy framework is in place to guide our decisions for client and deal engagement. Under [Our Stance](#) our stakeholders can find a clear explanation of how we apply them and why we do (or do not) finance certain sectors/activities.

Text Banking Code 2016

2. A bank chooses its positioning such that **its commercial interests and social role are extensions of each other**. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.

Implementation by ING

Pursuant to the charter of the Management Board, the Management Board Banking shall, in performing its duties:

- 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 making the customer interest central as set out in the Dutch Banker's Oath (the Banker's Oath must be taken by our employees in the Netherlands, and also by the members of our Management Board Banking and of the Supervisory Board); and
- foster a culture focused on long-term value creation, risk awareness, compliance with ING's risk appetite, responsible and ethical behaviour, and encouraging openness and accountability within ING and its subsidiaries.

In particular the CRO is primarily responsible for formulating and communicating the company's strategy with respect to risk culture and compliance with relevant laws and regulations, including codes of conduct, as well as the monitoring thereof.

Proposals to the Management Board Banking and Supervisory Board must at least address three elements:

- the considered alternatives, key risks and challenges of the proposal. It must explain what the anticipated pros/cons and potential mitigating measures are;
- the impact the proposal may have on customers and other (internal/external) stakeholders. It must explain 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 reference to the four transparent promises to our customer (clear and easy, anytime anywhere, empower, keep getting better).

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. Via [Our direction](#) we want to ultimately contribute to society's transition to be more sustainable. This is also reflected in ING's governance of the Sustainability department which has a direct reporting line to the Management Board Banking.

Stakeholder engagement has always been an important element of ING's overall strategy. We continuously listen to different stakeholders, the most important of which are customers, employees, supervisors, shareholders, civil society organisations, government(s) and citizens. We (pro-)actively seek 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 improve as an organisation we need to identify, understand and balance the most important topics for our stakeholders and know how these relate to the actions and decisions that we take. The results of our regular materiality assessment guide us in our strategic decision-making, stakeholder engagement agenda and reporting framework. More information on how our materiality analyses are performed can be found on [ing.com](https://www.ing.com).

We have ongoing dialogues with stakeholders, including NGO's, as a source of 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. Throughout the year we organise stakeholder meetings at various levels. On the highest level (board/high level staff) we organised stakeholder meetings e.g. about [balancing human rights in our operations](#) where the chairman of the Dutch Works Council, the ING CFO, the Dutch Ambassador to the Philippines and the Director Human Rights policy at Amnesty International in the Netherlands had an in depth discussion.

ING's Terra approach

In the Paris Climate Agreement, governments committed to take action to remain well below a two-degree rise in global temperatures compared to pre-industrial levels. As ING has a loan book of about €600 billion across many sectors, we have begun steering towards meeting the Paris Agreement's two-degree goal. In this so-called Terra approach, ING is focusing on the sectors that are responsible for most greenhouse gas emissions: power generation, fossil fuels, automotive, shipping, aviation, steel, cement, residential mortgages and commercial real estate. We will measure and benchmark whether our lending in each sector is adding up to contribute to climate resilience. We are able to do this because we are co-creating an innovative, accurate way to measure the climate impact of our portfolio. In September 2019, we released our first Progress Report on Terra. More information can be found on [ing.com](https://www.ing.com). See also the 'Report of the Executive Board' chapter in the 2019 Annual Report.

Text Banking Code 2016

3. The executive board and supervisory board are – with due regard for each other's duties and powers – **responsible for setting up a sound governance structure and compliance with the governance principles.**

The members of these boards will set an example 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.

Implementation by ING

Applicable laws/regulation are embedded in ING's Articles of Association, the Corporate Board Charters, the ING Governance Manual, the ING Decision Structure, and accompanying policies and procedures. These are all being reviewed on a periodic basis and are aligned with relevant Dutch and international corporate governance standards, such as: (1) the new Dutch Corporate Governance Code that took effect on 1 January 2017 and that was embedded in Dutch law on 7 September 2017, (2) the EBA Guidelines on Internal Governance that took effect on 30 June 2018, and (3) the Shareholders Rights Directive II that, partly, took effect on 1 December 2019. These are similarly being reviewed and updated when necessary. The aforementioned documentation can be found via the Policy & Procedures section of ING's intranet which serves 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 Think Forward strategy to support an efficient and effective control environment with appropriate approvals on new or updated external requirements. As part of this ING also has an active dialogue with regulatory bodies, government representatives and peers on requirements and relevant developments with respect to corporate governance.

At different times during the year, on a regular and ad hoc basis, the Management Board Banking and Supervisory Board reflect and report on the aforementioned 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](#).

Furthermore, the Management Board Banking and Supervisory Board periodically, at least annually, assess their collective effectiveness, including that of its meetings (e.g. by acting upon periodic survey results completed by other participants (e.g. presenters/senior management) and agenda setting (by means of for example strengthened process governance, predefined agenda categories and document quality assurance). On a regular basis, also at least annually, the Supervisory Board evaluates the performance of the individual members of the Management Board Banking.

Text Banking Code 2016

4. 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.

Implementation by ING

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. See also the 'Corporate Governance' chapter in the 2019 [Annual Report](#).

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. Whatever business activity we are involved in, we stick to our values. We place integrity above all and insist on acting prudently and honestly. In consultation with and the approval of the Management Board Banking, Executive Board and Supervisory Board, in 2019 a new Global Code of Conduct was developed which will become effective in mid-January 2020. It links the Orange Code to the main ING policies, Minimum Standards and guidelines. In addition to the Orange Code, it further defines the most essential conduct principles expected from ING employees in their daily activities, to create additional risk awareness and better meet expectations stated in external rules and guidelines. See also Principle 5 on ING's Orange Code (our set of values and behaviours). Additionally, the Global Code of Conduct will be linked to employees' performance management cycle and the Global Code of Conduct facilitates follow up actions in case of violation thereof.

At 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, Human Resources department or compliance officer) and not keep it to themselves or ignore it. This should 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 with this, 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 Whistleblower channel. For more information we refer to the Whistleblower policy on [ing.com](https://www.ing.com).

Following the decision by the Management Board Banking to launch the Think Forward Leadership Programme in 2017, we can now report that all our executives, as well as 80% of our senior managers and managers have completed its first phase - in which we focused on self-awareness ('what is my purpose' and 'what I am standing for'), personal ownership (how to develop the owner's mentality, the deep conviction that 'it is up to me (to fix this)') and collaboration (how to share, trust, and gain more perspectives on our challenges).

The next phase of the programme shifts the focus to sustained high performance (how to prime ourselves for best performance, at work and at home), talent development (how can we bring out the best in every team and everyone) and performance transparency (how can we lead courageously and create a culture of transparency, leading to healthy internal competition for the benefits of all). We have now delivered the programme to about 75% of the executive population (with the MBB participating at the beginning of September 2019), and we are finalising its preparation for our 4,000 senior managers and managers. The delivery for this audience is due to start in March 2020. See also 'Our People' chapter in the 2019 [Annual Report](#).

Safeguarding a solid IT infrastructure

The Management Board Banking has the responsibility and is committed to safeguard a solid IT infrastructure. Our chief operations officer, as member of the Management Board Banking, has the task of ensuring that IT is properly addressed and taken into account at board level and across the rest of the organisation.

A solid IT infrastructure means that the delivery of services and data, in terms of confidentiality, integrity and availability of the data and services at reasonable cost, is well maintained and constantly improved for future needs and developments of our customers and other stakeholders.

In order to achieve the aforementioned objectives, ING has put in place an organisation built on people, process and technology to maintain a high quality and to continuously improve. This covers processes for setting standards, policies and processes to monitor, 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.

We continue on the route we defined in our IT Strategy to support the Think Forward strategy of ING. This means further simplification of our IT landscape, standardising our way of working and further automation of our software delivery, deployment and monitoring. This will contribute to the operational performance as well as cost efficiency of our IT landscape.

Banks become more exposed, as we digitalise, and are increasingly connected to third-party providers (for example PSD2). This means that we need to continue to strengthen good cybercrime resilience practices and high operating standards. To act in a professional and ethical manner we integrate cybercrime resilience during selection, training and certification of our staff (e.g. joint Business and IT Risk Awareness Days) and foster a security-positive culture. We maintain strong global anti-cybercrime alliances with the financial service industry, law enforcement authorities, governments and

internet service providers to collaborate against cybercrime. ING is continuously improving its technical capabilities to predict, detect, respond and mitigate issues related to the use of information technology, including but not limited to cybercrime - related threats.

For more information on our IT infrastructure we refer to the 'Innovation and transformation' chapter of the 2019 [Annual Report](#).

The compliance function

The chief compliance officer reports directly 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 regular bilateral consultations, which is reflected in the relevant charters.

Text Banking Code 2016

5. The executive board will promote responsible behaviour and a healthy culture 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 stakeholders. The supervisory board supervises this.

Implementation by ING

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. More info on the Orange Code can be found [here](#). See also Principle 4 on ING's new Global Code of Conduct.

Customer centricity

Customer centricity (*'Klantbelang Centraal'*) is embedded in the Orange Code and the Orange Promise. ING globally, also in the Netherlands, 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).

Responsible behaviour and a healthy culture

Examples of how ING encourages responsible behaviour and a healthy culture include:

- A strong link between the Orange Code and performance management (coaching/appraisal). Both ING staff and Senior Management are annually appraised against the requirements of the Orange Code.
- The Whistleblower policy process enables anonymous reporting via internal- or external channels (next to normal reporting channels) on integrity related issues. More information on our Whistleblower policy can be found on [ing.com](#).
- ING has a Complaints procedure in place that is open to clients, ING Group shareholders, suppliers or any other stakeholder which also allows those stakeholders to challenge us on responsible behaviour. It applies to complaints about suspected or actual criminal conduct, unethical conduct or other misconduct

by or within ING. Topics can range from money laundering or terrorist financing, financing clients who violate human rights to undesirable behaviour etc. More information on our Complaints procedure can be found on [ing.com](#).

- The Compliance function has developed several tools for supporting the business and staff functions in safeguarding and further developing a sound risk and integrity-led culture. Important elements in this context:
 - Risk Culture Monitoring; a qualitative monitoring approach in which topics such as compliance risk awareness, conduct risk, the Orange Code and safety to speak up are included;
 - Orange Code Dilemma Dialogue (OCDD): a decision making model and workshop developed on the basis of the Orange Code;
 - The program 'I for Integrity' (Netherlands and Belgium): an awareness & embedding program to strengthen awareness on integrity related topics (e.g. balanced decision making, KYC (Know Your Customer) and Whistleblower).
 - In 2019 ING developed a Global Code of Conduct, which will be launched in Q1 2020.
- Corporate Audit Services embedded a Risk Control & Behaviour (RCB) approach in their existing audit process. Results are reported to the Management Board Banking (MBB) and Audit Committee quarterly.
- The Behavioural Risk Management (BRM) team has been set up mid 2018 to make behavioural patterns within ING visible by carrying out behavioural risk assessments. A behavioural risk assessment is an expertise-based methodology to identify and analyse high-risk behaviours and their drivers. Furthermore, after a behavioural risk assessment, the BRM team suggests interventions to the business to mitigate the risk

behaviours. These interventions are determined and designed by the BRM team and impact all levels of the organisation. Interventions focus on the formal and informal side of the organisation, with the main goal to change behavioural risk patterns.

- ING implemented a Global Data Ethics approach, including a structure with Local and Global Data Ethics Councils, to ensure well balanced decision making based on the OCDD around the usage of data by properly taking the rights and interests of stakeholders impacted into account.
- ING introduced a new global learning model in 2019 to further professionalize Compliance, KYC and Risk training. It introduces governance, a board to approve trainings based on business needs, global planning and greater cooperation between content owners, learning experts and corporate communications to ensure the best fit for the training need.
- In 2019, the Organisational Health Index (OHI) survey was conducted among all staff. The overall health score is a performance indicator, measuring organisational health relative to a global benchmark consisting of 1,900 companies from around the world. The results for 2019 show that ING is a 'healthy' company with an overall score of 70 (second quartile) in a global database of external companies.
- Via CEO messages Ralph Hamers informs all staff on a quarterly basis on the progress made within ING. In these messages he often stresses the importance of the Orange Code and encourages people to live up to it.

In ING Bank Netherlands

- A culture based on the ING Orange Code Values and the Behaviours remained a key priority in 2019.
- In 2018 the Step Up Performance Management was rolled out as the new performance management system in the Netherlands, replacing the former planning,

coaching and appraisal cycle. Targets are set in terms of three dimensions: [Job](#), [Orange Code](#) and [Stretch Ambitions](#). This is in line with how senior management is being appraised.

- A periodic independent survey (WPC) is conducted which covers topics such as trust and openness.
- The Dutch Banker's Oath has been rolled out since 2015. We refer to the 'Our people' chapter of the 2019 [Annual Report](#).
- Employees of ING are subject to a compliance procedure in case there are suspected violations of the General Code of Conduct ING Netherlands or the Bankers Oath.
- An onboarding programme for new ING employees is offered in the Netherlands (Destination Orange). In this programme 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.

Sound decision making

ING provides their managers and all multidisciplinary teams the following standards and guidelines:

- The Product Approval and Review Process (PARP) includes the ING Customer Golden Rules. In 2019 the PARP process is identically used cross border in Belgium and the Netherlands. The dilemma dialogue is included in the PARP-process.
- 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. It is an agile approach for developing new products, services or propositions.

Text Banking Code 2016

6. A bank's culture must also express the assumptions in the Social Charter 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.

Implementation by ING

Our purpose and strategy

ING's purpose and strategy can be found on [ing.com](https://www.ing.com).

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.

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. More info can be found on [ing.com](https://www.ing.com).

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. More info can be found on [ing.com](https://www.ing.com).

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 methodology/tool called 'The Materiality Assessment' to determine which economic, social and environmental topics we should prioritise. For more information we refer to the 2019 [Annual Report](#).

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

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 remains a sustainability 'leader' in the Banks industry group by Sustainalytics in 2019, ranking ninth out of 336 listed and non-listed global banks. Sustainalytics is a global provider of environmental, social and governance (ESG) research and ratings. More info can be found on [ing.com](https://www.ing.com).

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 pollution. 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 started the Orange Circle, ING's circular economy programme, which has the ultimate ambition of helping our clients to make the transition from ownership to access. We have already completed a number of deals. In 2018, ABN AMRO, ING and Rabobank launched finance guidelines for the circular economy. The guidelines provide a better insight into the role of the financial community for the transition towards a circular economy. More details on the circular economy and ING's sustainable project can be found on [ing.com](https://www.ing.com) and in the [newsroom](#).

Text Banking Code 2016

7. 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.

Implementation by ING

Various initiatives emphasise that every employee needs to understand 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 in the Policies & 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 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. (e.g. e-learning modules on KYC awareness). ING's e-learning modules 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 (together the Orange Code) and (local) Codes of Conduct. Employees may report a suspicion of (potential) breaches of the ING Values, ING Behaviours or (local) Codes of Conduct. If employees feel unable or are

uncomfortable about raising concerns through the existing channels, the ING Whistleblower channels provide a route for employees to report concerns.

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 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 and have a 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. These play a major role in the risk management organisation, which is headed by the chief risk officer (CRO), who is primarily responsible for risk management on 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. For further details on ING's three lines of defence model we refer to the 'Risk management' chapter of the 2019 [Annual Report](#).

2 Supervisory Board

Text Banking Code 2016

8. The supervisory board will be composed in such a way that it is able to perform its tasks properly. It **will form a risk committee and an audit committee.**

The members of the supervisory board will be prepared and able to make sufficient time available for their duties and **exhibit effort and commitment.** They will at the same time be **critical and independent.**

Implementation by ING

The composition of the Supervisory Board of ING allows the board to fulfil its tasks properly. Members of the Supervisory Board have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management. For more information we refer to the SB profile on ing.com.

As part of the selection and appointment process, Supervisory Board members are also subject to a “fit and proper”-test by DNB and the ECB. Such “fit and proper”-test also takes into account the composition and collective suitability of the Supervisory Board.

The Supervisory Board assesses its suitability in principle on an ongoing basis, ad hoc when necessary and at least as part of its annual self-evaluation, the results of which may lead to certain enhancements or amendments. Up to and including 31 December

2019 the Supervisory Board consisted of nine members; as per 1 January 2020 it will consist of eight members. The diversity in the composition of the Supervisory Board is among others reflected in gender, age, geography and professional background. The Supervisory Board has drawn up a profile which includes the basic principles for its composition and competences. This profile is reviewed periodically and updated when needed, taking into account relevant internal and external ING developments. The last update was in 2017 and was shared with the AGM in April 2018 reflecting, amongst others, its composition and the aim to have a minimum gender diversity of 30%. The Supervisory Board has four permanent committees, including a Risk Committee and an Audit Committee. Further details on the composition and attendance rates can be found in the ‘Supervisory Board’ chapter of the 2019 [Annual Report](#).

Text Banking Code 2016

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

Implementation by ING

ING’s function in society and the interests of all stakeholders are taken into account by the Supervisory Board when performing its duties. Each Supervisory Board member follows a tailor-made introduction programme after his/her appointment so as to become better acquainted with ING, its stakeholders and context, particular topics and his/her role as a Supervisory Board member. In addition, ING organises regular knowledge/educational days for Supervisory Board members to acquire additional in-depth knowledge of relevant developments for the bank and the financial sector in

general. Also various relevant topics are being discussed as part of the boards' Permanent Education programme. Details on the most relevant topics that were discussed during Supervisory Board meetings and during knowledge/educational days can be found in the 'Supervisory Board' chapter of the 2019 [Annual Report](#).

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

- The considered alternatives, key risks and challenges of the proposal. It must explain what the anticipated pros/cons and potential mitigating measures are;
- The impact the proposal may have on customers and other (internal/external) stakeholders. It must explain 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).

Text Banking Code 2016

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

Implementation by ING

Both the members of the Risk Committee and the Audit Committee must meet specific requirements regarding competence and experience which are laid down in the Charters of the Risk Committee and the Audit Committee of the Supervisory Board and in the Supervisory Board Profile. Furthermore, from the 2017 Annual Report onwards, a diversity and competence matrix of the Supervisory Board and Management Board Banking is included in this report. For further details on the financial expert role and the diversity and competence matrix we refer to the 'Corporate Governance' chapter of the 2019 [Annual Report](#).

Text Banking Code 2016

11. 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.

Implementation by ING

A collective Permanent Education (PE) programme for the members of the Supervisory Board 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 Supervisory Board PE sessions on at least a quarterly basis. Thought leaders and experts are invited to educate on various topics. As part of the annual self-evaluation, Supervisory Board members may also request further training or education on specific topics which are implemented in the Permanent Education Programme.

Furthermore, each Supervisory Board member follows a tailor-made introduction programme after his/her appointment to become better acquainted with ING, its stakeholders and context, particular topics and his/her role as a Supervisory Board member. Details on the most relevant topics that were discussed during the 2019 Supervisory Board educational sessions (including those addressed during the SB knowledge/educational days) can be found in the 'Supervisory Board' chapter of the 2019 [Annual Report](#).

Text Banking Code 2016

12. In addition to the supervisory board's annual self-evaluation, **the functioning of the supervisory board will be evaluated under independent supervision once every three years.** 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.

Implementation by ING

Annually, the functioning of the Supervisory Board is evaluated through a self-assessment process. Similar to previous years, the Supervisory Board again performed an annual self-assessment, among others facilitated by an independent external party and with input from several executives who regularly interact with the Supervisory Board and attend Supervisory Board meetings. The action points resulting from last year's self-assessment were acted upon during the year and covered. See for further details on the annual self-assessment (process and follow-up) the 'Supervisory Board chapter' of the 2019 [Annual Report](#).

Text Banking Code 2016

13. 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.

Implementation by ING

The compensation of Supervisory Board members of ING does not depend on the bank's results. Supervisory Board members receive fixed remuneration only. 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.

More information on remuneration of the Supervisory Board is disclosed in the 'Remuneration' chapter of the 2019 [Annual Report](#).

3 Executive Board

Text Banking Code 2016

14. The executive board will be composed in such a way that it is able to perform its tasks properly. **Each member of the executive board will be aware of the social role of a bank and of the interests of the various stakeholders.**

Implementation by ING

The Management Board Banking is composed in such a way that it is able to perform its tasks properly and consists of six board members and one vacancy (the head of Market Leaders stepped down on 11 July 2019 and in the meantime, board responsibility for the Market Leaders segment has been assumed by CEO Ralph Hamers). Members of the Management Board Banking have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management.

As part of the selection and appointment process, Management Board Banking members are also subject to a 'fit and proper'-test by DNB and the ECB. Such 'fit and proper'-test also takes into account the composition and collective suitability of the Management Board Banking.

The diversity in the composition of the Management Board Banking is among other aspects reflected in gender, geography and professional background. The Management Board Banking and Executive Board have drawn up a profile which includes the basic

principles for its composition and competences. This profile is reviewed periodically and updated when needed, taking into account relevant internal and external ING developments. The last update was in 2017, and shared with the AGM in April 2018 reflecting, amongst others, its composition and the aim to have a minimum gender diversity of 30%; currently there is only one female board member. For more information we refer to the EB profile on ing.com (also applicable to the MBB).

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. Therefore, proposals to the Management Board Banking must at least address three elements as described in Principle 2. When considering these interests, the Management Board shall take into account the continuity of ING, the environment, in which ING operates, as well as applicable legislation, regulation and codes of conduct.

Text Banking Code 2016

15. One member of the executive board will have the duty of preparing decision-making by the executive board on risk management. 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 bear any individual commercial responsibility and operates independently from commercial areas.

Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.

Implementation by ING

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 responsibility.

The CRO is closely involved in risk matters and in the preparation of decisions that may have a material impact on the Bank's risk profile, especially when these decisions may lead to a deviation from the risk appetite boundaries as approved by the Supervisory Board. Furthermore, the CRO chairs or is a member, of the various key (risk) committees of the Management Board Banking in which the methodologies, policies and procedures are discussed and approved to manage and mitigate those aspects that may impact the risk profile of ING Bank.

Through (ad hoc) stress tests, the risk management function examines the vulnerability of the Bank, or some portfolios, to specific negative events or economic changes. This focusses attention on the impact that systemic risk could have on the risk profile of the Bank. The scope of the stress tests may vary from the Bank as a whole to a specific country, asset class or risk type and represent various economic situations from a mild recession to an extreme shock.

Text Banking Code 2016

16. 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.

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.

Implementation by ING

A collective Permanent Education (PE) programme for the members of the Management Board Banking is in place. The PE programme is a joint programme with the Supervisory Board. We refer to Principle 11 on the PE programme and the 'Supervisory Board' chapter of the 2019 [Annual Report](#) for an overview of the most relevant topics dealt with during 2019.

4 Risk Policy

Text Banking Code 2016

17. A bank's risk policy is characterized by a **comprehensive approach**, is **transparent** and has both a **short- and long-term focus**. The risk policy also takes **reputational risks and non-financial risks** into account.

Implementation by ING

ING has multiple risk policies and minimum standards in place to ensure a comprehensive approach towards risk management and that appropriate risk controls are embedded in ING's business processes throughout the whole bank.

Financial (solvency, credit, market, liquidity and funding) and non-financial (operational, IT) risks, as well as compliance risks, are directed and overseen by an independent risk function. Operational risk includes risks related to reputational damage and legal risk. The risk function's primary roles are to properly identify, measure and manage risks in normal and stressed economic conditions, as well as to oversee our business activities to allow ING to grow a sustainable business consistent with both our strategy and our risk appetite.

Our comprehensive risk management framework supports and governs the process of identifying, measuring, mitigating, monitoring and reporting financial and non-financial risks. It includes setting the risk appetite for the bank and the countries, establishing the

single name and sector concentration risk boundaries and instruments, determining both short term and long term funding planning and liquidity forecasting, conducting stress-testing both firm-wide and portfolio specific, tracking events and non-financial risk issues and conducting risk assessments, among others.

In July 2018, the Compliance Risk Management function was separated from the Non-Financial Risk (NFR) department. The chief compliance officer continues to report to the CRO and to be a permanent participant of the Risk Committee. Accordingly, a new head of NFR has been appointed, covering operational risk, information risk and corporate security. This set-up aligns with the EBA guidelines on Internal Governance that requires the separation of the compliance and risk function.

In addition, ING took a number of specific measures to strengthen its management of non-financial and compliance risks. The new global Centre of Expertise Behavioural Risk was formed to carry out behavioural risk assessments within our organization. Other measures were being implemented as part of the bank-wide, global Know Your Customer (KYC) Enhancement Programme.

The internal controls are reviewed and updated as necessary on the basis of significant changes identified and hence create an environment of continuous improvement in managing financial and non-financial risks. For more information we refer to the 'Risk Management' chapter of the 2019 [Annual Report](#).

Text Banking Code 2016

18. A bank's executive board will be responsible for its risk policy and ensure proper risk management.

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.

Implementation by ING

While the risk policy is the collective responsibility of the Management Board Banking, one dedicated member (CRO) is primarily responsible for the management of ING's risk profile and adherence to the risk appetite statement. Each year, the risk appetite is set by the Management Board Banking and approved by the Supervisory Board (boundaries of the risk appetite levels). Any material changes within this period are also set by the Management Board Banking and approved by the Supervisory Board. This principle is reflected in the Charter of the Management Board Banking.

Text Banking Code 2016

19. The supervisory board will supervise the risk policy pursued by the executive board. 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 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.

Implementation by ING

On a quarterly basis, the Supervisory Board is provided with a comparison of the actual risk profile of the bank (for solvency risk, liquidity & funding risk, market risk, credit risk, non-financial risk, compliance risk, business risk and regulatory risk) versus the approved risk appetite by the Management Board Banking. This enables the Supervisory Board to discuss and assess whether the capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether the commercial activities of the Bank are appropriate in the context of the risk appetite of the Bank.

In August 2009, the Risk Committee was established within the Supervisory Board. Since 2017, Risk Committee meetings have been held at least four times a year. The chief compliance officer has direct access to the Risk Committee and the chairman of the Risk Committee has regular bilateral consultation with the chief compliance officer. The Risk Committee prepares the discussion and the decisions within the Supervisory Board with respect to risk management. This principle is reflected in the Charter of the Supervisory Board. Please also see the 'Supervisory Board' chapter of the 2019 Annual Report.

5 Audit

Text Banking Code 2016

20. 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.

Implementation by ING

ING has an internal audit department – Corporate Audit Services (CAS) – that prepares and executes an annual risk based audit plan. This audit plan for ING Bank N.V. is endorsed by the Management Board Banking and approved by the Supervisory Board prior to finalisation. 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 of ING Bank N.V.

Text Banking Code 2016

21. To this end, a bank will have its **own internal audit department with an independent position** 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.

The internal audit department, external auditors and supervisory board's audit committee will consult periodically.

Implementation by ING

CAS is independently positioned within ING. CAS staff report to the general manager of CAS. The general manager CAS reports hierarchically to the CEO of ING as well as functionally to the Supervisory Board. The general manager CAS has regular bilateral meetings with the chairman of the Audit Committee. CAS' independent position within ING is confirmed annually by the Supervisory Board by approving the CAS charter and is periodically assessed as part of the external quality review performed by the Institute of Internal Auditors Netherlands (IIA).

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.

Text Banking Code 2016

22. 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.

Implementation by ING

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 DNB/the ECB. Subsequently, CAS periodically exchanges information with these stakeholders in order to update its risk analysis and audit plan at least bi-annually or when needed.

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 DNB/the ECB have taken place during the year. The external auditor has separate meetings with DNB/the ECB.

5 Remuneration Policy

Text Banking Code 2016

23. 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.

The remuneration policy will have a primarily **long-term focus** and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the **expectations of the various stakeholders and social acceptance**. It will also take the **relevant international context** into account.

Implementation by ING

ING is subject to and compliant with remuneration regulations which are implemented in the ING Remuneration Regulations Framework. This Framework applies to all ING staff, setting specific requirements for Identified Staff, Control Functions and the Management Board (including the Executive Board where appropriate). All entities in which ING holds the majority of the shares and/or the majority of the voting rights must comply with this Remuneration Regulations Framework. The ING Remuneration Regulations Framework is updated annually and subject to Supervisory Board approval.

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 the company.

Specific policies for the Executive Board and Management Board apply.

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. For more information we refer to the 'Remuneration report' of the 2019 [Annual Report](#).

Text Banking Code 2016

24. 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.

Implementation by ING

Current remuneration levels of the ING Executive Board are below the median of the Euro Stoxx 50 benchmark. Due to the lack of comparable positions for the other members of the Management Board Banking within the Euro Stoxx 50 benchmark, for this year no benchmark has been performed. For 2020 a new peer group will be proposed

to the AGM as part of the revised remuneration policy for the Executive Board. In line with this we intend to change the peer group for the Management Board Banking as well. For both the Executive Board and Management Board Banking we aim to provide total direct compensation levels for expected business and individual performance below the median.

In accordance with relevant remuneration regulations the variable remuneration of the members of the Executive Board is capped at 20% of fixed remuneration and is granted fully in equity (i.e. ING shares). 60% of the variable remuneration is subject to tiered vesting over a period of five years plus at least a one-year retention period which applies to vested ING shares.

For more information we refer to the 'Remuneration report' of the 2019 [Annual Report](#).