



Capital Requirements Regulation (CRR)

2020

Remuneration

Disclosure

ING Bank N.V.

Introduction

This 2020 remuneration disclosure provides detailed information on ING's remuneration principles and practices for Identified Staff, including members of the Executive Board and Management Board Banking. Additionally, it demonstrates how ING is complying with applicable remuneration regulations in the financial services sector.

The data presented is based on policies and processes applicable in 2020 and relates to performance year 2020. Where we report for CRR disclosure, this includes the Pillar III disclosure.

This report should be read in conjunction with the Remuneration report on pages 220 to 245 of ING's Annual Report 2020.

Identified Staff selection

ING's selection of Identified Staff is based on the Regulatory Technical Standards (RTS) developed by the European Banking Authority in 2014.

The RTS comprises qualitative and quantitative selection criteria. ING has carefully considered how to apply these criteria and, based on this, has identified positions and individuals that qualify as Identified Staff.

The selection and deselection of Identified Staff is an ongoing process to reflect staffing and organisational changes. Periodic checks are performed to ensure accurate Identified Staff administration.

ING reviews its application of Identified Staff selection criteria annually and, if necessary, amends this process to comply with applicable regulations and align it with the organisation.

The number of Identified Staff at ING increased in 2020 (693) compared to 2019 (673). This number is based on our administration per 1 October 2020.

Performance management

Performance management is a core people management process at ING. It aligns individual performance objectives with ING's strategy and priorities in order to build a sustainable and successful business for all its stakeholders within our risk appetite. Performance management is linked to remuneration and aims to reward for performance while at the same time avoiding to reward for failure by using a risk appetite framework.

Performance management supports ING's long-term interests and remuneration is a part of this. Assessing the performance of Identified Staff, and subsequently awarding variable remuneration to those who qualify, is carried out as a part of a multiple-year framework. This longer-term performance management horizon ensures variable remuneration remains 'at risk' throughout the deferral period by means of holdback or clawback, as well as the fact that the equity part is subject to share price fluctuations.

Variable remuneration is linked to non-financial and financial performance. At least 50% of the variable remuneration award must be based on non-financial performance criteria. Variable remuneration takes into account company performance, business line performance and individual performance. Any undesired risks taken, or compliance issues that were not apparent when the variable remuneration was awarded, are taken into account at every deferred vesting of variable remuneration.

Remuneration principles and governance

Remuneration principles

The primary objective of ING's remuneration principles is to enable ING to attract, motivate and retain qualified and expert leaders as well as senior staff (including Executive Board members) and other highly qualified staff who have the desired Orange Code values and behaviours, skills and knowledge to deliver on ING's purpose and Think Forward strategy in a sustainable way.

The remuneration principles are an integral part of ING's corporate strategy and risk profile. They maintain a sustainable balance between short and long-term value creation and build on ING's long-term responsibility towards customers, society and other stakeholders.

ING's remuneration principles apply to all staff and are embedded in its Remuneration Regulations Framework (IRRF). The IRRF complies with relevant international and local legislation and regulations. It sets specific requirements for Identified Staff, control functions, the Executive Board and the Management Board Banking. All business units in countries where ING is located and all majority-owned entities must adhere to this framework and are obliged to sign a certificate stating that their remuneration principles comply with the IRRF. The only applicable deviations are those based on mandatory local legislation or in a limited transformation period (e.g. negotiations with employee representative bodies).

ING's approach on the remuneration principles did not change in 2020. The principles have also been embedded into ING's 'our people offer', which was introduced in 2020. It sets out ING's differentiating offer as an employer and states what ING asks of its people in return. Our people offer gives guidance to ING's global people practices, while supporting the Think Forward strategy. It replaces the previous 'employer value proposition' and forms the basis of ING's employer brand. Our people offer complies with relevant international and local legislations and regulations.

Remuneration requirements for Identified Staff

Fixed remuneration

Fixed remuneration for Identified Staff is sufficiently high to reward for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit and region. Furthermore the level of fixed remuneration allows fully flexible variable remuneration. In case no variable remuneration is awarded, the compensation level is still sufficient for a decent standard of living.

Benefits

Like all staff, under predetermined conditions Identified Staff are eligible to receive various employee benefits such as pension, medical or accident insurance. Benefits are regulated locally and follow market practices and therefore differ on a country-by-country basis. ING does not award discretionary pension benefits.

Variable remuneration

Variable remuneration, where applicable, is primarily focused on creating long-term value and is based on individual, business line and bank-wide performance criteria. Where Identified Staff qualify for variable remuneration it is subject to specific and/or regulatory conditions. These conditions aim, in part, to ensure the variable remuneration is aligned with ING's ongoing risk profile over a longer period.

With respect to variable remuneration for Identified Staff the following applies:

- Variable remuneration is split into two parts:
 1. An upfront award, which is delivered for a maximum of 50% in cash and a minimum of 50% in shares or other equity-linked instruments;
 2. A deferred award, which is delivered for a maximum of 50% in cash and a minimum of 50% in shares or (in a few countries) other equity-linked instruments¹.
- A minimum of 40% of variable remuneration is deferred over a period of three to five years (depending on job position) with a tiered vesting schedule.
- A retention period of at least one year is applied to all non-cash elements post vesting.
- Vesting is conditional on continued employment, provided limited exceptions.

¹ For the Executive Board the full total variable remuneration is paid out in shares.

ING applies different percentages to the upfront and deferred portions of variable remuneration, varying from 40% to 60% upfront, depending on job position.

Sign-on/buy-out arrangement

Sign-on and buy-out arrangements are types of variable remuneration that are only awarded in exceptional cases and relate to the start date of employment. The buy-out arrangement or sign-on arrangement is solely awarded:

- I. to a new staff member in view of their employment at ING;
- II. during the first year of service of a new staff member;
- III. if the staff member did not work at ING in the year prior to being hired; and
- IV. if ING has a sound and strong capital base.

Sign-on arrangement

In the event of a sign-on arrangement, remuneration is paid to a new staff member during their first year of service with ING to compensate for a loss of variable remuneration at their previous employer. Sign-on arrangements are excluded from the VR-ratio for the first performance period, where the sign-on arrangement is awarded to a new staff member hired before the first performance period starts.

Buy-out arrangement

In the event of a buy-out arrangement, ING compensates for the loss of deferred variable remuneration awarded by a prior employer that was forfeited as a direct result of joining ING. The buy-out arrangement should not compensate the new staff member for a loss of variable remuneration or for variable remuneration that has already been compensated. Written evidence needs to be provided to ING. The value of the forfeited deferred shares or other instruments is determined based on the fair market value at the commencement date.

For buy-out arrangements, all requirements for variable remuneration apply, including deferral, retention periods, pay out in instruments, holdback and clawback. Buy-out arrangements are subject to the vesting schedule of the previous employer (adjusted to ING vesting dates) and are awarded at least 50% in equity if the recipient qualifies as Identified Staff.

Severance

Severance payments are compliant with the remuneration regulations, including locally applicable employment law. ING applies the principle of 'no reward for failure'.

ING will not pay out any form of severance payment to a staff member in the event of:

- early termination of the employment relationship at the initiative of a staff member, unless this results from seriously imputable acts or failures on the part of ING;
- seriously imputable acts or failures by the staff member in the performance of their duties; or
- in the event that the staff member continues to work for ING.

The maximum severance payment that can be paid out to daily policymakers will amount to 100% of their annual fixed remuneration.

The amount of the severance payment is determined according to a predefined, generic calculation method and criteria as set out in the applicable local severance policy. Severance proposals for members of the Executive Board and Management Board are decided on by the Supervisory Board but are contractually limited to 100% of their annual fixed remuneration.

Variable remuneration cap

Based on applicable laws and regulations, ING applies maximum percentages of variable remuneration compared to fixed remuneration for different categories of staff.

Geographic scope	Staff categories	Percentage
Netherlands	Staff working mainly in NL and solely remunerated on the basis of the collective labour agreement (CLA)	20%
Netherlands	Staff working mainly in NL who are not (solely) remunerated on the basis of the CLA	20% average 100% individual ²
EEA	Staff working mainly in the European Economic Area (EEA) and outside NL	100%
Non-EEA	Staff working mainly outside the EEA	100% which may be increased to 200% subject to shareholder approval ³

Pre-award and post-award assessment process; adjustment, holdback and clawback

Based on the remuneration regulations, specific risk adjustment mechanisms must be applied to the pay-out process of variable remuneration for Identified Staff. To this end, ING operates a so-called pre-award and post-award assessment process when determining any variable remuneration. By all means awards are subject to regulatory maximum variable remuneration percentages.

The pre-award assessment process aims to consider the full range of any current and potential future risks. As part of this process, ING takes into account the company performance at bank, business line and individual levels, as well as a solvency test. In addition, risk requirements apply to all Identified Staff in so-called risk-taker roles. These risk requirements set the minimum standards to be met during the performance year. Deviation from these standards may lead to a downward adjustment of variable remuneration (risk modifier).

The post-award risk assessment process analyses whether the outcomes of the initial pre-award risk assessment process were correct. This can, and in certain situations should, result in a downward adjustment of variable remuneration by applying a holdback (i.e. forfeiture of up to 100% of the awarded and unvested variable remuneration) and/or clawback (surrender of up to 100% of the paid or

² Within ING this exemption is only used for a limited group of employees (i.e. employees meeting one or more of the following criteria: (i) very specific and unusual circumstances, (ii) exceptional talent, (iii) a unique job function. In 2020 a reassessment has been performed on our group of employees.

vested variable remuneration). Any decision to apply holdback or clawback is at the discretion of the Supervisory Board.

ING sets specific criteria for the application of holdback or clawback.

Holdback or clawback <u>can</u> be applied in the following circumstances	Holdback	Clawback
In the event of engaging in conduct or acts considered malfeasance or fraud	✓	✓
In the event of specific conduct that leads to the material re-statement of ING annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates	✓	✓
In the event that variable remuneration is awarded on the basis of inaccurate information – whether or not financial in nature – regarding: (i) the achievement of the performance targets (including KPIs) that determine the variable remuneration; or (ii) the circumstances under which the variable remuneration was awarded	✓	✓
In the event that the award of variable remuneration is contrary to the principles of reasonableness and fairness	✓	
In the event of evidence of misbehaviour or serious error by the relevant staff member, including a breach of a code of conduct or other internal rules, especially those concerning risk	✓	
In the event ING or the business line where the relevant staff member works suffers a significant failure of risk management	✓	
In the event of significant adverse changes in the institution’s capital, other than as a result of changing environment or usual business cycle changes	✓	
If any other new material information arises that would have changed the original determination of the award of variable remuneration to an individual if it were known at the time of the award; such reassessment is also based on the criteria for the original award	✓	
Holdback or clawback <u>must</u> be applied in the following circumstances		
If a staff member participated in or was responsible for conduct that resulted in significant losses to the institution	✓	✓
If a staff member failed to meet appropriate standards of fitness and propriety	✓	✓

³ In 2017, the Annual General Meeting voted in favour of continuing to increase the variable remuneration percentages to 200% for performance years 2017 to 2021 for no more than 1% of ING staff globally. Related to 2020, no employees received variable remuneration exceeding 100%.

Remuneration governance

The Remuneration Committee assists the Supervisory Board with remuneration discussions and decisions including remuneration policies and the application and compliance thereof, with the support of corporate departments: Finance, Risk, Corporate Audit Services (CAS), Compliance, Legal and HR. To ensure the Remuneration Committee receives adequate and accurate information, there are compensation committees in place in the business lines. In addition, remuneration is a key topic of review of CAS.

On 31 December 2020, the members of the Remuneration Committee were Herna Verhagen (chairwoman), Mariana Gheorghe, Harold Naus and Hans Wijers.

The Remuneration Committee met 10 times in 2020. More meetings were deemed appropriate in light of (i) the potential implications of the Covid-19 pandemic on ING's target setting and remuneration policies, (ii) the update of the Variable Remuneration Accrual Model, also taking into account advice of the Risk Committee following strengthened risk management governance, and (iii) the finalisation of a new Executive Board and Supervisory Board remuneration policy, taking into account stakeholder consultation feedback. The proposed policies were input for the 2020 Annual General Meeting, resulting in the general meeting approving said policies.

Topics relating to Identified Staff that were discussed at these meetings included:

- the annual review of the ING Remuneration Regulations Framework;
- the update of the Reward & Appointment Framework;
- the application of the Identified Staff selection criteria;
- annual report of remuneration proposals for Identified Staff;
- individual remuneration and severance proposals for Identified Staff and high earners; and
- the annual compensation review for Identified Staff, including the application of risk modifiers, the performance hurdles (i.e. the RoE and CET1 hurdles) and determination of the bonus pool.

The services of the following external consultants were used with regards to remuneration: Stibbe, WillisTowersWatson, McLagan, Korn Ferry Hay Group, PwC and Deloitte. These are independent consultants who, at the request of ING, provide advice in the area of remuneration and related laws and regulations.

The roles and responsibilities of the Remuneration Committee of ING Bank N.V. are outlined in the Charter of the Remuneration Committee. These are similar to the roles and responsibilities of the Remuneration Committee of ING Groep N.V., as outlined in the charter of that committee, which is available on the ING website (www.ing.com).

Quantative information

The following tables show the remuneration awards made by ING to Identified Staff for the performance year 2020.

Table 1 – Total fixed and variable remuneration awarded to Identified Staff

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2020, split by instrument					
	Supervisory Board	Executive Board	Management Board	Other Identified Staff	Other IDS – Control Functions
Amounts in thousands of euros	ING Group	ING Group	ING Bank	ING Bank	ING Bank
Number of employees	11	3	4	470	205
Fixed remuneration^{1, 2}	1,042³	3,793	4,409	141,431	43,484
Variable remuneration	-	-	1,524	43,732	7,254
Of which upfront cash	-	-	305	12,457	2,043
Of which upfront shares	-	-	305	10,881	1,715
Of which deferred cash	-	-	457	9,349	1,523
Of which deferred shares	-	-	457	8,046	1,248
Of which equity-linked instruments	-	-	-	2,780	637
Of which other variable remuneration ⁴	-	-	-	219	89
Sign-on, buy-out and retention awards in 2020					
- Number of beneficiaries	-	-	-	9	4
- Sign-on, buy-out, retention awards	-	-	-	2,430	553
Severance payments awarded in 2020⁵					
- Number of beneficiaries	-	-	1	21 ⁶	1
- Severance awards	-	-	667	9,383	53

1 Fixed remuneration consists of base salary, the contribution individual savings and the employer pension contribution minus the employees' pension contribution. This amount is excluding sign-on, buy-out, retention and severance awards.

2 The amount for the Executive Board and Management Board is excluding the individual saving allowance (an allowance to compensate for loss of pension benefits with respect to remuneration in excess of € 110,111) to make a better comparison with the Identified Staff since those numbers are also excluding individual saving allowance as this is only relevant for the Netherlands.

3 Fixed remuneration of Supervisory Board members includes the standard fees per role and committee (VAT included).

4 Paid in relation to 2020, including profit sharing and collective labour agreement based variable remuneration.

5 This includes the severance payments awarded to all Identified Staff during 2020.

6 The highest severance award to an employee is EUR 1.377.301.

Table 2 – Number of Identified Staff with total remuneration above € 1,000,000 per bracket

There is a decrease in the number of Identified Staff with total remuneration above €1,000,000 (high earners). This is mainly due to lower variable remuneration, especially for senior positions, compared to 2019. Both employees (excluding Executive Board and Management Board members) work outside the Netherlands.

Total remuneration ¹	Executive Board ING Group	Management Board ING Bank	Other Identified Staff ING Bank	Other IDS Control Function
€ 1,000,000 - € 1,500,000	1	3	2	
€ 1,500,000 - € 2,000,000	1	1		
€ 2,000,000 - € 2,500,000				
€ 2,500,000 - € 3,000,000				

1 This amount is excluding sign-on, buy-out, retention and severance awards. In addition the individual saving allowance is excluded.

Table 3 – Details of remuneration Identified Staff ING Bank in relation to performance year 2020

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2020, split by instrument						
Amounts in thousands of euros	Wholesale Banking	Retail Banking Market Leaders	Retail Banking Challenger & Growth	Treasury	Corporate Staff and Other	Other IDS – Control Functions
Number of employees	245	64	93	16	52	205
Fixed remuneration ¹	75,962	16,855	26,065	4,515	18,033	43,484
Variable remuneration¹	27,699	2,792	8,410	1,340	3,491	7,254
Of which upfront cash	8,167	681	2,239	383	986	2,043
Of which upfront shares	7,798	177	1,647	286	973	1,715
Of which deferred cash	5,755	590	1,966	279	759	1,523
Of which deferred shares	5,414	133	1,539	210	751	1,248
Of which share-based instruments	483	1,083	1,019	175	20	637
Of which other variable remuneration ²	82	128	-	7	2	89

1 Excluding sign-on, buy-out, retention and severance awards.

2 Paid in relation to 2020, including profit sharing and collective labour agreement based variable remuneration.

Table 4 – Analysis of deferred remuneration

Analysis of deferred remuneration Identified Staff awarded or paid in 2020 ¹			
Amounts in thousands of euros	(Former) Executive Board ING Group & Management Board ING Bank	Other Identified Staff ING Bank (non-control functions)	Other Identified Staff ING Bank (control functions)
Outstanding, vested ²	420	5,644	463
Outstanding, unvested ³	706	9,963	1,405
Awarded during financial year ⁴	1,542	19,978	2,628
Paid out ⁵	958	17,495	1,461
Reduced amount through performance adjustment (holdback and clawback) ⁶	0	24	0

1 Equity is valued at the opening stock price on 31 December 2020, being €7.61.

2 The amounts of outstanding deferred equity of awards to (previous) Identified Staff that vested in 2020.

3 The amounts of unvested deferred equity awarded in financial year 2020.

4 The amounts of deferred remuneration (cash and equity) awarded during the financial year 2020.

5 Payments in 2020 of deferred cash and equity of awards to (previous) Identified Staff.

6 In 2020, holdback and/or clawback has been applied to four Identified Staff members.