Application of the Dutch Banking Code
by ING Bank N.V. (FY 2016)
16 March 2017
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. The Banking Code was drawn up in response to a report entitled ‘Restoring Trust’ (‘Naar herstel van vertrouwen’), published in April 2009 by the Advisory Committee on the Future of Banks (Adviescommissie Toekomst Banken) in the Netherlands.

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 response to this request, the NVB introduced a document called ‘Future-oriented Banking’. This document contains a Social Charter, the rules of conduct associated with the banker’s oath and an update of the Banking Code.

The updated Banking Code – which came into effect on 1 January 2015 – takes into account the recommendations of the Banking Code Monitoring Commission, 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 obey these national and international rules.

ING applies the Banking Code to all its entities with a Dutch banking license 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 Bank reports how the principles of the Banking Code are applied and – where applicable – explain 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 Bank 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 2016.

ING Bank recognizes that complying with the Banking Code principles is an on-going process.
1 Sound and ethical operation

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.

Text Banking Code 2016

Implementation by ING

ING’s purpose and strategy can be found on ing.com. 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.

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:

- We make banking clear and easy
- We are there for you anytime, anywhere
- We empower you to make smart financial decisions
- We will keep getting better

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 our company and expand our lending capabilities.

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. ING’s risk appetite takes into account ING’s mission, strategy and objectives. The various risk policies of ING ensure adherence and monitoring of the risk appetite. The risk appetite is set and periodically reviewed and updated by the Management Board Banking and cascaded throughout ING’s business operations. A transformation calendar drives the transformation topics addressed by the board. ING’s Think Forward strategy also drives the annual Mid-Term Plan (MTP) process, which incorporates plans for a three year period. The MTP for the period 2016-2018 was approved by the Management Board Banking in December 2015 and by the Supervisory Board in January 2016. In addition to the MTP, countries have developed 2020 plans, to safeguard and foster longer term thinking and execution.
**ING’s Sustainability Direction:**

ING opines that financial services have an important role to play in creating a healthy and sustainable world, not just by trying to be more sustainable by reducing our direct footprint, but also in the choices we make in lending, investing and the services we offer to customers and society at large.

Sustainability is therefore integrated directly into the core of our business strategy. We know that to be a good corporate citizen we need to help people to stay a step ahead. We do this by:

- Supporting and accelerating the financial empowerment of individuals. Hereto, we designed online platforms, blogs, and functional tools and organised dialogue sessions to empower our customers when making financial plans and decisions.
- Next to our own transition (decreasing our footprint), focusing on helping our corporate customers to transition their business towards increased sustainability and lastly, by informing society at large on sustainable transitions it can make (e.g. the Circular Economy Report as published on ing.com).

Our Sustainability Direction can be found on ing.com.

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 “Our Stance”. Here visitors can find an easy to understand explanation on a host of topics on which questions were raised by our stakeholders.

Next to the ESR policy framework, that has been developed to ensure informed decision-making that is consistent with ING’s Values and commitment to provide responsible financial services, we also pro-actively look for clients who outperform their peers on sustainability. The Sustainable Finance Team (SFT) drives and promotes sustainable business opportunities within ING. That ties into one of the pillars under the Sustainability Direction being Sustainable Transitions. With its focus the SFT strives to ensure a healthy and strong portfolio and to support tomorrow’s economy. Currently, almost 28 billion out of the 35 billion (2020 target) sustainable transitions have been financed.
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.

Pursuant to the charter of the Management Board Banking, the Management Board Banking shall, in performing its duties, carefully consider and act in accordance with the interests of the bank and the business connected with it, taking into consideration the interests of all stakeholders of the bank. When considering these interests, the Management Board Banking shall take into account the continuity of the bank and the environment in society in which the bank operates.

Proposals to the Management Board Banking and Supervisory Board must at least address two elements: (i) the impact the proposal may have on customers and other stakeholders, and (ii) the strategic fit. The impact the proposal may have on customers and other stakeholders 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. The strategic fit 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”.

In addition, our employees are expected to carefully weigh the interests of all the parties involved in and with the bank, namely those of the customers, the shareholders, the employees and the societies in which the bank operates. This is a key element of the Banker’s Oath that must be taken by our employees in the Netherlands. Furthermore, the Management Board Banking has launched the Orange Code in 2015. The ING Orange Code applies to all employees. The Orange Code is a set of ING-Values, formerly the ING Business Principles, and ING Behaviours which sets out our way of working. The Orange Code and in particular the ING Behaviours have been made an essential element of ING’s new Step Up Performance Management approach and all employees world-wide will be annually assessed against these ING Behaviours.

We believe that supporting and stimulating economic, social and environmental progress, is a very important role of each financial institution, as this may lead to a better quality of life for people in society. This is the value we create for, and with, our stakeholders. This naturally fits with our purpose of ‘Empowering people to stay a step ahead in life and in business’. In our annual report we describe how we believe we create value for different stakeholders.

At ING we believe that our role as a financial institution is to support and encourage economic, social and environmental progress that leads to a better quality of life. We believe in taking the long view and going beyond mitigating harm to driving real sustainable progress. This is why sustainability forms an integral part of our strategy 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 the bank.

Stakeholder engagement has always been an important element of ING’s overall strategy. We continuously listen to different constituencies, 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 several client meetings (e.g. meetings of the Klantenraad). In 2016, ING started ING Community: an accessible and transparent online platform where ING staff and ING customers interact with each other on a great variety of topics.

The results of our regular materiality assessment (based on a tool called ‘The Materiality Assessment’) guide ING in its strategic decision-making, stakeholder engagement agenda and reporting framework. For the 2015 materiality assessment, ING reached out to senior management and six stakeholder groups (business and retail customers, investors, NGOs, 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 we also organised a qualitative stakeholder engagement meeting in which we further discussed the outcomes of the 2015 materiality assessment. In this meeting representatives of all our (internal and external) stakeholder groups were represented as well as our Vice-Chairman. The discussions ultimately led to different nuances being placed on the importance of some of the outcomes of the quantitative materiality survey 2015. Furthermore, we hosted a series of internal sessions in which representatives of 7 key departments (Risk, Retail (council), Wholesale Banking, Corporate Strategy, Finance, HR and Sustainability) could provide their view on those 2015 results.

Last but not least, we organised stakeholder meetings between our Vice-Chairman and two NGO’s (Greenpeace and Oxfam) on two separate occasions.

We have ongoing dialogues, such as the abovementioned examples, as a source for early warning signals and to understand concerns that might be present. This enables us to learn which issues 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 issues.
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.

ING’s Articles of Association, Charters, ING Group Decision Structure and the ING Governance Manual, which were all updated in 2016, are aligned with relevant Dutch and international corporate governance standards. 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 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 head office 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.

During various moments in 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 of Shareholders (AGM), supported by the information in ING’s Annual Report.

Furthermore, the board is aware of its position and the importance of setting an example. A board effectiveness assessment was done in 2016 and the board 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.

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.

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.

Awareness and expectations with regard to the ING Values and ING Behaviours are actively embedded in the various communication channels and e-learning modules, among others via the so-called Promoting Integrity Programme. Various surveys are conducted to collect feedback and suggestions from ING’s employees worldwide regarding the level of employees’ engagement and how well we are running the business with respect to specific behaviours, activities and processes.
In line with the above, ING has a Whistleblower Policy in place which enables anonymous reporting on integrity related issues next to normal reporting channels.

In 2016, the MBB decided to launch the Think Forward Leadership Programme in 2017. Unlike many other 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 at ING. The HR team 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.

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.

Given the increased importance of digitalisation, in 2016 we continued to pay great attention to improving availability, reliability, data protection and security of IT infrastructure.

We are striving to improve our reliability through simplifying our IT landscape, both in terms of data centres as well as the platforms we run our applications on. As an example, we centralised the account management system for the retail products consumer loans, savings and current accounts in one core banking application.

The availability of our channels towards our customer has also improved compared to 2015 by implementing technical solutions which make them less sensitive for disruption combined with for example initiatives for enhanced monitoring of our applications and processing. We continued our
investments in automation of our software delivery by taking out repetitive manual work which contributes to a solid IT Infrastructure.

ING Bank builds on its cybercrime resilience by further enhancing the staff awareness and the control environment to mitigate cybercrime risks. On top of that ING has a disclosure program that encourages, ethical hackers to report on vulnerabilities they might discover on ING ‘s online services.

In October 2016, ING announced the theme of its strategy update: ‘Accelerating Think Forward’. To accelerate the Think Forward strategy, ING introduced a number of initiatives to further improve the customer experience, further grow primary customers and lending, and increase efficiency.

Customers are increasingly digital and bank with us more and more through mobile devices. Their needs and expectations are the same, all over the world, and they expect us to adopt new technologies as fast as companies in other sectors. In order to continue to lead in digital banking, we need to offer a better customer experience that is instant, personal, frictionless and relevant.

In that context, we intend to start a path of convergence towards one digital banking platform. Countries with similar value propositions intend to harmonise their business models and develop shared operating platforms. Infrastructure, data and support functions are intended to be standardised across countries and business lines.

Since launching Think Forward in 2014, we have made progress on many fronts. We did that by focusing on being clear and easy, anytime, anywhere, and focusing on our purpose of ‘Empowering people to stay a step ahead in life and in business’. We also promised to keep getting better and that is exactly what Accelerating Think Forward aims at.

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.

**Integrity above all**

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.

The Orange Code is the sum of two parts: (i) ING Values, and (ii) ING Behaviours.
**ING Values** – the non-negotiable promises we make to the world. The principles we stick to no matter what:

- We are honest
- We are prudent
- We are responsible

For more information on the ING Values, please visit ING.com

**ING 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 (in Dutch: ‘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, the Net Promoter Score (this is a tool to measure customer satisfaction) and the Winning Performance Culture Survey (within ING referred to as WPC).

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

- Roll out of the Orange Code Behaviours by means of amongst others the new Step Up Performance Management approach including the Orange Code. 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.
- Roll out of the Kudos tool, ING’s online Orange Code compliment tool. It gives employees the possibility to send compliments (known as ‘Kudos’) to colleagues for displaying Orange Code behaviours.
- Promoting Integrity Program (PIP) modules for training integrity led behaviour by means of e-learning and dialogue sessions.
• The Whistleblower Policy process that enables reporting (anonymously) on integrity related issues next to normal reporting channels.
• The Conduct and Ethics initiative to develop measurements and tools supporting the business and staff functions in further developing an integrity led culture.

For example:

o Compliance Risk Culture Monitoring (CRCM): a newly interview based methodology that measures employee's perception on certain drivers for conduct (so called ‘soft controls’) on topics such as communication, leadership, decision-making and enforcement. Based on a representative number of interviews, recommendations are made to management on organisational development from a (risk) culture perspective. Many WPC questions also relate to these soft controls, often a link to the WPC-scores of the department in scope is made.

o The Conduct and Ethics team is also developing tooling for improving the decision making processes within ING, with a strong focus on balancing the rights and interests of all stakeholders involved.

In ING Bank Netherlands:

• The Dutch Banker’s Oath has been rolled out:
• The Banker’s Oath was initiated by the Dutch banks and later regulated by law. In the Netherlands, in 2013, the Management Board Banking Members took the Banker’s Oath, an example of setting the tone at the top.
• Taking the Oath is part of the on-boarding process of new ING employees in the Netherlands.
• By taking the Oath, employees promise amongst others that they will carefully consider the interests of our customers, our shareholders, the bank itself, its employees and other stakeholders. In this balancing act, they will put the interests of the customers at the centre of their attention.
• The taking of the Oath is a meaningful ceremony and includes an e-learning module, a team challenge and a dialogue session.
• 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 Banker’s Oath Committee is established in the Netherlands to address dilemmas that employees may encounter in their daily work. Discussing these dilemmas is useful to gain insight into core dilemmas and potential future issues. They form the basis from which additional guiding principles can be formulated in order to further improve sustainable financial services to our customers. A selection of these dilemmas is also discussed with the Dutch Banking Association (NVB).
• The Ethics Centre of Expertise (ECE) 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.
Employees involved with clients who are in arrears are trained in ‘balanced decision making’, to ensure that they include the various rights and interests of the different parties involved. Employees to be trained are from – amongst others – Credit Risk Management and Credit Risk Restructuring.

Other relevant (recent) developments include:

- The Agile way of working has been implemented within the ING Bank Netherlands organisation. Multidisciplinary teams have been introduced with end-to-end responsibility, and shorter time-to-market. This allows a much faster response on change to meet customer needs.
- The Product Approval and Review Process (PARP) includes the Customer Golden Rules. The purpose of the PARP is – amongst others – to ensure that the interests of the customer and other stakeholders are carefully considered, in which the customer is put at the centre in the development of products, services and customer communication. The Customer Golden Rules are formulated to trigger further analysis about products and services to ensure that they take into account the needs of our customers. In addition, the PARP ensures compliance with relevant laws, regulations and policies.
- The Client Product Approval Committee (CPAC) sets out the risk appetite of the Bank when offering Financial Instruments. The purpose of the CPAC is – amongst others – to ensure that ING only sells products which are appropriate for our clients based on their knowledge, objectives and experience in combination with the complexity of the products. The CPAC provides a clear overview of products that can be offered per client categorisation and also introduces a more detailed classification which enables ING to be more precise than legally required.
- The Omnichannel delivery: ING wants to provide the customer with uniform, expert information, independently of which channel is used or which advisor is involved. Within the Omnichannel delivery the customers experience no difference between channels and can effortlessly switch between the channels without the loss of information.
- The Financially Fit Indicator: ING wants to inspire its customers in getting started with their finances and having their finances in order both now and in the future. The Financially Fit Indicator enables the financial experts of ING to provide improved advice to the customer and facilitate the customer with tooling to get financial insight within the ‘My ING’ and ‘ING Payments App’ environment.
- Customer Centricity (in Dutch ‘Klantbelang Centraal’ or ‘KBC’) is embedded in the Orange Promise and the purpose of ING Bank Netherlands. Additionally, initiatives are under way to stimulate the self-reflection of each department focussing on how they actually take into account the customers’ interests in their work and how the KBC principles are embedded within the organisation.
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.

How ING goes about achieving its purpose of ‘Empowering people to stay a step ahead in life and in business’ is defined in the Orange Code.

ING's Sustainability Direction:
ING opines that financial services have an important role to play in creating a healthy and sustainable world, not just by trying to be more sustainable by reducing our direct footprint, but also in the choices we make in lending, investing and the services we offer to customers and society at large.

Sustainability is therefore integrated directly into the core of our business strategy. We know that to be a good corporate citizen we need to help people to stay a step ahead. We do this by:

- Supporting and accelerating the financial empowerment of individuals. Hereeto, we designed online platforms, blogs, and functional tools and organised dialogue sessions to empower our customers when making financial plans and decisions.
- Next to our own transition (decreasing our footprint), focusing on helping our corporate customers to transition their business towards increased sustainability and lastly, by informing society at large on sustainable transitions it can make (e.g. the Circular Economy Report published on ing.com).

Furthermore, sustainability updates are on the agenda of the Management Board Banking and Supervisory Board on a periodical basis and are also part of the Permanent Education programme.

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 what the issues with the highest materiality (on global and local level) tell us. For more information, please see the 2016 Annual Report.

In 2016 we organised a qualitative stakeholder engagement meeting in which we further discussed the outcomes of the 2015 Materiality results. In this meeting representatives of all our (internal and external) stakeholder groups were represented as well as our Vice-Chairman. The discussions led to different nuances being placed on the importance of some of the outcomes of 2015.
Furthermore, we hosted a series of internal sessions in which representatives of seven key departments (Risk, Retail (council), Wholesale Banking, Corporate Strategy, Finance, HR and Sustainability) could also provide their views on the 2015 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).

As a result of our efforts, ING now is one of the world's most sustainable listed banks. In 2016 ING was named the best performing bank in a list of 395 banks by Sustainalytics and was again one of the highest scoring banks in the DJSI.

In October 2016, ING was ranked in the top 9% of thousands of companies when it comes to actions and strategies to combat climate change according to the leading non-profit organisation CDP (Carbon Disclosure Project). ING was again named to CDP's 'Climate A-list' of 193 companies leading on climate change action, receiving the highest possible score, and recognised with a Euronext/CDP Leadership Award for outstanding environmental disclosure.

In June 2016, ING took the next step in its commitment to stimulate the circular economy by joining the Ellen MacArthur Foundation as an official Circular Economy 100 (CE100) corporate member. As a CE100 member, ING was asked to join a maximum of 100 global frontrunner corporations collaborating to develop circular economy opportunities. Through the Ellen MacArthur Foundation, ING aims to grow its knowledge and network on this topic, collaborating with experts, partners and other CE100 members to promote the circular economy and unlock business opportunities related to it.

Europe is gaining a leading player in recycling thanks to the merger of international waste-to-product business Shanks Group plc and leading Dutch recycler Van Gansewinkel Groep. ING was advisor and sole underwriter, which is evidence of our commitment to stimulate the circular economy.

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 2016 Annual Report.
In 2016, 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 its successful last year's pilot on job coaching for mortgage clients looking for a job. For these clients, ING organises job coaching sessions with Randstad HR Solutions. ING covers the costs hereof and this year the capacity has been further increased. Clients are advised on drafting their CV'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 1,000 lessons on money matters at primary schools during the Global Money Week. ING is a long term sponsor of UNICEF, of Dutch football (amateur and the Royal Dutch Football Federation). Cultural icons such as the Rijksmuseum, the Kunsthal 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 a dedicated online learning to become more financially aware.

ING Green Bank has a balance sheet total of EUR 800 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. In 2016 there was strategic shift in the lending portfolio. ING Green Bank strongly increased the volume of loans to Small and Medium Enterprise and Mid-Corporate clients. New channels were opened to offer Green Bank lending services to clients in commercial real estate as well as structured finance transactions, for clients operating small to medium sized renewable energy generation projects. ING Green Bank profited from increases in investment volumes in the breadth of these sectors. As sustainable business practices continue to become more mainstream and embedded in regular investment decisions, and as the Dutch state’s renewable- and sustainable ambitions gain traction, ING Green Bank is expected to partake in the considerable growth of investment opportunities over the coming years.

In addition to its lending services for sustainable investments, ING Green Bank also directs up to ten percent of its balance sheet towards financial inclusion activities. These include extending microfinance loans to micro entrepreneurs, structuring debt and providing additional (financial and non-financial) services for clients to maximize social- and environmental impact. ING Green Bank supported the Inclusive Finance Sector’s move toward more Small and Medium Enterprise
finance with its “A Billion to Gain 2016” research, which focused on the role of technological innovation as a key to unlocking SME (micro) finance opportunities. The study was conducted in cooperation with the World Bank and the Global Partnership for Financial Inclusion, as well as the Dutch NPM – platform for inclusive finance.

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.

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:

- 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.
- 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 head office 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 among others via e-learnings (such as on market abuse, due to new regulations as per mid-2016). ING’s e-learnings 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. Next to normal reporting channels, employees can anonymously report on actual or suspected irregularity or misconduct within ING that leads or could lead to a violation of ING Orange Code, any ING Policy and/or any law, regulation or code.
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 head-office 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

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.

The composition of the Supervisory Board of ING allows the board to fulfil its tasks properly. The Supervisory Board presently consists of eight members. 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.

The Supervisory Board has drawn up a profile which includes the basic principles for its composition and competences. This profile is reviewed 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.

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 2016 on average 98% of the Supervisory Board members were present in and participated at the Supervisory Board and committee meetings. The Supervisory Board has a permanent Audit Committee and a permanent Risk Committee. These committees at least convene prior to the publication of ING's (quarterly) results. Outside these meetings discussions take place through 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.

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.

For more information please see the 2016 Annual Report.
Each member of the supervisory board will be aware of the social role of a bank and of the interests of the various stakeholders.

The bank’s function in society and 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, particular topics and his/her role as a Supervisory Board member. Furthermore, a number of other educational sessions on specific topics were organised for the Supervisory Board throughout the year, including ones addressing various developments in the regulatory and external supervision landscape, financial reporting including IFRS 9, compliance, sustainability and risk & capital management. 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. In January 2016, the annual Knowledge Day focused on the rationale for the Accelerated Think Forward Beyond 2017 programme. Among others, the following topics were discussed: innovation update and experience, IT update, organisational health index, business line updates and COO domain. In addition, IFRS 9, sustainability, regulatory and supervisory developments, corporate governance, as well as a business visit to Hong Kong and Beijing in September 2016 – 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 include at least the following two elements: (i) the impact the proposal may have on customers and other stakeholders, and (ii) the strategic fit. The impact the proposal may have on customers and other stakeholders must address how the customer's interests have been taken into account in the consideration of all interests involved in the company and clarify what the estimated impact of a proposal will be. The strategic fit 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”.

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.

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 Risk Committee of the Supervisory Board.

Following the unforeseen departure in September 2015 of Carin Gorter, no other member of the Audit Committee is considered a “financial expert” as defined by the SEC in its final rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. 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.
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. In January 2016, the annual Knowledge Day focused on the rationale for the Think Forward Beyond 2017 programme. Among others, the following topics were discussed: innovation update and experience, IT update, organisational health index, business line updates and COO domain. In addition, IFRS 9, sustainability, regulatory and supervisory developments, corporate governance, as well as a business visit to Hong Kong and Beijing in September 2016 – where among others meetings with clients took place – have been part of the Permanent Education programme for the Supervisory Board.

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.

Annually, the functioning of the Supervisory Board is evaluated through a self-assessment process. Similar to last year, the 2016 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 2016, 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.

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.

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.

No variable remuneration is awarded to Supervisory Board members.

More information on remuneration of the Supervisory Board is disclosed in the Remuneration Report of ING’s Annual Report.
3 Executive Board

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.

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.

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 recognizes 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 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.

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.

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 Bank 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.

ING’s risk management framework is based on the ‘three lines of defence’ 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’s business operations.
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.

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 & Risk Committee (F&RC). The F&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 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 & Trading Risk Committee for Policy (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.

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.

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.

For further information on Risk Management, see the Chapters on Risk Management in the ING Annual Report.
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.

A collective Permanent Education 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 Permanent Education 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 2016 collective sessions cover amongst others corporate governance, sustainability, disclosure of inside information, IFRS 9, IT developments, data protection, compliance, risk management and developments in the regulatory and external supervision landscape. In addition, the Management Board Banking has been updated on new market developments during board meetings at least once a month. Presentations on various content related topics also contribute to the Board’s general education.
4 Risk Policy

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.

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 Committee for Policy (GCTP), chaired by the CRO, with a view towards consistency across all types of risks.

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 GCCTA) and the connected charters are approved by the GCTP, ensuring a comprehensive and consistent approach towards credit risk.

Market risk policies describe amongst others the product approval process, funding and liquidity appetite and stress testing, funding planning and liquidity forecasting. The Asset & 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 & 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.

The Non-Financial Risk (NFR) function encompasses the compliance risk and operational risk management functions, including reputational risk. 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.

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 Bank applicable to non-financial risks. To support management in
mitigating compliance risks, the Bank Compliance Risk Management function actively train and advises the business in managing compliance risks related to e.g. money laundering, terrorist financing, sanction and export control compliance, conflicts of interests, miss-selling, corruption and protection of customers' interests.

The controls to mitigate the compliance risks associated with the above-mentioned risk areas are designed and embedded in day-to-day processes. The effectiveness of the controls as designed is tested periodically, and senior management is aware about their responsibility to ensure their processes are compliant with applicable laws and regulations, ING Bank’s internal policies, procedures and the Orange Code.

In cases where an employee of ING Bank suspects an actual or suspected irregularity or misconduct within ING that leads or could lead to a violation of ING Orange Code, any ING Policy and/or any law, regulation or code this can be reported anonymously in line with the Whistleblower Policy.

Main developments in 2016

- **Compliance Risk Culture Monitoring**
  The Bank Compliance Risk Management function enhanced its control framework by assessing the operation of soft controls in relation to compliance risks in addition to hard controls. The aim of Compliance Risk Culture Monitoring is to assess the risks that might influence the conduct and risk culture, promoting the individual integrity of all employees and enhancing the overall culture that is led by integrity.

- **Market Abuse**
  Integrity and transparency in financial markets are essential for public and investor confidence. In light of revised Market Abuse European legislation that came into effect in July 2016, ING Bank issued a new Market Abuse Policy and Minimum Standard to prevent insider dealing, unlawful disclosure of inside information and market manipulation, including benchmark manipulation. A central project was established to support ING’s commitment in adhering to these revised market abuse European legislation and to create consistency throughout the organisation with respect to the roll out and implementation of the policy and minimum standard requirements.

- **Financial Economic Crime**
  The 4th AML Directive as issued by the European Union has been incorporated into the update of the Financial Economic Crime Policy and Minimum Standards. The main changes in this Directive (compared to the 3rd AML Directive) are related to: the establishment of an Ultimate Beneficial Owner (UBO) register (at national level with the potential to share the information within the European Economic Area (EEA)) and a stronger approach towards the application
of Due Diligence on ING’s customers. The final translation of the 4\textsuperscript{th} AML Directive into the laws and regulations of the EU member states is foreseen in Q2/2017.

ING Bank categorises operational risks in a number of risk areas:
- Information (Technology) risk;
- Continuity risk;
- Control risk;
- Internal fraud risk;
- External fraud risk;
- Unauthorised activity risk;
- Personal and physical security risk;
- Processing risk; and
- Employment practice risk.

Operational risk includes the related risk of reputation loss, as well as legal risk. Reputational risk is multidimensional and reflects the perception of other market participants, like customers, counterparties, shareholders, investors or regulators that can adversely affect ING Bank’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).

Given the heavy reliance on IT systems in financial institutions, controls that monitor the various aspects of IT risk, such as integrity and confidentiality, are embedded in ING Bank’s risk and control framework.

**Main developments in 2016**

- **Internal and external fraud**
  The risk of clients and ING Bank staff being targeted by fraudsters using social engineering techniques to execute payments is still increasing and CxO impersonation fraud remains a significant threat. Efforts are undertaken to mitigate the risk such as creating awareness for customers and staff. ING Bank stringently monitors both this type of fraud and new emerging fraud methodologies.

  ING Bank continues working on strengthening its global fraud resilience and to strengthen its control environment as fraudsters turn their interest to the end-user. Exploring and combining automated fraud detection tools that can be used for monitoring or early detection of fraudulent incoming and outgoing payments remains important in fraud prevention. These are used to further enhance an effective set of organisational controls.

- **Cybercrime**
  Cybercrime is a continuous threat to companies in general and to financial institutions specifically. Both the frequency and the intensity of attacks increase on a global scale.
Particularly threats from Distributed Denial of Service (DDoS), targeted attacks (also called Advanced Persistent Threats) and Ransomware intensify worldwide. ING Bank builds on its cybercrime resilience, further enhancing the control environment to protect, detect and respond to e-banking fraud, DDoS and targeted attacks. Additional controls continue to be embedded in the organisation as part of the overall internal control framework and are continuously re-assessed against existing and new threats.

ING Bank also works on strengthening its global cybercrime resilience including strong collaboration against cybercrime with the financial industry, law enforcement authorities, government (e.g. National Cyber Security Center) and Internet Service Providers (ISPs).

For more information on Non-Financial risk, please see ING’s Annual Report.

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<tr>
<th><strong>A bank’s executive board will be responsible for its risk policy and ensure proper risk management.</strong></th>
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<tr>
<td>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.</td>
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<th><strong>The supervisory board will supervise the risk policy pursued by the executive board.</strong></th>
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<td>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.</td>
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<tr>
<th><strong>While the Management Board Banking has a collective responsibility to manage the company, one of the Management Board Banking members has been appointed CRO who is primarily responsible for risk management.</strong></th>
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<td>Each year, the risk appetite is set by the Management Board Banking and submitted to the Supervisory Board for approval. 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.</td>
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<th><strong>On a quarterly basis, the Risk &amp; Capital Management Report 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 risk, market risk, credit risk, non-financial risk and regulatory risk) versus the approved risk appetite and the actual capital and liquidity levels. 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.</strong></th>
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<td>Since August 2009, the Supervisory Board has a Risk Committee. Risk Committee meetings take place at least 4 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 of ING Bank N.V.</td>
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| **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.** |
### Audit

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<th><strong>Text Banking Code 2015</strong></th>
<th><strong>Implementation by ING</strong></th>
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<td><strong>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.</strong></td>
<td>ING Bank 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. 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.</td>
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<td><strong>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.</strong></td>
<td>CAS is independently positioned within the ING Bank organisation. CAS staff report to the General Manager of CAS. The General Manager CAS reports directly to the CEO of ING Bank and functionally to the Audit Committee of the Supervisory Board. CAS’ independent position within ING Bank is periodically assessed as part of the external quality review performed by the Institute of Internal Auditors Netherlands (IIA), Nederlandse Beroepsorganisatie van Accountants (NBA) and NOREA (Dutch organisation for IT auditors). 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 (at least quarterly).</td>
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<td><strong>The internal audit department, external auditors and supervisory board’s audit committee will consult periodically.</strong></td>
<td><strong>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.</strong></td>
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<td><strong>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.</strong></td>
<td><strong>CAS prepares and discusses its risk analysis and audit plan with the Management Board Banking, the Audit Committee of the Supervisory Board, the external auditor and with DNB/ECB. Subsequently, CAS periodically exchanges information with these stakeholders in order to update its risk analysis and audit plan (at least quarterly). Tripartite talks have not taken place since the supervisory responsibilities moved from DNB to ECB. Regular meetings with the external auditor and separately with ECB/DNB have taken place during the year. The external auditor does have separate meetings with ECB/DNB.</strong></td>
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## 6 Remuneration Policy

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<th>Banking Code 2015</th>
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<td>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.</td>
<td>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. The general principles underpinning ING’s remuneration policy are as follows:  - Create a balanced compensation mix  - Reduce variable remuneration in line with local practice and applicable remuneration regulations  - Enhance long-term value creation  - Improve the alignment of risk, performance and reward  - Significantly focus on sustainable performance indicators aligned with our strategy  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 on at least 50% non-financial criteria. The variable remuneration policy of ING is compliant with applicable remuneration regulations, including the maximum ratios as determined by these regulations. Furthermore, ING has implemented the principles of the Banking Code in its global Bank Remuneration Framework and into specific policies for the Executive Board and Management Board Banking. The charters of the Executive Board, Management Board Banking and the Supervisory Board reflect that ING continues to be committed to ensure that the execution of the remuneration policy remains in line with the criteria set out in this principle. More details can be found in the Remuneration Report of ING’s Annual Report.</td>
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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 remuneration policy is benchmarked against the Eurostoxx 50, a peer group of major (financial and non-financial) European multinationals. Remuneration levels are determined below the median.

The fixed remuneration of the members of the Executive Board was increased in 2016 with 2%, but remains well below the median.

The variable remuneration of the members of the Executive Board and Management Board Banking is set in accordance with the applicable remuneration regulations.

For more information, see the Remuneration Report in ING’s Annual Reports 2010 until 2015.