

ING non-financial data reporting protocol

2017

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1. Introduction

Through our integrated annual reports, we aim to tell a holistic story of our organization in a manner that allows all our stakeholders to assess the ability of our organization to create and sustain value in the short, medium and long-term.

A balanced integrated report contains information on our economic performance as well as on the impact of our organization on society and the environment. Material sustainability and non-financial topics are therefore included in the integrated report. These topics and other relevant sustainability data are detailed in the Non-financial Appendix, which ratings and reporting analysts may find useful.

The following non-financial data reporting protocol defines the methodology, boundary and scope of the non-financial and sustainability related data published either in the integrated report or in the Appendix. It includes the definitions of key performance indicators (KPIs) and describes how data is collected, aggregated and reported to ensure consistent, accurate, complete and balanced reporting year-over-year. In Chapter 2 of this protocol, we describe the reporting standards and guidelines we adhere to as well as data gathering processes. Chapters 3-8 contain the guidelines, definitions, and processes per topic and KPI.

2. Sustainability Reporting

2.1 Reporting guidelines

ING's integrated report, including the Non-financial Appendix, is prepared in accordance with the RJ 4000 and the GRI Standards: Comprehensive option. The content criteria provided by the Standards (sustainability context, stakeholder inclusiveness, materiality and completeness) are integral to our reporting process.

GRI Standards (Comprehensive option) are used throughout the report and the Non-financial Appendix. Additional criteria and guidelines may apply for certain KPIs such as the Greenhouse Gas protocol for CO₂ emissions and the Equator Principles III criteria for the screenings of deals. If additional criteria and guidelines are used, this is explained in each chapter.

2.2 Reporting scope and period

The boundaries of the economic, environmental and social impact resulting from our business and operations were assessed and, as a result, we have attempted to provide a balanced and reasonable assessment of our performance on those issues identified as material. The table below lists the material topics that are included in our integrated annual report. Also included (per material topic) is an indication which stakeholder groups we believe are most significantly impacted.

Material Topic
Customer Centricity
Innovative business developments
Customer privacy and data ethics
Enhancing customer financial capabilities
Stability of IT systems and platforms
Usability and accessibility of our products and services
Economic Contribution
Financial performance
Pricing of products and services
Managing risks (financial risks and non-financial)
Responsible business practices
Corruption prevention
Responsible finance and investment policies
Transparency
Human Capital Development
Diversity and equal opportunities

Table showing the material topics resulting from our 2017 materiality assessment. Material topics are updated annually. See section 2.3 for more information on our materiality process.

Our material topics define KPIs for our annual reporting and complement our reporting on performance and progress with regard to local, regional and international law, ING policies and governance framework.

The data collection process on KPIs is detailed in this reporting protocol. We aim to ensure that our annual report together with the non-financial appendix provides a concise, accurate and balanced account of ING's performance in the business units over which ING has management control. If the scope is different, for example for reasons of materiality, this is mentioned per performance indicator in chapters 3-8. The reporting period always refers to the period January 1 until the December 31 of the given year, unless stated otherwise.

Not all topics covered in our annual reporting are equally important to all our stakeholders. Parts of our disclosures on KPIs, particularly in the Non-financial Appendix, may be of greater interest to sustainability professionals, NGOs, or sustainability ratings providers. This reporting protocol provides a detailed account of the methodology applied in defining, collecting and reporting on non-financial KPIs.

2.3 Reporting content & materiality

In drawing up the content for the integrated annual report, we have taken into account the issues that can have a material impact on our business and operations, as well as the risks and opportunities, applicable regulations and trends. Sustainability is an ever-evolving domain where material issues change, requiring us to adapt our reporting to meet the expectations of our stakeholders. We therefore undertook a materiality assessment to guide our reporting with the aim of providing a balanced and complete picture of our performance over the reporting year.

Our materiality analysis approach combines quantitative and qualitative research which provides for a holistic understanding of stakeholder expectations and more effective engagement. We used a three-year cycle with a quantitative assessment involving 1,500 respondents across five countries and six stakeholder groups in 2015, and qualitative assessments in 2016 and 2017 across business units. The results of this analysis guide us in our strategic decision-making, stakeholder engagement agenda and reporting framework.

In 2017, ING chose to update its materiality outcomes by conducting external stakeholder dialogue in Belgium and Germany and internal stakeholder validation. ING reached out to senior management and seven stakeholder groups: business and retail customers, NGOs, academics, shareholders, employees and regulators. All were asked to rank the importance of material topics and to find consensus on one or two action points for ING. They were also asked to comment on emerging topics suggested by ING and to propose new topics.

The results of stakeholder dialogues were complemented with a global media, trend and peer analysis. The final results were validated by experts from ING's Global Sustainability department and approved by Management Board Banking. Our work in 2017 builds on analysis of a long list of issues that either can impact or can be impacted by our business and strategy, as well as an external stakeholder dialogue conducted in the Netherlands in 2016.

The long list of issues and our engagement approach align with ING's risk assessment framework as well as guidelines from the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

Our materiality work in 2017 helped us achieve focus by reducing the number of material topics. In a 'hygiene' first step, we removed the topics 'regulatory development and compliance' and 'anti-competitive behavior prevention', both relating to regulatory compliance.

Furthermore, the topic 'trust' was removed, as we believe we gain trust through our performance on other topics. We then increased the materiality threshold to create more focused and balance in our reporting. As a result, 'responsible lending and debt prevention' and 'remuneration of ING employees' were removed. The former still forms a prominent part of our reporting under the key performance indicator Responsible Finance of our reporting under the material topic 'Enhancing customer financial capabilities'.

'Remuneration of ING employees' is captured within the remuneration chapter of our Annual Report, 2017 GRI Content Index and Capital Requirements Regulation (CRR) 2017 Remuneration Disclosure ING Bank N.V. Disclosures are similar to previous years.

Lastly, we have clustered the topics of 'Fair communication of products and services' and 'Transparency' as their definitions overlapped. The boundaries of the material topics remain unchanged.

2.4 Reporting process and methods of data collection

Our reporting process ensures that we disclose non-financial data that is balanced, comparable, accurate, reliable, and in line with GRI Standards: Comprehensive option.

All reported data is as of fiscal year end (December 31), unless otherwise stated. Most data is collected annually, but some data is collected more frequently, for example HR data. If this is the case, this is mentioned in the relevant chapters. For certain KPIs, such as extrapolation of CO2 emissions, measurements or calculations are made. If so, these are also explained in the section for that KPI.

Data is gathered on 6 overarching topics: Environment, Community Investment, Customers, HR, Innovation and Business-related non-financial topics.

Data on Environment, and Community Investment are collected through our online data management system, Credit 360 (<https://www.credit360.com/credit/site/en/home.acds>). Data is gathered from all business units over 100 FTE for which ING has management control in accordance with community investment data collection guidelines set by the London Benchmarking Group. For Environment, we gather data from all business units over 200 FTE as this constitutes over 90% of emissions and therefore these business units have a material impact on our environmental footprint. If there are extra performance indicators gathered outside of this management system, but within these three topics, this is described in chapters 3-8.

The current reporting protocol is updated annually by ING's Global Sustainability department to improve the quality of our non-financial data disclosures. A member of the department acts as document owner and is responsible for ensuring the document is updated and all indicator write-ups are based on the latest inputs from data owners.

Data on Human Resources is gathered from our Global Human Resources registration system. Data on Business-related non-financial activities are collected through the systems of Group Finance, the Environmental and Social Risk (ESR) Desk of Group Risk department, as well as the Sustainable Finance department of ING Wholesale Banking. These data collection processes are detailed in chapters 3-8. Data on Customers is gathered by the Global Customer Analytics department and the Global Sustainability department.

3. Business performance indicators

Parameters included in the integrated report and annex include: Responsible Finance, Impact Finance, Equator Principles (EP) deals, the credit risk portfolio per economic sector, Sustainable Assets under Management (SAuM), Financial Empowerment interactions, Feeling of Financial Empowerment, System Availability and Green Bonds.

3.1 Responsible Finance – Industry ESG Leaders, Climate and Social Impact Finance

Responsible Finance is used to fund clients and transactions that ING believes will help the world transform to be: Climate resilient, Socially resilient, Financially resilient. The KPI is inspired by our ambition: “Out of all the banks helping to make the world last, we want to be the first.”

Responsible Finance, used only in ING Wholesale Banking, is composed of the following three KPIs:

1. Industry ESG Leaders (client-based KPI)
2. Responsible Finance themes (Climate Finance & Social Finance) (transactions-based KPI)
3. Responsible Finance Products (transactions-based KPI)



3.1.2 Definitions, boundaries, other data gathering and internal controls

Definition Industry ESG Leaders

Industry Environmental, Social and Governance Leaders (IESGL) are clients which ING considers “best-in-class” in their sector. IESGL are selected per sector for all sectors that ING banks, except ESR excluded sectors, coal and tobacco¹.

Sustainalytics’ ESG Ratings measure how well issuers proactively manage the environmental, social and governance issues that are the most material to their business. Based on a structured, objective and transparent methodology, Sustainalytics’ ESG Ratings provide an assessment on companies’ ability to mitigate ESG risks.

We have mapped Sustainalytics peer group classification to the industry classification used by ING. Each security within the Sustainalytics database has a number of unique identifiers, namely Sustainalytics ID, ISIN, SEDOL, which ING also uses². The KPI on IESGL is measured in lending outstandings (O/S) in EUR value.

Metric: The metric measure (O/S EUR) enables ING to communicate the euro amount (share) of its portfolio which supports leading companies and set KPIs to shift our portfolio towards these clients more each year. We believe these are the “clients of tomorrow” and by focusing on doing business with them, we believe that we will achieve a stronger loan book and encourage ESG performance/sustainability across all sectors that we finance.

Definition: In 2017, ING strengthened its methodology and started using external definitions to identify IESGL – the Sustainalytics ESG ratings methodology (attached). ING no longer considers internal client assessments for the KPI on IESGL. This way we reduce our time investments in sustainability assessments, which are non-core for ING’s business, but also aligns our reporting to an external widely-used and independent methodology.

Criteria to qualify are as follows:

The client **MUST** be:

- Ranked as “Leader” or “Outperformer” according to Sustainalytics – please see attached ESG Ratings methodology by Sustainalytics.

AND

The client **CANNOT**:

¹ Coal – ING no longer finances new coal clients and has a reduced risk appetite in this sector; Tobacco – similarly, ING is reducing its risk appetite and expects changes in its lending policies for the tobacco sector.

² ING can explain or provide a write-up describing the matching process between Sustainalytics data and ING’s client databases.

- Be restricted by ESR (partially or fully) – Please refer to footnote 4 for weblink to our ESR Framework providing definitions of partial and full restriction.
- Have an industry code which corresponds to coal or tobacco³
- Be in scope of any ESR's exclusion criteria⁴
- Have a severe controversy rating (4, 5) by Sustainalytics⁵

Note on 'Leader' or 'Outperformer' – Sustainalytics methodology:

The ESG Rating is relative to an issuer's peer group. Issuers are classified into five distinct performance groups based on their ESG score within the peer group. A company is classified in one of the five performance classes: Laggard, Underperformer, Average Performer, Outperformer or Leader, by comparing the company's ESG score against a band.

Example for the Utilities Industry

A utility company with a score of 50, falls in the second class and is classified as Underperformer

Class: Score Bands

Laggard: ESG ratings lower than 45

Underperformer: ESG ratings between 45 and 51

Average: ESG ratings between 51 and 72

Outperformer: ESG ratings between 72 and 80

Leader: ESG ratings above 80

Sustainalytics uses a bell curve / normal distribution to classify the companies in each peer group. The largest group, the third one, is called Average (this is not the same as median). The label 'average' is given to roughly 60% of the peer group, with 40% distributed in the two tails – Leaders and Outperformers - and the other tail – Laggards and Underperformers.

Please note:

1. IESGL are labelled Sustainable internally within ING teams due to IT legacy systems.

Validity of Status

The status of a company remains valid for one year. Once a year, new client statuses will be loaded from Sustainalytics' database and used to update our client assessments. All clients which are assessed by Sustainalytics will be checked to see if they will retain their current status or if a new status will apply. The controls and review responsibilities are as explained in the '*data gathering process*' and '*obtaining the amount*' sections below.

Please note: In case of a material and significant controversy (e.g. Volkswagen's diesel scandal) ESR removes the "sustainable" status in the system for the respective client.

Visibility of Status

³ We are currently internally working on coal and tobacco exclusion policies, leading to full exclusion of coal and tobacco. This was one of the outcome extensive discussion amongst experts, involving Sustainable finance, ESR, Global Sustainability, and Investment office teams. For companies generating revenue from coal, the Responsible Finance tolerance is 0%. Also, companies which fall under the industry code of Tobacco, are all fully excluded. Once our policies come into force, these two exclusions will be an integral part of our ESR framework and thus Responsible Finance will not have exclusions beyond the scope of our ESR policies.

⁴ ESR policies: <https://intranet.ing.net/sites/StaffSupport-global/Risk/Pages/Environmental-and-Social-Risks-en.aspx>

⁵ Please note, in our experience applying filters for Sustainalytics Controversy Categories 4 and 5 excludes companies with serious violations of internationally accepted standards of sound corporate governance and with a history of serious damage to society and/or the environment. Companies with a Category 5 controversy rating are put by Sustainalytics on a UN Global Compact (UNGC) non-compliance list, while a Category 4 ratings leads to the company being put on a UNGC Watchlist. Please refer to page 11 of Sustainalytics ESG ratings methodology (attached to email).

ING Vantage system hosts the status of clients. For clients which are not subject to ESR exclusion sectors (see ESR Framework for list of sectors), the ESR Status of the client is shown automatically in Vantage. For clients in ESR excluded sectors, the relevant client owner will be prompted to answer ESR exclusion sector questions, based on which the system will calculate an outcome.

System Calculation of “sustainable” outcomes:

Where a company meets the IESGL criteria and does not fall in an industry code with an ESR exclusion, the outcome “sustainable” in the system will be automatically generated. When the client falls into an ESR excluded sector, the front office will ask the client several questions (e.g. are you involved shipbreaking etc.) during the Client Due Diligence (CDD). If the client passes the test, they will be labelled ‘ESG Leader’. If the company is involved in ESR exclusion activities, it loses its sustainable outcome. If it isn’t, then it retains the sustainable outcome.

Boundaries

Loans to IESGL only includes the outstandings which fall under the risk category of “Lending” in Wholesale Banking.

Data gathering process

Generation of list of IESGL candidates (occurs annually):

Sustainalytics delivers the list of ESG ratings and controversy levels for ING clients. Sustainalytics assessments are then mapped to ING’s system using their unique ID, either ISIN or LEI (Legal Entity Indicator). This is done by the ING Wholesale Banking Vantage Support team. This list now has the ING ID for these companies, Sustainalytics ESG rating, controversy level and industry codes.

Note on completeness: Sustainalytics provides an ESG rating on all stock listed companies part of the universe of Sustainalytics ESG Ratings.

Sustainable Finance team then filters the Sustainalytics excel sheet on companies with ESG Rating “Leader” and “Outperformer”. From that list, the team filters out all companies with controversy levels 4 & 5. It also removes all companies who fall in the industry codes for coal or tobacco.

This Sustainalytics excel sheet is then provided to the **ESR team** which screens for partially and fully restricted companies and loads the outcomes to ING’s Vantage system. The Vantage Support team then use automatic programming in Vantage based on industry codes to calculate the ING outcome (sustainable or not) automatically or trigger relevant exclusion sector questions. Once these have been answered, the Risk Reporting team generates an excel list from Vantage with status “sustainable” which includes ING internal assessments.

Obtaining the amounts:

ESR team receives from the **Risk Reporting team** the excel list above of all companies which have the Vantage status “sustainable”. This list is provided to Sustainable Finance team. From this list, only the companies that have a Sustainalytics ESG rating (vlookup) are labelled IESGL. This ensures that companies which are assessed through ING’s internal process are excluded. This list with GRID IDs is provided to **Finance reporting team** who provides the Outstandings (OS) for the clients. **Group Sustainability team** will have an additional review role annually to ensure completeness and accuracy of data based on the described process and applying the four eyes principle.

Note: Since this list has been implemented in ING systems only in November, not all companies which should be flagged sustainable are in ING systems yet. This means, that as these companies are assessed, the OS amounts will grow due to assessment. The growth due to assessment and new business will be reported separately for transparency.

Note 2: The market and standards are dynamic. ING has selected a strict process to be labelled an IESGL and will revisit its definitions each year to ensure they match or beat market standards. Such revisions will be discussed with the auditor.

Internal controls

Since all these companies are separate legal entities (Legal Ultimate Parents), there is no risk of double counting.

1. Responsible Finance themes (Climate Finance & Social Impact Finance)

Definition

The themes ING has decided to communicate are mapped to the Climates Bonds Initiative taxonomy. They are provided below.

Rationale

ING wants to comply with market standards to increase transparency and so that it is much more clear which areas ING is contributing to make more sustainable. To keep the approach holistic, we use climate as well as social transitions.

Categories

Climate finance

Energy transition
 Low carbon buildings
 Energy efficiency
 Transport
 Circular economy
 Waste management
 Information Technology and Communications
 Water (including climate adaptation)
 Other

Social impact finance

Basic Infrastructure
 Essential Services
 Affordable Housing
 Food Security
 Community Development
 Financial Access and Microfinance

The KPI is measured in lending outstandings (O/S) in EUR value.

Please note that in cases where the amounts are zero or not significant, the categories will be mentioned in footnote of the table.

Responsible Finance scorecards

ING has developed scorecards to identify which transactions should fall under the themes above. These scorecards (attached to email) are used by front office teams to determine if the transaction they are involved in meets the sustainability criteria in their sector. Scorecards are provided in a separate document and available on the Sustainable Finance intranet page.

Scorecards have been updated in 2017 to increase accuracy and consistency and in line with market developments and ING's maturity in the Responsible Finance approach. The main changes in the scorecards are provided below:

What do the updated transaction scorecards cover?

- Only transactions with a specific purpose like project/asset based financing or acquisition financing will be assessed through the sustainable finance scorecard assessment.
- Threshold for project/asset based financing are that majority (>75%) of the use of proceeds will be for assets/activities which meet the scorecard criteria.
- Threshold for acquisition finance are that >75% of the revenues of the target should meet the scorecard criteria. This is to be sure that almost everything the target does is sustainable, and therefore ING supporting the acquisition of that asset/company is responsible financing.
- General corporate purposes or other general finance is assessed using the IESGL methodology and not assessed through scorecards.
- The sustainability status of a client when we do project/asset based financing or acquisition finance therefore becomes irrelevant to the sustainable finance assessment of these transactions. Please note: All transactions need to meet ESR policies and sustainable status does not exempt or limit the ESR due diligence on the transaction.

What are the main changes?

- The final list of scorecards includes sustainability criteria for Energy, Efficiency (energy and resource), Green Certified Real Estate & Infrastructure, Transportation, Water, TMT, Other.
- Other is only for exceptional transactions which do not fit in the sectors above but do have an outstanding positive impact (higher than standard market practice) in terms of 1) lowering GHG emissions, 2) reduction of waste 3) circular (reduce and reuse), 4) prevent environmental pollution. It is expected that "Circular" will have its own scorecard in 2018. Additional Sustainable Finance team approval is required for these transactions.

- Energy: We have added lower carbon fuel criteria which does not include production or generation of non-renewable energy, but only transition to lower carbon fuels. Energy efficiency has been moved in new scorecard- Efficiency.
- Efficiency: New scorecard on Efficiency which includes both energy and resource efficiency. The criteria align with ING's Green Bond criteria with a second party opinion (SPO) from Oekom. Energy efficiency increase of 20% and resource efficiency increase of 10% qualify as sustainable.
- Green Certified Real Estate and Infrastructure: We have added Infrastructure to the Real Estate scorecard because we see BREEAM and LEED certifying roads/bridges etc.
- Transportation: We have changed the subsectors under transportation to the following:
 - Electric- This now includes electric vehicles (new) and electric locomotives (same as 2016)
 - Public Transport- The criteria has been updated to Public Transport fuelled by: Electricity, Renewable Energy, Gas, Hydrogen, or hybrid sources.
- Shipping- No change
- Air- No change
- Water: New scorecard to enable capturing solutions for water challenges of too much, too little, too dirty water. Solutions include the following:
 - Waste water treatment
 - Water efficiency improvements
 - Resilience or climate adaptation
 - Reduction in water pollution
 - Water storage
 - Water reuse
 - Desalination powered by renewable energy
- Telecom Media Technology (TMT): No changes to telecom towers or fiber operators.
- Data centers: Examples of outperformance are now criteria for qualifying as sustainable data centers. This is to limit subjectivity in decision making of sustainable transactions.
- Social: No changes. However, new list of Low-Middle Income Countries (LMICs) has been published which will be updated for 2018 transactions.

Validity of scorecards:

ING has decided that once a year, sustainable finance sector champions and the Sustainable Finance team will review their scorecard to ascertain if the criteria are still valid. The reason for this is that market standards are dynamic and ING wants to keep pace with developments. It is good to note that certain criteria like renewable energy will likely remain static, but some other scorecards are more sensitive to market developments.

Please note, for all transactions except Renewable Energy and REF (which are the majority part of our Responsible Finance), if criteria are strengthened, the new criteria are applied from the moment they are implemented. Older transactions will still remain sustainable because at the time they were completed, they were still market leading per market standards and were audited for being so. So once a transaction is sustainable, it remains so even if future sector criteria are strengthened.

Identification and tagging

There are three sources to identify transactions which fall under the themes reported above:

- Vortex- ING's reporting system which records ING's transactions and is used for financial reporting.
- Real Estate Finance system- ING's REF database which records the collateral base for our REF business
- Deals Database- ING's internal database where deal teams report their transactions.

The tables below provide a mapping for the climate finance and social impact finance categories above. The tables also show the scorecard which defines which transactions can qualify and the criteria for the same. Lastly, the tables show where these transactions are identified (flagged) and which system is used to report the OS for those transactions.

External reporting category	External reporting line item	Scorecard used	Sub-section used	Identifying System	Reporting System	
Climate finance	Information Technology and Communications	Telecom, Media, Technology	Fibre operators	Deals Database	Vortex	
			Telecom tower operators			
			Data centre operators			
	Energy transition	Energy	Energy	On- and offshore wind	Vortex	Vortex
				Solar PV and Solar thermal		
				Geothermal		
				Run-of-the-river hydro		
				Wave & tidal		
				Biomass		
				waste to energy	Deals Database	Vortex
				Low carbon fuel	Deals Database	Vortex
	Energy efficiency	Efficiency	Energy Efficiency	Deals Database	Vortex	
Others	Efficiency	Resource Efficiency	Deals Database	Vortex		
Transport	Transportation	Transportation	Air	Deals Database	Vortex	
			Ship			
			Public Transport			
			Electric Vehicles			
Low carbon buildings	Green certified Real Estate & Infra	Real Estate	Real Estate	REF Reporting System	Vortex	
			Infrastructure	Deals Database	Vortex	
	Water (including climate adaptation)	Water		Deals Database	Vortex	
	Circular economy	Others		Deals Database	Vortex	
	Waste management	Others		Deals Database	Vortex	
	Others	Others		Deals Database	Vortex	
Social Impact finance	Basic Infrastructure Essential Services Affordable Housing Food Security Community Development Financial Access and Microfinance	Social	Poor countries or vulnerable population & prime purpose is to contribute to one of the social sustainable activities. To review which activities categorized under what theme, refer: 'Social scorecard mapping basis'	Deals database	Vortex	

Mapping table of external reporting line items for social impact finance with activities under social scorecard. Please note that the categories will be mentioned in the Annual report depending on the outstanding in that categories.

Basic Infrastructure	Essential Services	Affordable Housing	Food Security	Community Development	Financial Access and Microfinance
Sustainability activities mentioned under social scorecard					
Sanitation	Internet, Communications, Technology	Housing	Food	Local community development	Financial access
Public infrastructure	Education		Agriculture		Microfinance/ partnership finance
Electricity	Health				

Data gathering and collection

Renewable Energy identified and reported from Vortex:

Definition

Renewable energy comprises:

- Biomass Electric Power Generation
- Geothermal Electric Power Generation
- Hydroelectric Power Generation

- Solar Electric Power Generation
- Wind Offshore Electric Power Generation
- Wind Onshore Electric Power Generation
- Wave and tidal (are not done by ING yet)

Boundaries

This data is obtained from Vortex where the industry is classified as above mentioned categories. The industry codes used to filter the data are based on the NAICS industry codes of the organization and the figures reported are based on the Outsadings as of year-end.

Internal Controls

The Finance Reporting team which provides the financial figures for ING provides the information above to the Sustainable Finance team. The Finance governance applies.

Internal Controls

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Note, within the Energy transition line item, we will also include Waste to energy and low carbon fuel transactions. This usually supports the transition from a heavier source of energy like diesel/coal to a lighter fuel like LNG or renewable energy. The scorecard explains that generation of non-renewable energy is, even if it is a lighter source not considered sustainable. However, financing infrastructure which supports end users to use a lighter fuel is considered sustainable.

These are identified in the Deals Database and the amounts are reported from Vortex. See below a description of the process.

Deals Database and Vortex sourced deals⁶:

Boundaries:

Deals are identified in the Deals Database. The amounts reported are the OS amounts on the transaction as reported by Finance Reporting team.

For the deals from the Deals Database:

The Deals Database is where deal teams submit their deal information based on their approved credit packs. When the **deal team** identifies a sustainable deal based on the definitions of the sustainable transaction scorecard, they flag their deal sustainable in their submission to the Deals Database. As of May 2017, the **sector sustainability champion** (sector experts who have received training from the Sustainable Finance team) then sends this deal to the Deals Database team to confirm if it is sustainable per the established criteria. This is our 4-eye check. The champion can always consult the **Sustainable Finance team** on the status of the transaction. Prior to May, all deals were verified by the Sustainable Finance team. If the deal is approved, then the deal is flagged sustainable in the Deals Database.

Obtaining OS amounts for deals identified in the Deals Database:

The Sustainable Finance team then extracts the list of transactions from the Deals Database. Except Renewable energy and REF transactions, all other transactions are identified and sent to the Finance Reporting team. In order to align with mainstream reporting procedures, the Finance team will provide the numbers for this table, using the same protocols as they do for other reporting figures provided in the Annual Report. This is sourced from Vortex.

Real Estate Finance (REF) deals:

Definition

Low carbon buildings⁷ include the financing of sustainable buildings (certified with a BREEAM, LEED, HQE or DGNB, or with an EPC label of C or higher). We only report the portion of the portfolio which qualifies as sustainable according to the above definition.

Boundaries

Data is sourced from the REF Reporting Database- Sustainability Database and Vortex. Where we have no direct system access, we have local front office validate and supplement the data. Data is then combined in the REF Sustainability database. This database consists of registered sustainability evidences and data which we have either researched or was entered by front office or that we were able to match to the Dutch Energy Label database from the RVO - EPDB.

External data

⁶ This process applies to all deals which are flagged in the Deals Database (not renewable energy, REF).

⁷ Often airports, ports and infrastructure like bridges and toll roads, can be green certified. The scorecard criteria remain the same but these transactions are not done by our REF team and are therefore identified separately in the Deals Database.

There are a few relevant database which include enough information and are accessible by ING REF to identify a collateral as being sustainable. Other (local) databases exist which can be used for identification purposes.

1. In the Netherlands the government provides a public database with all the Dutch valid energy labels. This database is updated daily (www.EP-online.nl) and contains several relevant data fields, which make allow for cross referencing of data.
2. www.ndepcregister.com/ is a public database in the UK which gives all the valid energy labels and energy certificates in the UK. These are retrieved by our local team and added to the reporting database.
3. The BREEAM, LEED and HQE all have databases which contains valid building certificates. These are however not 100% complete. Due to building owners instructing registration under confidentiality however not all certificates are disclosed in these public databases.

After data collection is complete, we match information and determine if an asset is sustainable based on the (under our governance) allowed green building certificates or (C- or better) energy labels. We then calculate each clients' portion of Sustainable collateral and multiply this percentage with the outstanding loans per client to calculate our total sustainable outstanding loans.

Internal controls

ING REF utilizes a "sustainability form" signed by local FO and documentation to justify registration of a sustainable deal. The only exception is made for Dutch EPCs, which has an automated quarterly EPC label input in the Netherlands from a government-run database.

To construct a report that calculates the sustainability status of the REF portfolio deal by deal, a package of tools was developed in Excel and Access. These tools hold information from multiple sources and allow for manual additions to this data. For asset based lending we identify sustainable assets and for unsecured lending we identify sustainable clients.

Approval process

The approval for registering a sustainable deal can happen at four moments in time and goes via the "sustainability form".

There are four moments where Front Office can choose to approve a REF loan as sustainable via the sustainability form:

1. Existing deal - any point in time, via form in combination with the evidence uploaded to Vantage
2. Existing deal - review, Form via approval package, executive summary
3. New deal - Documentation available when applying, form via approval package, executive summary
4. New deal - Documentation not yet available form via approval package, executive summary. signoff and evidence check via document checklist

In all four situations a sustainability form (available in the sustainability database) and the sustainability evidence has to be included in the application Annexes. In situation 4 the evidence is checked and the sustainability form with Annex is signed during the signoff of the document checklist and activating the appropriate limit. Dutch energy labels are exempted in terms of the usage of the form and in manual registration, because of the automatic data feed.

Controls

All valuation reports since June 2016 are commissioned asking for EPC and/or (if applicable) building certification evidence, and all offers to grant or extend a secured facility are attempted to include evidencing provisions for the same documents.

Once approved the deal can be entered in the "sustainability database" which is maintained by REF Business Management. This has resulted in a four eyes principle which is located mainly in Front office, but with strong headquarters support, and is designed to verify the evidence and show the reason why a deal is sustainable. For a further description see the chapter regarding the form and the manual of the form, attachment [1 & 2].

When the sustainability form is approved by both the "Deal Principal/ RSM" (in case of absence other local FO) (I) and "Portfolio management/ Account Manager" (II) there is evidence of due process in decision making. The local DPM is ultimately responsible for evidencing sustainability in Vantage and data delivery (-and quality) to Business Management, who then retrieve external data and build the quarterly report.

Overall Internal controls

After receiving the data from the Finance reporting team, GRID IDs are checked to ensure that transactions are not double counted within the different themes within Climate Finance or Social Impact Finance. But if a transaction has an environmental and a social impact, it can be included in the Climate Finance category and the Social Impact category.

Global Sustainability team will have an additional review role to completeness and accuracy of data based on the described process.

3.2 Total Assets ING Groenbank

3.2.1 Definition

The total assets of ING Groenbank: The balance sheet of ING Groenbank consists on the debit side of liquid assets and outstanding green loans and on the credit side and equity capital and attracted savings: green saving deposits. Starting for the reporting year 2016, ING Groenbank NV publishes a separate annual report because ING Groenbank NV is an entity of public interest. Dutch regulations require an entity of public interest to publish an annual report in line with the external reporting requirements for a large corporation. Entities of public interest can no longer use the 403 statement exemption. An internal annual account is made and presented to the management and the supervisory board of ING Groenbank.

3.2.2 Boundaries

All assets of Groenbank are included in total assets.

3.2.3 Data gathering process and methods

The Finance department of ING Domestic Bank in the Netherlands is responsible for the preparation of the financial statements of the Groenbank. All figures are taken from the ING systems (a.o. Vortex Profile). Groenbank has an agreement with ING Bank under which all relevant data are managed by ING Bank.

3.2.4 internal controls

Groenbank data is provided by ING's Finance Department and therefore part of the normal internal systems and audits.

3.3 Impact finance services

Note: In 2015 Annual report, ING reported on its Microfinance Services. However, in 2016, there is a change in the strategy related to 'Microfinance Services', shifting towards 'Impact finance Services'.

3.3.1 Definition: Impact Finance Services

Impact Investing entails investing into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. Impact Investing comprises Financial Inclusion and (Social) Entrepreneurship. For this purpose 10% of the Groenbank balance sheet is deployed. This envelope is being used as a catalytic fund to initiate and boost impact activities throughout ING globally. Up to 10% of the profit on this portfolio is used for education and research projects.

3.3.2 Boundaries

The impact portfolios consists of:

Country	Channel	Services	Status
Netherlands	Fund	Micro SME finance	Investment in ASN Fund
Turkey	Retail	Micro SME finance	Disbursed via internet
Countries in Africa	Partnership	Agriculture finance	Investment in Oikocredit
Belgium	Wholesale	Micro SME finance	Investment in Incofin
Cambodia	Wholesale	Micro SME finance	Investment via TMB

3.3.3 Data gathering process and methods

All impact finance portfolios are documented in contractual agreements of the business units

3.3.4 Internal controls

- All business units report to ING Impact Finance, as part of ING Groenbank via standard reporting protocol.
- OIKOCredit. This is a registered financial services provider with internal and external accounting obligations, its accountant and auditor is Ernst & Young Amsterdam.

3.4 Equator Principles deals

As per 2015, EP reporting refers to deals that reached financial close during the reporting period.

3.4.1 Definition (Introduction)

Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision making. More information can be found here: <http://www.equator-principles.com/>

3.4.2 Boundaries (Scope of EP)⁸

The principles apply to⁹:

1. Project Finance Advisory Services where total Project capital costs are US\$10million or more.
2. Project Finance with total Project capital costs of US\$10 million or more.
3. Project-Related Corporate Loans where all four of the following criteria are met:
 - i. The majority of the loan is related to a single project over which the client has Effective Operational Control (either directly or indirectly).
 - ii. The total aggregate loan amount is at least US\$100 million.
 - iii. The EPFI's individual commitment (before syndication or sell down) is at least US\$50 million.
 - iv. The loan tenor is at least two years.
4. Bridge Loans with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described above.

3.4.3 Data gathering process and verification methods

From 2003 till 2013, EP deals were reported on the basis of records received by the ESR team. Since 2014 we have been using data provided by Risk Services/RDA/SSA Analytics. The EP data was derived from ING's main stream system Approval Package, an internal ING system for conducting the Counterparty Credit Applications, where – among others – the transactions in scope of EP are recorded. Data quality is verified via external and internal information sources such as:

- ESR internal database (ESR team internal excel sheet which manually registers advices provided by the team to EP deals),
- Deals Database (contains descriptions of deals from across ING Wholesale Banking);
- IJGlobal website (public database which provides market leading intelligence for the energy and infrastructure finance industry) and Front office email confirmations to double check figures provided by the system.

3.4.4 Internal controls

The EP is embedded in our ESR policy framework and requires the involvement of the following three banking areas:

- Front Office: departments that originate transactions and have direct contact with the client or sponsors. These departments are critical to providing information and acting as the anchor point between the project sponsor, lenders and consultants where necessary
- Risk Managers: departments which provide control over Front Office activities and generally review and sign off on the environmental and social impacts for 'Low Risk' EP deals i.e. Category C projects or Category A and B in designated countries

⁸ Note that the following facilities are not qualified as EP transactions: refinancing (of new or existing ING facility), Working Capital, General Lending, Acquisition Finance (unless including expansion)

⁹ Definitions of the respective terms are available at publicly available website of Equator Principles, document named "The Equator Principles Implementation Note"

- Environmental and Social Risk: a single department within risk management fully dedicated to assessing and reviewing environmental and social impacts associated with 'High Risk' transactions, which in the context of EP generally refer to Category A and B projects in non-designated countries. Negative advice from the ESR Desk can only be waived by ING's highest Committee or the Executive Board. In practice such waivers are exceptional

3.5 ESR client assessment outcome per sector policy- Client assessments

3.5.1. Definition

The ESR client assessment is embedded in our KYC assessment process in Vantage, an internal ING system. ING's ESR Policy framework covers specific sector policies. For clients operating in sectors in scope of our ESR sector policies, an enhanced client ESR assessment is performed. In 2016, ING reported the number of ESR assessments and outcomes in the categories Unacceptable, Increased, Normal, Low or Outperformer for the sectors Manufacturing, Mining and metals, Chemicals, Forestry and agro commodities, Energy, Animal Husbandry and Defense. Outperformer clients are logged in Vantage as "sustainable" due to legacy issues. Please refer to "Responsible Lending – Industry ESG Leaders" KPI for a mapping of this category to our new reporting categories.

3.5.2. Boundaries

The system triggers a mandatory ESR client assessment for all of Commercial Bank's customer type "C". Although ESR Assessments are only implemented in Vantage for Corporates and Large Mid-Corporates, non-mandatory assessments can be performed for other customer types.

3.5.3 Data gathering process

From 2015 ESR data was reported on the basis of records received by the ESR team from Risk COO \ Portfolio Management Reporting . Data for ESR client assessment is sourced from Advanced Search in Vantage, as mentioned above. ESR client assessment data is based on the following filters: overall portfolio of valid ESR assessments, standalone assessments of parents and their subsidiaries, customer type level 3 Corporates, last review date "all", ESR outcome (Unacceptable, Increased, Normal, Low and Sustainable). The collected records require high level check by ESR desk, and converting the data in the reporting format, such as creating graphs.

3.6 Training

ESR team is providing trainings to colleagues globally, via ESR dedicated webinars or live sessions. During every training ESR team obtains list of participants, including their full names and signature. Afterwards, this data is saved in ESR internal excel sheet dedicated to listing training participants in particular reporting period. Based on this list, ESR team is reporting the exact number of trained colleagues.

3.7 Credit risk portfolio per economic sector

3.7.1 Definition

The credit risk portfolio per client segment: this consists of ING Bank's total outstandings, i.e. the Lending, Pre-Settlement, Money Market and Investment activities per December 31st of the reporting year. Outstandings represent the amount of risk that is present at a given point in time. For Lending products, this is the total amount of drawings or trades that are open under the respective Limit. For Financial Market products, this is the total amount of trades that are open under the respective Limit, adjusted for the appropriate risk factor (Potential Future Exposure (PFE), or Risk Weighting).

The client segments are based on Customer type classification level 1 (consumer lending, financial institutions, governments, corporates and other). The segments are further broken down per country of residence and/or product.

The numbers and percentages published are in line with the risk data reported in our consolidated annual account (reasonably assured).

Economic sector: the economic sectors published in this table are based on Customer type classification level 1 (column 1: consumer lending, financial institutions, governments, corporates and other). From this categorization, the corporates are further broken down in line with NAICS sector classifications level 1 (column 2). NAICS sectors that form a very small part of ING's total credit risk portfolio are grouped in 'other'. These sectors are Non-Bank Financial Institutions, Unknown, Civic, Religious & Social Organizations, Private Individuals, Commercial Banks, Lower Public Administration, Central Governments and Central Banks.

3.7.2 Boundaries

The credit risk portfolio shows ING Bank's total outstandings (Lending, Pre-Settlement, Money Market and Investment activities) in the reporting year.

The credit risk portfolio per economic sector is based on customer types. On top of that the corporates are broken down based on NAICS classification. This approach differs slightly from the Risk concentration in the Annual Accounts, therefore leading to minor differences.

3.7.3 Data gathering process and methods

The credit risk portfolio per economic sector data is gathered in line with ING's credit risk policies, systems and data standards. ING credit risk policies provide generic rules and roles and responsibilities that should always prevail within ING Bank. While allowance is given for discretionary variation to comply with local regulations, such variations must always comply with the content of a global ING Bank-wide credit risk policy and be approved by (local) credit risk. All credit risk policies are created according to the policy development standards and reviewed on a regular basis. Each policy has a credit risk sponsor and is created in close consultation with the various stakeholders within credit risk, front office, and where applicable, other corporate departments. All policies require approval by the Credit & Trading Risk Policy Committee (CTRC) and, where applicable (for instance in case of determining delegated authorities) by the Global Credit & Trading Risk Policy Committee (GCTP).

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING Bank is accomplished through the promotion of single, common, credit risk data standards and their integration into common credit risk tools that support standardized and transparent credit risk practices. ING has chosen to develop the credit risk tools centrally. Risk COO (Chief Operations Officer Domain), together with the COO/Bankwide Operations and WB/Client Service Delivery Domains, jointly designs and operates the tools, the process and the environment, while the ING units (the users) provide the data input and various other ING departments and/or external regulators provide the rules, policies, and methodology embedded in the various tools.

The philosophy is to re-use the same data for all purposes in an integrated approach that overlaps the three key areas of ING Bank policy, the regulatory environment in which we operate, and the daily processes which are active throughout the group. Overlapping these three areas is an essential requirement to ensure that data quality standards and discipline remains high.

The data shown in the integrated report and annex is retrieved from Vortex based on the NAICS categorization.

3.7.4 Internal controls

ING has a single, common, credit risk data standard as well as integrated credit risk tools which are developed and maintained centrally. These tools (GRID, STARpro and Vortex, also known under one portal name Vantage) are used as a single credit risk information source for any internal and management information or external disclosures. The usage of the integrated central data base (Vortex) assures the completeness and consistency of all numbers disclosed in the ING Bank Annual Report as well as any other regulatory disclosures.

Reporting risk	Control description
Inconsistency of data	The credit risk policies provide for generic rules and roles and responsibilities that should always prevail within ING Bank and are reviewed on a regular basis.

3.8 Sustainable Assets under Management (SAuM)

3.8.1 Definition

Sustainable Assets under Management (**SAuM**) are assets of clients registered at ING Bank which are defined as sustainable by ING.

The ING Investment Offices define when an asset is sustainable. How this definition process works, can be found at the internet site of ING Investment Office Netherlands. At ING Belgium (Investment Office) a memo is prepared that describes the selection process. This memo is shared with ING Luxembourg. The selection process has as starting point the methodology that has been developed by ING Investment Office Netherlands.

is the only ING Retail business unit outside the Benelux with SAuM in scope for reporting. ING Germany relies on external data providers for its sustainability assessments.

ING offers the following categories of sustainable investments:

- Sustainable investment portfolios: These portfolios are labelled sustainable. They consist of individual shares, individual bonds, investment funds and combinations thereof, which have been categorized as sustainable by ING.
- Sustainable structured products, including guaranteed products (Lirics): These are ING guaranteed notes based on the CS ING SRI Index or on the Sustainable European Low Risk Equity Index (SELRE).
- Sustainable investment funds.

The definition and availability of a sustainable product can differ per country. This can be linked to local legal or regulatory reasons.

3.8.2 Boundaries and data gathering process

Centralised data gathering

Global Retail Investment Product Solutions (GRIPS), an ING Retail team based in Frankfurt, collects the data on SAuM from all ING business units that offer investment solutions. Below you can find the local data gathering processes from the four markets.

Netherlands:

Step 1: Defining the sustainable categories

The model sustainable portfolios and the Masterlist with sustainable investment funds can be found on the intranet site of ING Investment Office Netherlands.

Step 2: Collecting the data

The data for the three sustainable product categories can be retrieved from the data information service department. They provide three data sets:

- AuM in the sustainable investment portfolio's (Modelportefeuilles Duurzaam)
- AuM in the sustainable structured products; (Garantieproducten Duurzaam)
- AuM in the sustainable investment funds; this information makes it possible to retrieve those sustainable assets, not in the Sustainable Strategies (Masterlist)

Belgium and Luxembourg:

At ING Belgium and Luxembourg the data can be retrieved via Private Banking, Product Management retail as well as Financial Markets.

Data will be provided in two different data sets:

1. Financial Markets via Trading Amsterdam: AuM in all the investment products; this information makes it possible to retrieve the AuM in the structured products.
2. Product Management / Private Banking: AuM in the investment funds in the different client portfolios across Private Banking and Retail Banking.

Germany

At ING in Germany, all funds that fall into the category "ecology/sustainability" (Ökologie/Nachhaltigkeit) are selected. The amount of assets under managements held by clients in those funds at ING is measured subsequently. The category is defined by Smarthouse, an external data provider. The total AUM position is measured using the standard monthly reporting process of finance.

3.8.3 Internal controls

A four-eyes principle is used to verify the correctness of the lists and the data for SAuM.

3.9 Feeling of financial empowerment

This metric tells us what percentage of ING customers considers themselves financially empowered. It is measured on a quarterly basis by means of a survey, the Brand Affinity Monitor.

3.9.1 Definition: feeling of financial empowerment

The Brand Affinity Monitor provides insights into how the ING brand is perceived by its (potential) clients. Experienced empowerment is one of the variables evaluated in this research, reflecting four dimensions of empowerment among (potential) clients.

- Statement 1: Enables me to be in charge
- Statement 2: Enables me to feel in control of my finances
- Statement 3: Enables me to feel confident about my financial future
- Statement 4: Enables me to anticipate on important steps in my life

All statements are measured on a five-point scale (1-5) and presented to a selection of our operative clients (clients that use at least one product – please also refer to see chapter 5.3 Customer-related data). The four statements will be shown for each bank where they at least use one product. This can be ING or one of the main competitors in the respective market. This enables us to compare the results of ING with the market average empowerment score.

The feeling of financial empowerment is calculated by taking the 4 and 5 scores of each statement and dividing them by the total numbers of respondents for that statement. After this, the average of the four statements is calculated, resulting in the % of clients that feel financially empowered by ING per ING operating country.

Since the questionnaire is conducted from a representative sample, we can use this percentage to calculate the total number of ING customers that feel empowered. We do this by multiplying the percentage for each country with the total number of operative customers (please also refer to chapter 5.3 Customer-related data) for that country.

3.9.2 Boundaries: feeling of financial empowerment

The 'feel' percentages for all 13 ING retail countries is measured (Australia, Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, The Netherlands, Poland, Romania, Spain and Turkey). When new retail markets are added, the Brand Affinity Monitor will be implemented with the feel evaluation included.

3.9.3 Data gathering process: feeling of financial empowerment

The data gathering process is carried out by the digital global market research agency Metrixlab. MetrixLab is part of the Macromill Group and operates in over 90 countries. It uses the newest technologies which makes it able to provide high quality.

Before data collection, ING provides Metrixlab with the selection criteria (demographic factors and quotas) and the questionnaire which remains the same for each country so that they are able to take representative samples. The percentages for each country and weight factor are delivered by the country representatives and checked internally by data analyst of ING's Global Branding team and by Metrixlab who compare the input with Eurostat data.

Metrixlab uses their own MetrixLab OpinionBar panel and panels from pre-selected external panel providers. They monitor the delivered sample quality of the providers (and act upon if needed) and their own panel to ensure that the data from all providers are real, unique and attentive.

Metrixlab recruits respondents (age 18 and older) that are responsible for financial decision making in their household. After the final approval of ING on the questionnaire, fieldwork starts and runs for a maximum of 1 week. Metrixlab plan a soft launch for each new wave, to check if restrictions of samples are in line with proposal and if all cells (i.e. gender, age, region) are filling. When the online questionnaire runs smoothly and all data is correctly captured, then there will be a "go" to launch the survey. The fieldwork will run for one week and will be continuously monitored on incidence rate, overall response and within important target groups. The response overview is also sent to ING.

Every month Metrixlab will clean the data (categorizing unaided brand awareness and weighting).

For the Brand Affinity Monitor study two different source origins are used in the analysis & reporting step:

SPSS data for the tables and reports (Excel & PowerPoint).

Dashboard Datafeed for the Online Access Tool.

An important advantage of this study approach is that it provides an additional check on the data. However, using different source origins could give some small differences in outcome between the SPSS data (tables and reports) and the Online Access Tool. Especially when a variable is based on constructed statements, as is the case with average empowerment. Decisions about possible differences between SPSS data and Online Access Tool and which outcome will be used in communications, are captured in the logbook and shared with ING. This logbook is available and updated and resaved every week with the latest information.

Before finalizing a report Metrixlab will check the data and the report based on the four-eye principle.

The check consists of the following steps:

- Check Project folder
- Check Syntax
- Check Excel
- Check with data feed Online Access Tool (delta analysis)
- Check PowerPoint
- Check PowerPoint with Online Access Tool

After each measurement by Metrixlab the global dataset will be checked twice. ING will be provided with the global dataset (the so called "working file") after each quarter. The global dataset only contains the variables that are in the questionnaire at that moment.

The ING Customer Analytics team gathers the total amount of active ING customers per market (see chapter 5.3 Customer-related data). The extrapolation by country is done in Excel by a Data Analyst from the Global Sustainability department. The file is saved in a restricted-access folder location. The calculations are then checked by a Data Analyst from ING's Global Branding team and confirmed by email.

On a quarterly basis the percentages and total number of customers feeling financially empowered are shared with colleagues in the Global Sustainability team and used in internal and external presentations. At the end of the year, the non-weighted average of the percentages of all 4 quarters of that year is calculated and multiplied by the number of operative customers of Q4 (please also refer to see chapter 5.3 Customer-related data). This number is considered the annual number for 'Feel' and disclosed in ING's Annual Report.

3.9.4 Internal controls: feeling of financial empowerment

All data gathering and analysis are executed by Metrixlab and packaged in a results presentation shared with ING. An extra check is done by a colleague at the ING Global Branding team on a quarterly basis. This means that results will be checked with the data in the global dataset as well as in the dashboard. The results of the check are reported quarterly and shared via email by Metrixlab to the Global Branding team.

3.10 System Availability (service window)

3.10.1 Definition

For the system availability metric a distinction is made between the Retail/SME channels and the Wholesale Banking channel. For Retail/SME the channels in scope of this metric are the internet banking channel and the mobile banking application. The Internet channels are country specific - MijnING Particulier for the Netherlands Retail, MijnING Zakelijk for the Netherlands SME and HomeBank for Belgium. For Wholesale, we measure the channel solution Inside Business Payments (IBP) offered to Wholesale Banking customers globally.

A Retail/SME channel is measured as available when in a specified time-window (so called service-window, see below), the basic functionality is available for the customer, meaning a customer is able to log in, see their accounts balance and perform a payment transaction (credit transfers). The Wholesale channel (IBP) is measured as available when in a specified time-window, the customer is able to log in and use all the payments functionality (all payment-formats and countries – signing; reporting; archiving & billing).

3.10.2 Boundaries

Retail Netherlands and Belgium:

For Retail/SME channels in the Netherlands and Belgium the measurement of availability is done for a service-window. This is an agreed time-window the channel needs to be available for customers (service level). Unavailability of the above mentioned channels outside the service window is not included in this measurement.

For the Netherlands, the agreed service-window for both internet banking and mobile banking is daily from 06:00h till 01:00h. For Belgium, the agreed service-window for both internet banking and mobile banking is daily from 05:00h till 01:00h.

For the Wholesale Banking channel (IBP) the service window is 0:00h – 24:00h (7x24) excluded the planned pre-announced maintenance done during the maintenance window agreed in the SLA between Saturday 00:00 and Sunday 24:00h.

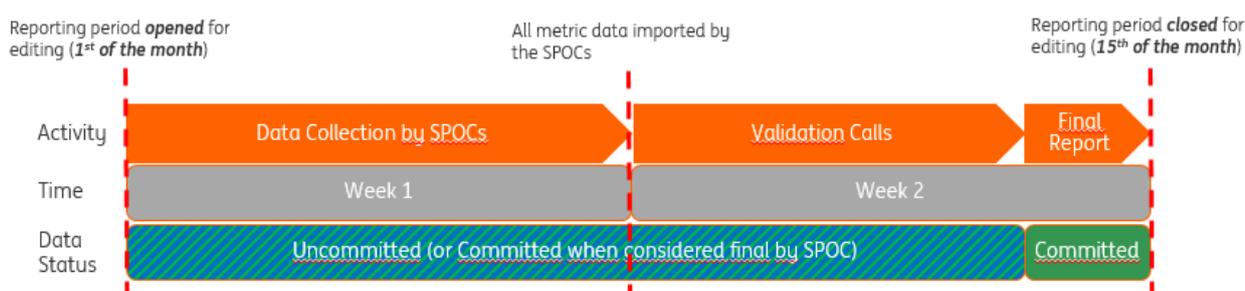
Retail system availability for the Netherlands and Belgium is reported as one figure, where the availability in the two countries is weighted using the number of primary customers. Wholesale system availability is reported separately.

3.10.3 Data gathering process and methods

System availability information is registered by teams in the Netherlands, Belgium and Wholesale in a central system (IT Metric reporting application) which offers reporting capabilities. There is a regular process in place to gather the source data and load it into the dashboard tool.

In each country there is a single point of contact (SPOC) that is responsible to deliver the system availability data for that specific country/unit. After the initial delivery of the data in the first week of the month, there is period of maximum a week where data is in an “uncommitted” (not final) state. This enables validation of the data within the own country/unit and with the central responsible person for system availability. After that validation, the SPOC marks the system availability data in the dashboard tool as “committed” (final). Once data is marked “committed”, it can no longer be changed by the SPOCs in order to guarantee data integrity.

The following flowchart reflects this process:



The way system availability is measured differs per country/channel, but all data delivered is according to the agreed definition of system availability (see 3.9.1).

3.10.4 Internal controls

Risk	Control description
Inconsistent use of definitions	Have one definition document to have the same definition to be used in the interaction with the departments delivering the metrics data. All referring to the same definition.
Changes in data	Initially data is loaded and then has the “ uncommitted” state for a week maximum, where changes are still possible. After validation and confirmation, the data is marked “ committed” by the person responsible to deliver the data for that countries/departments. As of that moment the data can no longer be changed by these persons themselves
Errors in data	After loading the data into the dashboard the persons responsible for the data can assess the data as it is presented in the dashboard tool, use that to align internally and to add (where applicable) an textual explanation to the data. In these period errors/mistakes in the data loaded can be discussed before freezing the data by committing it.

3.11 Reporting on Green Bonds

ING has entered the Green Bond market to accelerate the funding of ING's overall sustainability strategy. The proceeds of the ING-issued Green Bond are used to (re)finance loans to projects in six eligible categories.

3.11.1 Definition

ING's green bonds are senior unsecured corporate bonds issued by ING Bank N.V. under the existing ING Debt Issuing Programme. Green bonds differ from regular corporate bonds on the use of proceeds which are to fund selected assets chosen from a portfolio of eligible sustainable loan assets.

The eligible sustainable loan assets are selected from loans to renewable energy projects, loans to sustainable real estate and loans to other sustainable projects as described under 3.1 (Responsible Finance). There are six categories identified: renewable energy, green real estate, public transport, water management, waste management and energy efficiency.

The ING Green Bond Framework, developed with second party opinion (SPO) provider oekom provides the additional selection criteria for selecting the eligible assets.

ING will report on the allocation of proceeds per sector, and environmental impact (carbon emissions avoided). For more information, please refer to: <https://www.ing.com/ING-in-Society/Sustainability/INGs-Sustainability-Direction/Green-bond.htm>

3.11.2 Boundaries

Only project financing loans to projects from the categories renewable energy, sustainable real estate and other sustainable projects, originating in ING Wholesale Banking.

The criteria for the assets from the six eligible categories, in addition to controversy screening, are:

Renewable energy:

Included are loans that have the primary purpose to finance the acquisition, development, building, operating, and/or maintenance of assets that generate energy from the following renewable sources; wind (both onshore and offshore) solar, hydro (only small run of river projects) and geothermal.

Green real estate:

Loans with the primary purpose to finance the acquisition, development, building and/or refurbishment of commercial real estate (residential, office, retail and logistics sectors) located in important markets in Europe, the USA and select Asia – Pacific markets. Each included loan benefits from a certificate with one of the following quality levels; BREEAM (minimum 'Very Good'), LEED (minimum 'Gold'), DGNB (minimum 'Silver') or HQE (minimum 'Excellent').

Public Transport:

We include in our Green bond portfolio loans that have the primary purpose of financing the acquisition, production, operating, building and/or maintenance of electric public transport infrastructure, systems, vehicles and assets.

Waste management

We include loans with the primary purpose to finance the acquisition, development, operating, building and/or maintenance of assets for the recycling and/or reuse of wasted materials, in all forms and substances.

Water management

We include loans with the primary purpose to finance the acquisition, development, building, operating and/or maintenance of assets for treatment and recycling of water and assets for flood protection.

Energy efficiency

We include loans with the primary purpose of financing energy efficiency measures and/or loans which source of loan repayment is savings through energy efficiency measures. We have set the requirement that the measures should lead to a reduction of energy consumption of minimum 30%.

The reporting on the green bonds includes the allocation of proceeds over the six categories, the allocation of proceeds to refinancing and new financing, as well as the environmental (carbon dioxide avoided) impact on the sectors renewable energy and waste management.

The reporting on the environmental impact comprises of assets in the renewable energy sector.

3.11.3 Data gathering process and method (incl. systems used)

The first selection of assets follows the procedure as described in 3.1, the pro-active origination and selection by ING Bank front office teams using internally developed Responsible Finance score cards. The deals are selected from the deals database that are flagged “Sustainable” as described in business indicator 3.1 (Responsible Finance). From the deal database, ING Sustainable Finance team selects the eligible transactions (deals / assets) by applying the Green Bond Framework and sustainable criteria defined by Oekom. And finally, the selected assets are screened by Oekom for application of the framework and criteria and controversy screening.

The calculation of environmental impact (carbon avoided) is done by third party consultants Ecofys, on the basis of ING’s provided deal information. Information on methodology can be found in ‘Ecofys impact methodology’ document on: <https://www.ing.com/ING-in-Society/Sustainability/INGs-Sustainability-Direction/Green-bond.htm>

3.11.4 Internal controls

Internal controls are described in the Responsible Finance indicator (3.1). After receiving the data from the reporting team, the ING Wholesale Bank’s Sustainable Finance team performs a risk-based review.

3.12 Thermal Coal Mining and Power Generation

Beginning with ING's 2016 Annual Report and in line with our public commitment to reduce our global credit exposure to thermal coal-related businesses, we seek to report our thermal coal-related outstandings (O/S), covering both mining and power generation. Our commitment led to a detailed review of the power generation portfolio data, and in particular that of Diversified Utility Companies. As such, power generation is presented within the context of our coal policy as well as the energy transition debate. A brief overview on our methodology and data collection process is presented below.

3.12.1 Definition

Coal mining includes the following industry labels and codes within Vortex, our primary data source:

- a) Bituminous coal underground mining (212112);
- b) Bituminous coal and Lignite surface mining (212111)
- c) Support activities for coal mining (213113)

Coal power generation is reflected within the entire power generation portfolio and refers to asset based financing for this type of activity.

Herein we will define the entire power generation portfolio of ING Bank, which consists of:

- a) **Asset based lending / project finance assets** which includes:
 - o electric power generation from oil - Fossil Fuel Electric Power Generation (Oil) (221127)
 - o electric power generation from gas- Fossil Fuel Electric Power Generation (Gas) (221125)
 - o electric power generation from coal - Fossil Fuel Electric Power Generation (Coal) (221126)¹⁰
 - o Electric power generation from renewables, which comprises:
 - Biomass Electric Power Generation (221117);
 - Biomass Electric Power Generation (Dependent on Subsidy);
 - Geothermal Electric Power Generation (221116);
 - Hydroelectric Power Generation (221111);
 - Solar Electric Power Generation (221114);
 - Solar Electric Power Generation (Dependent on Subsidy) (221131);
 - Wind Electric Power Generation (221115);
 - Wind Offshore Electric Power Generation (Dependent on Subsidy) (221134);
 - Wind Onshore Electric Power Generation (Dependent on Subsidy) (221135);
 - Wind Onshore Electric Power Generation (Not Dependent on Subsidy) (221124)

The renewables number reported in the Power Generation table represents the Outstanding classified as renewables in Vortex using the above categories.

- b) **General lending to Diversified Utility Companies (DUCs)**, which we define as utility companies that operate power plants using various energy sources or power plants combined with other utility operations (such as distribution etc.). This category primarily comprises the following industry codes:
 - o Fossil Fuel Electric Power (221112);
 - o Nuclear Electric Power Generation (221113)
 - o Other Electric Power Generation (221118)

3.12.2 Boundaries

We have defined a number of boundaries or data filters that we applied when collecting the data. For both thermal coal mining and thermal power generation, the figures reported are based on Lending outstandings as per 31-December-2017. The industry codes used to filter the data are based on the NAICS industry code of the organization (i.e. eligible borrower).

The thermal coal portfolio is reflected as follows:

¹⁰ Only single source coal fired assets financed by ING are included in the thermal coal portfolio. These entities receive industry type "Fossil Fuel Electric Power Generation (Coal) (221126)". Utility sector companies that operate power plants using diversified energy sources, or power plants combined with other utility operations are included in industry type "Fossil Fuel Electric Power (221112)". In our annual report we state that diversified utility companies (DUCs) could have coal fired assets.

Thermal coal category in millions of EUR	Dec'16	Dec'17
Mining (including thermal coal terminals)	O/S	O/S
Power generation, coal fired power plants	O/S	O/S

The entire power generation portfolio is reflected as follows:

- Oil
- Coal
- Gas
- Renewables
- Diversified Utility Companies (DUCs)

3.12.3 Data gathering process and methods

Finance extracts the numbers from Vortex, our primary data collection system, based on the relevant industry codes mentioned above. With regard to the data reporting indicators, consistency in reporting is taken into account and reporting will be done in the second week of the new year to ensure data in Vortex is stable.

The data is then verified by the Front office (FO):

The Utilities, Power and Renewables (SFUPR) team for power generation (a. Asset based lending / project finance assets)

CFIL (b. General lending to Diversified Utility Companies (DUCs)

The Metals and Mining team gathers data for Coal mining.

3.12.4 Internal controls

This data gathering process and methodology is approved by Front office and Risk Management. A four eye principle on the data is ensured through: a. formal sign-off from the respective FO and b. a formal sign-off from Risk Management.

A formal sign off will be provided by Front Office as follows:

Metals and Mining: Arnout van Heukelem

SFUPR (a. Asset based lending / project finance assets): Leo van Stijn

CFIL (b. General lending to Diversified Utility Companies (DUCs): Krista Radstake

A formal sign-off from a Risk representative, in this case, Karst Jan.

4. HR performance indicators

HR data is collected by the Global HR department. The following HR indicators are published:

4.1 Male/female ratio

4.1.1 Definition

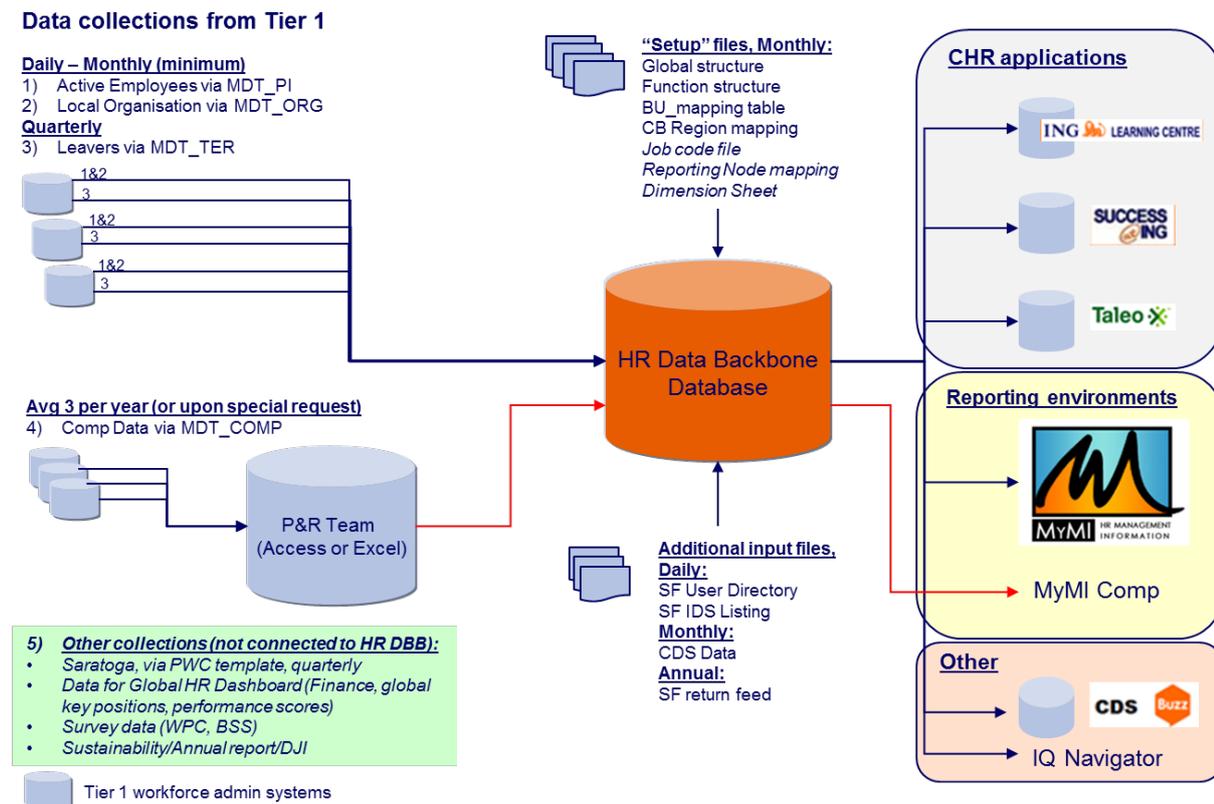
Number of active internal female employees and the number of active internal male employees expressed as a percentage of the total active internal headcount.

4.1.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. External employees, for example working at ING through an employment agency, are not in scope (see Glossary for definition). The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India, China and Thailand. Employees with no recorded gender type are also excluded from these figures.

4.1.3 Data gathering process and method

The HR Data Backbone flowchart (see below) shows the global data gathering process and how data can be loaded into the HR Data Backbone Database. Depending on the source, this process is done on a monthly (e.g. data regarding active employees, local organization and leavers), quarterly (e.g. Leavers) or yearly (e.g. Winning Performance Culture survey and Annual Report) basis. The diagram also provides a clear view of the current interfaces with other Global HR applications and the reporting environment.

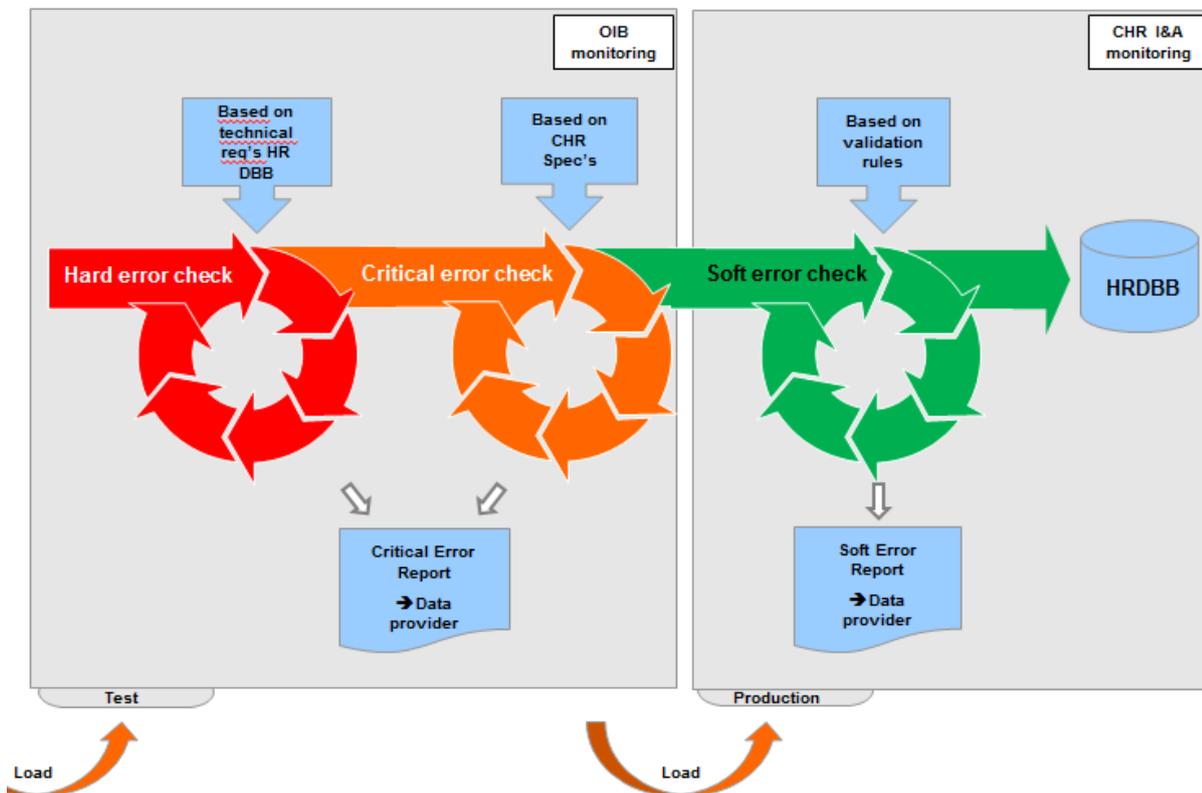


4.1.4 Internal controls

The HR data validation process is implemented to assure the controlled loading of data in the HR Data Backbone Database (HRDBB) based on validation rules. This loading process is done in 3 steps:

1. The Hard Error check, based on technical requirements, ensuring a successful load into the HR Data backbone environment.
2. The Critical Error check ensures that all data is in-line with predefined Global HR specifications.

3. The Soft Error check, based on agreed validation rules, is done to any reveal missing and/or inappropriate data.



Reporting risk	Control description
Inaccurate reporting	The data provided is challenged on a regular basis by a central error checking process performed by Global HR and OIB (see process flow above). The outcomes of these validations are shared with the data providers (countries) in a formalized feedback loop.
Traceability of data and changes in data	All data, changes and adjustments are saved and archived.

4.2 Sickness rate

4.2.1 Definition

Total number of days absent due to sickness, injury or work-related diseases. Maternity and parental leave are not included in this number. Sickness rate is calculated in the following way: "workdays missed due to sickness" / "Total workdays in a year".

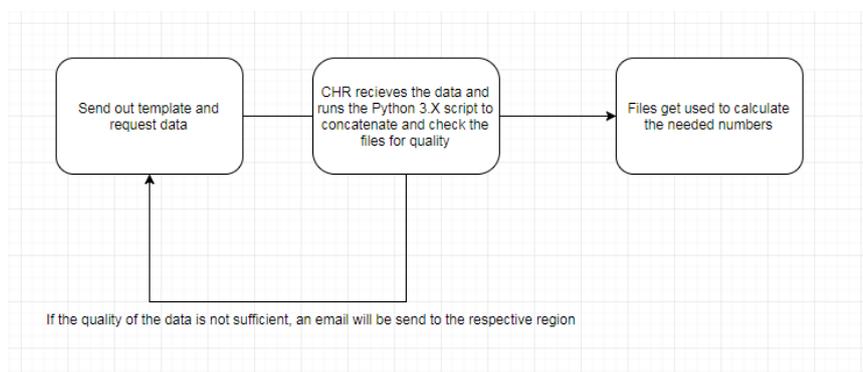
Sickness rate is a derived definition, whose starting point is the Absence due to sickness, a field included in the HR Global Data Management (GDM) Process.

4.2.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. External employees (for example working within ING through an employment agency) are not in scope. The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India, China and Thailand.

4.2.3 Data gathering process and methods (incl. systems used)

HR sends out an excel questionnaire annually (in January) to a network of local SPOCS (at a country and region level). For the data collection a simple excel template ¹¹ is used. The countries/Regions need to fill in information about the Entity they are reporting on, Sickness rate data, Maternity and/or parental leave, Labor Relations and Performance Management¹². The figure below shows the outline of the process.



Data gathering and concatenation

A Python script¹³ will concatenate all the collected Excel files (templates) and will check the data for errors. The script is executed on our secure People Analytics environment.

The output of the script consists of two Excel files:

1. the first aggregates all the information from all the collected templates with the addition of two extra columns. The first added column contains the template name and the second column reports any error found for that file.
2. the second file contains the output of historical data checks, i.e. consistency checks about the current data are done by comparing it to the past.

The quality checks include the below:

- Check if all mandatory fields are filled in;
- Check if all calculated percentages are equal to or below 100%;
- Check if all numeric fields are in an accepted range
 - o Official holiday in [0,30]
 - o Total workdays in a year [0,365]
 - o Percentages in [0,1] or [0,100]

The historical comparison adds columns containing the percentage increase/decrease per column compared to data of the previous year. This will be manually controlled and communicated back to the local HR Data SPOC if needed.

4.2.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country/region SPOCs	Clear definitions within the questionnaire, preparatory e-mails for all country/region SPOC respondents.
Traceability of data and changes in data	All data, changes and adjustments are saved and archived.

¹¹ The template is added to the Appendix

¹² The exact questions can be found in the Appendix

¹³ Python is a powerful high-level, object-oriented programming language.

4.3 Maternal and parental leave

4.3.1 Definition

The number of female and/or male employees who took maternity and/ or parental leave.

4.3.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. Externals (working for example within ING through an employment agency) are not in scope. The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India/China/Thailand.

4.3.3 Data gathering process and methods (incl. systems used)

Data gathering is done according to the process explained in 4.2.3.

4.3.4 Internal controls

Please refer to the controls described in section 4.2.4. The same process and controls are in place for the number of leavers.

4.4 Number/percentage of employees covered by a labor agreement

4.4.1 Definition

Employees that are represented by independent trade unions and/or employees covered by Collective Bargaining Agreement.

An independent trade union is an organization of employees that acts collectively to address common issues with respect to wages, hours, working conditions and other matters of interest to the workers.

A Collective Bargaining Agreement (CBA) is a written agreement resulting from negotiations between an employer and a union. It usually contains provisions on conditions of employment and the procedures to be used in setting disputes during the term of the contract. Issues covered in a CBA include: working hours, working conditions, salary, fringe benefits, and matters affecting the health and safety of employees.

4.4.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. External employees (working for example within ING through an employment agency) are not in scope. The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India, China and Thailand.

4.4.3 Data gathering process and methods (incl. systems used)

Data gathering is done according to the process explained in 4.2.3.

4.4.4 Internal controls

Please refer to the controls described in section 4.2.4. The same process and controls are in place for the number of leavers.

4.5 Number of leavers and turnover rate

4.5.1 Definition

Number of internal employees that left ING in the last 12 months, both voluntary and layoffs.

4.5.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. External employees (working for example within ING through an employment agency) are not in scope. The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India, China, Thailand.

4.5.3 Data gathering process and methods (incl. systems used)

HR Backbone. For a description, please refer to the text in section 4.1.3.

4.5.4 Internal controls

Please refer to the controls described in section 4.1.4. The same process and controls are in place for the number of leavers.

4.6 Number of employees that are part of a performance management process

4.6.1 Definition

The number of employees with an ING contract that are part of a Performance Management process per country/region.

Performance management is defined as the process by which:

- employees agree with their managers annual performance targets which are aligned with business priorities
- managers provide clarity about the performance criteria and standards against which employees will be evaluated
- employees propose and agree with their managers a plan for their development in line with both their current role and their future career aspirations
- managers provide continuous coaching and feedback throughout the year to enable employees to be successful
- employees formally discuss and evaluate their own performance together with their managers at least once a year

4.6.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. External employees (working for example within ING through an employment agency) are not in scope. The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India, China and Thailand.

4.6.3 Data gathering process and methods (incl. systems used)

Data gathering is done according to the process explained in 4.2.3.

4.6.4 Internal controls

Reporting risk	Control description
Inaccurate reporting	Make sure that the responsibility for data quality is with the countries. Corporate HR team will challenge the provided data on an ad hoc basis.
Inconsistent use of definitions by country/region SPOCs	Clear definitions within the questionnaire, preparatory e-mails for all country/region SPOC respondents.
Traceability of data and changes in data	All data, changes and adjustments are saved and archived.

4.7 Total hours of training + average number of hours of training per employee

4.7.1 Definition

Total training enrollments per country (provided by ING Learning Center - ILC), times the average hours of training (data supplied by ING Belgium), divided by the total number of Internal employees per country (provided by HRDDB). The outcome is an average number of hours of training per employee, per country/region (such as available in the database of the ILC).

4.7.2 Boundaries

In scope are all ING internal employees. Internal employees have an ING contract. Externals (working for example within ING through an employment agency) are not in scope.

Training detail: includes all training types, all training subjects, for trainings "finished" in 2017.

Country detail: The scope of the numbers includes run-off entities (like Lease/Real Estate) but excludes minority stakes in India/China/Thailand. And also:

- Bank Slaski: no data available
- Turkey: no classroom data available
- Germany: compliance training and global training included, local offering is not included
- Luxembourg: compliance training and global training included, local offering is not included.

4.7.3 Data gathering process and methods (incl. systems used)

The ING Learning Centre (ILC) can report on the total training enrollments. As the ILC is connected to the HR Data Backbone (HRDDB), and is equipped with an advanced reporting environment, there is no need for connecting data.

A breakdown in reporting can be provided for:

- Organization
- User role like Manager / Employee
- Gender
- Learning category (1)
- Learning type (2)

(1)

- Managerial and Leadership Skills Training - Development programs for improving managerial and / or leadership skills.
- Soft Skills Training / Personal Development - Learning activities aimed at the improvement of individuals' competencies or skills.
- Functional Skills Training - Training directly related to the fulfilment of a current or next function (e.g. Project Management).
- Banking Skills Training - Specific type of functional skills training focused at improving the core banking skills.
- Mandatory Awareness Training - (e.g. Compliance & Risk, Diversity) - Training programs aimed at increasing awareness and / or stimulating cultural change.

(2)

- Online
- Classroom
- Webinar
- Program

The HR Data Backbone is able to provide the number of employees per country. The ING Learning Centre (ILC) database provides the training hours per country; this is local data and collected via the ILC SPOC on an annual basis. When these two data sources are combined, it will show the number of training hours per employee, per country.

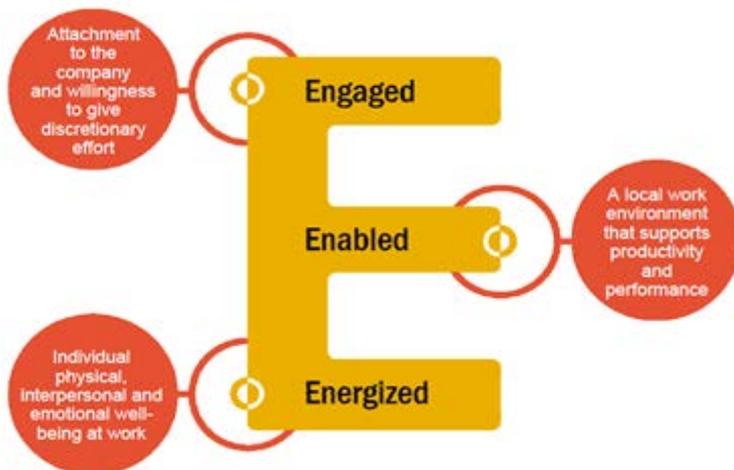
4.7.4 Internal controls

Reporting risk	Control description
Inaccurate reporting	Make sure that the responsibility for data quality is with the countries. The data provided is challenged on a regular basis by a central error checking process performed by Corporate HR and OIB (see process flow above). The outcomes of these validations are shared with the data providers (countries) in a formalized feedback loop.
Inconsistent use of definitions by country/region SPOCs	Clear definitions within the questionnaire, preparatory e-mails for all country/region SPOC respondents.
Traceability of data and changes in data	All data, changes and adjustments are saved and archived.

4.8 WPC engagement score

4.8.1 Definition

Employee engagement measures the extent to which employees are motivated, enabled and energized to perform at their best and help ING to succeed.



4.8.2 Boundaries

The engagement score is based on Winning Performance Culture (WPC) research by Willis Towers Watson (WTW). This research is done bi-annually and is sent to all internal ING employees in all countries.

4.8.3 Data gathering process and method (incl. systems used)

The WPC survey is done by a specialized third party, Willis Towers Watson. They email a link and a personalized password to the survey to all ING employees, who can fill out the survey for a period of 3 weeks. After that, Willis Towers Watson processes the data using internal tools and provides reports on an aggregated level to ING. The lowest aggregated level that is published is for teams with 10 or more respondents, the highest level is ING Bank as a whole. The sustainability engagement score is taken from this last report. ING does not receive individual results. All data is processed and stored depersonalized by Willis Towers Watson.

4.8.4 Internal controls

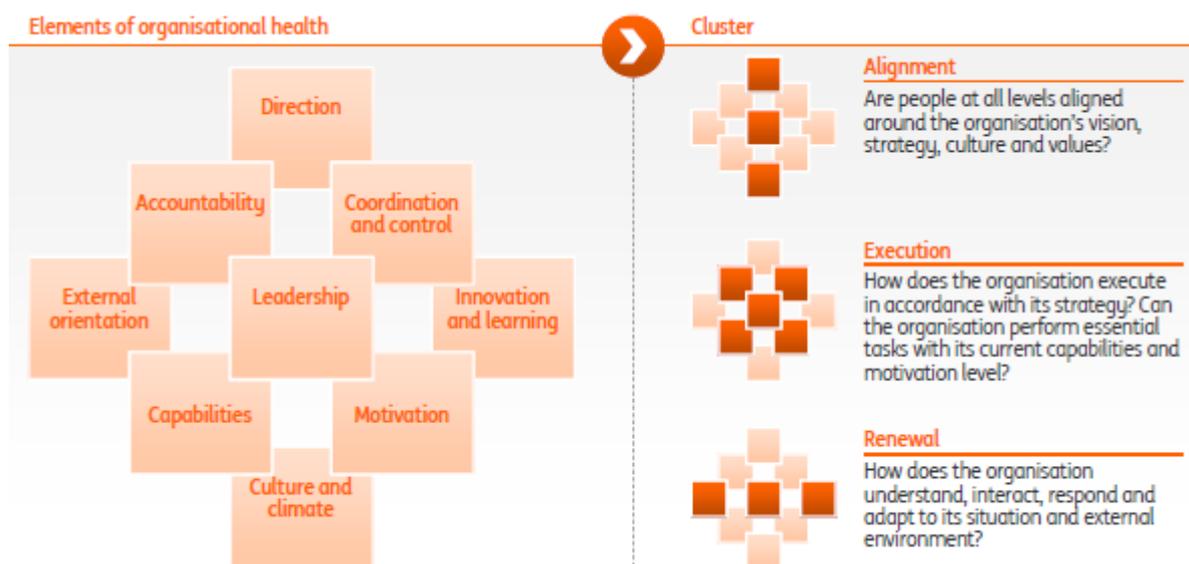
Willis Towers Watson is responsible for the accuracy of data and provided reports from which ING publishes the engagement score.

4.9 Organizational Health Index (OHI)

4.9.1 Definition

The Organizational Health Index (OHI) survey measures the ability of an organization to align behind common goals, execute effectively to meet them, innovate, and continually adapt to change faster than the competition. McKinsey research shows a strong correlation between organizational health and the overall performance of an organization.

The survey sets out to check ING's health and pinpoint areas in which we need to improve. It is run by McKinsey and examines nine different outcomes:



4.9.2 Boundaries

This research is done bi-annually and is sent to all internal ING employees (in all countries) including run-off entities.

4.9.3 Data gathering process and method (incl. systems used)

The OHI survey is conducted by a specialized third party, McKinsey & Company. All internal ING employees receive an e-mail with a link to the survey. Employees can fill out the survey for a period of 3/3.5 weeks. At the end of this period, the data is processed and the aggregated data is delivered to ING. No reports are created below business unit level. Results with less than 50 respondents are not shared with ING.

4.9.4 Internal controls

McKinsey is responsible for the accuracy of data and provided reports from which ING publishes the OHI score.

4.10 Human Capital Return on Investment score (HCROI)

4.10.1 Definition

The Human Capital Return on Investment (HC ROI) indicator measures ING's profitability in relation to total employee costs by removing non-employee costs from overall operating costs. The indicator is a ratio of profitability divided by employee costs. This indicator helps identify the influence of HR inputs, such as performance management, training and development, automation and organisational structure, on the organisation's productivity.

By subtracting Total Operating Expenses (b) minus Total employee-related expenses (salaries + benefits) (c) from Total Revenue (a), the company's profitability prior to human capital costs are calculated. Dividing this figure by Total employee-related expenses (salaries + benefits) (c) then leads to the ratio that examines your company's level of profitability in relation to the total human capital expenses.

4.10.2 Boundaries

Total employee-related expenses (salaries + benefits) includes training and development programs, pensions, hiring, etc., as it covers all costs directly related to employees.

4.10.3 Data gathering process and methods (incl. systems used)

All numbers mentioned above are provided by our internal Finance Department. The numbers are 'underlying' numbers complying with ING's Historical Trends data document as published on ING.com

4.10.4 Internal controls

The numbers are 'underlying' numbers complying with ING's Historical Trends data document as published on ING.com.

5. Customer performance indicators

5.1 Net Promoter Score (retail) ranking

5.1.1 Definition

Net Promoter Score (NPS) is a way of measuring customer loyalty and satisfaction. NPS is based on a direct question: 'How likely is it that you would recommend our company/product/service to a friend or colleague?' Promoters are those who respond with a score of 9 or 10 (out of 10) and are thus considered loyal enthusiasts. Detractors are those who respond with a score of 0 to 6 - unhappy customers. Scores of 7 and 8 are passives, and they will only count towards the total number of respondents, but not directly affect the formula. NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. In the Brand Affinity Monitor the NPS is measured among clients of ING and other banks. In this way a ranking can be made and published (so 1st, 2nd or 3rd). These rankings refer to a list of main competitors in each country. This list was applied in the Brand Affinity Monitor which data is available for multiple purposes.

5.1.2 Boundaries

The NPS for 13 ING retail countries are measured (Australia, Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, The Netherlands, Poland, Romania, Spain and Turkey).

5.1.3 Data gathering process and methods

The relational NPS is embedded in the Brand Affinity Monitor, in order to report a more reliable NPS result. This is an important improvement, because this enables us to compare the scores of different business units. For more details about Metrixlab and the procedure we would like to refer to 3.8.3. Data gathering process: feeling of financial empowerment.

In order to be able to report more reliable NPS results we embedded relational NPS in the Brand Affinity Monitor. This is an important improvement, because this enables us to compare the scores of different business units.

NPS is a metric that is likely to fluctuate because of the way it is calculated. NPS is calculated as the difference between two proportions and has a higher sampling error than single proportions. This has to do with the fact that NPS is calculated based on the proportions within three different groups, namely Advocates, Neutrals and Detractors. So there are three different categories a respondent can fall into. More variability is expected because of this reason, which causes less certainty of the sample result and a higher error margin.

For more detailed information and a calculation example please check the following link:
<http://www.natureresearch.com.au/2010/09/tracking-kpis-with-confidence/>

How do we manage the error margin of NPS?

Because we want to make sure that we evaluate and monitor our relational NPS correctly in each country, we want to lower this error margin. Otherwise sample fluctuations could cause misinterpretations. One of the methodologies to do this is by enlarging the base size. Because the main goal of the Global Brand Affinity Monitor is to evaluate the brand positioning in each country, the sample should reflect the general population. Some of the competitor banks on our NPS list are quite small, especially in the more fragmented markets. The amount of clients of a specific competitor bank in our sample could be quite low which causes a higher error margin for all the metrics and especially NPS.

Because of the high costs, enlarging the total sample for NPS purposes only is not realistic. Rolling averages of two quarters are reported so that the sample size is bigger. The error margin could still be quite large in the countries where the market share of ING (and competitor banks) is limited. That is why we decided to boost the sample for ING clients from January 2016 onwards till the amount of clients for the specific bank is at least 100.

5.1.4 Internal controls

All data gathering and analysis is executed by Metrixlab and packaged in a results presentation shared with ING. An extra check is done by a colleague at the ING branding team on a quarterly basis. This means that results will be checked with the data in the global dataset as well in the dashboard. The results of the check are reported quarterly and shared via email by Metrixlab to brand management team.

5.2 Customer-related data (primary relationships etc)

5.2.1 Definition

For total customers, total active customers, payment active customers, payment active customers with recurrent income and primary bank customers, all definitions used in the global reporting elaborated by Customer Analytics are captured in the enclosed document (*Catalog of definitions.pdf*)



5.2.2 Boundaries

The global measurement of operative, active and primary bank customers has in scope all countries where ING operates a Retail business unit. That makes a total of 13 countries: Netherlands, Belgium, Luxembourg, Germany, Austria, Italy, France, Spain, Australia, Romania, Poland, Turkey and Czech Republic.

5.2.3 Data gathering process and methods

We have created a space in MisOneBank, a database used by Group Finance for non-financial customer-related information. Business units upload the information directly, using the same protocols and the same infrastructure that MA or FA in Finance do when they monthly submit financial information to Head Office.

By using this infrastructure we inherit all the data management and data governance features of the finance systems.

The following describes the process:

1. Business units collect the customer indicators on a customer level complying with the agreed and published definitions
2. They aggregate it according to the predefined detailed templates
3. Information is uploaded by the units into the country-specific layer of the MisOneBank database.
4. The department in charge of supporting the MisOneBank database checks consistency of the data delivery.
5. If there are some data quality issues, CA department is contacted as business owner of the information.
6. In case of no issues, the data is uploaded into the global database (production)
7. Information is ready to be used to elaborate the different reporting

5.2.4 Internal controls

Data is provided on a quarterly basis by the local Customer Intelligence teams, who also verify and approve the report before distribution. In the process of uploading the information into the database there's a consistency check as described in the paragraph above.

Once all countries have uploaded the necessary information, the report is centrally elaborated by the Customer Analytics (CA) department within CIO. The consolidated report created by CA is shared with business units and also with Group-level top management.

The results are shared with the Retail Council (Heads of Retail), all Country Heads and the Orange Standards Board. At the same time, each Head of Retail has also appointed a short-list of people in their countries who should have access to the reports.

6. Community performance indicators

Parameters included in the integrated report and annex include: charitable donations, number of volunteering hours of employees, donations to UNICEF, and adolescents reached through the ING- UNICEF Power for Youth partnership.

6.1 Donations & volunteering

6.1.1 Definition

Donations: Charitable donations include one-off donations, donations to (long term) partners in community investment programs, and donations to community organizations as part of commercial initiatives. Donations from employees, from ING and from customers are separate categories.

Volunteering: Volunteering activities are performed by ING employees without any legal obligation for charity purposes. Usually this means an activity to support an organization that has a clear not-for-profit purpose.

Both donations and volunteering hours are split up over eight thematic categories. All definitions and categories are aligned with, and checked by, the London Benchmarking Group, an international standard for community investment. The definitions are explained in more detail in the questionnaire where country units are asked to input their data.

6.1.2 Boundaries

All countries that have over 100 FTE are asked to provide data.

6.1.3 Data gathering process and methods

Data on community investment is gathered through an online data management system (DMS), overseen by ING's Global Sustainability department. The DMS is built and hosted by a specialty sustainability software company, CREDIT360.

Questionnaires are sent out in the DMS environment to country offices that deliver data by January of each year at the latest. The data is then aggregated at the Global Sustainability department, which defines the data requests in close collaboration with country units.

Once the data is delivered, it is validated by the Global Sustainability department. In cases of inconsistency or data quality concerns, the questionnaires are sent back to the country offices for clarification.

6.1.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country offices	Clear definitions within the questionnaire, preparatory e-mails and webinar for all country office respondents, Q&A within the DMS.
Inconsistencies in data	At the Global Sustainability department, a reporting protocol has been developed which is updated annually to further improve the quality of our sustainability data reporting.
Errors in data	Complete data validation by the Global Sustainability department.
Traceability of data and changes in data	Audit trail within our online data management system. All changes and adjustments and employee making them are registered and saved.

6.2 Donations to UNICEF

6.2.1 Definition

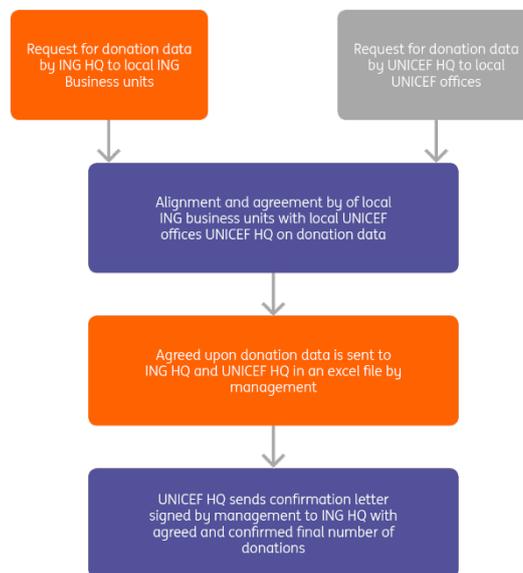
Donations: Charitable donations include one-off donations, donations to (long term) partners in community investment programs, and donations to community organisations as part of commercial initiatives. Donations from employees, from ING as a company, and from customers are separate categories.

6.2.2 Boundaries

- All ING Business Units that donate to UNICEF are included.
- Donations to UNICEF always have the following categorization:
 - o Donations made by ING Employees (these will be matched by ING)
 - o Donations made by ING Business Units
 - o Donations made by ING Customers

6.2.3 Data gathering process and systems

Data on donations to UNICEF is gathered outside the CREDIT 360 data management system, by the Global Sustainability department, in close cooperation with UNICEF:



6.2.4 Internal controls and data checks

Reporting risk	Control description
Over-reporting	<ul style="list-style-type: none"> - Check by UNICEF - Four-eye check at ING - In cases of non-alignment of data, the lowest number is reported.

6.3 Number of adolescents reached with UNICEF

6.3.1 Definition

Number of adolescents reached is the number of adolescents that have benefited from UNICEF's programs as a result of the ING-UNICEF partnership.

6.3.2 Boundaries

Adolescents empowered by the ING-UNICEF partnership in Indonesia, Kosovo, Montenegro, Nepal, the Philippines and Zambia.

6.3.3 Data gathering process and systems

The UNICEF Country offices report on the number of adolescents reached in that country in that year. These numbers are used by UNICEF HQ to report on the number of adolescents in the specific ING-UNICEF programs. UNICEF HQ then sends a confirmation letter signed by management to ING HQ with the agreed and confirmed final number of donations and accompanying number of adolescents reached.

6.3.4 Internal controls

Control is achieved by UNICEF's internal audit procedures. The UNICEF audit procedure document is available on request.

7. Innovation Indicators

7.1 Innovation Bootcamp – Number of Ideas Submitted

7.1.1 Definition

Total amount of ideas submitted to Innovation Bootcamp.

Innovation Bootcamp is a programme implemented by the Chief Innovation Office to accelerate innovation within ING globally and activate employees to be innovative. Each edition involves a few business challenges ING is facing as defined by Management. Employees are tasked with presenting possible solutions that would solve these challenges. These possible solutions are considered ideas. Employees who submit ideas are considered participants in the Innovation Bootcamp.

7.1.2 Boundaries

In the scope of this indicator are all countries willing to participate in the programme from Retail and Wholesale banking segment.

7.1.3 Data gathering process and methods

All the ideas are submitted by employees in the Innovation Bootcamp portal. Idea submission is open for all participating countries. All data is then exported in excel sheets.

7.1.4 Internal Controls

Reporting risk	Control description
Inaccurate reporting	The data is collected through Innovation Bootcamp portal and exported in an excel document by the person appointed for data management. This excel document is then submitted to the Innovation Bootcamp team members who review the document.

7.2 Number of fintech partnerships and investments

7.2.1 Introduction

Besides innovating internally, ING focuses on leveraging the external ecosystem by partnering with fintechs and investing in them.

7.2.2 Definition

Total number of partnerships with fintechs and fintech investments.

As part of the Innovation strategy, ING's focus is creating an open culture and becoming open for collaborations with the fintech start-ups. ING considers fintech a company which provides an innovative/disruptive product or service that is of added value within the financial service industry and does not have a relationship with ING yet. ING looks for partners that can help execute our strategy faster.

We focus on 2 types of partnerships:

1. Proof of concept: test a solution for a limited period of time. After the successful POC/pilot, the business can either invest in the fintech company or have a standard supplier relationship.
2. Equity and equity like investments: ING provides funding to a fintech that provides an innovative/disruptive product or service of added value within the financial service industry and does not have a relationship with ING yet.

7.2.3 Boundaries

The scope of this indicator is all ING business units. It touches upon the collaborations on the global and local scale; and in Retail and Wholesale banking segments. In most countries innovation drivers are appointed who are the first contact point in the business unit regarding innovation, usually from the management level. All country units can scan their market for potential fintech partnerships that would help in providing solutions to better customer experience.

7.2.4 Data gathering process and methods

The data is collected in a **Central fintech database** (A common knowledge base) – CInO Innovation portfolio. It is a central database providing an overview of all fintech contacts, their proposition and the status of the relationship. Additionally, it is also a living database, developed by CInO, administered by the Fintech team and kept up to date together with the Innovation drivers, business representative at local country or product level responsible for supporting and coordinating local innovation initiatives.

Not all partnerships are communicated. When a partnership is disclosed, it can be communicated.

7.2.5 Internal Controls

Reporting risk	Control description
Inaccurate reporting	Currently each country has access to the data base and anyone can fill in and add information. The data base is regularly checked by an appointed person in the fintech team. The risk is not having all the information set in place. https://portfolio.cino-portal.com/

7.3 PACE playbook and number of trained people

7.3.1 Introduction

PACE methodology playbook describes ING's way to innovate. PACE is a specific approach to innovation tailored for the needs of ING and created by the ING Innovation Office.

7.3.2 Definition

Total number of employees trained on PACE methodology, ING's way to innovate, as provided in the reports from suppliers (ING partners) who deliver the trainings.

To accelerate the pace of innovation at ING, a tailored approach to innovation was created. PACE is ING's way to innovate. The knowledge of PACE is summarized in the PACE methodology playbook. PACE is implemented through the PACE Accelerator and PACE Everyday programme and all employees participating in these programmes go through the PACE training as the initial step of their journey. This is an initial training of the fundamentals of PACE where they learn how to innovate in ING way.

7.3.3 Boundaries

In scope of the PACE trainings are employees taking part in the PACE Accelerator programme from 10 ING business units on retail and wholesale banking segment. Those are - Wholesale Bank, Australia, Poland, Romania, Germany, Netherlands, Spain, Italy, Turkey, France, Luxembourg, Czech Republic. Additionally, our colleagues in Belgium have as well been trained on PACE (even though they do not have the PACE Accelerator programme implemented) as they have a dedicated innovation team and local incubator (Fintech Village).

7.3.4 Data gathering process and methods

All the trainings are created in partnership with 4 suppliers. The suppliers also deliver the trainings. Additionally, they collect the attendance information through the attendance confirmations which is then sent to the person responsible for learning within the Chief Innovation Office. The overall data is collected on quarterly basis by the Learning responsible and stored in form of progress report document.

7.3.5 Internal Controls

Reporting risk	Control description
Inaccurate reporting	Zeynep Peker, Learning Lead, ING Group Chief Innovation Office, is the end responsible for tracking the number of training attendees. ING Chief Innovation Office coaches, BU coaches and Accelerator Leads send Outlook invites to employees selected to participate in training sessions. Using Outlook tracking, these responsible people track who has accepted the invitation. ING Chief Innovation Office coaches and BU coaches attend the training sessions and record the actual attendance. The coaches quarterly compare the attendance numbers with the list of accepted invitations. The Learning Lead submits quarterly progress reports on the number of attendees to the MBB.

8. Environmental performance indicators

Environmental performance indicators in the integrated report and annex include: total CO₂e emissions, energy consumption, business travel, paper consumption, residual waste, water consumption, and sustainable procurement, including renewable electricity procurement.

8.1 Total CO₂e Emissions

8.1.1 Definition

Our total CO₂e emissions are the sum of our emissions in scope 1, 2 and 3 in kilotonnes.¹⁴ Scope 1 emissions comprises emissions from our use of natural gas and fuel oil. Scope 2 comprises emissions from our use of electricity, renewable electricity and district heating. Data collated in scope 1 and 2 only comprises the energy used in buildings where ING has management control and includes office buildings, data centers and retail branches. Scope 3 comprises emissions from our business travel by air and car. For air travel, we gather information on short, medium and long-haul flights. When hauls are unknown, an average is used. Car travel data is derived from business travel of lease cars, rentals and declared kilometers when private vehicles are used for business travel. As lease cars are also utilized by employees for private purposes, we presume that 30% of all kilometers driven in lease cars are for business purposes. This is the reported number unless a similar local assumption is applied.

Renewable Electricity: By renewable electricity we mean electricity generated from renewable sources such as wind, solar power, geothermal and hydropower. The use of nuclear power is not included in our renewable electricity consumption. Renewable electricity is procured either as a part of contractual agreements with electricity providers in the form of Power Purchase Agreements (PPAs), Renewable Energy Certificates (RECs) or Guarantees of Origin (GOs) or is procured separately via a third party who then retires instruments on ING's behalf and provides the certification. We strive to ensure that renewable electricity is procured from local projects when available and meets the quality criteria listed in the GHG Protocol Scope 2 Guidance.

Emissions Factors: For air travel (long, medium, short and unknown hauls), natural gas, district heat and transmission losses, we employ emissions factors from DEFRA 2016. Scope 3 emissions factors for business and logistics from the Netherlands, Belgium, Poland, Germany, France, Luxembourg, Spain, Italy and the United Kingdom have been updated using a bespoke emissions factor. This bespoke emission factor is based on local country data from our car lease supplier on the respective average fuel efficiency of a country's vehicle fleet. We also apply a 34% uplift to these figures in line with DEFRA guidelines. For countries where local data is not available on vehicle efficiency we apply the standard 2016 DEFRA emission factor for road vehicles. For electricity generation and heating oil the 2015 International Energy Agency emissions factors are used.

Data Comparison and Completeness

We aim to constantly improve our data collection process and methodology. Therefore it is our policy to update our greenhouse gas emissions factors to reflect an increasingly more accurate calculation. Additionally in some cases we will collect historical data from countries to increase the coverage ratio of our baseline or historical figures in order to disclose more accurate baseline measurements. Both cases – the change in emission factors or an increase in coverage scope – may cause the absolute figures for a given year to deviate slightly between reports. In instances where changes in scope or emissions factors have been restated to reflect more accurate data, for example in the non-financial appendix of the annual report, footnotes are used to explain which figures were restated and why. See section 8.6 Baseline recalculation policy.

Scope 2 Calculation: Location- and Market- Based Methods: We report our scope 2 emissions using both the location- and market-based calculation methods outlined in the GHG Protocol Scope 2 Guidance published in January 2015. We report our market-based emissions in the key figures of the annual report as well as in the carbon emissions table of the appendix. Our scope 2 emissions using the location-based method is reported in a footnote of the carbon emissions table in the appendix. The market-based calculation takes into account the purchase of contractual renewable electricity instruments while the location-based calculation does not. Instead, using the location-based method, the regional or national grid average emissions factors (mentioned above) are applied to the total amount of kilowatt hours consumed per country.

To reach the status of carbon neutrality in our operations, we use carbon offsetting. A carbon offset is a reduction in emissions of carbon dioxide or greenhouse gases made in order to compensate for or to offset an emission caused elsewhere. We offset our total extrapolated market based emissions through this method. Carbon offsets are purchased as a guarantee in the reductions of an amount of CO₂e in Tonnes. These differ from Renewable energy certificates (REC's) which represent one megawatt hour (MWh) of energy generated from a clean, renewable source with an emissions factor of zero, such as wind, solar, hydro, or certain types of renewable biomass. ING purchases independently verified offsets as a part of the Voluntary Carbon Market as well as a part of the Carbon Development Mechanism.

¹⁴ CO₂e (CO₂ equivalent) denotes the conversion of greenhouse gases (carbon dioxide - CO₂, methane - CH₄ and nitrous oxide - N₂O) into the equivalent radiant force of CO₂ based on their respective global warming potentials (GWP) at a 100 year time-horizon. For conversion factors, we utilize the DEFRA 2016 GWP factors from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report.

8.1.2 Boundaries

Only countries that have over 200 FTE are asked to provide data regarding CO₂e emissions and other environmental indicators. This is because smaller countries do not have a material impact on our footprint.

Our scope three boundaries presently only include business travel by air and car due to the fact that we do not yet have reliable data for public transport use and employee commuting. For air travel, we gather information on short, medium and long-haul flights. When hauls are unknown, an average is used. Car travel includes business travel of ING lease cars. As lease cars are also utilized by employees for private purposes, we presume that 30% of all kilometers driven in lease cars are for business purposes. This is the reported number unless a similar local assumption is applied.

8.1.3 Data gathering process, methods and tools

Activity data on environmental performance indicators is gathered through an online Data Management System (DMS) and is initiated and overseen by the global ING sustainability department. The DMS is built and hosted by a specialty sustainability software company, CREDIT360. Credit360 is ING's proprietary tool used for calculating CO₂e and emissions extrapolations.

From this, DMS questionnaires are sent out to country offices that deliver data in January of each year at the latest. The data is then aggregated at the global sustainability department. This department also defines the requests for specific data and collaborates closely with country offices that are delivering data to ensure an understanding of definitions and the type and sort of data is required from them.

Once the data is delivered, it is validated by the global sustainability department. In case of any ambiguity in the data and answers provided, the questionnaires are sent back to the country offices for further explanation.

After this initial check, all data provided is checked and validated a second time by an independent external agency, Royal Haskoning DHV.

Extrapolation

Because only countries that have over 200 FTE are asked to provide data, and because not all countries can provide all requested data in time, we extrapolate our CO₂e emissions to our total number of FTE in order for this number to reflect our actual emissions as accurately as possible.

Not all entities of ING Bank are included in the reporting scope when collecting sustainability data. This means that the absolute CO₂e emissions which have been reported do not include all CO₂e emissions of ING Bank worldwide. In order to give a more representative view of ING Bank's CO₂e emissions worldwide, ING Bank extrapolates its carbon footprint. The extrapolated carbon footprint is calculated by extrapolating CO₂e emissions for each of the following carbon sources based on the no FTE's:

- Non-renewable electricity
- Natural Gas
- District Heating
- Heating Oil
- Car Travel
- Air travel

For each of the above sources, the coverage in FTE's is calculated by adding up the number of FTE's that corresponds to each country that reports data for the source concerned. The absolute carbon footprint of the source concerned, which corresponds to a certain coverage in FTE, is then being extrapolated to the total number of FTE within the ING Bank worldwide, i.e. a 100% coverage in FTE.

8.1.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country offices	Clear definitions within the questionnaire, preparatory e-mails and webinar for all country office respondents, Q&A within the DMS.
Inconsistencies in data	At the global sustainability department, a reporting protocol [this document] has been developed which is updated annually to further improve the quality of our sustainability data reporting.
Errors in data	Complete data validation by the global sustainability department and independent third party: Royal Haskoning DHV.
Traceability of data and changes in data	Audit trail within our online data management system. All changes and adjustments (+ the person making them) are registered and saved.

8.2 Paper consumption

8.2.1 Definition

Paper consumption is the consumption of paper in kilograms. Paper is divided into eco-labelled and non-eco-labelled paper. Eco-labelled paper is either FSC labelled or another eco-label.

FSC labelled paper: Forest Stewardship Council (FSC) labelled office paper is paper that has an FSC label. Paper carrying the FSC label is independently certified to assure buyers that it comes from forests that are managed to meet the social, economic and ecological needs of present and future generations. FSC paper meets the highest social and environmental requirements in the forestry sector.

Other eco-labels: other eco-labels for office paper might be Nordic Swan, Blue Angel, Tree Farm, Sustainable Forestry Initiative, Environmental Choice Australia or another label.

Non eco-labelled paper: is paper without one of the eco-labels described above.

8.2.2 Boundaries

Only countries that have over 200 FTE are asked to provide data on paper and other environmental indicators. This is because smaller countries do not have a material impact on our footprint. Paper consumption is not extrapolated. Coverage percentages are provided which indicates the percentage of total ING FTE included in the figure reported.

8.2.3 Data gathering process and methods

Data on environmental performance indicators is gathered through an online data management system (DMS) and is initiated and overseen by the global ING sustainability department. The DMS is built and hosted by a specialty sustainability software company, CREDIT360. The process (including check by Royal HaskoningDHV) is the same as described under 'Total CO₂e emissions'.

8.2.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country offices	Clear definitions within the questionnaire, preparatory e-mails and webinar for all country office respondents, Q&A within the DMS.
Inconsistencies in data	At the global sustainability department, a reporting protocol [this document] has been developed which is updated annually to further improve the quality of our sustainability data reporting.
Errors in data	Complete data validation by global sustainability department and independent third party: Royal Haskoning DHV.
Traceability of data and changes in data	Audit trail within our online data management system. All changes and adjustments (+ the person making them) are registered and saved.

8.3 Residual Waste

8.3.1 Definition

ING gathers data (in KG) on waste produced and waste recycled through our online data management system. Waste produced & recycled consists of:

Paper: Paper waste including cardboard and discarded documents etc.

Cartridges: Cartridges from printers and/or photocopiers.

E-waste: Electronic waste: this include ICT-related material such as computers, cables, hardware, mainframes from datacenters and offices, and also other electronic devices such as printers, coffee machines and lighting.

Other waste: This is all other residual waste that does not fit the other categories, including domestic-type waste from cafeterias and offices.

Residual waste is the total waste generated minus the total waste recycled. This is the figure reported. The data gathering process is the same as described above for emissions. Waste is not extrapolated.

8.3.2 Boundaries

Only countries that have over 200 FTE are asked to provide data on waste and other environmental indicators. This is because smaller countries do not have a material impact on our footprint. Residual waste is not extrapolated. Coverage percentages are provided which indicate the percentage of total ING FTE included in the figure reported.

8.3.3 Data gathering process and methods

Data on environmental performance indicators is gathered through an online data management system (DMS) and is initiated and overseen by the global ING sustainability department. The DMS is built and hosted by a specialty sustainability software company, CREDIT360. The process (including check by Royal HaskoningDHV) is the same as described under 'Total CO₂e emissions'.

In case of incomplete or missing data that falls short of a country's entire scope some figures may be based on assumptions. These assumptions would be based on the local context for waste management, the number of FTE's and the size of the local operations. All local assumptions and extrapolations are reviewed by the Sustainability Department and external validation company Royal HaskoningDHV.

8.3.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country offices	Clear definitions within the questionnaire, preparatory e-mails and webinar for all country office respondents, Q&A within the DMS.
Inconsistencies in data	At the global sustainability department, a reporting protocol [this document] has been developed, which is updated annually to further improve the quality of our sustainability data reporting.
Errors in data	Complete data validation by global sustainability department and independent third party: Royal Haskoning DHV.
Traceability of data and changes in data	Audit trail within our online data management system. All changes and adjustments (+ the person making them) are registered and saved.

8.4 Water consumption

8.4.1 Definition

Total water consumption is the total water consumed in cubic meters by our business for any use. Total water consumption includes water usage for sanitary installations, air conditioning, cooling systems, cafeteria, garages, sporting areas, indoor plants, external areas, etc.

8.4.2 Boundaries

Only countries that have over 200 FTE are asked to provide data on water and other environmental indicators. This is because smaller countries do not have a material impact on our footprint. Coverage percentages are provided which indicates the percentage of total ING FTE included in the figure reported.

Extrapolation

During the period of 2014 to 2015 there was no extrapolation for water data. As of 2016 however water consumption is extrapolated. Total water consumption has a minimum deviation between countries. Therefore extrapolation can give a better estimate of the global footprint. For water, the coverage in FTE's is calculated by adding up the number of FTE's that corresponds to each country that reports data. The absolute water footprint which corresponds to a certain ratio per FTE, is then being extrapolated to the total number of FTE within the ING Bank worldwide, i.e. a 100% coverage in FTE. The introduction of extrapolations requires the restating of our 2014 baseline data in line with the section 8.6 Baseline Recalculation Policy. We also restated our 2015 water consumption in line with this protocol.

8.4.3 Data gathering process and methods

Data on environmental performance indicators is gathered through an online data management system (DMS) and is initiated and overseen by the global ING sustainability department. The DMS is built and hosted by a specialty sustainability software company, CREDIT360. The process (including check by Royal HaskoningDHV) is the same as described under 'Total CO₂e emissions'.

8.4.4 Internal controls

Reporting risk	Control description
Inconsistent use of definitions by country offices	Clear definitions within the questionnaire, preparatory e-mails and webinar for all country office respondents, Q&A within the DMS.
Inconsistencies in data	At the global sustainability department, a reporting protocol [this document] has been developed, which is updated annually to further improve the quality of our sustainability data reporting.
Errors in data	Complete data validation by global sustainability department and independent third party: Royal Haskoning DHV.
Traceability of data and changes in data	Audit trail within our online data management system. All changes and adjustments (+ the person making them) are registered and saved.

8.5 Sustainable Procurement Policy

8.5.1 Definition

Sustainable Procurement Policy: The ING Procurement Sustainability Standards (IPSS) comprise ING's sustainable procurement policy towards third parties. This policy contains the minimum standards regarding environment, human rights, fair labor, and anti-corruption that ING requires its contracted suppliers to uphold. Supplier Qualification is the process by which suppliers are asked to sign the IPSS. Suppliers who do not enter supplier qualification are asked to agree to the IPSS via the contracts.

8.5.2 Boundaries

The scope we have defined includes suppliers contracted via procurement processes.

8.5.3 Data gathering process and methods

Each country in Global Procurement receives KPIs for IPSS coverage each year. The countries report annually on their progress using exports from our systems and using data from our Supplier Qualification team.

Netherlands process:

When the IPSS is applied to a contract, this is recorded in our system (Hubwoo).

When a supplier agrees via our Supplier Qualification process, this is recorded in our supplier data management system. Reports can be generated at any time for monitoring by making a query in the database.

Process for other countries:

Annual reports are requested from the local countries. The Sustainability manager for procurement verifies the reports and aggregates this with other figures. The countries provide the total number of suppliers in scope and the number that have signed the policy to the IPSS.

8.5.4 Internal controls

Reporting risk	Control description
Errors in data	We have introduced a system whereby suppliers are identified according to their DUNNS number to safeguard against incorrect or repeated numbers. The DUNNS number is required for qualification.

8.6 Baseline recalculation policy

In case of structural changes in the organization, including significant scope changes, changes in calculation methodology, improvement in the accuracy of emission factors or activity data, or the discovery of data/calculation errors, that significantly impact the base year emissions data, the base year will be recalculated to ensure consistency and relevance of reported data. A recalculation will be conducted when any of the above circumstances result in a material impact on base year emissions data.

9. Glossary and Definitions

4 eyes principle	A decision, transaction, etc., must be approved by at least two people. This controlling mechanism is used to facilitate delegation of authority and increase transparency.
Approval Package	An ING internal corporate credit risk assessment system.
Asset Based Financing	Technique of providing structured working capital and term loans which are tenable by accounts receivable, machinery, inventory, equipment, and real estate
AuM	Asset under management
BCD	Bank Wide Customer Domain
BAM	
BREEAM	Building Research Establishment Environmental Assessment Method
CA	Customer Analytics
CB clients	Corporate Banking Clients
CBA	Collective bargaining agreement
CC	Client Coverage
CEL Belgium	An external but fully ING owned company that maintains the automatics offices at ING Belgium.
CDO	Chief Data Officer
CinO	Chief Innovation Officer
CO₂	Carbon Dioxide
Community Investment	Long-term strategic involvement in community partnerships to address social issues chosen by the company through financial contributions, in-kind donations, or employee volunteering.
CRC	Credit Risk Committee
Credit Committee	A delegated authority within ING with the power to approve or decline transactions
CS ING SRI Index	?
CX	Customer Experience
DEFRA	Department for Environment, Food and Rural Affairs
DGND	German Sustainable Building certificate
DMS	Data management system
DUNNS Number	
Ecofys	Consultancy in renewable energy, energy & carbon efficiency, energy systems & markets and energy & climate policy.
EPC	Energy Performance Certificates
EPFI's	Equator Principles Financial Institutions
Equator Principles III	Risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects.
ESG	Environmental Social Risk

External Employees	Employees working at ING through an agency or other organisation. This number fluctuates but is around 10,000 compared with 50,000+ internal employees
FSC	Forest Stewardship Council
FTE	Full time Employee
GCC	Global Credit Committee
GDM	Global Data Management
GHG	Green House Gas
GOs	Guarantees of Origin
Green House Gas Protocol	Global standard for how to measure, manage, and report greenhouse gas emissions.
GRI	Global Reporting Initiative
GRI G4	Global reporting Initiative guidelines for Sustainability reporting.
GRI G4 Comprehensive Option	Global Reporting Guidelines option that states for each identified material Aspect, the organization should disclose the Generic Disclosures on Management Approach and all Indicators related to the material Aspect.
GRID	Group Risk Development - Group Risk Development (GRID) is the industry body for the group risk protection sector.
Groenbank	INGs "Green Bank" which offers sustainability focused products and services to corporate and retail clients
Group Finance	Provides Finance & Control activities ensuring that ING meets its external (non) financial reporting requirements in accordance with Generally Accepted Accounting Principles and Regulatory requirements.
HC ROI	Human Capital Return On Investment
HomeBank	INGs personal online banking service for retail clients in the Belgium.
HQE	Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France.
HR	Human Resources
HR CDO	Human Resources Chief Data Officer
HRDBB	HR Data Backbone Database
IBM BDW	IBM Banking Data Warehouse
IBP	Inside Business Payments
IBM	International Business Machines. An American multinational technology company.
ILC	ING Learning centre
Internal Employees	Employees working at ING with an official ING contract.
Interhyp	German broker of private mortgage lending.
IPSS	ING Procurement Sustainability Standards
KG	Kilograms
Know your customer	INGs process of identifying and verifying the identity of our clients.
KPI's	Key performance indicators
LEED	Leadership in Energy & Environmental Design. A green building certification program that recognizes best-in-class building strategies and practices.
Liric Duurzaam	ING Sustainable Limited Risk Certificates. Allows customers to participate in the Sustainable Europe Low Risk Equity Index.
Lirics	Limited Risk Certificates

Materiality matrix	2 dimensional axis that displays issues for a company relative to the degree of stakeholder concern and potential business impact.
Medallia System	Customer Experience Software
MetrixLab	Market Research Company, offering customer insight services & market research data for businesses.
Microfinance	Financial services for entrepreneurs and small businesses lacking access to banking and related services.
MijnING	ING's personal online banking service for retail clients in the Netherlands
Minority Stake	Minority stakeholdings held by ING. In total there are around 18 employees working in ING minority stakeholdings.
Money Market	The trade in short-term loans between banks and other financial institutions
MSW	Municipal Solid Waste
NAICS code	North American Industry Classification System code.
NGO's	Non-Governmental Organisations
NPS	Net Promoter Score
ODC	Operational Data Council
Oekom	Leading second-party opinion (SPO) provider for green bonds.
OHI	Organisational Health Index
OIB	Operations & IT Banking
OIKOcredit	Worldwide cooperative and social investor, providing funding to the microfinance sector
PFE	Potential Future Exposure
Q&A	Questions and Answers
RECs	Renewable Energy Certificates
RJ 4000	Dutch Accounting Standard Board reporting guidelines
Saratoga benchmark	Global metrics and benchmarking database developed by the professional services firm Price Waterhouse Cooper
SAS	Data Management System
SASB	Sustainability Accounting Standards Board.
SAUM	Sustainable Assets Under Management
SELRE	Sustainable European Low Risk Equity Index.
SME	Small/Medium Enterprise
SPOC	Single Point of Contact
STARpro	Credit Risk Tool
IESGL	Industry Environmental, Social and Governance Leaders
UPR	Utilities Power and Renewables
Vantage	Credit risk tool
Vortex	Risk analysis software
WB	Wholesale Banking
WPC	Winning Performance Culture
WTW	Willis Towers Watson