

ING Groep N.V.

Internal Audit Charter  
(Corporate Audit Services)

Version: 2 November 2021

# ING Groep N.V. Internal Audit Charter

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## **Endorsed by the Executive Board**

This Charter has been endorsed by the Executive Board on 18-10-2021

## **Approved by the Supervisory Board ING Groep N.V.**

This Charter has been approved by the Supervisory Board on 2-11-2021

## **Applicability to ING Bank N.V.**

This charter equally applies to ING Bank N.V.

## **Endorsed by the Management Board Banking ING Bank N.V.**

This Charter has been endorsed by the Management Board Banking on 18-10-2021

## **Approved by the Supervisory Board ING Bank N.V.**

This Charter has been approved by the Supervisory Board on 2-11-2021

## **For further information**

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## 1. Objective, Mission, Purpose, and Scope

### 1.1 Objective

Corporate Audit Services (CAS), the internal audit department of ING Groep N.V. ('ING'), is an independent assurance function and its responsibilities are established by the Executive Board of ING and approved by the Supervisory Board of ING.

CAS provides independent assurance to the Executive Board, the Supervisory Board and the Audit Committee on the quality and effectiveness of ING's internal control, risk management, governance and implemented systems and processes. CAS supports ING to accomplish its mission and strategic business objectives through a systematic, documented risk-based audit approach to examine, evaluate and improve the effectiveness of ING's governance, control, and risk management processes.

The Dutch Financial Supervision Act ("Wet op het Financieel Toezicht") requires ING to have an internal audit department, which independently assesses the effectiveness of the design and operations of the organisation and the quality of procedures and control measures. CAS is also subject to the requirements for internal audit functions set by the ECB, DNB, EBA, Basel Committee on Banking Supervision (BCBS) and other regulators, both internationally and at national level. CAS also adheres to the Institute of Internal Auditors (IIA)'s "Code of Ethics", the IIA's "International Standards for the Professional Practice of Internal Auditing" and the IIA's "Core Principles for the Professional Practice of Internal Auditing".

This Charter is reviewed annually, endorsed by the Executive Board and approved by the Supervisory Board.

### 1.2 Mission & Purpose

CAS' mission is to be a professional partner to business management and support the sustainable implementation of ING's long term value creation strategy by:

1. Being a world-class and innovative supplier of assurance services and other audit related services (including consulting services, when appropriate).
2. Developing talent, with a broad understanding of risks and controls, for the benefit of ING.
3. Embedding Orange Code values and behaviours in all its activities world-wide.

The purpose of CAS is to help ING to keep getting better. CAS pursues this through assurance activities and by providing input to stakeholders on matters related to risk, controls and compliance with applicable rules and by contributing to a strong corporate governance structure, including the three lines of defence model. Through its activities, CAS has a role to drive change in the ING organisation contributing to strengthen the effectiveness of ING's governance, internal control risk management framework and related processes.

CAS applies a global assurance programme of audit work providing high quality value-adding responses contributing to the improvement of ING's governance, operations, processes, and controls worldwide, based on the principles of independence, objectivity, and due professional care. CAS deploys competent professionals who adhere to the IIA's "International Standards for the Professional Practice of Internal Auditing", the IIA's "Core Principles for the Professional Practice of Internal Auditing" and the IIA's "Code of Ethics" as well as other professional standards setting bodies (such as NBA, NOREA and other national professional audit standards as applicable).

## 1.3 Scope

CAS' scope of work covers all key current and emerging risks, which impact the realisation of strategic business objectives in all entities across ING.

Every activity, department and office of ING, including branches, subsidiaries as well as internally and externally outsourced activities, is part of the CAS scope of work

This includes but is not restricted to:

1. Auditing:
  - Governance, risk, and control (information) systems, policies, behaviour, procedures, and processes, including information (technology) systems and controls, at various operations and activities of ING (in-house or outsourced) and give recommendations for improvements;
  - Compliance with national and international laws and regulations, including the Dutch Corporate Governance Code and the Dutch Banking Code;
  - The relevance, reliability and integrity of management, financial, regulatory, and other operating data and reports; and
  - Key projects or programmes.
2. Following up and reporting on closure of issues with CAS as monitoring entity. Before closing these issues, CAS reviews the adequacy and the effectiveness of the implemented controls. Any serious failings are reported to the Executive Board and the Audit Committee.
3. Performing audit related services to assist business management achieve its objectives. Such services include, amongst others, internal controls best practices, advice regarding the design of systems, operational processes, policies and procedures, and internal controls training/ facilitation support. The services can be formalised (i.e. through written agreement), informal as part of routine activities, or special or emergency engagements on request of business management. CAS will make sure that provision of audit related services does not result in impairment of its independence or objectivity.
4. Ad hoc and special investigations assigned by the Audit Committee, CEO, Senior Management of ING and regulators.

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When areas of ING's business are subject to forms of control assurance provided by other parties (e.g. external auditor), CAS assesses the extent to which it can rely upon that work and, where appropriate, adjust the scope and timing of its audit activities.

## 2. Governance and Responsibilities

### 2.1 Governance

CAS is an essential part of the corporate governance structure of ING, and part of ING's three lines of defence model. Within this model, business management (the first line of defence) is responsible for developing and implementing controls to manage business risks, next to key control testing (first line monitoring), whilst the risk management functions (the second line of defence) have responsibility for translating the business risk appetite into methodologies, policies and yardsticks to support and monitor business management's control of risk (second line monitoring). The risk management function should ensure that all risks are identified, assessed, measured, monitored, managed and properly reported on by the relevant units in ING. CAS operates as the third line of defence and provides business management with independent assurance on the appropriateness of the level of internal controls in the first and second line of defence.

The Executive Board annually assesses the way in which the internal audit function fulfils its responsibility, taking into account the Audit Committee's opinion. The Supervisory Board, with the assistance of the Audit Committee, is responsible for the oversight of CAS, including the level of resources and skills available of the audit function, and maintains regular contact with the General Manager CAS (GM CAS).

CAS is a global function (Tier 2 level) and the GM CAS reports hierarchically to the CEO of ING. The Supervisory Board, taking into account the recommendations provided by the Audit Committee, approves the decisions by the Executive Board regarding the appointment or dismissal as well as the remuneration package of the GM CAS.

The Supervisory Board, taking into account input from the Audit Committee, also approves the assessment of the performance of the GM CAS by the CEO and provides input for this assessment. In compliance with the BCBS, the Dutch Corporate Governance Code and Dutch Banking Code, the Supervisory Board also supervises the activities of the Executive Board with respect to the role and functioning of CAS.

CAS is organised in several teams in different countries, which operate in compliance with national law requirements and ING policies.

In line with the Basel Committee principles for Internal Audit, CAS is responsible for the internal audit function in all entities in which ING has a majority stake or management control. For those entities, CAS is ultimately accountable for ensuring adequate audit coverage and expressing opinions on the internal control environment for the benefit of both the individual entity's CEO and Supervisory Board and/ or Audit Committees and ING as a whole.

CAS is also responsible for the hiring, firing, appraisal and remuneration of audit staff in these entities, when applicable in co-ordination with the individual entities' CEOs and Audit Committees.

## 2.2 Responsibilities GM CAS

CAS' responsibilities are established by the ING Executive Board and approved by the Supervisory Board.

The GM CAS is responsible for:

1. Developing the Audit Plan, using an effective risk-based methodology, and with input from key stakeholders (Executive Board, Audit Committee, external auditor, regulators and senior management).
2. Reporting significant issues identified by CAS, together with recommendations for improvement to the Executive Board and the Audit Committee.
3. Preparing and submitting to the Executive Board and the Audit Committee:
  - an assessment on the adequacy and effectiveness of ING's processes for controlling its activities and managing its risks in all areas of ING operations on at least an annual basis.
  - a summary of the audit reports including findings and observations with material impact.
  - an overview of open, accepted and overdue issues.
4. Maintaining a sufficient level of competence (including knowledge to identify indicators of fraud), specialist skills, experience, and professional qualifications, as required for an effective audit function in a global financial services organisation. In this context, CAS has access to an international co-sourcing partner who can provide specialised resources, training and business advice when required. When internal audits are co-sourced, the engaged experts perform their work in conformity with the CAS methodology and CAS management remains ultimately responsible for the work performed.
5. Developing and maintaining a quality assurance and improvement programme.

The GM CAS is also responsible for the following, which will be reported to the Audit Committee:

1. Providing periodic information on the status and results of the annual audit plan and the adequacy of CAS resources.
2. Coordinating with the external auditor to ensure proper and complete coverage, whilst avoiding duplication of effort, and informing the external auditor of any significant matter that comes to CAS' attention.
3. Reporting on key developments regarding banking supervision, regulatory requests and results of special reviews.
4. Maintain an up-to-date set of operating policies and procedures, guidelines and methodology (e.g. the CAS Manual) and continuously improve these in light of industry developments.

The audit plan is submitted to the Executive Board for review and approval, and then to the Audit Committee for review, prior to the Supervisory Board approval. The GM CAS will communicate the impact of resource limitations

and significant interim changes to the Executive Board and the Audit Committee.

### **Quality Assurance and Improvement Programme**

CAS maintains a continuous internal quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The programme includes a self-evaluation of CAS conformance with the IIA's "Code of Ethics", the IIA's "International Standards for the Professional Practice of Internal Auditing" and the IIA's "Core Principles for the Professional Practice of Internal Auditing" and identifies opportunities for improvement. The results of the QAIP are communicated annually to the Executive Board and the Audit Committee.

CAS is also subject to an independent review at least once every five years. This review is performed by independent professionals e.g. practicing Chartered Accountants which are qualified IIA reviewers.

### **2.3 Responsibilities CAS staff**

All CAS staff are responsible for:

1. Adhering to operating policies and procedures, guidelines and methodology as reflected in the CAS Audit Manual and the CAS Global Procedures.
2. Exercising due professional care in carrying out assurance and consultancy assignments.
3. Ensuring continuous development of audit knowledge and skills required for the audit.
4. Complying with The Orange Code, the ING Global Code of Conduct, applicable laws and regulations.
5. Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of ING.
6. Maintaining integrity, objectivity, independence, confidentiality, honesty, diligence, and an impartial, unbiased attitude.
7. Avoiding conflicts of interest.

## 3. Authority and Capabilities of Corporate Audit Services

### 3.1 Independence and objectivity

The following applies regarding ensuring independence and objectivity:

1. The GM CAS is authorised to communicate directly at all times, and on his own initiative, to the members of the Executive Board, the members of the Audit Committee, and the external auditor should matters of immediate significance arise which require their attention.
2. The GM CAS has unrestricted access to the Audit Committee, has regular bilateral meetings with the chairman of the Audit Committee. The GM CAS has a standing invitation to attend Supervisory Board Audit and Risk Committee meetings.
3. All CAS staff ultimately report hierarchically to the GM CAS unless prescribed differently by local law and regulations.
4. CAS must be independent of/ is not responsible for the activities under assessment. CAS objectivity is not adversely affected, however, in case of delivering audit related services, recommending standards and controls to be applied in developing systems and procedures in order to improve controls and/ or enhance operational effectiveness. CAS objectivity is also not adversely affected, in case of delivering assurance services, by evaluating existing or planned financial and operating systems, related controls and procedures, and making recommendations for modification and improvements thereto. CAS will take into account management's own assessment of improvement areas as part of their audit activities.
5. CAS must not participate in any activity or relationship that may impair or be presumed to impair its unbiased assessment. This includes activities or relationships that may be in conflict with the interests of ING. The GM CAS must disclose to the Audit Committee any situation that is likely to affect or might be perceived as affecting his impartiality.
6. CAS exercises its assignment on its own initiative in all departments, offices and functions of ING.
7. The GM CAS must have no executive or managerial powers, authorities, functions or duties except those relating to the management of CAS.
8. The internal audit function within ING is a permanent function and cannot be outsourced.
9. GM CAS and managers at level -1 and -2 rotate job positions after maximum seven years. Other CAS staff rotate periodically whenever practicable and taking into account the audit function's independence, competence and expertise. Internally recruited auditors must not audit activities or functions they performed in the past twelve months.

### 3.2 Access to information

CAS staff will have unrestricted and direct access (in accordance with local laws and regulations) to all information, documentation, systems and activities employed by management and employees (global, divisional or operational unit) that they believe is necessary to execute their responsibilities effectively.

CAS management will have the opportunity to attend relevant Board and Committee meetings (e.g. Non-Financial Risk, Operational Risk Committee, the operational unit's management team meetings, and credit committee meetings) to raise any matters that are relevant, reasonable and necessary. The GM CAS will be invited to the Audit Committee and Risk Committee meetings.

Any restrictions in access that would prevent CAS from being able to fully and freely discharge its responsibilities, will be reported to the Audit Committee.