

Application of the Dutch  
Banking Code by  
ING Bank N.V. (FY 2018)



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## Application of the Dutch Banking Code

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# Introduction

In September 2009, the Dutch Banking Association (NVB) published the first Banking Code (Code Banken). The Banking Code laid out the principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration and came into effect on 1 January 2010 on a so-called 'comply or explain' basis.

Following the first Banking Code in 2010, the Committee Wijffels published a report in 2013 on the structure of Dutch banks ('Naar een dienstbaar en stabiel bankwezen'). The report paid great attention to the stability of the industry and the importance of competition and diversity in Dutch banking. In its report, the Committee called upon the banks to take additional steps towards regaining trust from customers and society as a whole by setting out the role they want to play in society in a social charter.

In 2014, in response to the aforementioned request, the NVB introduced a document entitled 'Future-oriented Banking'. This document contained the requested Social Charter, the rules of conduct associated with the banker's oath and an update of the Dutch Banking Code.

The updated Banking Code came into effect on 1 January 2015 and takes into account the recommendations of the Banking Code Monitoring Committee, the aforementioned report of the Committee Wijffels and the vision of the NVB. It applies to all activities performed in or directed towards the Netherlands by banks that are established in the Netherlands and licensed by De Nederlandsche Bank (DNB; Dutch Central Bank) pursuant to Section 2:11 of the Financial Supervision Act (Wet op het financieel toezicht

(Wft)). The Banking Code does not replace applicable legislation or regulatory requirements that prevail above the Banking Code in case of a conflict.

The principles of the 'old' Banking Code, which have now been incorporated into legislation and regulations, are not repeated in the new Banking Code. ING Bank N.V. (ING) will – evidently – continue to comply with these national and international rules.

ING applies the Dutch Banking Code to all its entities with a Dutch banking license (including ING Groenbank N.V. and Bank Mendes Gans N.V.) for activities performed in or directed towards the Netherlands. Banks that are members of a group and subject to the Banking Code may apply parts of it at the level of the entity heading the group. The Management Board Banking has decided to apply the corporate governance principles of the Banking Code at the consolidated level, i.e. for the Management Board Banking and Supervisory Board of ING Bank N.V. The remuneration principles, insofar as they relate to executive remuneration, also apply to the members of the Executive Board of ING Groep N.V.

In this booklet ING reports how the principles of the Banking Code are applied and – where applicable – explains if, and why a principle is not (entirely) complied with. In addition, – where applicable – this booklet elaborates on the progress made in applying the principles and gives examples how these principles are applied. ING's application of the Dutch Banking Code is based on the official Dutch text of the Banking Code which is available on the website of the [Dutch Banking Association](#). The Dutch Banking

Association also provided an unofficial English translation of the Code on its website which is included in this booklet and can be found [here](#).

ING strongly supports the principles of the Banking Code to regain trust, ensure stability and protect the interests of our stakeholders. Regaining trust requires a sustainable approach and continuous attention. Following the significant steps taken to comply with the principles of the Banking Code from 2010 onwards, ING has continued its efforts to improve even further.

However, there were instances in 2018 where ING's actions resulted in a loss of trust from stakeholders. We take these instances very seriously and need to learn from them in order to improve for the future.

ING announced on 4 September 2018 that we had reached a settlement agreement with the Dutch Public Prosecution Service related to an investigation that found serious shortcomings in the execution of customer due diligence and requirements related to fighting financial economic crime at ING Netherlands. We accepted full responsibility for what went wrong and reached a settlement agreement of €775 million in the third quarter.

We continue to take a number of robust measures to strengthen our management of compliance risks, support a stronger risk culture and improve operational excellence in non-financial risk. We are committed to complying with all applicable laws, regulations and standards in each of the markets and jurisdictions we operate in. More information is in the 'Risk and capital management' chapter of the 2018 [Annual Report](#).

Trust was damaged among several stakeholders mainly in the Netherlands after the Supervisory Board submitted – and subsequently withdrew – a proposal to amend the Executive Board remuneration policy to bring the remuneration for the CEO position closer to peers within the EURO Stoxx benchmark. The Supervisory Board stated it underestimated the public response in the Netherlands. It said that it will carefully assess how it can develop a sustainable and competitive remuneration policy to fulfil its duty to act in ING's long-term interests. More information is in the 'Remuneration' chapter of the 2018 [Annual Report](#).

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

# 1 Sound and ethical operation

## Text Banking Code 2016

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**1. To build and maintain its position as a stable and reliable partner**, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility.

## Implementation by ING

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ING's purpose and strategy can be found on [ing.com](https://www.ing.com). Our Think Forward strategy has been set by the Management Board Banking in 2014. The Management Board Banking decided in 2016 to accelerate the Think Forward strategy beyond 2017 on the path to convergence towards one digital banking platform and creating a differentiating customer experience. The strategy update has been approved by the Supervisory Board. The Management Board Banking and Supervisory Board are updated on the progress periodically.

Further information on our strategy and developments can be found in the chapters 'Our strategy and how we create value' and 'Improving the customer experience' of the 2018 [Annual Report](#).

ING's Think Forward strategy drives the continuous Dynamic Planning process, which incorporates plans for the medium term. The Dynamic Plan for the period 2019-2021

was approved by the Management Board Banking and by the Supervisory Board. The Dynamic Plan includes the 2021 plans developed by the countries to safeguard and foster longer term thinking and execution.

## Our Sustainability Direction

The world is changing so quickly, sometimes it is hard to keep up. We at ING are here to help people stay a step ahead of these changes. To help them thrive in tomorrow's world by turning the threats of climate change and fast-changing technology into opportunities. If we want to get there, doing nothing is not an option—and saying no is not enough. However, banks cannot do it alone. That leaves the question, where can we make a real impact? How we think we can do that is explained in [Our direction](#) and the updates are amongst others explained in the 'non-financial appendix' of our [Annual Reports](#).

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

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

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

Our policies, as well as our broader business ambitions, are structured around embedded social, ethical and environmental criteria. An extensive Environmental and Social Risk (ESR) policy framework is in place to guide our decisions for client and deal engagement. Under [Our Stance](#) our stakeholders can find an easy to understand explanation of how we apply them and why we finance certain sectors/activities.

## Text Banking Code 2016

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

## Implementation by ING

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

- be guided by the interests of ING and the business associated with it, thereby carefully considering and balancing the interests of all stakeholders of ING, while giving importance to the customer interest as set out in the Dutch Banker's Oath (Banker's Oath must be taken by our employees in the Netherlands, and also by the members of our Management Board Banking and of the Supervisory Board); and
- foster a culture focused on long-term value creation, risk awareness, compliance with the ING's risk appetite, responsible and ethical behaviour, and stimulating openness and accountability within ING and its subsidiaries.

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

- the impact the proposal may have on customers and other (internal/external) stakeholders. It must be explained how the customer's interests have been taken into account, in the consideration of all interests involved in the bank, and must clarify what the estimated impact of a proposal will be; and
- the strategic fit. It must explain how the proposal will help ING to deliver on its purpose of *"Empowering people to stay a step ahead in life and in business"* with reference to the four transparent promises to our customer (clear and easy, anytime anywhere, empower, keep getting better).

As a bank, we have an opportunity and responsibility to finance and facilitate the shift to a more sustainable society, whether supporting our clients in their own transition to becoming more sustainable or by financing sustainable projects. Via [Our direction](#) we want to ultimately contribute to society's transition to be more sustainable. This is also reflected in ING's governance of the Sustainability department which has a direct reporting line to the vice-chairman of ING Bank N.V.

Stakeholder engagement has always been an important element of ING's overall strategy. We continuously listen to different stakeholders, the most important of which are customers, employees, supervisors, shareholders, civil society organisations, government(s) and citizens. We (pro-)actively seek feedback from and – when requested – provide feedback to our stakeholders on different issues by engaging in constructive dialogues, for example during investor days, roadshows and meetings with regulators.



To improve as an organisation we need to identify, understand and balance the most important topics for our stakeholders and know how these relate to the actions and decisions that we take. The results of our regular materiality assessment guide us in our strategic decision-making, stakeholder engagement agenda and reporting framework. More information on how our materiality analyses are performed can be found on [ing.com](http://ing.com).

We have ongoing dialogues with stakeholders, including NGO's, as a source of early warning signals and to better understand concerns that might exist. This enables us to learn which matters are most important to our stakeholders and how we can best align their interests with our business. Throughout the year we organise stakeholder meetings at various levels. On the highest level (board/high level staff) we organised stakeholder meetings e.g. about [balancing human rights in our operations](#) where the chairman of the Dutch Works Council, the ING CFO, the Dutch Ambassador to the Philippines and the Director Human Rights policy at Amnesty International in the Netherlands had an in depth discussion.

## Text Banking Code 2016

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

**The members of these boards will set an example** to all of the bank's employees and exhibit this in their day-to-day activities. The supervisory board will evaluate the way the members of the executive board are setting an example each year.

## Implementation by ING

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ING's Articles of Association, the Corporate Board Charters, the ING Governance Manual and the ING Decision Structure are reviewed on at least an annual basis and are aligned with relevant Dutch and international corporate governance standards, including the new Dutch Corporate Governance Code that took effect from 1 January 2017 and that was embedded in Dutch law on 7 September 2017 and the EBA Guidelines on Internal Governance that took effect from 30 June 2018. ING has an active dialogue with regulatory bodies, government representatives and peers on relevant developments with respect to corporate governance. Rules and regulations applicable to ING are embedded in internal policies and procedures and can be found via the Policy & Procedures section of ING's intranet. The policies and procedures are published here and serve as the single source of truth for all ING employees. An Internal Control Framework is in place to manage the process of global standard setting and local implementation in line with the accelerated Think Forward strategy to support an efficient and effective control environment with appropriate approvals on new or updated external requirements.

At different times during the year, on a regular and ad hoc basis, the Management Board Banking and Supervisory Board reflect and report on governance related aspects and ING's compliance therewith, for example in the periodic meetings between the Management Board Banking and the Supervisory Board and during the Annual General Meeting, supported by the information in ING's [Annual Report](#).

Furthermore, the Management Board Banking is aware of its position and the importance of setting an example, therefore it periodically assesses the effectiveness of

its meetings (e.g. by acting upon periodic survey results completed by other participants (e.g. presenters/senior management) and performs enhanced agenda setting (by means of strengthened process governance, agenda categories, quality assurance, timing, etc.). On a regular basis, at least annually, the Supervisory Board evaluates the functioning of the individual members of the Management Board Banking.

## Text Banking Code 2016

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**4. The executive board and supervisory board are** – with due regard for each other’s duties and powers – **responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank.**

In addition, **they ensure there are proper checks and balances and they safeguard a solid IT infrastructure** that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the executive board and supervisory board.

## Implementation by ING

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### **Standards on integrity, morals and leadership**

All Management Board Banking members have taken the Banker’s Oath. In addition, ING employees in the Netherlands as well as the Supervisory Board have taken the Banker’s Oath. See also the ‘Corporate Governance’ Chapter in the 2018 [Annual Report](#).

Our business centres around people and trust. Only by acting with professionalism and integrity we can maintain our stakeholders’ confidence and preserve our company’s

reputation. Whatever business activity we are involved in, we stick to our values. We place integrity above all and insist on acting prudently and honestly. See Principle 5 on ING’s Orange Code (our set of values and behaviours).

Within ING it is important to give each other feedback and have open dialogues. If employees notice a suspected or actual misconduct by or within ING they are foremost encouraged to raise their concern via the existing channels (e.g. immediate or next higher level manager, Human Resources department or Compliance Officer) and not keep it to themselves or ignore it. This should prevent impairment of ING’s integrity. ING will not ignore, tolerate or excuse behaviour that breaches ING Values. However, if employees feel unable or uncomfortable to raise concerns through the existing channels, the Whistleblower channels provide means for employees to report concerns. In line therewith, ING has a Whistleblower Policy in place. Any suspected breach of the ING Values, ING Behaviours (together the Orange Code) or a (local) code of conduct can be reported via the ING Whistleblower channel or the external Whistleblowing channel. For more information we refer to the Whistleblower policy on [ing.com](http://ing.com).

Following the decision from the Management Board Banking to launch the Think Forward Leadership Programme in 2017, we are glad to report that all our executives completed its first phase. Currently we are running the programme, the Think Forward Leadership Experience phase 1, for all managers throughout the organisation. Our focus is now shifting to phase 2, which we started delivering to our executive population in May 2018. Delivery to all managers will start in Q1 2020.



While phase 1 honoured the individual leadership capabilities by focusing on self-awareness, personal ownership and collaboration, phase 2 emphasises bringing out the best in everyone and promoting a culture of transparency about performance.

Phase 2 also looks at how we can all take better care of ourselves, by looking at how we approach mind-set, nutrition, movement, and most importantly, recovery. Finally, phase 2 is designed to prompt us to build more effective habits (and dismiss less effective ones), thanks to the integration of the latest advancements in behavioural science. For more information we refer to chapter 'Our People' in the 2018 [Annual Report](#).

### **Safeguarding a solid IT infrastructure**

The Management Board Banking has the responsibility to safeguard a solid IT infrastructure. Our Chief Operations Officer as member of the Management Board Banking, has the task to ensure that IT is properly addressed and taken into account at board level and across the rest of the organisation.

ING is committed to deliver a solid IT infrastructure, meaning that the delivery of services and data, in terms of confidentiality, integrity and availability of the data and services at reasonable costs, is well-maintained and constantly improved for future needs and developments of our customers and other stakeholders.

In order to achieve the aforementioned objectives, ING has put a governance (of people, process and technology) in place to maintain high quality and continuously improve. This covers processes for setting standards and policies, processes to monitor, maintain and change the IT infrastructure, processes for assessments by auditors (both internal

and external) and processes to design for future needs. As part of this, information risk management is one of our key priorities to contribute to a solid IT infrastructure.

ING has a target operating model to set the direction for IT to support the accelerated Think Forward strategy. This operating model is about one global approach on our IT processes, our technology and our IT workforce of software engineers. The underlying principles to this model are: ensuring a secure and reliable IT environment, a technology platform for global scalability, and quality driven by craftsmanship of engineers.

One of the examples is our ING Private Cloud, which contributes a highly standardised and scalable infrastructure to this offering. It simplifies our IT landscape which contributes to reliability as well as cost efficiency. In 2018 we further progressed with the onboarding of applications to the ING Private Cloud. It will be servicing approximately 10% of our infrastructure estate by the end of 2018.

Another example is continuation of investments in the automation of our software delivery like embedding more risk controls and taking out repetitive manual work.

IT is of strategic importance to ING, therefore we focus on safeguarding a solid IT infrastructure from an operational and availability perspective, as well as from an IT Risk perspective. Cybercrime threats on our infrastructure and our data are increasing. Training and awareness of our employees is a crucial part of our preventive measures, while, ING Bank continuous to improve capabilities to predict, detect, respond and mitigate cybercrime related threats. On top of that, we maintain strong global anti-cybercrime alliances with the financial service industry, law enforcement authorities, governments and internet service providers to collaborate against cybercrime.

For more information on our IT infrastructure we refer to the 'Technology' chapter of the 2018 [Annual Report](#).

### **The compliance function**

The Chief Compliance Officer directly reports to the CRO and has direct access to the Risk Committee of the Supervisory Board. The Chief Compliance Officer and the chairman of the Risk Committee have periodic bilateral consultations which is reflected in the relevant charters.

## **Text Banking Code 2016**

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**5. The executive board will promote responsible behaviour and a healthy culture** both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.

## **Implementation by ING**

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In 2014 ING developed the Orange Code. The development of the Orange Code marked an important step towards one shared culture across ING. The Code is our set of values and behaviours which sets out how we go about achieving our purpose. A set of standards that we collectively value, strive to live up to, and invite others to measure us by. More info on the Orange Code can be found [here](#).

### **Customer Centricity**

Customer Centricity ('*Klantbelang Centraal*') is embedded in the Orange Code and the Orange Promise.

ING adopted the ING Customer Golden Rules, five principles that ensure that ING consistently ensures Customer Centricity in product development and sales activities. The Customer Golden Rules are an integrated part of the Product Approval and Review Process. Customer Centricity is monitored and findings are acted upon, for example regarding the complaints handling processes and the Net Promoter Score (this is a tool to measure customer satisfaction).

### **Responsible behaviour and a healthy culture**

Examples of responsible behaviour and a healthy culture include:

- A strong link between the Orange Code and performance management. Senior Management of ING is annually appraised against the requirements of the Orange Code.
- Promoting Integrity Program (PIP) modules for training integrity led behaviour by means of e-learning and dialogue sessions. In 2018, the PIP mandatory e-learning 'Dilemma Management' and 'Data@Risk' were rolled out globally and mandatory for all staff.
- The Whistleblower policy has been refreshed and rolled out this year, including a mandatory e-learning for all staff. The Whistleblower policy process enables anonymous reporting via internal- or external channels (next to normal reporting channels) on integrity related issues. More information on our Whistleblower policy can be found on [ing.com](http://ing.com).

- The Compliance function has developed several tools for supporting the business and staff functions in safeguarding and further developing a sound risk and integrity-led culture. Important elements in this context:
  - Compliance Risk Culture Monitoring (CRCM): an interview based methodology that maps employee's perception on compliance risk culture and soft controls (e.g. communication, leadership, decision-making, enforcement, risk awareness and group dynamics);
  - Orange Code Dilemma Dialogue: a decision making model and workshop developed on the basis of the Orange Code;
  - In 2018 ING launched the program 'I for Integrity' (pilot Netherlands and Belgium): an awareness & embedding program to strengthen awareness on integrity related topics (e.g. balanced decision making, KYC (Know Your Customer) and Whistleblower).
- Corporate Audit Services embedded a Risk Control & Behaviour (RCB) approach in their existing audit process. Results are reported to the Management Board Banking and Audit Committee quarterly.
- Mid 2018, the Global Center of Expertise Behavioural Risk was set up to identify and analyse behavioural patterns across all layers of the organization. Analysis helps us to strengthen positive patterns or steer away from patterns that may negatively impact our risk profile through an intervention plan.

#### **In ING Bank Netherlands**

- A culture based on the ING Orange Code Values and the Behaviours remained a key priority in 2018.
- On 1 January 2018 Step Up Performance Management was rolled out as the new performance management system in the Netherlands, replacing the former planning,

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

- A periodic independent survey (WPC) is conducted which covers topics such as trust and openness.
- The Dutch Banker's Oath has been rolled out since 2015. We refer to the chapter 'Our people' of the 2018 [Annual Report](#).
- Employees of ING are subject to a compliance procedure in case there are suspected violations of the General Code of Conduct or the Bankers Oath.
- An onboarding programme for new ING employees is offered in the Netherlands (Destination Orange). In this programme new employees are introduced to the ING Values, the Orange Code Behaviours, the One Agile Way of Working and the purpose and strategy of ING.

#### **Sound decision making**

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

- The Product Approval and Review Process (PARP) includes the Customer Golden Rules. In 2018 the PARP process is identically used cross border in Belgium and the Netherlands. The dilemma dialogue is included in the PARP-process.
- The Customer Experience Improvement Cycle (CEIC) supports a customer centric approach. The CEIC method has been developed and offered to all squads in ING Bank Netherlands. It is an agile approach for developing new products, services or propositions.



## Text Banking Code 2016

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**6. A bank's culture must also express the assumptions in the Social Charter** of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Social Charter.

## Implementation by ING

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### Our purpose and strategy

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

We empower people and organisations to realise their own vision for a better future. Our purpose therefore is: Empowering people to stay a step ahead in life and in business.

### Our stakeholders

In all our activities, we carefully weigh the interests of our various stakeholders such as customers, including individuals, families, small businesses, large corporations, financial institutions, governments, public-private entities and supranational agencies. Other important stakeholders are our shareholders and bondholders, regulators, civil society organisations, citizens and our employees. More info can be found on [ing.com](https://www.ing.com).

### Our employees

Differences in gender, age, background, sexual orientation, physical ability and religious beliefs enable us to solve problems and respond to challenges in different ways. Diversity is good for business because different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. More info can be found on [ing.com](https://www.ing.com).

### ING's role in society

ING wants to understand what issues are most important regarding our business activities and role in society. ING uses a tool called 'The Materiality Assessment' for determining which economic, social and environmental topics we should prioritise. For more information we refer to the 2018 [Annual Report](#).

### ING's Sustainability Direction:

The world is changing so quickly, sometimes it is hard to keep up. We at ING are here to help people stay a step ahead of these changes. To help them thrive in tomorrow's world by turning the threats of climate change and fast-changing technology into opportunities. An outline of our Sustainability Direction can be found on [ing.com](https://www.ing.com). Sustainability is a standard discussion agenda item at the Annual General Meeting.

We embed our Sustainability Direction in the organisation and sustainability updates are on the agenda of the Management Board Banking and Supervisory Board on a periodical basis. Furthermore, these topics are also part of the Permanent Education programme.

### The results

As a result of our efforts, ING now is one of the leading sustainable banks according to e.g. the Dow Jones Sustainability index (DJSI). ING's score in the [Dow Jones Sustainability Index](#) is 82 out of 100 in 2018, making ING one of the highest scoring companies in the banking sector. Read more on [ing.com](https://www.ing.com).

## The circular economy

The circular economy is about rethinking how we use our raw materials and resources to create a sustainable economy free of waste and emissions. It means shifting from the current linear model of “take, make, waste” to an economy where we “reduce, reuse, recycle”. But moving to a real circular economy is not only about sharing or recycling. We also have to design differently, sell differently, value differently, treat risk differently, and finance differently. That’s where ING comes in.

We want to be more than a thought leader—we want our actions to lead the way. That’s why we started the Orange Circle, ING’s circular economy programme, which has the ultimate ambition to help our clients make the transition from ownership to access. More details on the circular economy and ING’s sustainable project can be found on [ing.com](https://www.ing.com) and in the [newsroom](#).

## Text Banking Code 2016

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**7. All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are** – with due regard for each other’s duties and powers – **responsible for this**. The executive board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The supervisory board supervises this.

## Implementation by ING

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See Principle 5 on ING’s Orange Code (our set of values and behaviours).

Next to that, various initiatives further emphasise that every employee needs to understand how their actions and behaviours can help earn and retain customer and stakeholder trust. More specifically:

- ING employees, as well as the members of the Management Board Banking and the members of the Supervisory Board have taken the Banker’s Oath.
- Rules and regulations applicable to ING can be found via the Policy & Procedures Section of ING’s intranet. All policies and procedures are published here serving as the single source of truth for all ING employees.
- An Internal Control Framework is in place to manage the process of global standard setting and local implementation in line with the accelerated Think Forward strategy to support an efficient and effective control environment with appropriate approvals on new or updated external requirements.
- By means of various communication channels and e-learning modules awareness, expectations and changes in internal rules and standards are being actively brought to employees’ attention. (e.g. e-learnings on KYC awareness and the recently updated Whistleblower policy ). ING’s e-learnings not only include aspects relating to policy content but also to the ING Values and Behaviours.
- Every ING employee has a personal responsibility to be aware of the ING Values, ING Behaviours and (local) Code of Conduct. Employees may report a suspicion of (potential) breaches of the ING Values, ING Behaviours or (local) Code of Conduct. If employees feel unable or uncomfortable to raise concerns through the existing channels, the ING Whistleblower channels provide means for employees to report concerns.

### **ING's three lines of defence model**

ING Bank's risk management framework is based on a '*three lines of defence*' governance model, whereby each line has a specific role and defined responsibilities in such a way that the execution of tasks is separated from the control of the same tasks. At the same time they have to work closely together to identify, assess and mitigate risks. This governance framework ensures that risk is managed in line with the risk appetite as approved by the Management Board Banking and the Supervisory Board, and is cascaded throughout ING Bank's business operations.

The commercial (including their operational) departments form the first line of defence have a primary responsibility for the day-to-day risk management. They originate loans, deposits and other products within applicable frameworks and limits, they know our customers well and are well-positioned to act in both the customers' and ING's best interest.

The second line of defence consists of oversight and risk management functions with a major role for the risk management organisation headed by the Chief Risk Officer (CRO), who is primarily responsible for risk management in the Management Board Banking. As a member of the Management Board Banking, the CRO ensures that risk management issues are heard and discussed at the highest level, thus establishing the appropriate tone at the top. The CRO steers a functional, independent risk organisation both at global and business-unit level, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to keep the risk profile within the set risk appetite.

The internal audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls of the

first two lines, including financial and non-financial risk management and forms the third line of defence. For further details on ING's three lines of defence model we refer to the chapter 'Risk and Capital Management' of the 2018 [Annual Report](#).



## 2 Supervisory Board

### Text Banking Code 2016

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

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

### Implementation by ING

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The composition of the Supervisory Board of ING allows the board to fulfil its tasks properly. The Supervisory Board presently consists of eight members. The diversity in the composition of the Supervisory Board is among others reflected in gender, age, geography and professional background. The Supervisory Board has drawn up a profile which includes the basic principles for its composition and competences. This profile is reviewed (at least on an annual basis) and updated when needed, taking into account relevant internal and external ING developments. The last update was in 2017, and shared with the AGM in April 2018 reflecting, amongst others, its composition and the aim to have a minimum gender diversity of 30%. Further details on the composition and attendance rates can be found in the 'Supervisory Board' Chapter of the 2018 [Annual Report](#).

### Text Banking Code 2016

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

### Implementation by ING

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ING's function in society and interests of all stakeholders are taken into account by the Supervisory Board when performing their duties. Each Supervisory Board member follows a tailor-made introduction programme after his/her appointment so as to become better acquainted with ING, particular topics and his/her role as a Supervisory Board member. In addition, ING organises annual regular knowledge days for Supervisory Board members to acquire additional in-depth knowledge regarding relevant developments for the bank and the financial sector and various relevant and accurate topics are being discussed as part of the Permanent Education programme. Details on the most relevant topics that were discussed during Supervisory Board meetings and during Knowledge days can be found in the 'Supervisory Board' Chapter of the 2018 [Annual Report](#).

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

- the impact the proposal may have on customers and other (internal/external) stakeholders. It must be explained how the customer's interests have been taken into account in the consideration of all interests involved in the bank and must clarify what the estimated impact of a proposal will be; and

- the strategic fit. It must explain how the proposal will help ING to deliver on its purpose of “*Empowering people to stay a step ahead in life and in business*” with the four transparent promises to our customer (clear and easy, anytime anywhere, empower, keep getting better).

## Text Banking Code 2016

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**10. There are specific competence and experience requirements for members of the supervisory board’s risk and audit committees.** Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.

## Implementation by ING

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Both the members of the Audit Committee and the Risk Committee must meet specific requirements regarding competence and experience which are laid down in the Charters of the Audit Committee and the Risk Committee of the Supervisory Board and the Supervisory Board Profile. Furthermore, as from the 2017 Annual Report onwards, a diversity and competence matrix of the Supervisory Board and Management Board Banking is included in this report. For further details on the financial expert role and the diversity and competence matrix we refer to the ‘Corporate Governance’ Chapter of the 2018 [Annual Report](#).

## Text Banking Code 2016

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**11. The chairman of the supervisory board will organise a programme of lifelong learning for all members of the supervisory board with the aim of maintaining their expertise at the required level and improving it where necessary.**

The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.

## Implementation by ING

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In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, a Permanent Education Programme for the Supervisory Board is in place. As part of the annual self-assessment, Supervisory Board members may request further training or education on specific topics which are implemented in the Permanent Education Programme.

Each Supervisory Board member follows a tailor-made introduction programme after his/her appointment so as to become better acquainted with ING and his/her role as a Supervisory Board member. Details on the most relevant topics that were discussed

during Supervisory Board the 2018 educational sessions (including the SB Knowledge Days) can be found in the 'Supervisory Board' Chapter of the 2018 [Annual Report](#).

### Text Banking Code 2016

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**12.** In addition to the supervisory board's annual self-evaluation, **the functioning of the supervisory board will be evaluated under independent supervision once every three years.** The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board will be part of this evaluation.

### Implementation by ING

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The compensation of Supervisory Board members of ING does not depend on the bank's results. Supervisory Board members only receive fixed remuneration. In addition to the annual fixed remuneration, each member of the Supervisory Board also receives a fixed fee for committee membership and a fee for each meeting they attend outside their country / continent of residence.

For more information on remuneration of the Supervisory Board we refer to the 'Remuneration' chapter of the 2018 [Annual Report](#).

### Text Banking Code 2016

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**13.** Each member of the supervisory board will receive appropriate compensation for the amount of time that he or she spends on supervisory board activities. This compensation will not depend on the bank's results.

### Implementation by ING

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The compensation of Supervisory Board members of ING does not depend on the bank's results. Supervisory Board members only receive fixed remuneration. In addition to the annual fixed remuneration, each member of the Supervisory Board also receives a fixed fee for committee membership and a fee for each meeting they attend outside their country / continent of residence.

More information on remuneration of the Supervisory Board is disclosed in the 'Remuneration' chapter of the 2018 [Annual Report](#).



## 3 Executive Board

### Text Banking Code 2016

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

### Implementation by ING

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The Management Board Banking is composed in such a way that it is able to perform its tasks properly. Members of the Management Board Banking have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management. For more information we refer to the EB profile on [ing.com](http://ing.com) (also applicable for MBB).

Furthermore board members are subject to a “fit and proper”-test by DNB and the ECB in order to ensure that both the profile of the individual members and the composition of the Management Board Banking are sufficiently fit and proper.

In ING’s accelerated Think Forward strategy, ING aims to create a differentiating customer experience, enabled by simplifying and streamlining our organisation, further striving for operational excellence. In performing its duties, the Management Board shall carefully consider and act in accordance with the interests of ING, taking into consideration the interests of all ING’s stakeholders. When considering these interests, the Management Board shall take into account the continuity of ING, the environment

in society, in which ING operates, as well as applicable legislation, regulation and codes of conduct.

### Text Banking Code 2016

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**15. One member of the executive board will have the duty of preparing decision-making by the executive board on risk management.** This member will be involved in good time in the preparation of decisions that are of material significance for the bank’s risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. This member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.

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

### Implementation by ING

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As of 2007, ING has appointed a Chief Risk Officer (CRO) to the Management Board Banking who bears primary overall responsibility for the Risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING’s risk profile is consistent with its financial resources and risk appetite. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the entire organisation. The CRO in the Management Board Banking does not combine his role with any commercial responsibility.

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

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

## Text Banking Code 2016

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**16. The chairman of the executive board will organise a programme of lifelong learning for all members of the executive board with the aim of maintaining their expertise at the required level and improving it where necessary.**

The learning programme will in any event cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements for lifelong learning.

## Implementation by ING

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A collective Permanent Education (PE) Programme for the members of the Management Board Banking is in place. The PE Programme covers the following main themes (i) developments at the Bank and in the financial sector, (ii) corporate governance in general and in the financial sector, (iii) duty of care towards the client, (iv) integrity, (v) risk management, (vi) financial reporting, and (vii) audits. The programme is organised to provide collective Management Board Banking PE sessions at least on a quarterly basis. Thought leaders and experts are invited to educate on various topics. As the PE programme is a joint programme with the Supervisory Board, we refer to the 2018 [Annual Report](#) 'Supervisory Board' chapter for an overview of the most relevant topics dealt with during 2018. Additionally, the Management Board Banking was educated on distributed ledger technology, cybersecurity and customer lifetime value in 2018.

## 4 Risk Policy

### Text Banking Code 2016

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

### Implementation by ING

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

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

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

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

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

The internal controls are reviewed and updated as necessary on the basis of significant changes identified and hence creates an environment of continuous improvement in managing financial and non-financial risks. For more information we refer to the 'Risk Management' chapter of the 2018 [Annual Report](#).

### Text Banking Code 2016

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

The executive board will propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the supervisory board's approval.

## Implementation by ING

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

## Text Banking Code 2016

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**19. The supervisory board will supervise the risk policy pursued by the executive board.** As part of its supervision, the supervisory board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the supervisory board will be advised by its risk committee.

## Implementation by ING

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

requirements are generally in line with the approved risk appetite and whether the commercial activities of the Bank are appropriate in the context of the risk appetite of the Bank.

In August 2009, the Risk Committee was established within the Supervisory Board. Since 2017, Risk Committee meetings take place at least four times a year. The Chief Compliance Officer has direct access to the Risk Committee and the Chairman of the Risk Committee has periodic bilateral consultation with the Chief Compliance Officer. The Risk Committee prepares the discussion and the decisions within the Supervisory Board with respect to risk management. This principle has been reflected in the Charter of the Supervisory Board.



# 5 Audit

## Text Banking Code 2016

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**20. A bank's executive board will ensure that a systematic audit is conducted of the management of the risks related to the bank's operations.**

## Implementation by ING

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ING has an internal audit department – Corporate Audit Services (CAS) – that prepares and executes an annual risk based audit plan. This audit plan is for ING Bank N.V. endorsed by the Management Board Banking and approved by the Supervisory Board prior to finalisation. CAS reports on the progress of the audit planning realisation and on the results of the audits on a periodical basis to the Management Board Banking and the Audit Committee of ING Bank N.V.

## Text Banking Code 2016

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**21.** To this end, a bank will have its **own internal audit department with an independent position** within the bank. The head of the internal audit department will report to the chairman of the executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.

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

## Implementation by ING

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CAS is independently positioned within ING. CAS staff report to the General Manager of CAS. The General Manager CAS reports directly to the CEO of ING as well as functionally to the Supervisory Board. The CAS General Manager has regular bilateral meetings with the chairman of the Audit Committee. CAS' independent position within ING is yearly confirmed by SB by approving the CAS charter and periodically assessed as part of the external quality review performed by the Institute of Internal Auditors Netherlands (IIA). CAS periodically exchanges information with stakeholders like DNB and the ECB as well as the external auditor in order to update its risk analysis and audit plan.

## Text Banking Code 2016

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**22. The internal audit department will take the initiative in arranging talks with DNB and the external auditors at least once a year** to discuss each other's risk analyses, findings and audit plans at an early stage.

**The bank's executive board and internal audit department will encourage these tripartite talks**, aiming for a clear delineation of each other's duties and responsibilities.

## Implementation by ING

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CAS prepares and discusses its risk analysis and audit plan with the Management Board Banking, the Executive Board, the Audit Committee of the Supervisory Board, the external auditor and the ECB / DNB. Subsequently, CAS periodically exchanges

information with these stakeholders in order to update its risk analysis and audit plan when needed, but at least bi-annually.

Tripartite talks have not taken place since the supervisory responsibilities moved from DNB to the ECB. Regular meetings with the external auditor and separately with the ECB/DNB have taken place during the year. The external auditor has separate meetings with the ECB/DNB.

# 5 Remuneration Policy

## Text Banking Code 2016

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**23. The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations.**

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

## Implementation by ING

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

The remuneration policy of ING Bank strikes a balance between interests of its clients, employees, shareholders and society at large, and supports the long-term objectives of the company.

Specific policies for the Executive Board and Management Board apply.

The charters of the Executive Board, Management Board Banking and the Supervisory Board reflect that ING is committed to ensuring that the execution of the remuneration policy remains in line with the criteria set out in this principle. For more information we refer to the 'Remuneration report' of the 2018 [Annual Report](#).

## Text Banking Code 2016

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**24. The total income of a member of a bank's executive board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context.**

The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.

## Implementation by ING

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Current remuneration levels of the ING Executive Board are below the median of the Euro Stoxx 50 benchmark, and in the case of the CEO position, even significantly below.

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

For more information we refer to the 'Remuneration report' of the 2018 [Annual Report](#).