

# ING IN SOCIETY 2002



# MISSION, PROFILE, STRATEGY

## Mission

ING's mission is to be a leading, global, client-focused, innovative and low-cost provider of financial services through the distribution channels of the client's preference in markets where ING can create value.

## Profile

ING Group is a global financial institution of Dutch origin with 115,000 employees. ING offers banking, insurance and asset management to 60 million clients in 60 countries. The clients are individuals, families, small businesses, large corporations, institutions and governments. ING comprises a broad spectrum of prominent businesses that increasingly serve their clients under the ING brand.

Key to ING's retail business is its distribution philosophy of 'click-call-face'. This is a flexible mix of internet, call centres, intermediaries and branches that enables ING to deliver what today's clients expect: unlimited access, maximum convenience, immediate and accurate execution, personal advice, tailor-made solutions and competitive rates. ING's wholesale product offering focuses strongly on its strengths in employee benefits/pensions, financial markets, corporate banking and asset management.

ING's strategy is to achieve sustainable growth while maintaining healthy profitability. The

Group's financial strength, its broad range of products and services, the wide diversity of its profit sources and the good spread of risks form the basis for ING's continuity and growth potential.

ING seeks a careful balance between the interests of its stakeholders: its customers, shareholders, employees and society at large. It expects all its employees to act in accordance with the Group's Business Principles. These principles are based on ING's core values: responsiveness to the needs of customers, entrepreneurship, professionalism, teamwork and integrity.

## Strategy

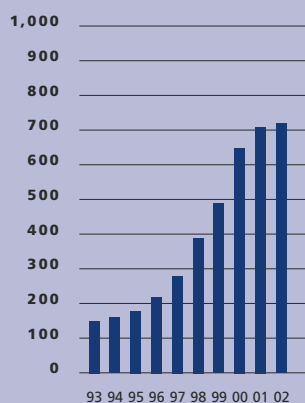
Given the prospect of low or even zero economic growth, the Executive Board has decided on the following Group strategic objectives for the years 2003-2005:

1. Strengthen capital base and improve other key ratios to maintain a solid financial foundation;
2. Optimise the existing portfolio of businesses;
3. Create value for the clients with a multi-product/multi-channel approach;
4. Develop ING's special skills – direct banking, insurance in developing markets, employee benefits and pensions;
5. Further lower the cost base.

# KEY FIGURES

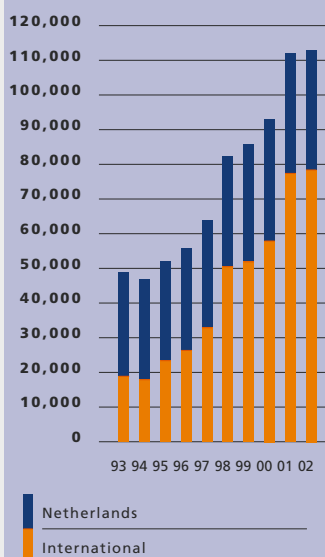
## TOTAL ASSETS

in billions of euros



## EMPLOYEES

average full-time equivalent



## ECONOMIC

### RESULTS (in millions of euros)

	2002	2001
Total income	76,801	74,488
Group capital base	24,771	26,117
<b>Total Assets</b>	<b>716,370</b>	<b>705,119</b>
Total sum of corporate taxes	1,089	1,165

### SUSTAINABLE PRODUCTS AND SERVICES

(in millions of euros)

Money invested in ING sustainable equity funds	354	300
Total gross green loans awarded	597	470

## SOCIAL

### TOTAL EMPLOYEES PER REGION (FTEs\*)

The Netherlands	33,833	34,463
Belgium	13,457	13,685
Rest of Europe	23,987	23,402
North America	23,116	23,886
South America	6,134	6,892
Asia	12,980	8,141
Australia	2,234	2,600
Other	74	74
<b>Total</b>	<b>115,815</b>	<b>113,143</b>

### PERSONNEL EXPENSES

(total payroll and benefits, in millions of euros)

Insurance operations	2,765	2,732
Banking operations	4,787	5,064
<b>Total</b>	<b>7,552</b>	<b>7,796</b>

### REPRESENTATION OF WOMEN (♀) AND MEN (♂)

(in %)

	♀	♂	♀	♂
All levels (1)	48	52	50	50
Top 200 managers	6	94	4	96

### BREAKDOWN OF WORKFORCE BY

EMPLOYMENT TYPE (in %)

Full-time (36 hours a week or more)	88	86
Part-time (less than 36 hours a week)	12	14
<b>Total headcounts</b>	<b>81,366</b>	<b>76,119</b>

\* full-time equivalents

(1) Based on the results of internal surveys covering 80% of ING's employees in 2001 and 82% of ING's employees in 2002.

(2) Based on the results of an internal survey covering 89,000 FTEs in 2002.

(3) Based on data provided by 25 business units representing 78,000 FTEs.

(4) Estimate based on results of internal survey, which were extrapolated to 99,000 FTEs, the full response rate for the environmental questions. Outside the Netherlands not all business units had adequate reporting systems in place.

2002

**BUDGET FOR TRAINING AND PERSONAL DEVELOPMENT***(in euros)*

Total (2)	<b>66,000,000</b>
Per FTE	<b>740</b>

**SOCIETAL****CHARITABLE CONTRIBUTIONS** *(in millions of euros)*

Charitable donations by business units worldwide (3)	<b>8,3</b>
Donations and social sponsoring by Corporate Centre	<b>2,9</b>
<b>Total</b>	<b>11,2</b>
Percentage of operational net profit	<b>0.25%</b>

**ENVIRONMENTAL****ELECTRICITY USE** (4) *(in kWh)*

<b>470,000,000</b>
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Electricity use per FTE	<b>4,800</b>
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**NATURAL GAS USE** (4) *(in m<sup>3</sup>)*

<b>22,000,000</b>
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Natural gas use per FTE	<b>230</b>
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**HEATING OIL USE** (4) *(in litres)*

<b>1,200,000</b>
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Heating oil use per FTE	<b>12.4</b>
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**CO<sub>2</sub> EMISSION** (5) *(in kg)*

<b>280,000,000</b>
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Co <sub>2</sub> emission per FTE	<b>2,820</b>
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**WATER USE** (4) *(in m<sup>3</sup>)*

<b>2,100,000</b>
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Water use per FTE	<b>21.5</b>
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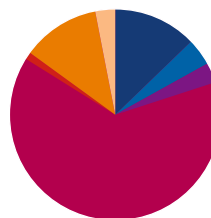
**WASTE** *(in kg)*

Hazardous waste (6)	<b>37,471</b>
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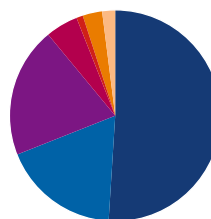
Hazardous waste per FTE	<b>0.8</b>
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Non-hazardous waste (4)	<b>16,400,225</b>
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Non-hazardous waste per FTE	<b>166</b>
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**GEOGRAPHICAL DISTRIBUTION OF GROSS PREMIUM INCOME***in millions of euros*

The Netherlands 13%	<b>6,786</b>
Belgium 4%	<b>2,335</b>
Rest of Europe 3%	<b>1,618</b>
North America 64%	<b>33,397</b>
South America 1%	<b>595</b>
Asia 12%	<b>6,035</b>
Australia 3%	<b>1,763</b>
Other	<b>-245</b>
<b>Total</b>	<b>52,284</b>

**GEOGRAPHICAL DISTRIBUTION OF BANK LENDING***in billions of euros*

The Netherlands 51%	<b>144.0</b>
Belgium 18%	<b>52.8</b>
Rest of Europe 20%	<b>56.5</b>
North America 5%	<b>15.3</b>
South America 1%	<b>1.8</b>
Asia 3%	<b>8.0</b>
Australia 2%	<b>5.9</b>
Other	<b>0.1</b>
<b>Total</b>	<b>284.4</b>

(5) Estimate based on the energy consumption information. For this purpose emission factors were used that are applicable to the average situation in the Netherlands. Transport has been excluded from the calculation since the performance data reported for 2002 on business travel by car and plane was insufficient.

(6) Amount reported by business units representing 47,572 FTEs.

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ING Business Principles, *inside cover*



## MESSAGE FROM THE CHAIRMAN

*Dear stakeholder !*

**Trust is definitely the most important element in relations between financial services companies and their stakeholders. People put their savings into a bank account, pay premiums for their insurance policy, make contributions to a pension plan or invest their money in mutual funds. They rely on their financial services provider to maintain a good service level and to ensure that their capital, plus a good return, will be available to them when they need it in the future.**

Financial contracts, such as life insurance policies, pension plans or mortgage loans, often run for a period of more than 25 years. Therefore, trust is an essential element in long-term financial relationships. It is especially in times of economic adversity and uncertainty, as we currently experience, that this trust is highlighted and put to the test. We have had the gravest stock market crisis since 1929, and the first major war in the new century. They had considerable consequences for shareholders, customers and employees. ING is a reliable partner for all its stakeholders. Its founding companies have been in business for more than 150 years and have always aimed to serve their stakeholders to the best of their ability.

With this edition of ING in Society we report on our progress in the field of corporate social responsibility for the 8th consecutive year. Our financial annual report for 2002 also contains a chapter on these topics. However, in our effort to be transparent about our activities, we want to provide separate, detailed information on how we implement our corporate social responsibility policies and give shape to responsible entrepreneurship.

### **Focus on capital base**

Amid the turbulence of the year 2002, ING recorded an operational net profit of EUR 4,253 million, which was equal to the good result for the year 2001. It was the balance of several positive and negative factors and the result of broad spread of businesses and risks. Our capital position decreased due to the depreciation of our own equity investments. However, our capital base remained within our own safety margins, which are much more conservative than the regulatory requirements. Nevertheless, we took a series of long-term and short-term measures to strengthen our capital base. We will make sure that we will continue to have a solid financial foundation to meet our liabilities and to invest in the future growth of our business. ING is and will remain the strong financial partner on which several generations relied in the past and that people can also trust today.

### **Building trust**

Trust is not only built by maintaining a solid capital base, but also by the way our 115,000 employees in 60 countries give shape to our financial services. They translate trust on a daily basis in their contacts with our clients, intermediaries and other business relations.

Responsiveness to the needs of customers, entrepreneurship, professionalism, teamwork and integrity, as described in our Business Principles, are ING's core values that apply all over the world. They are carried by our ING lion logo and our new ING House. We are rebranding our companies to ING and we are making our diverse workforce part of the ING family. The ING-brand has gained substantially in name recognition all over the world. In the United States, for instance, the rebranding campaigns and the successful growth of ING Direct, have increased our name awareness from 8% to 47% in two years.

### More attention to corporate ethics

Not only has corporate social responsibility gained a permanent place on the corporate agenda, but the concept itself is also evolving. While in previous years corporate social responsibility was primarily focused on topics such as environmental care and sustainability, it has recently broadened to aspects such as social consequences of business activities, corporate ethics, human rights and corporate governance. In this report we will show you our progress on these issues. Corporate social responsibility should not be an extra task for our management and staff, but their second nature being part of the way we conduct our business. It is a learning process for all of us that entails trial and error, but that ultimately will have positive impacts on our communities and the world.

### Measuring and meeting client satisfaction

Our large base of 60 million customers is the main reason for our existence. Every day our employees work hard to comply with the diverse wishes of our clients. Throughout ING, business units conduct client satisfaction surveys to gain insight into how we can improve the quality of our products and services. An important topic is to strike the right balance between the need for low-cost operations and our social commitments, such as our aim to ensure that clients in rural areas continue to have access to basic financial services.

### Increasing shareholder influence

Having already implemented a series of recommendations to improve our corporate governance and enhance shareholder influence in previous years, we have now made big strides forward with new policies that were adopted by the Annual General Meeting of Shareholders in April 2003. The changes increase shareholder influence considerably. All voting restrictions have been abolished, giving depositary-receipt holders the same rights as shareholders. The General Meeting of Shareholders appoints the members of the Supervisory Board and the Executive Board. The boards of the Trust Office ING Shares, which represents the interests of depositary-receipt holders and shareholders, and the Trust Office ING Continuity, which guards ING's continuity, will be totally independent from ING.

### Executive compensation

The Supervisory Board is responsible for the compensation of the Executive Board. Subsequently, the Shareholders' meeting needs to approve the long-term compensation of the Executive Board. The Supervisory Board has asked an external consultancy firm to make a peer comparison about executive compensation. The outcome was that ING is considerable below average in its executive compensation policies. The Supervisory Board's subsequent intention to increase the Executive



## NEW HEADQUARTERS

Ewald Kist, chairman of the Executive Board, in front of ING's new headquarters in Amsterdam, the new working place for 400 employees of ING's Corporate Centre. "This building symbolises what we stand for. It is transparant, just as we aim to be in our reporting. Its design is innovative, just as we want to make a difference in financial services. Finally, durable materials and techniques were used for its construction. As such, ING House symbolises the continuity in our business."

Board's compensation – gradually over the years and via the variable part – aroused much public criticism. The Supervisory Board maintains the opinion that just as for all employees, the compensation of the Executive Board should be in accordance with international market practices.

### **Care for our employees**

We aim to be a good employer for our staff, not only by offering them a good salary and fringe benefits that are competitive in their local labour market, but also by offering them opportunities for further development of their personality and career. The ING Business School is continually extending its curriculum. E-learning tools are provided to enable employees to broaden their knowledge at a time, place and pace that are convenient to them. The new corporate governance structure also included changes in employee participation through an agreement that made the Management Committee of ING Netherlands the primary partner for the Dutch Central Workers Council. Diversity in our workforce is vital to be able to respond to our diverse customer base. We took many actions and set targets to promote and use diversity in a positive way.

### **ING volunteers in society**

We encourage our employees to be active in their local communities. We are spreading the good expertise of our US businesses in this field to other parts within the Group. The emphasis in our charitable work is shifting from passive donations to active sponsorships. In addition to our global sponsoring spearheads – culture, nature, sports and education – we are helping emerging markets and we are offering management expertise to assist in the rebuilding of the financial sector in Bosnia, Afghanistan and Iraq.

### **Assist in pension reform**

We can also contribute to society through our role as a financial services provider. Almost any country in the world faces the dilemma of how to arrange and fund sustainable pensions for an ageing population. With our experience as a pension provider in about 30 countries, we will increase our efforts in helping governments to find solutions for much-needed pension reforms.

### **Human rights**

Last year we announced our intention to add a Human Rights principle to our general Business Principles. Interviews with members of the Supervisory and Executive Board as well as the results of a questionnaire sent to all senior ING-managers, revealed that reinforcement and increased awareness of the existing Business Principles among management and staff should be our first priority. While we work to achieve this, we will conduct research to formulate a Human Rights business principle that is closely tied with the United Nations Declaration for Human Rights. The aim of this research is also to clearly identify the meaning and consequences of such a principle for the entire ING-organisation.

### **Align with international standards**

Our external reporting already complies with the GRI (Global Reporting Initiative) guidelines for sustainability reporting in many respects. Much work was done in 2002 to define a number of relevant Key Performance Indicators to closer link our reporting with the GRI standards. ING was among the organisations that supported the move of the GRI secretariat from Boston to Amsterdam. We continue to seek cooperation with international organisations to learn from best practices and to make sure that our policies are in step with international developments in corporate social responsibility.

### **Outlook**

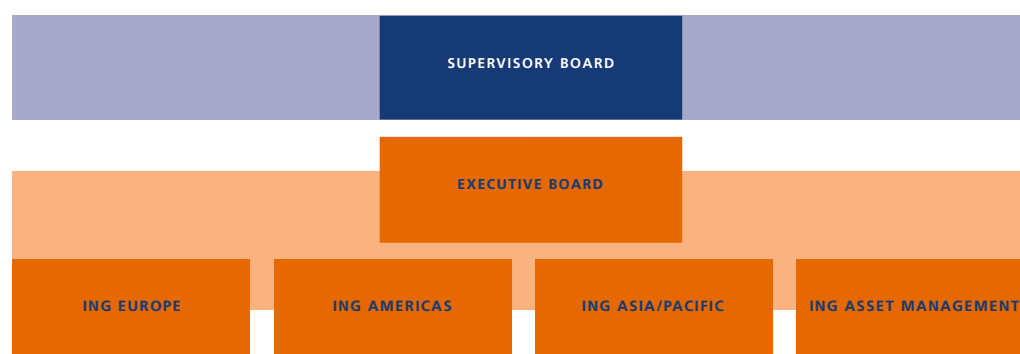
In all our actions we strive for responsible entrepreneurship, while optimally balancing the interests of all our stakeholders. Each year we seek to broaden and improve our work in the field of corporate social responsibility. Intensifying the dialogue with our stakeholders and increasing the transparency about our policies and actions are vital to this goal. We feel we made good progress on both in 2002. You can continue to count on us in the future!



**EWALD KIST**  
Chairman Executive Board



# STRUCTURE AND COMPOSITION OF THE BOARDS



Composition of the Boards as at 31 December 2002.

## SUPERVISORY BOARD

Cor Herkströter (65) *Chairman*  
 Mijndert Ververs<sup>1</sup> (69) *Vice-Chairman*  
 Lutgart van den Berghe<sup>1</sup> (51)  
 Luella Gross Goldberg (65)  
 Paul van der Heijden (53)  
 Claus Dieter Hoffmann<sup>2</sup> (60)  
 Aad Jacobs (66)  
 Wim Kok<sup>2</sup> (64)  
 Godfried van der Lugt (62)  
 Paul Baron de Meester (67)  
 Johan Stekelenburg (61)  
 Hans Tietmeyer<sup>1</sup> (71)  
 Jan Timmer<sup>3</sup> (69)  
 Karel Vuursteen (61)

### AUDIT COMMITTEE

Mijndert Ververs<sup>1</sup>, *Chairman*  
 Lutgart van den Berghe<sup>1</sup>  
 Aad Jacobs<sup>4</sup>  
 Paul Baron de Meester

### REMUNERATION AND NOMINATION COMMITTEE

Cor Herkströter, *Chairman*  
 Paul van der Heijden  
 Jan Timmer

### CORPORATE GOVERNANCE COMMITTEE

Cor Herkströter, *Chairman*  
 Luella Gross Goldberg  
 Paul van der Heijden  
 Jan Timmer

## EXECUTIVE BOARD

Ewald Kist (58) *Chairman*  
 Michel Tilmant (50) *Vice-Chairman*  
 Fred Hubbell (51)  
 Hessel Lindenberg<sup>5</sup> (59)  
 Cees Maas (55) *Chief Financial Officer*  
 Alexander Rinnooy Kan (53)

## EXECUTIVE COMMITTEES

### ING Europe

Michel Tilmant (50) *Chairman*  
 Hessel Lindenberg<sup>6</sup> (59) *Chairman*  
 Erik Dralans (54)  
 Angélien Kemna<sup>7</sup> (45)  
 Diederik Laman Trip (56)  
 Jan Nijssen (49)  
 Harry van Tooren<sup>7</sup> (55)  
 Luc Vandewalle (58)  
 Hans Verkoren (55)  
 Ted de Vries (55)

### ING Americas

Fred Hubbell (51) *Chairman*  
 Yves Brouillette (51)  
 Bob Crispin<sup>7</sup> (56)  
 Glenn Hilliard (59)  
 Tom McInerney (46)

### ING Asia/Pacific

Fred Hubbell (51) *Chairman*  
 Jacques Kemp (53)  
 Patrick Poon (55)  
 Paul Scully<sup>7</sup> (49)  
 Phil Shirriff<sup>8</sup> (57)

### ING Asset Management\*

Alexander Rinnooy Kan (53) *Chairman*  
 Harry van Tooren<sup>6</sup> (55)

\* Asset Management Platform  
 as of 1 January 2003.

1) Until 15 April 2003.

2) Member as of 15 April 2003.

3) Member Audit Committee as of  
 15 April 2003.

4) Chairman Audit Committee as of  
 15 April 2003.

5) Retirement as of 1 July 2003.

6) Until 1 September 2002.

7) As of 1 September 2002.

8) Retirement as of 1 April 2003.

## DEVELOPMENTS

### Rebuilding trust

A global study by the World Economic Forum, the outcome of which was published in November 2002, shows that trust in politics and business is fading. People particularly feel that companies which operate on a global and national basis do not perform in the interest of society at large. There is little trust in leaders of multinational companies. The World Economic Forum concluded that 'trust' will be one of the key issues in the coming years. Companies will have to devote much time and effort to rebuilding trust with their key stakeholders.

### Financials not the only driver

People expect companies to fulfil a valuable function. They expect leaders and employees of companies to behave responsibly. They also expect companies to be transparent about their activities and to be clear and open about their short-term and long-term goals, both financial and non-financial. Though obviously companies need to be profitable to survive, financials should not be their only driver. A stable development that benefits all stakeholders also requires that companies give shape to corporate social responsibility (CSR). By delivering on the promises made to their clients and shareholders, by being a good employer for their employees and by being a good corporate citizen in the communities in which they operate companies demonstrate their social responsibility.

### Tie in with international developments

For ING, CSR is not a novelty but a practical concept that the company has pursued for more than 150 years. As a company with operations in 60 countries, ING seeks to tie in closely with international developments in the field of CSR.

These international developments have been substantial in recent years as responsible entrepreneurship gained an ever more prominent place on the agenda. ING, too, made much progress in the past years in further shaping and implementing its corporate social responsibility

policies. An example is the new corporate governance structure that was approved at the Shareholders' Meeting in April 2003. Furthermore, at the United Nations summit on sustainability in Johannesburg in September 2002, ING issued a CEO statement – together with other financial services companies in the World Business Council for Sustainable Development (WBCSD) – about a number of CSR initiatives.

However, there is still much work to be done and ING will continue to develop initiatives to keep close contact with its stakeholders and respond to their wishes.

### Careful stakeholder balance

Stakeholders are all people interested in, dependent on, connected to and affected by ING. ING distinguishes four key stakeholder groups: clients, shareholders, employees and society at large. ING is convinced that a careful consideration of the interests of all stakeholders will eventually benefit each individual stakeholder. The basis for a balanced stakeholder approach is laid down in the ING mission statement.

ING wishes to be a reliable partner to all its stakeholders. The interests of the different stakeholders can however conflict. The interests of stakeholders who want a good return on their investment may, for instance, not always concur with the interests of employees who want to have job-security. It is ING's task to manage the expectations in the interest of the company's continuity.

The recent corporate governance changes have increased shareholder influence considerably. In the relationship with clients there is an increased focus on reputation damage and other non-financial company risks. In doing business with private and corporate customers, ING applies, where relevant, social and environmental criteria in addition to financial criteria. Based on the criteria it set, ING could decide to refuse a transaction or end a client relationship. ING, for example, has recently sharpened its policy for financing oil palm plantations.

### Sharing knowledge

ING also gives shape to its social role by providing expertise on topics such as pension reform. It also supports the accumulation and transfer of knowledge on sustainability. An example is the financing of university chairs or organising symposiums. The Group maintains frequent contact with non-governmental

#### ING IN SOCIETY ON ING.COM

In 2002, ING extended its corporate site with a section about 'ING in Society'. This underscores the importance ING attaches to transparent communications with its stakeholders. It provides information about ING's vision, a list of the Business Principles and various publications and lectures about issues in the area of corporate social responsibility. Social issues and how ING deals with them are also covered. Reactions are always welcome via the e-mail response service at [www.ing.com](http://www.ing.com).

organisations such as Amnesty International to learn about their views and participates in several CSR projects, including the Global Corporate Citizenship Initiative of the World Economic Forum.

### Update Business Principles

The Business Principles were implemented throughout the Group in 2000. They provide guidelines to staff all over the world on how ING wants to conduct its business globally, while leaving sufficient flexibility for specific local and cultural differences. The Business Principles also serve to support decision-making processes at operational level throughout ING based on the same standards.

In 2002, the ING Executive Board decided to update the Business Principles and to investigate whether the Business Principles should be extended with principles on human rights and sustainable development. ING already reported on this in the 2001 'ING in Society' report.

Human rights have become subject of research since ING is regularly confronted with human rights issues in its financing policies and in connection with financial products and services, especially when marketed in developing countries. As human rights issues have a wide scope, it is not always clear what the consequences of a business principle on human

rights will be for ING as a financial services provider. On the other hand, expectations of society are divers and still open to debate.

For many reasons sustainable development became part of the corporate agenda of international companies. Since the environmental policy of ING was communicated for the first time in 1995, ING became one of the high-rated international companies in this field. In recent years, policies have broadened from environmental care to sustainable development. The environment is an element of this much broader concept that we seek to embed into our corporate values and principles.

At the end of 2002, members of the Supervisory Board, the Executive Board and the members of the Management Council were asked about their ideas regarding human rights and sustainable development. Based on the outcome of this research, the Executive Board concluded that although it was clear that many sympathised with the issue of human right, there was much doubt whether a human rights principle would be effective. The outcome regarding sustainable development was much clearer. Many felt that it was no longer a question whether sustainability should be part of our business. The Executive Board reached the conclusion that it would look into the consequences of a human right principle for the

#### DAVID VRIESENDORP, DIRECTOR AMNESTY INTERNATIONAL DUTCH SECTION, AMSTERDAM

"As a human rights movement, Amnesty International welcomes the gradual broadening of the human rights concept. These rights are interdependent. It is never a question of civil rights above social and economic rights, or freedom of opinion above freedom from want. We are however concerned that a broad scope may erode core principles. While appreciating efforts towards sustainable development, Amnesty International emphasizes specific freedoms – including freedom from ill-treatment (such as intolerable child labour) and freedom from persecution (such as threatens trade union members). Amnesty International urges ING to reflect such freedoms in its Business Principles and more importantly, in its corporate activities. ING should make human rights an integral element of its corporate policy."



ING SUPPORTS GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI), established in 1997, aims at creating more uniformity in the many existing standards for social and environmental reporting practices. Despite the short period during which the GRI guidelines were developed, these have become a key parameter for companies that publish a CSR or Sustainability report. For an important part, ING too leans on the GRI guidelines for its annual report 'ING in Society'. In 2002, the GRI was established as a permanent, independent, international body with a multi-stakeholder governance structure. In the same year the Secretariat of GRI moved from Boston to Amsterdam, partly by the support from ING and others.

organisation before making a decision. Sustainable development will also be part of this research. The Board also concluded that the working of the present Business Principles will be evaluated.

**Key Performance Indicators**

Clear, consistent and accurate reporting is essential to enable stakeholders, such as supervisory authorities and shareholders, to assess whether their trust in ING is justified. In recent years ING has considerably extended its financial information with data on aspects such as embedded value, new business value and risk-adjusted return on capital to give stakeholders a better insight into the

Group's financial performance.

ING is also working to set up management-information systems to improve the measurement of its performance on corporate social responsibility. ING is also extending its external reporting on the basis of the Global Reporting Initiative (GRI) guidelines 2002 for sustainability reporting.

In 2002, ING made progress by developing Key Performance Indicators, which will measure ING's performance on corporate social responsibility in a more systematic way throughout the company. In the same year, ING launched the 'Diversity Dashboard', a measuring tool to monitor its diversity objectives.

**ERNST LIGTERINGEN, DIRECTOR GLOBAL REPORTING INITIATIVE (GRI), AMSTERDAM**

"GRI's Sustainability Reporting Guidelines provide an internationally-recognised framework for organisations to report on their economic, social and environmental performance. By choosing to use the Guidelines in preparing its 'ING in Society' reports, ING joins a growing list of leading companies around the world that recognise the importance of measuring and disclosing their contribution towards sustainability. GRI welcomes ING's use of the Guidelines and takes this opportunity to express its appreciation for ING's substantive support to this new voluntary initiative, involving business, labour, NGOs and other stakeholders."



# MEETING CUSTOMER EXPECTATIONS

**ING manages the finances of millions of individuals, companies, institutions and governments. Worldwide, ING has about 60 million customers. Satisfied clients are the source of ING’s profits, and without profits, ING would be unable to satisfy its other stakeholders: shareholders, employees and society at large.**

## Customer satisfaction

### Measuring customer satisfaction

ING’s business units strive to keep customers satisfied by providing them with quality products and services at competitive prices and by enabling customers to handle their financial affairs conveniently through the distribution channels of their choice. Taking customer feedback seriously is also imperative.

Client satisfaction is not measured at a corporate level, but by the individual business units. To collect performance data for this report, ING conducted an internal survey in the beginning of 2003 on the implementation of corporate social responsibility (CSR) policies worldwide. This survey covered 43 of ING’s business units worldwide that represent almost 104,000 of ING’s 115,000 FTEs. The results showed that around 60% of this group has adopted policies, procedures and monitoring systems for customer satisfaction. 66% have procedures for complaints, 66% for product information and 60% have adopted policies and procedures on privacy. Of the respondents that do not have such policies in place, the main reason given is that they were in the process of implementation.

Of the ING business units, 30 indicated that they measure customer satisfaction on subjects such as friendliness of staff, time of response, accessibility (by phone, e-mail and otherwise), clearness and presentation of information. Variety of products and pricing of products and services are also covered quite often in these kind of surveys.

The frequency of customer satisfaction measurements varies among the different business units. Of the 30 business units, 19 test customer satisfaction more than twice a year, often on a monthly or continuous basis. Five track satisfaction once a year, and two business units said they measure once every two years. Almost all business units that measure client

satisfaction have set targets to improve client satisfaction. Compared to the targets, the results of nine business units show a stable trend and nine an upward trend. Eleven business units do not have sufficient data to draw such conclusions. Of the business units that set targets for client satisfaction, one has reported a stable to downward trend.

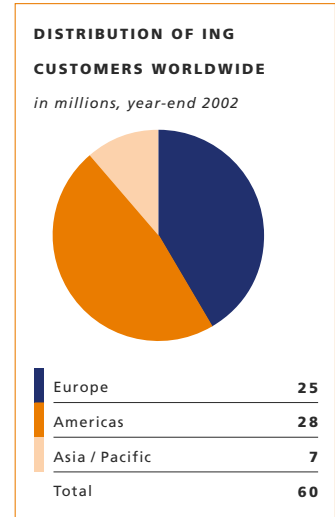
### Respond to customer complaints

Despite the efforts to provide the best possible service, customer complaints occur. The nature of complaints can vary widely. ING takes customer reactions seriously, not only to satisfy an individual customer, but also as a basis to improve its products. The pattern of reactions and complaints may make it necessary to improve the overall quality of products and services. Data on total number and settlement of complaints are not registered centrally within ING, but by the business units themselves.

Almost all of the business units that have responded to the questionnaire (representing 85% of ING’s employees) have a customer complaint registration system in place. The number and nature of complaints have to be seen in relation to the size of the business unit and the number of customers and transactions performed. Complaints in 2002 were primarily about service, products pricing and product information. Complaints on misrepresentation, privacy and accessibility were mentioned less often by the respondents. Complaints concerning discrimination were mentioned by three business units. Sixteen out of 34 business units also received complaints through customer representative organisations.

### ING Direct scores on customer satisfaction

An example of a business unit receiving high marks from its clients is ING Direct. Launched in 1997, it is now active in eight mature markets.



## OMBUDSMAN IN BELGIUM

In Belgium, ING Insurance – representing the merger of ING's four Belgian insurance subsidiaries – expanded its Ombudsman service during 2002. The merger led to an increase in complaints in 2002, in particular concerning competition between ING's different distribution channels in Belgium. Although the nature of the complaints was more complex, the merger itself did not lead to a substantial departure of customers.

At the end of December 2002, ING Direct had 5 million customers. What makes ING Direct 'direct' is the fact that it does not have branches. The majority of customer contact takes place via the internet and call centres.

In August 2002, ING Direct conducted its first global customer satisfaction survey. Among the results was 93% satisfaction with the call centre, ING Direct's most important point of contact with customers. In a second global survey, conducted in April 2003, the focus was on the quality of service provided over the telephone. Customers were asked to give ING Direct an overall score from 1 to 10. The average score was 8.8. Satisfaction with products was not investigated. Both surveys were carried out by local market research firms and the response rate differed per country.

### Tackling backlogs to restore reputation

In 2002, the main insurance intermediary organisations in the Netherlands conducted a survey among its members to gauge their satisfaction with the performance of the main insurance companies they work with. Nationale-Nederlanden (NN), ING's leading insurance subsidiary in the country, received poor marks in the survey. The low rating stemmed primarily from dissatisfaction with administrative backlogs. In 2001, ING made substantial investments to increase the speed and efficiency of the back office and thus improve overall customer satisfaction. This operations/IT investment programme is having a substantial effect on NN. The company is investing in new IT systems, hiring extra temporary staff to eliminate the backlogs, and creating dedicated shared service centres for certain insurance processes. All of these measures are geared towards removing the root cause of most complaints. The backlogs are not expected to be fully eliminated until 2004.

In addition to substantial IT investments, NN established a dedicated customer desk in October 2002 in order to register complaints in a more systematic way and to provide regular management information on incoming complaints.

### Tracking customer satisfaction

In the US, ING has an ongoing customer research programme to collect and analyse feedback from its major customer groups. ING surveys at least annually input from its individual customers, plan sponsors and benefit managers and distributors to determine their level of satisfaction. Customer feedback is collected in various ways: via phone interviews, focus groups, paper-based surveys and internet surveys.

Among the defined contribution plan sponsors, for example, ING's scores improved in 2002; overall satisfaction with ING among this customer group was 92% in 2002, compared to 88% in 2001. Among employee benefit managers, another important customer group for ING in the US, overall satisfaction was 91% in 2002, also an improvement over 2001. In terms of satisfaction among individual customers, ING's customer surveys found that the three areas where ING scored the highest among all business lines were financial stability, customer service associates and agents/brokers. ING uses the results of these surveys to improve the satisfaction in these and all other areas of customer service.

### Product responsibility

ING does not have a global policy for product responsibility. Product responsibility is always a local responsibility. Product approval procedures are part of ING's product responsibility, and these procedures are already embedded in ING's overall risk management approach. Marketing practices by insurance agents selling ING's products around the world can also be considered part of a financial institution's product responsibility. At ING, however, local management is responsible for training its agents and monitoring feedback from the end-customers about the agents.

### Explain complicated financial products

An example of how financial institutions are being asked to take more responsibility for complex financial products is the introduction of the mandatory information sheet in the Netherlands. Since July 2002, all financial services providers in the Netherlands are required to provide retail customers with a mandatory information sheet for every complex product they plan to sell. This aims at enhancing consumers' understanding and insight in the risks akin to complex financial products. The Financial Markets Authority defines a complex product as a product

which consists of a combination of two or more components of which the value of at least one is dependent on the financial markets.

### Protect customer privacy

Protecting the privacy of customer data is another important issue in financial services. ING endeavours to ensure that the processing of customer and personal information is carried out in such a way that the privacy of its customers is protected as much as possible. ING does not have a global policy for customer privacy yet. Instead, ING is obliged by the local jurisdictions where it operates to have rules concerning the use of personal client data. The manner of handling customer data is also dependent on local banking secrecy laws. The globalisation of ING, however, implies that personal data may be transferred internationally. Late 2002, ING's corporate legal department began to develop a global privacy policy for ING that sets forth general principles of processing personal data. This project will continue throughout the year 2003.

While dealing with customer privacy is still based on local laws and regulations, business units may choose to go beyond local rules. For example, in the US, ING Direct maintains a privacy policy that goes beyond the standards required by law. Instead of the usual opt-out

policy most banks use, ING Direct applies an opt-in policy, meaning that customer information is shared with other companies only if customers permit ING Direct to do so.

In some cases, additional internal rules may be articulated as a complement to local laws. In the Netherlands, for example, a new data protection came into force in 2002 based on European Union laws, but in addition the Dutch financial industry was asked to come up with its own internal code concerning this issue.

### Legislation to protect data

In the Netherlands, the new Data Protection Act caused the designation of a special company within ING to act as the Controller for group companies wishing to share customer information. During 2002, the Netherlands Bankers' Association and the Association of Insurers established a code of conduct for handling customer information. In anticipation of approval of the code of conduct by the Dutch Privacy Authority ING informed over 9 million retail customers in the Netherlands about ING's intention to share customer information with other ING business units in the Netherlands and the reasons for doing this. Customers who felt uncomfortable with having their customer data shared within ING Netherlands were given the right to opt-out (i.e., not have their data

#### STANISLAW ROGOWSKI, OMBUDSMAN FOR THE INSURED, WARSAW

"One of my crucial goals as the Insurance Ombudsman is to promote insurance awareness among Polish customers and ensure deeper understanding of the mechanisms of insurance. This can only be achieved through a close cooperation with the insurance companies. I am pleased to say that ING Group has been actively involved in this process. Our joint project 'Insurance Academy for Journalists' is just one of the recent examples of this cooperation."



**SOCIALLY RESPONSIBLE INVESTMENT IN THE US**

In the United States, ING manages a small range of SRI funds within the enhanced Equity Group of Aeltus, part of ING Investment Management. Historically, these funds have focused on excluding stocks that do not meet SRI criteria. However, in 2002, Aeltus began to manage a fund which combines Aeltus' own quantitative process with a model by strategic value advisor Innovest. Aeltus' own ranking is based on financial criteria and accounts for 80% of the weight in the fund. Innovest provides a SRI score which accounts for 20% of the weighting. This new SRI fund currently has USD 125 million under management.

**CHARITY MANAGER APPOINTED**

In the coming years, ING will try to play a more active role as intermediary in the growing field of philanthropic money flows. In 2002, ING appointed a dedicated manager within ING Investment Management in order to follow trends in corporate charity on a structural basis and to develop new products and services as opportunities arise. In particular, the charity manager wants to develop new products and services that help charity organisations increase their total volume of charity funds while reducing their cost of fundraising.

**EDUCATIONAL INVESTMENT PRODUCT**

In Indonesia, ING Aetna Life introduced a new insurance product in 2002 to provide children's education. Called 'EduPro', the product combines life and education insurance into one package and aims to assist parents in planning and funding of their children's education. The product is one of the few educational investment products in the country that provides funding from kindergarten to college.

shared). Nine percent of those who received the letter decided to opt-out. The letter was also the trigger for approximately 2300 customer complaints, which by all standards was very low.

**Sustainable products and services**

Sustainable products and services come in many shapes and forms and intersect all financial disciplines. The way in which they stand out is that these products provide an added environmental or social value compared to standard products and services. Within ING the share of sustainable products is still small and of ING's business units worldwide only some offer sustainable products.

In the area of asset management, ING's sustainable products include Socially Responsible Investment (SRI) funds, which only invest in companies that meet certain social, environmental and financial criteria according to the judgment of the fund manager or in accordance with the customer's own ethical values. ING Investment Management and ING Wholesale in the Netherlands, ING Direct France, ING Belgium, ING Australia, ING Bank France and ING Trust, for example, offer socially responsible or sustainable investment products (including socio-ethical, sustainability and green funds) or advice services in this field.

Examples of sustainable products in banking are 'green mortgage' and 'green' funds

raised via bank certificates. Sustainable banking products are offered by ING Retail and ING Wholesale in the Netherlands and include for example Postbank's 'tante Agaath Certificates' (deposits used for lending to start-ups, until recently tax beneficial in the Netherlands). Green mortgages are also provided in Belgium by ING Insurance.

Finally, an example of a sustainable insurance product is an insurance policy which gives customers the possibility to invest part of their premium in charity or certain sustainable projects. Insurance products with high social benefits or subject to special sustainability criteria are offered by ING Retail in the Netherlands, ING Life Insurance Korea and ING Life Hong Kong.

**Sustainability X-pert Group**

In early 2002, the Sustainability X-pert Group became operational in order to create a centre of excellence for sustainability issues within ING in the Netherlands. The group currently consists of professionals from ING Investment Management, ING Bank Sustainable Investment, ING Real Estate, Nationale-Nederlanden, ING Group Sponsoring and Postbank, to name a few. The purpose of the X-pert group is to create an interdisciplinary network for sustainability knowledge within ING, spread awareness for sustainability-related issues in the organisation, and embed sustainability thinking in ING's overall core business. Various product ideas are currently being further investigated or being prepared to bring to market.

**SRI funds grow rapidly**

Socially responsible investment (SRI) is one of the fastest-growing trends in the investment management industry. At the heart of SRI's growing popularity is the belief that a company's attention to balancing the triple P's of 'profit, people and planet' can reveal more about a company's intangible risks and assets.

**IIM manages global sustainable equity funds**

ING Investment Management (IIM) in The Hague manages five global sustainable equity funds on behalf of retail and institutional customers. The funds are marketed through ING's various labels in Europe and Australia. At year-end 2002, the funds had total assets under management of more than EUR 350 million. This amounted to 5.2% of the total of global equity funds managed for third parties, resulting in EUR 6.7 billion at the end of 2002.



**HOMEPAGE**  
**WWW.INGIM.COM**



The sustainable equity funds use the Morgan Stanley Composite Index (MSCI) total return index as its main benchmark, and in 2002, the funds outperformed this benchmark. The funds benefited from a relatively defensive portfolio and steered clear of companies hit by corporate governance problems.

**Shareholder engagement**

Apart from a financial return, ING Investment Management sustainable funds also sought to achieve a social and environmental return by engaging in a dialogue with several companies on sustainability-related issues. During 2002, the funds used informal shareholder engagement to make its views known and exert pressure on companies in the funds. Informal engagement involves informal communication with company management. This contrasts with active shareholder engagement at the Annual General Meeting of Shareholders (AGM), or through proxy voting, which means voting on management proposals and shareholder resolutions without attending an AGM. In 2003, ING Investment Management intends to start offering proxy voting to its customers.

**MONEY INVESTED IN SUSTAINABLE GLOBAL EQUITY FUNDS**

<i>in millions of euros</i>	YEAR-END 2002	YEAR-END 2001
ING Sustainable Return Fund	309	254
BBL Invest Sustainable Growth	26	25
ING Sustainable Investment		
Global Share Trust	10	11
Postbank Duurzaam Aandelenfonds	9	10
<b>Total</b>	<b>354</b>	<b>300</b>

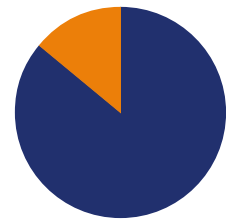
In 2002, corporate governance – the way the supervision of management and accountability are organised in a company – began to play a larger role in the stock selection process. Together with the fund’s advisory board, it was decided to increase the weight of corporate governance criteria in the best-in-class screening from 5% to 10%. In assessing the corporate governance of a company in the fund, the most important aspects will be the transparency on corporate governance and the independence of directors and the audit committee.

**Sustainability of ING’s own assets**

ING realises that its investment decisions may have an impact on society and the environ-

**DISTRIBUTION OF SUSTAINABLE GLOBAL EQUITY FUNDS BY CLIENT CATEGORY**

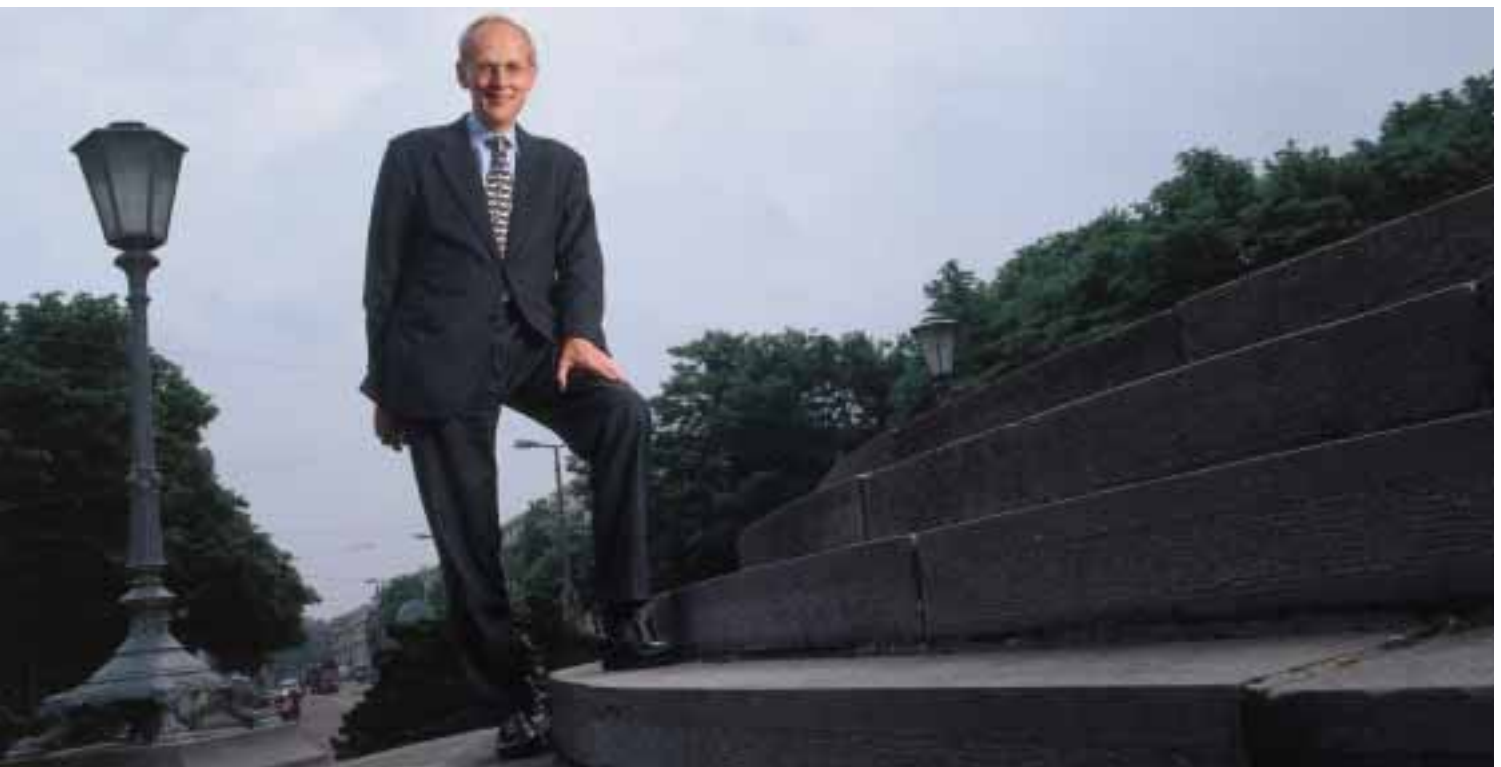
*in millions of euros*



Institutional 86%	303
Retail 14%	51
<b>Total</b>	<b>354</b>

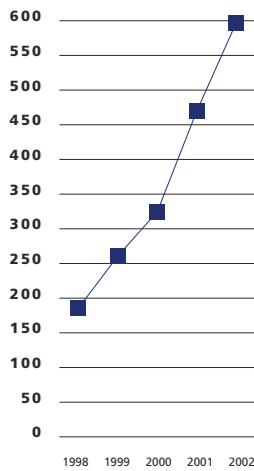
**PIETER WINSEMIUS, CHAIRMAN OF THE ADVISORY BOARD OF THE ING SUSTAINABLE EQUITY FUNDS AND FORMER MINISTER OF HOUSING, PHYSICAL PLANNING AND THE ENVIRONMENT, THE HAGUE**

“Sustainability is about harmony: if people of current and future generations are in harmony with each other and with their physical environment, we will have achieved sustainability. Large corporations have an important role to play in this quest. ING, through its “green” buildings, has gained an international reputation in this respect. However, more importantly still, the actions of its coworkers tell a stronger story yet. Where leaders lead, others follow. Only in this way a truly sustainable development comes within reach.”



**CUMULATIVE AMOUNTS OF GROSS GREEN LOANS AWARDED**

*in millions of euros, year-end*



ment. In these decisions ING also tries to carefully balance the interest of all stakeholders. Since September 2002 the Sustainable Investments Team of IIM has been periodically sending an overview with the names of companies that are negatively involved in social and environmental issues to the department that is responsible for investing ING's insurance assets. The insurance assets ING manages for its own account at the end of 2002 amounted to approximately EUR 150 billion. The issues that are receiving specific attention in the screening are human rights violations, child labour and sweatshop practices and involvement in the production of weapons of mass destruction, landmines and clusterbombs. If a company in which ING invests is involved in these issues several measures can be taken. This can vary from direct or indirect shareholder engagement to divestment. As a consequence of this screening, ING has concluded that its own portfolio can be considered to represent socially responsible businesses, but it should be noticed that the screening is a work-in-progress.

Of the total invested amount, ING Pension fund has invested 9% in a sustainable way.

exposure to the most relevant sustainability issues of their sector. Each company covered by ING Bank is given a score that should be used in conjunction with traditional financial research. The NFI does not measure whether a company's products and services can be considered sustainable or whether a company has – in the past – exhibited exemplary or questionable behaviour. In 2002, ING Bank Sustainable Investments screened 800 companies (500 US companies and 300 European companies), corresponding to the Standard & Poor's Index and the FTSE Top 300. The NFI is also offered to retail customers of ING Bank who wish to have a portion of their assets invested in sustainable investment(s) as well as provided to outside institutions as an indicator. In 2002 ING Bank attracted new clients worth EUR 70 million for its sustainable asset management. ING Bank also provides in-depth information with respect to sustainability issues and companies' behaviour with respect to these issues to clients. A number of new clients signed up for Sustainability Advice in 2002 which amounted to EUR 30 million.

**Green investments**

Postbank Green is a separate bank within ING that provides medium-term loans to green projects which have been designated by the Dutch government as environmentally friendly. The funds are raised from retail customers through the issue of bonds with maturities ranging from three to ten years. At the end of December 2002, the total volume of gross green loans awarded stood at EUR 597 million. Retail customers are guaranteed their full amount at the end of the maturity. The interest they earn is slightly lower than what they would earn on a traditional bond with the same maturity, but in return investors receive a tax break. On a net basis, investors therefore earn more. In 2002, the Dutch cabinet had planned to abolish the existing tax advantages for green investment, but these plans were withdrawn after intensive lobbying.

**Charity insurance in Korea**

In late 2002, ING Life Korea launched a charity insurance product which allows customers to donate the entire amount of their insurance policy to a charity of their choice. As of November 2002, 769 people had already purchased this Sharing Benefit policy, with aggregated death benefits currently amounting to over EUR 12.6 million. Through the product, ING Life Korea customers are sponsoring over 50 charities.

**SRI Transparency guidelines**

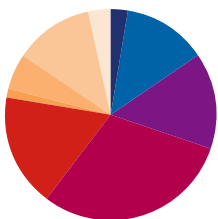
In 2002, the leading Dutch sustainable funds, including IIM, signed a transparency code by the Association of Investors for Sustainable Investments in the Netherlands (VBDO). The guidelines went into effect in 2003 and are one of the first of their kind in Continental Europe. The code obliges sustainable funds to provide investors with more information about the composition of their sustainable portfolios. The transparency code is meant to serve as a quality label for sustainable funds in the Netherlands.

**ING Bank Sustainable Investments**

Another centre of knowledge for SRI is the ING Bank Sustainable Investments department, part of ING Bank Securities in the Netherlands. In 2001, it developed a non-financial indicator (NFI), which began to be offered as a product in 2002. The NFI measures the extent to which companies measure, manage and reduce their

**GREEN PROJECTS ACCORDING TO TYPE**

*in %, year-end 2002*



Organic agriculture	3
Nature	13
Green-label greenhouses	15
City heating	30
Wind energy	17
Solar energy	1
Other projects	6
Sustainable construction	12
International	3

**POSTBANK GREEN INTERNATIONAL PROJECTS**

The funds in Postbank Green are being invested in several international projects. The portfolio includes wind energy projects in China and Curaçao and a hurricane resistant pier in the St. Martin harbour in the Netherlands Antilles. In 2002, Postbank Green financed a solar energy project in Mali that is providing 20 villages (40,000 inhabitants) with solar energy combined with conventional energy. Another new green project in 2002 was a project in Santo Domingo aimed at reducing the soot emission by public buses.

## Inclusion and accessibility

### Cater to customer inclusion

Part of ING's identity as a global financial services provider is that it serves a highly diverse customer base. Cultural and religious differences create diversity in product needs. Retail clients in China, for example, may have different insurance needs than customers in the US. The wide diversity of customers also implies that there may be groups of customers that experience limitations in gaining access to ING's products and services. ING aims to enhance the accessibility of its products and services and to prevent social exclusion. Keeping bank offices accessible to elderly and disabled people and providing financial services in remote or backward areas are some examples.

### Accessibility of banking services

Over the last few years, the use of internet and telebanking has grown. At the same time, banks have been gradually closing branches in order to cut costs and boost efficiency. Both trends have led to a broader discussion in Dutch society about inclusion and accessibility of banking services. A study carried out by the Netherlands Bankers' Association in 2002 found that retail clients are generally satisfied with the greater ease of electronic banking. However, certain

customer groups, such as the elderly, handicapped, blind and hearing deficient, encounter difficulties in performing PIN transactions and are dissatisfied with the ongoing shift of bank services to the internet and telephone. 90-95% of all cash withdrawals take place via Automated Teller Machines (ATM), yet that still leaves about 60 million cash withdrawals that take place via a bank cashier.

### Banking services in rural areas

The closure of bank branches is particularly felt as a problem in rural areas. A study by the Netherlands Ministry of Spatial Planning, Housing and the Environment (VROM) found that in 1,600 'small core communities' in the Netherlands each should have at least three basic services: a general practitioner, a primary school, and a local store for basic daily necessities. The presence of these basic services is believed to contribute to the overall quality of life in rural areas. Although banks are not considered a basic service in the VROM definition, Postbank and ING Bank took steps in 2002 to address accessibility of its banking services in small communities.

Postbank introduced in 2002 a new money service called 'Postbank Geldservice'. This 'Money Service' is designed for communities with less than 5,000 inhabitants and at least 500

### **THEO BOUWMAN, MEMBER OF THE EUROPEAN PARLIAMENT FOR THE DUTCH GREEN PARTY (GROEN LINKS) AND CHAIRMAN OF THE COMMITTEE EMPLOYMENT AND SOCIAL AFFAIRS OF THE EUROPEAN PARLIAMENT, STRASBOURG**

"The debate in Europe on corporate social responsibility must not get caught in noncommittal. The true social responsibility reveals itself where companies go beyond what is legally required. CSR should be an integral part of the core activities of a company: 'chain responsibility' is part of that. Considering clients on the basis of your own business principles is the challenge for the financial services industry. Large players in the market can set the trend. Transforming the trend into a segmental CSR approach can lead to great social profit."



## GROWTH IN INTERNET BANKING POLAND

In terms of ATMs and branches in Poland at ING Bank Slaski the past year was stable (337 bank offices, 547 ATMs). ING Bank Slaski had a considerable increase in internet access – over 100% increase from spring 2002 (access through INGBankOnline), since it focuses on promoting internet access and electronic banking. There was also a large increase in telephone services through the HaloSlaski call centre (over 420,000 at the end of 2002).

## BANK OFFICES &amp; AUTOMATED TELLER MACHINES (ATMS)

	OFFICES END 2002	END 2001	ATMS END 2002	END 2001
ING Retail (NL)	2100	2190	1782	1797
Bank Brussels Lambert (BE)	829	883	1851	1781
ING Bank Slaski (P)	337	345	547	495

Postbank customers. Postbank expects to open an additional 400 Geldservice points, bringing the total number of cash withdrawal points to 1200 by the year 2005. The Geldservice has been supported by the ANBO (Dutch Association of Elderly) and the CG-Raad (Association for the handicapped and the chronically ill).

Regiobank is another of ING's Dutch subsidiaries which is actively addressing the issue of accessibility in rural areas. Bringing financial services as close to its customers as possible, particularly in rural areas, is, in fact, the core of Regiobank's business model. From an organizational standpoint, Regiobank is part of ING's intermediary division, which also includes larger subsidiaries such as Nationale-Nederlanden and Westland-Utrecht. Regiobank works according to the franchise concept. The franchise owners are primarily insurance intermediaries, but they also offer banking services, including a cashier function, if there is a need for them. Regiobank currently has 450 offices in the Netherlands. It plans to increase the number of offices to approximately 700 in the coming years.

### Facilities for handicapped and elderly

For its elderly and handicapped customers, ING Bank provides a variety of services to make banking easier for them. Almost all branches are accessible to the handicapped, parking facilities are provided, and ATMs have a ramp for wheelchairs. A study in 2002 by various organisations for the handicapped found that Postbank and ING Bank score well in terms of their facilities for the handicapped and elderly compared to other banks.

ING Bank has about 300 branches in the

Netherlands. Owing to its broad presence throughout the country, ING Bank is in regular contact with regional associations representing the interests of the elderly. Furthermore, as a member of the Netherlands Bankers' Association, ING Bank participates in various workgroups that study accessibility and availability of banking services. Various concrete results have come of these initiatives. The first is that ING Bank now offers a course specially designed for the elderly that gives guidance on how to use the buttons typically found at an ATM. The course is offered in cooperation with the various organisations representing the elderly. Secondly, the banks have equipped all new ATMs with a uniform keyboard. Thirdly, ING Bank pays great attention to creating a safe environment around the ATM machine by using proper lighting and camera surveillance.

## ADDING SHAREHOLDER VALUE

Creating shareholder value in the years of buoyant economic activity was almost taken for granted. This became visible in the strongly increasing profits and was translated to the increasing rise of the ING share price. However, ING did not escape the economic downturn either. The profits in 2002 stayed at the high level of 2001, but the stock exchange rate dropped to that of 1997. Stakeholders focus more on trust and integrity. This underscores once again that the focus on long-term sustainable growth is in the primary interest of all stakeholders, including the shareholders.

### Shareholder value

#### Shareholder value in the long term

The economic slump has not left ING unaffected in 2002. Especially the drop in stock prices caused the capital base to decrease to EUR 22,812 million. Partly because of the broad mix of activities, the profit level could be maintained at that of 2001. The operational net profit in 2002 was EUR 4,253 million.

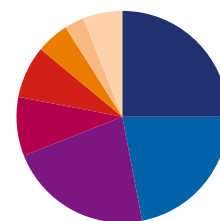
In 2002, ING was confronted with considerably

higher risk costs for the banking operations and investment losses on corporate bonds in the insurance operations. Because of the continued stock exchange crisis, there was also a considerable capital loss of EUR 3.6 billion on the equity investments. Due to a conservative strategy, the capital ratios were well above legal requirements. On 31 December 2002, the available capital of ING Insurance N.V. amounted to EUR 14.7 billion, which is 169% of the legally

### GEOGRAPHICAL DISTRIBUTION

#### OF ING SHARES

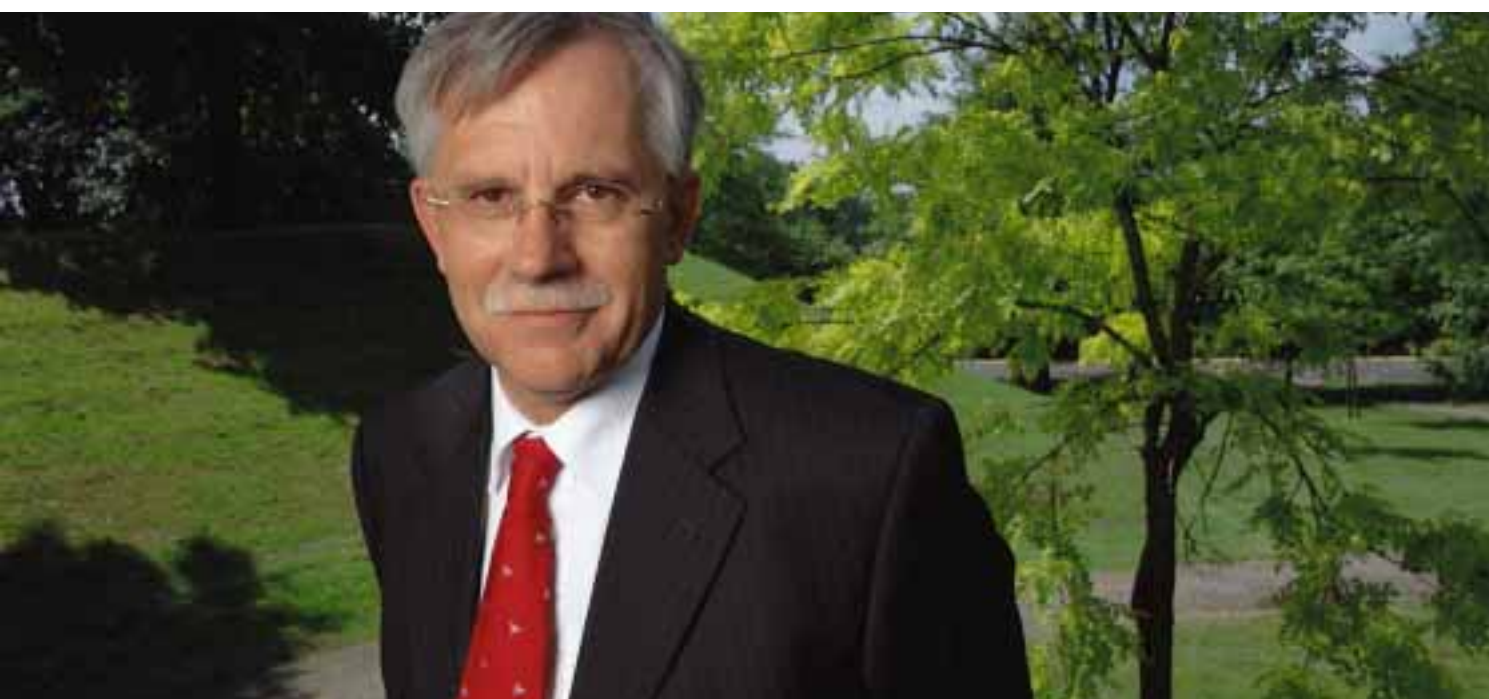
in %, year-end 2002

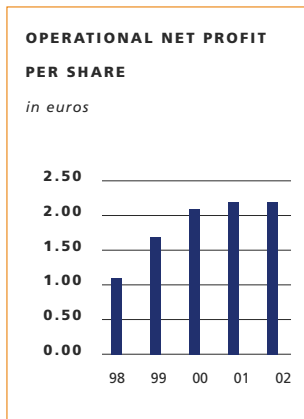


United Kingdom	25
US and Canada	22
The Netherlands	22
Luxembourg	9
Belgium	8
Switzerland	5
Germany	3
Others	6

#### JEAN FRIJNS, DIRECTOR ASSET MANAGEMENT ABP (DUTCH PENSION FUND FOR THE PUBLIC SECTOR), HEERLEN

"ING has chosen for corporate social responsibility. Good labour relations, a well-considered environmental policy and a responsible format of social commitment support the strategy of sustainable profit growth. Shareholders with a long-term investment horizon, such as ABP, appreciate that. Formulating the strategic basis is one thing, but actually realising and communicating about it is quite something else. ING has experienced how difficult that is recently, during the discussions about remuneration policy. I wish ING success in its clear choice for corporate social responsibility. I will follow the developments with great interest."





required level of EUR 8.7 billion. For the banking operations, the relevant ratios at the end of the year were well above the minimum levels required. The Tier-I ratio was 7.31% at the end of 2002, well above the standard of minimally 4%.

### No more automatic increase in capital gains

The revaluation reserve of the equity portfolio was still plus EUR 0.6 billion (after tax) at the end of 2002, whereas the continuous stock drop showed this to be minus EUR 0.7 billion (after tax) at 10 March 2003. The decreased value of the equity investments of the insurance operations will make it more difficult for ING to book capital gains on equity investments in the future. Up to 2003, these realised gains on investments increased by 15% on average each year. ING has meanwhile departed from the strategy of automatic growth of the realised gains on investments. As of 2003, ING will rely on the actual market conditions for the realisation of gains on equity investments.

ING has furthermore taken several measures to strengthen its capital base. As a result of selling own shares – which were no longer necessary for hedging the employee stock options – the capital base was strengthened by EUR 653 million. In December 2002, an issue of a

7.2% perpetual subordinated bond loan raised USD 1.1 billion. USD 600 million of this was used to strengthen ING Bank and to finance organic growth. The remaining USD 500 million will be used for the improvement of the capital base of ING Insurance and the improvement of the debt position. The risk of further exchange rate decreases was partially hedged and the optional stock dividend was re-introduced.

### Investing in future profit and profitability

ING's strength lies partly in a number of specific activities which contribute to the profit development in the long term: direct banking, insurance in emerging markets and pensions. These activities will contribute increasingly to the profit. The combined activities of ING Direct were first profitable in the fourth quarter of 2002, one year earlier than expected. The client base nearly doubled over the past year to well over 5 million. The funds entrusted increased even more dramatically: from EUR 24 billion at year-end 2001 to EUR 55 billion one year later. The insurance companies in developing countries contributed EUR 690 million to the operational result before taxes in 2002, an increase of 44% compared to 2001. Pensions will form an important commercial spearhead for the next years.

#### PAUL FENTROP, DIRECTOR DEMINOR NETHERLANDS (ADVISOR TO MINORITY SHAREHOLDERS), AMSTERDAM

"ING was cursed with a birth trauma. At the merger from which the company emerged in 1991, intimidating language was used against shareholders which did not agree with the management. Such a troubled childhood has its repercussions. As an obstinate teenager, ING stood in the back during the discussions about corporate governance. But now, capital providers will be given influence and, as a shareholder in other companies, ING will use its voting rights. ING has matured in 2003."



### Decrease in embedded value

An important measure for future profitability of the insurance operations is the embedded value. At the end of 2002, the total embedded value of the life insurance activities was EUR 23.3 billion compared to EUR 25.8 billion at year-end 2001. The decrease mainly reflects the impact of lower stock prices, credit-related losses and lower currency exchange rates versus the euro. The value of new life business written in 2002 was EUR 519 million, representing a substantial increase over the year 2001 amount of EUR 336 million (revised). Approximately half of the value of this new business is created by the insurance activities in the emerging markets.

### Risk-Adjusted Return On Capital (RAROC)

An important measure for the profitability of the banking activities is the Risk-Adjusted Return on Capital (RAROC). Other than the normal accountable profit on shareholders' equity, RAROC is a measure for the quality and the sustainability of the profit. The RAROC (before taxation) of the entire banking operations of ING was 13.3% in 2002. This is a decrease of 0.2%-point compared to 2001. The RAROC of the wholesale activities improved by 0.5%-point to 10.2%. The RAROC of the retail activities was satisfactory with 26.7% versus 28.6% in 2001. The total economic capital remained unaltered in comparison with 2001.

### Corporate governance

#### More say for shareholders

In its steps towards modern corporate governance, ING wishes to respect the interests of all stakeholders as well as holding and increasing the stakeholders' trust. ING has already implemented several changes to the management structure over the past years. Signals from the providers of capital, the social discussion about this topic and the developments in legislation have been sufficient reason for ING to continue its corporate governance modernisation process in 2002. The innovations – approved by the Annual General Meeting of Shareholders in April 2003 – are aimed among others at more influence for the holders of depositary receipts. They will receive full voting rights.

#### ING Group no longer a structure regime company

ING decided to no longer voluntarily apply the Dutch structure regime at the holding level and transfer this to ING Netherlands. In the structure regime, many rights are vested in the

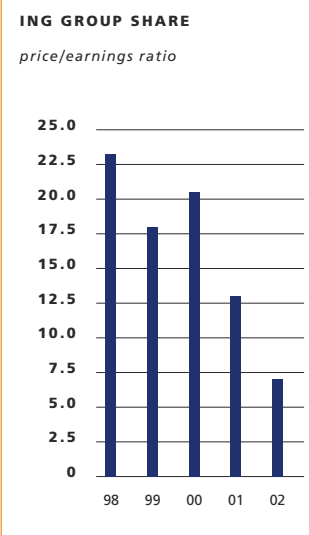
Supervisory Board which would otherwise be in the domain of the Annual General Meeting of Shareholders. By abandoning the structure regime at ING Group level, the members of the Executive Board and the Supervisory Board will be appointed directly by the Annual General Meeting of Shareholders – based on recommendations by the Supervisory Board. These recommendations are binding but can be rejected by a majority of two thirds of the votes in a meeting where at least one third of the issued share capital is present or represented. The recommendation model is prompted by the fact that ING's Executive Board cannot be appointed without permission from the Dutch Central Bank and the Pension and Insurance Board. Another newly gained rights of the Annual General Meeting of Shareholders is the determination of the annual accounts.

#### Full voting rights

The existing rules for voting rights for depositary-receipt holders (maximum voting up to 1%) will become void. Depositary-receipt holders will be able to vote as if they were shareholders. All shareholders and depositary-receipt holders present may vote at the Annual General Meeting, under all conditions without any restrictions. Both may grant proxies to third parties, without limitations. Depositary-receipt holders who do not appear at the Annual General Meeting of Shareholders and who do not wish to be represented by someone else leave it to Stichting ING Aandelen, the Trust Office ING Shares, to vote on their behalf. To bolster the objectives of this Trust, its board will have full independence and self-regulating powers and it can speak out on proposals which the Executive Board and Supervisory Board present to the Annual General Meeting.

#### Protection against hostile take-over

The Trust Office Cumulative Preference Shares ING Group will in future be named Trust Office ING Continuity, so as to better express the Trust's objectives. This Trust, too, will be fully independent. All ING appointed board members will resign. This is aimed to prevent perceived conflicts of interest between ING, its management and other stakeholders. In the new situation, as before, the Trust has an option to acquire one third of the issued capital on a fully diluted basis. This protective device can be used in situations which the Trust considers threatening to the continuity of ING. This protective device is meant to gain time to find the optimal solution.



### Sarbanes-Oxley Act

The discussions on corporate governance gained momentum in 2002, triggered by corporate abuse and subsequent bankruptcies in the US in 2001 and 2002. These events were caused by a combination of lack of integrity and transparency, inefficient audits and disproportionate bonuses for top managers. The US administration responded by issuing the Sarbanes-Oxley Act, which is aimed to bolster the integrity of managers, the independence of supervisory board members and external auditors and to increase financial transparency.

### Aim for transparency

ING has always aimed at providing optimal information to shareholders and analysts. Examples in this field during 2002 were the publication of the revaluation reserve for equity investments, information on depreciation of deferred acquisition costs for the life insurance operations in the US and detailed information on the remuneration of ING's Executive Board. The information on embedded value and the value of the new production of the life insurance operations, as published in ING's annual report 2002, is entirely in line with the schedule as announced in 2001.

ING aims at transparency, not only when publishing its accounts and results. ING wants to show its stakeholders the strategy and performance behind the figures. The ING management holds speeches and gives presentations at conferences and symposiums, managers interview with the press and platforms are created to meet with shareholders and analysts. The ING Investor Relations symposiums for professional investment analysts who follow ING are good examples of this openness. In 2002 such a symposium was also organised in the US.

In 2002, ING published the Annual Report 2001, the Annual Accounts 2001, the Annual Report on Form 20-F (also containing the US GAAP reconciliation of ING's accounts), the social annual report 'ING in Society 2001', four issues of ING Shareholders' news and three editions of ING Shareholders' bulletin. These and other press and analyst presentations on the quarterly figures and other important external presentations are available on the internet site [ing.com](http://ing.com).

### Remuneration on market terms

In 2002, the Supervisory Board of ING Group had a survey conducted into the compensation structure of the Executive Board. The survey showed that their remuneration is lower than the remuneration of board members of other similar international institutions. The Supervisory Board deems it fundamental that the board members of ING are remunerated in line with the market. In a competitive market, an income on market terms is essential to warrant highly qualified board members in future. The Supervisory Board subsequently decided to modernise its current remuneration policy.

The new remuneration structure will contain three components: a fixed basic salary, a short-term bonus linked to performance-dependent factors and a number of short-term targets and, thirdly, a long-term agreement consisting of shares and options linked to the development of long-term indicators and the creation of sustainable shareholder value. In the Annual General Meeting of Shareholders of 15 April 2003, the remuneration proposal, which was also published in the Annual Accounts of 2002, was announced. In 2003, the remuneration proposal will be further detailed by the Supervisory Board. During the Annual General Meeting of Shareholders in 2004, the long-term component of the remuneration of the Executive Board will be proposed to the shareholders. Where this is applicable, the new policy will also apply to the remuneration of other senior managers within ING.

### Sustainability and CSR ratings

The tendency that investors require more information on the sustainable aspects of company management continued in 2002. A large number of assessments by sustainable fund managers and analysts took place at ING in 2002. In addition to subjects such as company ethics, relations with clients, employees and the local community, social and environmental strategy and human rights, corporate governance received special attention in 2002. In view of its inclusion in the FTSE4Good and the Dow Jones Sustainability indices, ING was assessed on its ethical, social and environmental-technical performance by Ethical Investment Research Services and by Sustainable Asset Management. The research agency Innovest, which advises clients such as large pension funds on sustainable investments made an assessment, of ING resulting in a Triple A rating within the sector diversified financials.

## INVESTOR RELATIONS

In addition to financial press releases, ING also publishes a Shareholders' News and Shareholders' Bulletin. For more information, please contact:

ING Group  
Investor Relations Department  
(IH 07.362)  
P.O. Box 810  
1000 AV Amsterdam  
The Netherlands  
telephone +31 20 541 54 62  
fax + 31 20 541 54 51  
[www.ing.com](http://www.ing.com)



### Improving performance

Because of its inclusion in various sustainability indices and the positive assessments by SRI analysts, the ING share was again included in many sustainable portfolios. The assessments not only indicate the positive aspects of ING but also point out where improvements can be made. ING thinks of this as valuable information and aims at including the suggestions in its strategy and reporting. One of the focal points for ING remains the improvement of the worldwide performance information. By basing the reporting on the GRI guidelines and the sector supplement for financial services, ING aims to meet the need for more consistent and comparable sustainability information.

#### ING'S RANKING IN SUSTAINABLE INDICES AND RESULTS OF CSR ASSESSMENTS

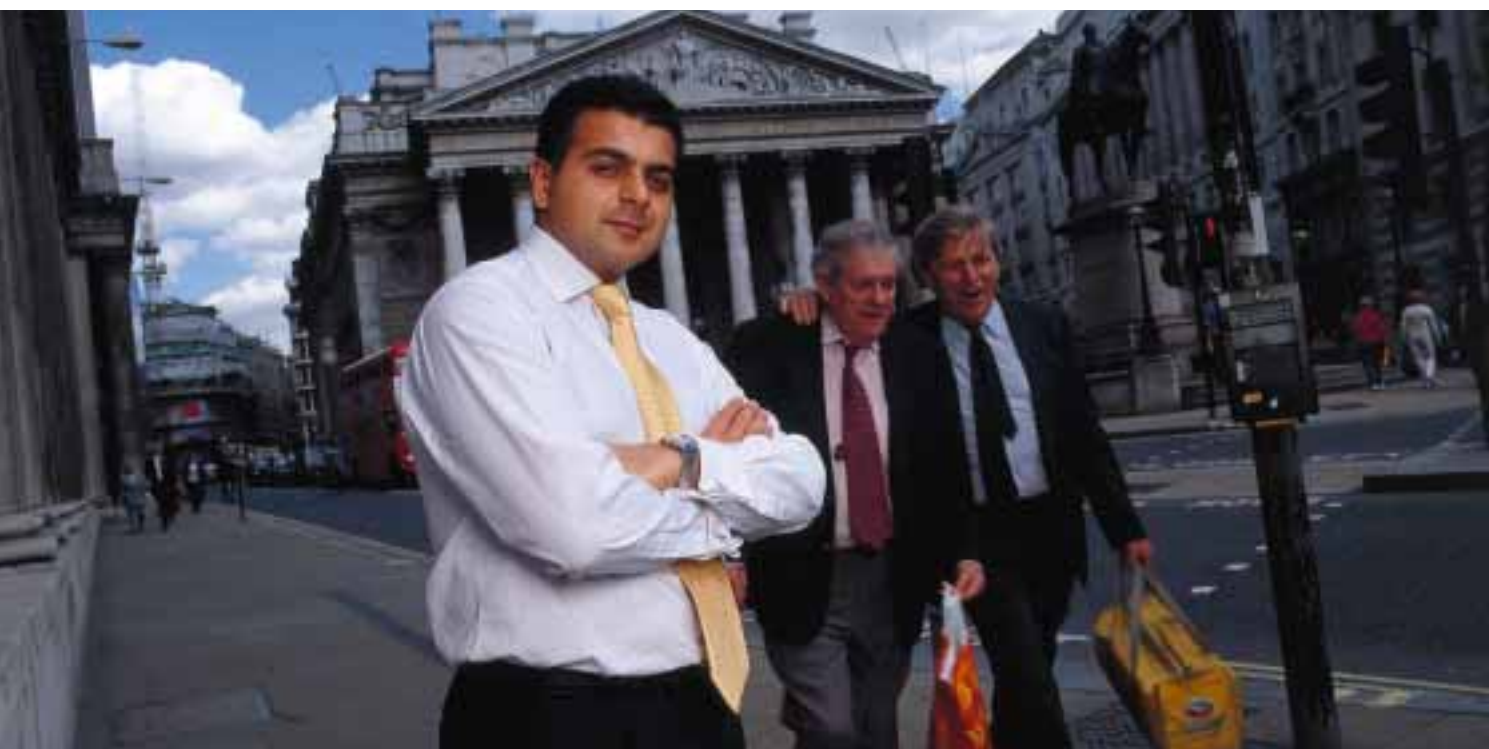
	2002	2001
FTSE4 Good Global 100 index	56	25
FTSE4 Good Europe 50 index	25	9
Dow Jones Sustainability STOXX indices		
- Sector Insurance	2	
Dow Jones Sustainability World indices		
- Sector Banks	2	
- Sector Financial Services Companies		1
Innovest Intangible Value Assessment		
- Diversified financials	AAA(2)	
KBC Asset Management		
- Financial services sector	1	

#### BEST IN CLASS

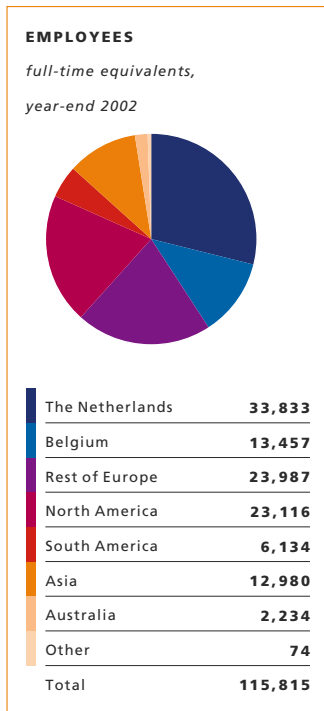
In 2002, KBC Asset Management chose ING as 'best in class' in the financial sector in its study of sustainable and socially responsible business practices of European listed companies. The companies were assessed on five main criteria: economic long-term vision, business ethics and good governance, environment, social relations and human rights and involvement in society. ING heads the list of 16 companies from the financial sector for all criteria with high marks for internal social relations, company ethics and the criteria human rights and community involvement. For economic policy and environment, ING scores well in the middle bracket.

#### JAY KANTARIA, SRI ANALYST INNOVEST STRATEGIC VALUE ADVISORS, LONDON

"One example of ING's commitment to being responsible has been highlighted through not being implicated in the 'conflicts of interest' case that plagued the sector recently. As a result, the group avoided financial and image-related liabilities which a number of competitors experienced. In our opinion, a good sustainability philosophy embedded in management and culture positions the company well for long term performance."



## CARING FOR OUR EMPLOYEES



ING recognises that motivated and content employees are key to its business success. Customers of financial services providers base their purchasing decisions on the good advice, service, contact and expertise of people. ING values its employees and strives to maintain an environment in which they excel and feel appreciated. To remain successful, ING recognises that it must attract and retain talented and motivated individuals. ING's human resources policy therefore focuses on providing ongoing training and coaching, excellent benefits, and a corporate culture that underlines the importance of a good work/life balance. ING also wants to build an inclusive ING culture, while satisfying the expectations of its stakeholders.

ING has 115,000 employees in 60 countries. Less than a third of ING's employees are located in the Netherlands. About 20% of ING's employees are located in North America and 12% in Belgium. Asia and South America account for 11% and 6% of the workforce, respectively.

signed a Social Framework which articulates common principles to serve as the foundation for social policy and labour management in all the 14 European countries where ING is active. The principles are a mirror reflection of ING's overall policy towards labour relations.

### Competitive benefits

ING wants to be an attractive employer by providing competitive benefits, good working conditions and opportunities for personal and career development. Labour relations and practices vary widely around the world due to different local customs, laws and regulations. Aspects that vary between countries are compensation arrangements, types of employee benefits, working hours, hiring and firing practices, and the role of labour unions. Despite these differences, ING Group's policy is to maintain overall general principles with respect to labour management, regardless of where it is active.

In addition, the Executive Board and the European Workers Council agreed in 2002 on principles to be applied in the case of integrations and restructurings. In cases affecting substantial numbers of employees, the Executive Committee ING Europe will appoint a general manager to coordinate the process and to consult with the management of the business units involved. Another principle ensures that ING will act as a good employer in case of integrations and restructurings. This social policy is intended to be introduced and translated locally in concrete terms step by step.

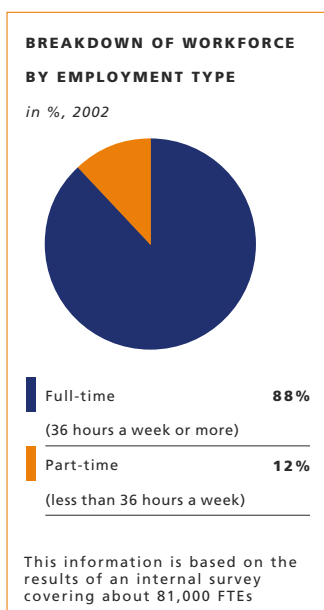
### Labour relations in the Netherlands

In the Netherlands, ING has a formal relationship with four labour unions: the FNV Bondgenoten, Dienstenbond CNV, Unie and BBV. An estimated 10-15% of ING's total workforce in the Netherlands are member of one of these unions. During 2002, ING's relationship with all four labour unions can be described as positive and constructive. The four labour unions are the partners with which ING negotiates the collective labour agreement for all personnel in the Netherlands.

### Employee consultation

#### European Workers Council

ING instituted a European Workers Council (EWC) in 1996. The EWC currently has 27 representatives from the 14 European countries where ING is active. The EWC and the representative of the Executive Board meet twice a year, and the EWC is informed about restructuring and overall developments within the different sectors of ING in Europe. In 2002 the Executive Board and the EWC formally



### Employee consultation structure adjusted

Since the inception of ING Group in 1991, the Central Workers Council in the Netherlands has been the first contact with the Executive Board for co-determination issues. As part of changes in corporate governance, the Executive Board decided that, instead of the Executive Board, the management of ING Netherlands would be the first point of contact for the Central Workers Council as from 2003. In view of the importance of ING Netherlands within ING Group, a covenant was signed between the Executive Board and the Central Workers Council in late 2002. This covenant stipulates that the Central Workers Council will maintain its access to the Executive Board and the Supervisory Board in specific situations.

### Labour relations in Belgium

In Belgium, where about 12% of ING’s workforce are located, labour relations are different than in the Netherlands. For example, in Belgium management is an integral part of the workers council, whereas in the Netherlands the workers council communicates with management. Furthermore, in Belgium, the unions determine a list of potential candidates for the workers council, which the employees can vote on. In the Netherlands, the unions are not as strongly involved in the works councils.

#### PERSONNEL EXPENSES (TOTAL PAYROLL AND BENEFITS)

<i>in millions of euros</i>		
	2002	2001
Insurance operations	2,765	2,732
Banking operations	4,787	5,064
<b>Total</b>	<b>7,552</b>	<b>7,796</b>

#### SOCIAL FRAMEWORK COMMON PRINCIPLES FOR SOCIAL POLICY AND LABOUR MANAGEMENT

- Recognition of the personal value and equality of each employee regardless of race, gender, nationality, sexual orientation, religion or creed, at every level of the organisation;
- Stimulate motivation, growth and development of employees;
- Creation of equal opportunities for each employee;
- Maintain good labour relations, terms of employment and working conditions;
- Balanced consideration of interests of employee with those of the organisation.

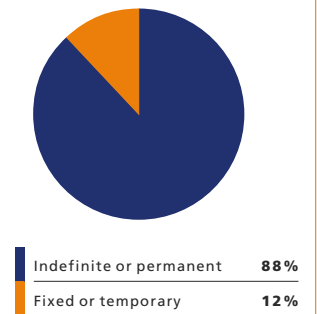
### Employee relations in ING Americas

ING Americas accounts for about 20% of ING’s total workforce. In the Americas (which includes Canada, the United States, Mexico and South America), ING is an ‘at will’ employer, with the exception of those countries where the law and syndicates do not allow this kind of relationship. The term ‘at will’ means that ING makes no representation of permanent employment or a guarantee of continued employment. While ING Americas hopes that its employment relationships with its employees will be mutually satisfying, employees may terminate their employment at any time, and ING may do the same.

In the United States, Canada and Peru, none of ING’s employees are unionised, but in

#### BREAKDOWN OF WORKFORCE BY TYPE OF CONTRACT

*in %, 2002*



This information is based on the results of an internal survey representing about 85,000 FTEs

#### RUDY AUER, CENTRALE NATIONALE DES EMPLOYES (CNE) CENTRAL TRADE UNION, BRUSSELS

“I am spokesman of the Centrale Nationale des Employes (CNE) the Central Trade Union that is present in Belgium at local and national level. We have a mandate of the European committee. My personal relationship with ING is somewhat double. Employees of my generation (I am 56 and I have worked for 34 years) have been emotionally put to the test by the removal of our identity. I don’t have the impression that I am part of an international group but more of a large Dutch company that is trying, and not always very successfully, to establish itself around world. The future may prove me wrong, who knows.”



## PERCENTAGE OF ING EMPLOYEES SURVEYED ON SATISFACTION RELATED ISSUES

Management	95%
Working conditions	95%
Co-operation and communication	94%
Working atmosphere	94%
Personal development	92%
(Equal) opportunities/personal development possibilities	89%
Job security	84%
Balance between work and personal life	78%
Identification with corporate values and culture	39%

This information is based on the results of an internal survey among ING business units/divisions (representing almost 70,000 employees).

Mexico, Argentina, Chile and Brazil, by law, some employees must be unionised and belong to a syndicate. ING maintains good working relations with those syndicates. The unionised employees represent no more than 10% of the workforce and the general balance reflects a positive panorama for both parties.

### Ombudsman programme in the Americas

During 2002, ING Americas set up an Ombudsman programme to provide dispute resolution in cases where issues cannot be resolved between an employee and his or her immediate manager. This programme has now been implemented in the United States. Expansion to other countries in the Americas is planned for 2003 and 2004. ING Canada also has an Ombudsman function within its legal affairs department for the resolution of both internal and external complaints or concerns.

ING Americas also introduced the ING Voice Line in 2002, which is affiliated with the Ombudsman service. The Voice Line allows employees to share issues and concerns confidentially and anonymously using a tollfree telephone number. The Voice Line is not intended to be a substitute for employee-manager communication or for Human Resources services. Instead, it serves as a 'safe' alternative which employees can use to bring issues to ING's attention. Now active in the United States, the Voice Line will be expanded to other countries in the Americas in conjunction with the Ombudsman programme. ING Canada currently has a similar anonymous toll-free telephone number to enable employees to express any concerns they may have.

### Restructuring in 2002

During 2002, ING announced two major restructuring measures. The first concerned the reduction of staff in the international wholesale banking operations in order to improve

profitability. ING announced in late 2002 that the workforce would be reduced by a further 1,000 full-time equivalents. Most job cuts took place at underperforming branches and businesses in the US, Asia, UK and Germany. At the end of the year, the announced job cuts had been largely completed.

The second major restructuring effort concerned the insurance operations in the US. At the end of 2002, the total US workforce had decreased by 16.4%, or 1,810 full-time equivalents, since the third quarter of 2001.

### Employee commitment and motivation

#### Employee satisfaction guarantees business success

Satisfied employees are one of the best guarantees for business success as motivated and content employees are likely to be more productive and customer-focused. Monitoring and measuring staff satisfaction and motivation are therefore important elements of ING's human resources policy. The responsibility for monitoring lies with individual business units and countries.

In response to questions about employee satisfaction, the responding business units representing 69% of full-time equivalents (FTEs) said they monitor employee commitment and motivation. For most employees, satisfaction is measured incidentally. For almost 20% of employees such data is collected in a more structured way. Almost half of all ING employees are asked to rate their job satisfaction at least once a year.

#### Direct manager vital to employee commitment

ING assumes that employee morale is most strongly linked to one's immediate superior. ING Netherlands will therefore be monitoring more closely the relationship between staff satisfaction and the immediate manager. In the coming years, ING Netherlands will test the success of its new HR programmes with two surveys: one on motivation and one on employees' satisfaction with the overall HR organisation. Furthermore, all managers within ING Netherlands will have to achieve 80% employee satisfaction by the end of 2005.

#### External benchmarking

External surveys are a source of information about how ING is perceived in the outside world as an employer and what factors shape its reputation to potential talent.

In its survey of the 500 best companies to work for in the Netherlands, the business magazine Management Team ranked ING first in the category 'favourite company to work for' and third in the category 'best employer.' Overall, ING received the number two ranking.

In 2002, Fortune Magazine named ING as one of the ten best companies to work for in Europe. For its survey, the magazine interviewed a large group of American and European journalists, analysts, professors, consultants and researchers for their opinion.

**Health and safety**

As stated in its global Business Principles, ING wants to provide all its employees with safe conditions of work. ING business units world wide will adhere to country-specific regulations and most business units have locally developed health and safety regulation policies. To get a picture of the implementation of health and safety issues within ING a questionnaire was sent to 43 of ING's business units worldwide. The answers indicate that all the responding business units (representing almost 100,000 FTEs) have implemented policies on health and safety issues for their employees.

Non-smoking policies have been developed for 99% of employees covered by the survey. Due to diversity in local circumstances, however, the form and precise nature of non-smoking policies themselves vary from country to country. In the Netherlands, for example, it

**PERCENTAGE OF ING EMPLOYEES COVERED BY HEALTH AND SAFETY RELATED POLICIES**

	POLICIES	PROCEDURES
Non-smoking	99 %	80 %
Safety	96 %	81 %
Sexual harassment	83 %	78 %
Other forms of harassment	71 %	71 %
Stress	62 %	42 %
Ergonomics	55 %	61 %
Fitness	52 %	52 %
RSI prevention	36 %	40 %
Other	35 %	34 %

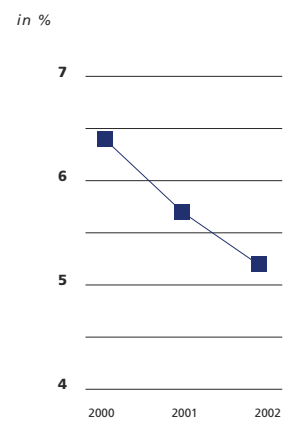
This information is based on the results of an internal survey covering almost 100,000 ING employees.

was decided in 2002 that all ING office buildings must be smoke-free as of 1 January 2004, whereas in other countries, for example in the US, this has already been practice for several years.

**Addressing work-related illnesses**

Absenteeism due to illness is an issue that is not being addressed on a global level, but by the local management. For ING in the Netherlands, absentee rates due to illness are relatively high compared to other countries and on par with other Dutch financial services companies. At the end of 2001, the Netherlands' Bankers Association, of which ING is an active member, signed a covenant on working conditions with the express aim to reduce stress, Repetitive Strain Injury (RSI) and absenteeism in the

**ILLNESS RATES FOR EMPLOYEES IN THE NETHERLANDS**



**ALEXANDRA ALDRICH ING MANAGER OF BUSINESS PRACTICES AND COMPLIANCE AND CAPTAIN OF LOCAL EMPLOYEE VOLUNTEER TEAM, ATLANTA**

"Being a volunteer leader for ING is extremely rewarding. I am proud to work for a socially responsible company that supports the causes I believe in. Our teams are valued by the management and our neighbors and we have a lot of fun."



**ING CAREER CENTRE UNDERLINES EMPLOYABILITY CONCEPT**

The collective labour agreement for 2002 stipulated that employees in the Netherlands have the right to a 'career check' once every five years with one of the four ING Career Service Centres. Although the number of visitors has somewhat decreased in 2002, the percentage of people that get actively involved in career counselling has increased considerably: from 5% to 35%. This illustrates that ING-employees are aware of the importance of being and staying employable and know where to go for information and counselling.

**NUMBER OF ING-EMPLOYEES VISITING THE ING CAREER CENTRES**

	2002	2001
Total visitors	1,300	2,500
Visitors receiving some form of career counseling	450	107

**EMPLOYEE SELF-SERVICE**

The e-enabled self-service concept became available for employees in the Netherlands and Belgium in 2002. Employees can look up and make changes to many aspects of their personnel file by themselves through the intranet. This includes administrative details like address changes, holiday applications and the choice of benefits from the à la carte system.

financial services sector. The covenant started 1 January 2002 and runs until 31 January 2004.

ING also offers counselling to employees with emotional problems. In the Netherlands, for example, ING's internal social counselling service goes under the name Bedrijfsmaatschappelijk Werk (BMW). Beginning in 2002, the BMW Help line extended its availability to employees by introducing an e-mail service. Mail is answered within two days by a professional team of social workers.

**Addressing employee complaints**

The results of the internal survey covering 99,000 FTEs worldwide also showed that employee grievance policies are in place for 80% of this group, grievance procedures for 75% and grievance monitoring systems for 64%. For 36% of this group, monitoring has resulted in improvement action in 2002. Examples of issues that are covered by the business units' complaint policies are discrimination, sexual harassment, remuneration, personal safety, labour conditions and privacy. In response to the survey, business units from five countries (representing approximately 50,000 employees) reported a total of 20 employee complaints that resulted in court actions in 2002.

**Personal development**

An internal survey covering almost 100,000 of ING employees showed that for 99 % of these employees policies and procedures for personal development have been implemented by the

business units. For 70 % of this group this is also being monitored. For 89,000 FTEs covered in the survey, the total budget for training for the year 2002 amounted to EUR 66 million. So an average of EUR 740 was budgeted per FTE for training and development.

**Active talent management**

Talent management is one of the driving principles of ING's human resources policy. Key priorities include expanding the Group's management recruitment search capabilities, improving management training programmes and enhancing the effectiveness of career development. ING also attaches great importance to providing tools to help its employees manage their own careers, for instance through the e-learning and 'navigate your career' tools.

Talent management received special attention during 2002, resulting in several changes in the HR organisation and the introduction of a new performance management system.

**Changes in HR organisation in Europe**

In 2002, various HR systems were integrated to create an efficient, service-oriented organisation that can strategically support ING's business objectives in the future. Eventually, most HR functions will be standardised on a European level along four lines: training and development, recruitment, talent management and administration.

**Performance management**

In the Netherlands, a new performance review system called performance management was developed during 2002. Performance management is a more structured way of coaching and appraising employee performance. The goal is to better link the results of the business unit with the results of individual employees, while giving employees room to develop themselves. Performance management was launched in 2003 for employees in the Netherlands and will subsequently be introduced Europe-wide and globally.

**ING Career Site**

In 2002, the new e-tool called ING Career Site became available worldwide. All external vacancies and relevant job-related information of ING and its business units have been brought together on one internet site [www.ing.com/careers/](http://www.ing.com/careers/). This initiative aims to present ING on the internet as an employer of choice to future ING employees. At



**HOMEPAGE**  
**WWW.ING.COM/**  
**CAREERS**

the same time, it creates a level playing field by advertising all current vacancies to both current employees and to those outside the company. The site currently attracts about 1,000 visitors per day. The ING Career Site comprises a global Group site and individual country pages.

**ING Business School introduces leadership curriculum**

The ING Business School (IBS) serves as a centre of learning for ING management and specialists from around the world. In 2002, over 1,000 managers took courses at the IBS. For the first time, seven ING Business School programmes were held outside the Netherlands, to allow a larger group of talent to participate and share knowledge with colleagues of ING Group. To make sure that the IBS programmes continue to meet the business needs and do reflect the actual business issues, ING Business School interviewed key business leaders across ING. As a result, IBS developed a new leadership curriculum geared not only to top managers at ING, but to all levels of talent to support them in achieving business performance.

**ING Mindset**

In 2002 the ING Business School also developed and rolled out a new ING Mindset programme in various regions. The ING Mindset is a programme that communicates in an interactive way the

**ENROLMENTS ING BUSINESS SCHOOL**

PER EXECUTIVE CENTRE (EC)	2002	2001**	2000**
EC ING Europe	746	772	630
EC ING Americas	69	58	39
EC ING Asia/Pacific	72	18	54
EC ING Asset Management*	129	45	64
Group Staff	73	73	92
	<b>1089</b>	966	879
Men	75%	78%	84%
Women	25%	22%	16%

\* assumed to be an EC until year-end 2002  
 \*\* adjusted figures

ING Group business strategy and other key strategic topics including ING structure, ING values, diversity, ING brand and cultural differences and approaches. Following a successful pilot in the US, ING Mindset is now being rolled out in Asia/Pacific and Americas in a cascading model. The first step is the training of the so-called 'change leaders'; these are individuals identified as key potentials within the organisation and deemed to be in a strategic position to influence management. During 2002, change leader training sessions took place in Latin America, US and Canada, and similar sessions were conducted in the Asia/Pacific region.

**STEPHANIE CHIU FROM TAIWAN**

"Thanks to a scholarship provided by ING and the support of my family in Taiwan, I study at Leiden University to get my MBA degree. There I am acquiring management skills and meeting people from various nationalities. By participating in international activities, I gain cross-cultural experiences which I will be able to apply in my future career within ING's global operations. ING opens up the door for people to have access to international interaction."



LIONESS TROPHY

The Lioness Trophy, initiated by ING Dutch women's network Lioness, for excellence in the field of career development for women was awarded for the second time. In 2002 the Trophy was awarded to the Global Diversity Council for its contribution to female advancement within ING.

**Diversity**  
Promoting inclusiveness

For ING, diversity means creating an inclusive corporate culture that welcomes and supports individuals of different backgrounds and interests. ING's diversity objective is to form a heterogeneous workforce and create an environment that allows its employees to achieve personal and business success while delivering on ING's brand promises worldwide. Inclusion not only pertains to gender and race but also to, for example, different styles of working. ING's long-term vision on diversity is that ING be recognised by its stakeholders as a leader in integrated financial services that values and manages diversity in accordance with the highest standards. A company whose employees reflect its customer base and the communities in which it is active is better positioned to anticipate and address different customer needs. Research has shown that diverse teams are more creative and innovative due to the breadth of experience, opinions and styles represented. ING recognises that people perform better in environments in which they feel welcomed, respected and challenged.

According to an internal survey covering 82% of all employees of ING, 48% of ING's workforce are women and 52% are men. This is an average, and percentages can differ strongly between business lines and countries. For example, at ING Life Taiwan 74% of the employees are women, while at ING Wholesale UK only 30% of the staff are women.

It is also important that ING employs a workforce that is diverse in other aspects. Through special initiatives to attract new talent and by using its broad array of internal talent, ING hopes to enhance the diversity of its staff in terms of nationality, age and cultural, social and religious background. Some of these aspects are also measured, but all according to local regulations.

**Group Diversity Council**

In order to develop ING's diversity objectives on a continuous basis, ING set up the ING Group Diversity Council at the end of 2000 under the aegis of the Executive Board. Through its diverse representation of senior leaders from around the

world, the Council is an additional communication channel which helps guide ING's diversity policy, and advises and supports ING's leadership around the world in meeting their diversity objectives. In 2002 a number of new initiatives were taken.

**Diversity targets in MTPs**

As part of ING's regular groupwide strategic planning process, all business units are required to include concrete diversity objectives in their own medium-term planning reports (MTPs). Progress towards diversity is measured alongside parameters such as revenue, sales and customer service.

In 2001, the Executive Centre (EC) ING Europe set a target of having ten women on Management Committee (MC) level within three years. In 2002, the number of women in the MCs increased from three to five. The target for 2003 is to increase that number to seven.

ING USA's diversity target is to have 52% of its managerial ranks consist of women and 15% of people of colour by the year 2004. The Executive Centre ING Asia/Pacific aims to have 30% of its management consist of women. At the Management Committee (MC) level, the target by end 2004 is to have four female members out of a total of 14. In 2002 there was only one female MC member.

**Metrics to track progress**

Country-specific diversity metrics track ING's performance in creating and sustaining an inclusive work environment. These metrics are being monitored by senior leadership and the Diversity Council. Progress will be measured among others in workforce/leadership demographics and career opportunity management through country-specific diversity metrics, the above mentioned MTPs, employee surveys and involvement in external diversity activities.

**Diversity Dashboard**

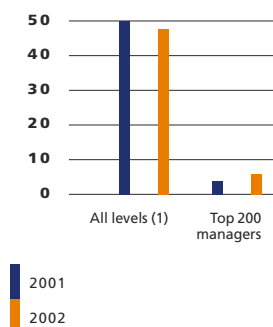
In 2002, the Diversity Council introduced the Diversity Dashboard. This initiative is aimed at collecting quantitative and qualitative diversity data as a means to monitor progress and opportunities. In this way ING keeps track of, for example, the worldwide advancement of women in the workplace. The Diversity Dashboard focuses on the top management level within ING and members of the local general management.

**Survey senior women departures**

In 2002, the Diversity Council completed an initiative to identify trends in senior women departures by conducting a global internal

**REPRESENTATION OF WOMEN AT ING GROUP WORLDWIDE**

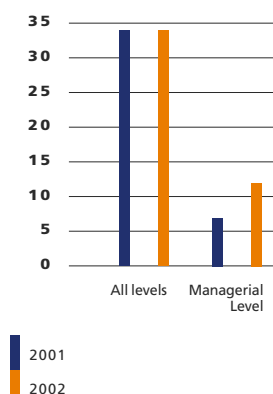
in % of total FTEs



(1) Estimate based on the results of an internal survey covering 80% of ING's employees in 2001 and 82% of ING's employees in 2002.

**REPRESENTATION OF WOMEN AT ING NETHERLANDS**

in % of total FTEs





survey. Based upon the conclusions, the Council has made an action plan to prevent these departures. Comparable surveys for other groups may be undertaken in the future.

#### Female Development Programme

The Female Development Programme (FDP), introduced by ING Netherlands in 2001, continued to receive attention throughout 2002. The FDP was designed to move more women into key and executive positions. Of the ten women selected to participate, two already moved into general management positions during 2002. The FDP will be further rolled out in the Netherlands in 2003. Since the FDP has been included as a best practice in ING's overall diversity programme, ING is looking at the possibility of exporting FDP to other countries. The FDP-initiative earned ING a top-3 nomination for the Dutch Employers Association (VNO-NCW) Diversity Award in October 2002.

#### Regional approach

ING's diversity approach is tailored to local priorities. A regional Diversity Council for the Americas has been established and a regional council for Asia / Pacific is being formed. The ING Group Diversity Council will act in conjunction with the regional councils to advise, develop and implement the Executive Board's vision on diversity.

#### Asia/Pacific region

In Asia, the number of women in leadership positions increased from 12% in 2001 to 19% in 2002. Female executives are represented in all major leadership teams in EC ING Asia/Pacific. In Australia, a study is currently underway among senior women to address their needs and concerns in the workplace and an action plan is being finalised. Participation by women from Asia/Pacific in ING Business School programmes increased from 10% to 37% in 2002.

#### US best practice in diversity

ING Americas is an equal opportunity employer and committed to maintaining a diverse workforce. ING Americas has voluntarily implemented an affirmative action programme to benefit minorities, such as women, individuals with disability, special disabled veterans and veterans of the Vietnam era. Local diversity councils implement short-term country-specific plans for each business. In addition, the ING Americas Office of Community Relations and Inclusion (Atlanta) facilitates and communicates the diversity efforts.

Within ING Group, ING US is considered a best practice in diversity. ING US has five employee networks that play an important role in welcoming and educating its workforce. They include the Latin Employee Network, Asian American Employee Network, ING Women, ING Black Professionals Organisation and Regal Gay and Lesbian Network.

#### PAT TURNER, EXECUTIVE DIRECTOR, IMAGEIT! THE CHILDREN'S MUSEUM OF ATLANTA

"Our organisation exists to feed young minds. ING's leadership investment and refreshing energy contributes to our mission of guiding and developing children."



## RESPECT TOWARDS SOCIETY

Political, social and financial instability amplified the uncertainty on the financial markets in 2002. At the same time, bookkeeping scandals in large corporations have raised questions about the quality of top management and put the discussion about the social responsibility of corporates high on the agenda. Addressing staff and students of Yale School of Management in November 2002, Ewald Kist, CEO of ING, stated that companies and their leaders must set examples by adopting high ethical standards and transparency.

### Corporate citizenship

A company has many obligations: it has to stay financially healthy and functioning well, but it also has to be a positive and contributing factor to society as a whole. Over the years, ING has worked hard to build a position of strength in the multiple societies around the world in which it has a role to play. In times of economic downturn, such as we have seen over the past few years, this role does not fade, it often becomes even more important.

### Economic and social welfare

ING strives to contribute to the economic and social welfare of the communities in which it is present. To be a good corporate citizen in the community in which it is active is a basic requirement. It reflects ING's belief that the sustainable

development of the Group's financial services businesses in a certain area is directly related to the well-being of the local population and the country's overall economic conditions.

Building good community relations is ING's concrete application of corporate citizenship and it may come in many different shapes. ING can be a local employer, an investor, an advisor or any combination of these. It may also refer to the investment ING makes in local enterprises and the effect this generates in the form of employment and income. ING can give shape to the principle of having good relations with local communities by sharing its assets, such as expertise, premises or art with the wider community. It also includes sponsoring, charitable donations and volunteer work.

### KAREN BEAVOR, EXECUTIVE DIRECTOR, GEORGIA CENTER FOR NONPROFITS

"ING's innovation and commitment in our community is very visible. The company's partnership with my organisation yields support to hundreds of nonprofits across the state that address children's causes, the arts and those in need."



### Secure future pensions

An ever greater part of the world population lives longer and it is increasingly difficult to secure the future of pensions based on pay-as-you-go systems. These schemes are only effective when the younger generation, paying for the present pensioners, outnumbers the seniors. In the Netherlands, the three-pillar system has proven to be successful. The first pillar is the pay-as-you-go state pension system, the second pillar strengthens it with an additional compulsory collective pension scheme via the employer and the third pillar consists of voluntary individual pension programmes.

### Global Pension Steering Committee

In October 2002, ING established a Global Pension Steering Committee. This committee advises about pension reforms in those countries that are contemplating the introduction of private pension funds. The business stakes are obviously important to ING, but there is also a social side to it. Care for people and society goes hand in hand with building long-term sustainable business. Adequate pensions systems not only provide good revenues for ING, they also benefit our stakeholders, our shareholders as well as our institutional, corporate or individual customers. They all benefit in a specific way from the long-term value the system creates. Pension reforms are a powerful tool for economic development, which is particularly needed in emerging markets. By mobilising part of the savings of households, pension contributions help constitute pools of resources that can be used for short-term and long-term funding of economic activities. This will result in more mature, reliable domestic capital markets.

In Central and Eastern Europe, ING has been very active in introducing the new pension products. In Russia, ING launched the first non-state pension fund in October 2002. It is a voluntary pension fund for corporate clients. The fund is modelled after similar ING funds in Western markets and it will focus on providing tailor-made pension solutions for employees of international and local companies. It will offer defined contribution schemes to corporate clients with individual employee pension accounts. Pension funds will provide structural support to the Russian economy.

### Employee benefits contribute to social cohesion

Like pensions, employee benefits is a product that contributes to the social cohesion of the society in which it is set out. This financial service

to personnel via their employers is becoming an increasingly important product for ING. As a result of demographic changes, the financial future for many social security systems in Europe and elsewhere around the world is uncertain. It is becoming more important for employers to recruit good staff and to keep and motivate them. By offering a package of financial services to its employees, an employer can be more secure of keeping a motivated staff that will not easily switch employers. ING has obtained an excellent position in the field of employee benefits in the Netherlands, Belgium and the US and aims to become a leader in this field in Europe.

### Advisory services to support communities

ING's involvement in the countries and communities where it is active contributes to the strengthening of the financial sector, it creates savings opportunities and offers pension funds and opportunities for employee benefits. But ING also provides advisory services to governments, regulatory authorities and public and private financial institutions. In 2002 a technical restructuring project started at Chang-Hwa bank in Taiwan. Also in 2002, ING Institutional and Governmental and Advisory Services (IGA) was active in Russia, Azerbaijan and the Ukraine.

In Afghanistan, for example, ING plays a prominent role in the financial sector reform. In 2002 IGA was mandated by the International Finance Corporation to assist in the reconstruction of the Afghan Financial system, by preparing a business plan for the establishment of a first commercial bank in Afghanistan. The bank is to become a model bank within Afghanistan, providing (international) payment services, attracting deposits and starting small scale lending operations that may have a developmental character.

### Community relations

#### Community relations geared to local cultures

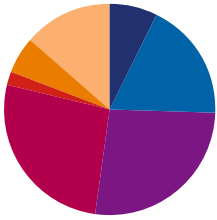
Being a good corporate citizen includes involvement in activities in the country where ING is present. It can take the form of sponsoring, charitable contributions or volunteer work. The

#### GOOD PERSON IN ACTION

In July 2002, ING Life Hong Kong gained a top place in Fortune magazine's Global 500 industry rankings for the category stock/life insurance companies by assets, revenues and profits. Capturing on this acknowledgement, the company launched a new and innovative outdoor advertising campaign centred on its 'Good Person' image. The accompanying 'Good Person in Action' campaign offered free haircuts to passers by on busy street corners and in particular to the elderly and children at community centres and old aged homes.

**TOTAL CHARITABLE DONATIONS AND SOCIAL SPONSORING BY CORPORATE CENTRE ING GROUP 2002**

in 1,000 euros



Social	215
Nature	536
Sports	787
Culture	782
Health care	60
Employee Donation Fund	166
Donations opening	400
ING House	
<b>Total</b>	<b>2,946</b>

focus and form with regard to community relations vary strongly within ING. This is based on differences in culture, history of the business unit, the needs of the local community and the preferences of local staff and management. To emphasise the importance of community relations, the Executive Board adopted the following group-wide Business Principle in 1999:

‘Wherever ING operates, it recognises that good relations with its local communities are fundamental to its long-term success. The Group’s community relations policy is founded upon mutual respect and active partnership, aimed at sustaining lasting and trusting relationships between the Group’s operations and local communities. Cultural, sports and environmental activities are a central part of ING’s community relations policy, and individual employees are encouraged to play a positive role in community activities.’

**Charitable donations and social sponsoring**

Unlike social sponsoring, charitable donations do not require a reciprocal action of the receiving party and marketing purposes are not a top priority. In addition to the department at the Corporate Centre for charitable donations and sponsoring, foundations exist in the US, Germany and Australia that manage charitable giving. Furthermore, an internal survey showed

that many of ING’s business units have also implemented policies for donations to the community, society or other groups, and half of this group has a special department for this. Reasons for not implementing a charitable donations policy are the fact that the business has just started, the lack of budget and the fact that donations are given on ad hoc basis.

The charitable contributions reported by 25 business units, representing 78,000 full-time equivalents, amounted to EUR 8,3 million in 2002, thus an average of EUR 110 per FTE. Of these contributions the largest amount was given to educational charities. Only some business units reported paid hours for employee volunteering. For example, in 2002 for ING in the US this amounted to 3700 hours and for ING Wholesale Hong Kong to 550 hours.

**Donations to celebrate opening ING House**

On the official opening of ING’s new headquarters in Amsterdam, ING House, in September 2002, ING donated EUR 100,000 to support projects in the area of international water management. Similar amounts went to the Amsterdam Zoo Artis – to renovate its predator gallery – and to two ING House neighbours, the Olympic Stadium, which will use the funds for renovation purposes, and to the Medical Centre of the Vrije Universiteit to build

**TREES GILLES, SECRETARY GENERAL OF THE VCOV (THE FLEMISH CONFEDERATION OF PARENTS AND PARENT ASSOCIATIONS), LOUVAIN**

“The Flemish Confederation of Parents and Parent Associations (VCOV) has been working with ING for many years in an upbringing support project for all parents in Flanders. This results in conferences that are enthusiastically attended by thousands of parents and teachers who accumulate a great deal of success, and ample media attention. This co-operation shows a strong social commitment and financial support from ING for our information evenings in many cultural centres. This is why the perception in Flanders is growing that the VCOV and ING together are building on an upbringing of all children as an investment in a healthy society of the future.”



a 'children's city' which will house a playroom, an internet café, a theatre and a hotel.

### Fundraising by employees

In 2002 ING staff contributed to communities relations through a number of fundraising activities. In Australia, many worthwhile causes were supported through ING Foundations and staff contributions including a spastic centre, Youth Off The Streets, Cystic Fibrosis Australia, North Shore Spinal Unit, Juvenile Diabetes. In September 2002 over 130 ING staff participated in the 10 km Bridge Run/Sydney marathon to raise money for the Make-A-Wish foundation. The target was to raise AUD 20,000. Through dedication and commitment of ING staff, AUD 30,000 was raised which meant that the wishes of three children could be granted.

Each year, in Poland a large fund-raising campaign for children's homes is held. Led by the largest and best known charitable foundation in Poland, 'The Great Orchestra of Christmas Charity', volunteers take to the streets to raise money and companies are asked to make a donation. For the past four years, ING Poland has been a sponsor of the foundation and of this one-day event. The expected proceeds amount to more than 40 million Polish Zlotys (EUR 10 million).

ING Wholesale in Hong Kong launched a charity programme in 2002, entirely funded by staff, which aims to help underprivileged Hong Kong teenagers by allowing them to learn interpersonal skills in a circus school.

A unit from Baring Asset Management raised EUR 20,000 for the Multiple Sclerosis Society of Guernsey through five days and 700 kilometres of rowing from Guernsey in the Channel Islands to Amsterdam in June 2002.

### Volunteering

ING employees can also contribute to society by making their time and skills available to charitable causes through volunteering. Their professional skills in combination with their experience in a commercial organisation are of great value to many non-profit organisations. ING can facilitate the employees by allowing them to invest time and support in their voluntary activities.

An internal survey showed that only some business units (representing almost a quarter of ING employees) have so far adopted formal policies and procedures to support employee volunteering. In 2003 ING intends to develop corporate policy guidelines on volunteering that underline ING's commitment to CSR and to stimulate the business units toward an active approach to good corporate citizenship.

## VOLUNTEERISM SURVEY IN THE US

ING in the United States offers many opportunities for employees to get involved in volunteerism. Over 1500 employees volunteered in their community with 2002-year-end paid hours for employee volunteering amounting to 3700. To ensure alignment between varied stakeholder interests and ING's community-related priorities, the Americas Community Relations team conducted several research studies during the Fall of 2002, including an on-line employee survey concerning volunteerism engagement, interest and awareness. Close to 20% of the US-based workforce responded. The results highlighted that more than 60% of responding employees currently volunteer and another 29% would like to. Almost half of employees prefer team-oriented short-term projects (Done-in-a-Day). Most employees do not want to receive recognition for their volunteerism (61%) but appreciate the company's generous programs and policies (79%). Chief motivators of volunteerism are interest in the organisation (83%), concern for others (78%) and the desire to socialize (38%).

## DONATIONS INSTEAD OF SENDING CHRISTMAS CARDS

For the past several years, the Executive Board of ING Group and all its staff departments chose to make charitable contributions rather than sending Christmas cards. The amount saved was EUR 25,000 and went to two charitable institutions: BirdLife International – involved in the clean up of the Spanish coast following the disaster with the tanker Prestige; and Samenwerkende Hulp Organisaties (Cooperating Relief Organisations) to help relieve the famine in Africa.

### Benefit from best practices

There are several examples of employee volunteering within ING. With the Employee Time Away Programme of ING USA, ING gives its employees paid time off for volunteering/community involvement. Full-time employees with six months continuous service may volunteer up to 40 hours of paid time off each year, or approximately three to four hours each month.

ING also donates money to the organisation where employees volunteer. In 2002 EUR 166,000 was donated to various charitable causes this way through the ING Employee Donation Fund in the Netherlands. The ING Volunteer Matching Gifts Guidelines (USA) also support employees' abilities to put their time, rather than their money, where their heart is.

### ING brings employees and charities together

ING also acts as an intermediary between the employees and a charity organisation looking for volunteers, for example by putting announcements on the intranet and organising activities with volunteering organisations. Examples are the community activities of ING USA for New York Cares, the United Way and Habitat for Humanity. Volunteering activities were also organised by the Ring, the network for ING employees under 35, for the Inter-company Fundraising Day in the Netherlands.

In addition to providing a helping hand, the specialist expertise of ING employees is also

**TEACHER FOR A DAY**

ING Life Korea is sponsoring a Winter School Programme organised jointly by the Seoul Municipal Office of Education and Good Neighbour Inc. to help children with working mothers or single parents to have some fun studying during winter vacation. Running in 10 elementary schools, the programme intends to provide emotional stability and protection to unattended children during the long winter vacation. In January 2002 employees of ING Life Korea volunteered as teachers for one day.

**SUSTAINABLE INVESTMENT UNIVERSITY CHAIR**

In 2002 the chair in Sustainable Investment at the Nyenrode Business University in the Netherlands was established. Research is aimed at the way in which institutional investors can give shape to sustainable investments. This chair is sponsored by ING Bank.

made available for charitable causes. In 2002, the ING Information Technology Centre in the Netherlands started sponsoring the project Sterrekind. This is an interactive platform that contributes measurably to the growth and development of chronically and protractedly ill children. As part of this contract, ITC employees give technical support.

**Sponsoring society**

ING's sponsoring projects focus on three areas: culture, nature and sports. For example, In the Netherlands, ING is the main sponsor of the Royal Concertgebouw Orchestra in Amsterdam. In 2002, the sponsoring contract with the Dutch Association for the Conservation of Nature (Vereniging Natuurmonumenten) was extended until 2006. It is the second extension of the contract. Being the main sponsor of

Natuurmonumenten is a statement for all ING staff, clients and stakeholders. The sponsoring money of ING will be mainly used for information, education and membership recruitment. Since the beginning of ING's sponsorship in 1995, the association has grown from 350 thousand to nearly a million members in 2002.

Sports sponsoring activities of ING during 2002 included the Dutch football association KNVB, the football team of Lille (France), the Czech national football team, the Hungarian water polo association, the Slovak ice hockey team and the Australian cricket team.

**Patron of the arts**

ING Netherlands, BBL in Belgium and ING UK own substantial art collections that are recognised as leading corporate collections. This has led to wider interest in and support of the arts. Groups of people are allowed to access the collections for their own enjoyment. Sometimes these groups charge their members to come and thereby raise funds for their charitable purposes. In England, large scale sale exhibitions are hosted by ING for various groups of artists. ING Wholesale UK aims to broaden the knowledge of people learning about art or with a passion for art; supporting charities involved in promoting art and supporting the deserving artist by helping them to exhibit and sell their work.

ING also shares its historical archives – which go back more than 200 years – with the wider community. It demonstrates the open and

**JIM RODGERS, PRESIDENT, ADVISORY BOARD OF DIRECTORS OF ATLANTA HABITAT FOR HUMANITY**

"The employees of ING that helped to build Habitat Houses across the country have changed these families lives forever and have demonstrated true leadership in sustaining strong communities."



transparent communication within the bounds of commercial confidentiality.

### Stakeholder consultation and dialogue

It is ING's policy to promote an active and open dialogue with all of its stakeholders. Some examples of dialogue with the stakeholder 'society' are the participation of ING Group representatives in different forums and working groups such as the World Business Council for Sustainable Development, the International Chamber of Commerce, in international conferences on sustainability and in discussions with government leaders or foreign policy makers and non-governmental organisations (NGOs).

### WBCSD Statement of the Financial Services Sector

On 1 January 2001, ING Group became a member of the World Business Council for Sustainable Development (WBCSD), a worldwide coalition of leading international companies seeking to promote sustainable business development. Sustainable business development means businesses seeking to achieve economic growth, while taking account of the environment, social and other ethical issues. The WBCSD sets out to provide an example for other businesses by promoting 'best practices' and jointly establishing policy for sustainable development. Membership of the Council will enable ING to remain at the forefront of developments in sustainable business, contribute to the development of sustainable policies and participate in several of the Council's projects.

In September 2002, ING together with 10 other large international financial institutions signed the WBCSD Statement of the Financial Services Sector that was launched at the World Summit on Sustainable Development (WSSD) in Johannesburg. In the coming years the key commitments from the statement will form the basis for the Financial Working Group's work.

### Business in Society exchanges ideas and expertise

Since its foundation more than 80 years ago, the World Business Organisation ICC has promoted the market economy and the greatest possible economic freedom for business, based on self-regulation and responsible business conduct.

In 1997, an international study group, Business in Society, was established to exchange ideas and experiences about the changing social position of companies in a globalising economy

### BREAST CANCER AWARENESS PROJECT

To strengthen the health consciousness of Chinese women and to promote the joint venture operations in China, ING Insurance sponsored the Breast Cancer Awareness Project in China. ING Insurance is the sole sponsor of the first phase of this project, which aims to increase awareness among Chinese women of the danger of breast cancer and the importance of early detection. In addition to organising a series of press conferences, this project will work with the All China Women's Federation to distribute brochures throughout China and to keep track of statistical information on breast cancer and the latest developments of its treatment in China.

in which ICC the Netherlands was represented by a representative from ING Group. The document 'Business in Society, making a positive and responsible contribution' was published in 2002. It contains nine practical steps with respect to corporate responsibility: CEO commitment, company values and targets, stakeholders, business principles, management system, benchmark, monitoring, comprehensible language and pragmatism. The publication includes concrete suggestions for internally active companies to contribute to the worldwide economic integration process. The working group, which became an official ICC Commission in 2002, will start to work out the recommendations of the paper in 2003.

### Local involvement

ING's individual business units are also involved in discussions on their role in society. In response to a questionnaire, business units that represent almost 30% of ING FTEs have indicated that they are a member of national organisations, committees and/or working groups of such organisations that focus on the role of business in society, business and community and/or business and sustainable development. ING Investment Management, for example, is a member of the Association for Investors in Sustainable Development (VBDO) and ING Italy is a member of the ABI, an Italian banking Association that promotes the development of social responsible practices within the banking industry. In the Netherlands, Belgium, United States and Poland the business units are represented in national branch associations and social networks that deal with societal issues.

### New code of conduct for Dutch insurers

The Dutch Association of Insurers (Het Verbond van Verzekeraars) fulfils a central role between the private insurance companies and a large number of other parties in society. The theme Corporate Social Responsibility has gained importance. This has resulted in a Code of Conduct for insurers which was

adopted in 2002. As one of the largest insurance companies in the Netherlands, ING has signed the code and will comply with the new rules. For consumers a complaint procedure has been created.

### Governmental and other stakeholder contacts

ING considers local governments and supervisory bodies important shareholders. In response to the question on relationships with governmental groups, the following groups were mentioned most frequently by ING's business units: national ministries of Finance, Social Affairs and Economic Affairs and regulatory bodies such as the central banks, tax authorities and the anti-trust office. In addition to non-governmental and governmental stakeholders, several ING business units have also indicated to consider national bankers and insurance associations, chambers of commerce and other professional associations, non-profit cultural and educational associations, shareholders, staff, clients, political parties and members of parliament as important stakeholders.

### Relations with non-governmental organisations

Fourteen business units representing almost 50,000 FTEs have indicated to have relationships with non-governmental organisations (NGOs). The majority of business units named a broad variety of local charitable organisations as their most important contacts, some named labour and consumer organisations. Most of the contacts with NGOs about global environmental and social issues are dealt with on a Group level. These contacts can have a more structural character, for example the Round Table meetings with Amnesty International Netherlands and Dutch multinationals, in which ING Group participated five times in 2002, or take place on a case to case basis.

### Burma

The military regime in Burma is accused of consistently violating human rights. NGOs are addressing companies that operate in Burma to stop their activities in this country. ING regrets the situation in Burma and does not do business directly with the Burmese government or companies. ING closed its Burma Representative Office in 1997 and since then, ING is no longer present in this country. ING Group has frequent contact with several stakeholders, including NGOs, about the developments in Burma.

In 2002, a consortium of national and international banks including ING decided about the financing of IHC Caland, a Dutch shipyard

servicing the offshore industry. This company is active in Burma and has been challenged by NGO's to stop doing business there. In the conditions of the credit facility, it is stipulated that the facility can not be used for any Burma project. The use of the facility is periodically inspected.

As long as IHC Caland is operating in Burma, ING will contractually exclude any Burma project in all new financing to the company. In the meantime, IHC Caland decided that it would not develop any new activities in Burma. ING Group has tested the relationship with IHC Caland against its own Business Principles. ING responded that since it has excluded investments in Burma, it's not involved with any activity in Burma. The discussion on the issue is still ongoing between ING and the Burma Centre – the Netherlands and with Milieudefensie, the Dutch branch of the Friends of the Earth.

### Cochabamba

In 2002, ING had several meetings with NGOs to discuss its perceived association with a drinking water project in Cochabamba, Bolivia. At the request of the Bolivian government, the water supply facilities in this city were privatised and this project was contracted out to a consortium called International Water Company. Immediately after the start of the project in 2000, riots broke out. The consortium withdrew from the project and eventually claimed damages from the Bolivian government. The consortium is a client of ING Trust Nederland, a trust company for international companies, which offers services in the field of domicile, secretariat and management services. All these services are naturally aimed at meeting (international) laws and legislation. ING Trust is however, not involved in the decision-making process or day to day business of the consortium. ING Trust is of the opinion that the trust services and administration of the company have been carried out in accordance with the internal rules and Business Principles that apply to the whole of ING Group.

Now that a dispute has arisen between the consortium International Waters, the Bolivian government and the population of the city, ING is being associated with the case by NGOs. ING, however, does not consider itself part of the dispute. Essentially there is a business conflict between the consortium and the country of Bolivia which has been put to an independent arbitration committee.



**Care for the environment**

**Direct environmental impacts**

In its Business Principles ING expresses its commitment to environmental care. ING recognises that certain resources are finite and must be used responsibly. Therefore it pursues a two-pronged, internal and external, approach designed to promote environmental protection. Its external policy is aimed at anticipating developments in the environmental field related to commercial services, and the professional management of environmental risks. Internally, the policy is aimed at controlling any environmental burdens caused by ING itself.

Not all the business units worldwide have adopted environmental policies, procedures and monitoring systems to implement this Business Principle. However, internal surveys show that more business units have developed environmental policies. In 2001 a survey showed that 11 out of 56 business units, representing 35% of all ING employees had adopted an environmental policy. During 2002 this number increased significantly: 19 business units representing almost 60% of ING's workforce, indicated to have adopted and implemented an environmental policy. It turned out that for 67,000 employees environmental procedures have been adopted.

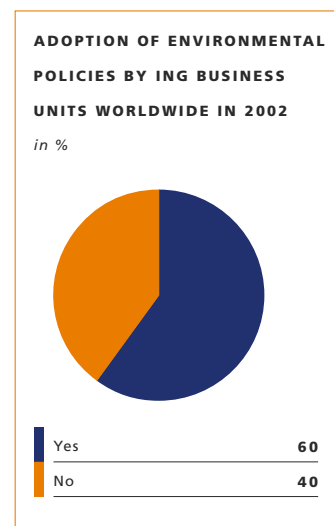
**Energy consumption**

As an office organisation ING's energy use is one of

the main direct impacts on the environment. For 60% of 99,000 employees covered by the survey a general policy on energy consumption has been adopted and for 66% an energy consumption procedure. Reasons why business units did not apply a policy on energy consumption are the small size of the office, the fact that office space is leased or rented from a third party.

The Dutch associations of insurers (1996) and banks (1995) signed 'long-term energy agreements' (MJA) with the government in the Netherlands aimed to reduce energy consumption by 25% by the end of 2006. For ING this agreement applies to more than 300 office buildings in the Netherlands, covering almost 1.3 million square meters of gross floor area and providing work space to more than 34,000 employees. In the Netherlands there has been an energy monitoring system in place since 1998 to track progress against the targets.

In Europe, the ING-entities joined forces in the field of energy and environment. The focus in the efforts to reduce energy consumption is twofold: on the one hand the technical aspects, such as optimising buildings, machinery and other equipment and identifying alternative sources of energy and addressing the awareness and human behaviour aspects. On the other hand the efforts to reduce energy consumption focus on using best practices. As far as environmental issues are concerned, the focus is on



**GEMMA CRIJNS, MANAGING DIRECTOR EUROPEAN INSTITUTE FOR BUSINESS ETHICS (EIBE), NYENRODE**

"If ING wants to maintain its role as frontrunner in the field of corporate social responsibility, it will really have to start putting work into the Business Principle about human rights. Not only in words but also in deeds. Not only in a niche product but also as a starting point for all the activities of the organisation. Open, transparent and task setting."



**ENERGY USE 2002**

	TOTAL	PER FTE
Electricity*	470 million kWh	4,800 kWh
Natural gas*	22 million m <sup>3</sup>	230 m <sup>3</sup>
Heating oil*	1.2 million litres	12.4 litres
District heating**	71,400 GJ	1.6 GJ

\* The reported amounts are extrapolated up to 99,000 FTEs  
 \*\* Reported only for 44,230 FTEs

**ESTIMATED CO<sub>2</sub> EMISSION 2002**

TYPE OF ENERGY SOURCE	CO <sub>2</sub>
Electricity	237 million kg
Natural gas	40 million kg
Heating oil	3 million kg
Total	280 million kg
Per FTE	2,820 kg

joint cross-border environment-friendly procurement efforts (examples include 'green' electricity contracts, printing & copying, office supplies).

In 2002 some special initiatives to reduce energy consumption were taken. ING Australia which conducted a trial of a lighting control system designed to automatically switch off when lights are not needed and the investments in energy savings of BBL in Belgium, for example by installing double-glazing.

**Energy performance data**

In order to improve the readability of the report the reported amounts of energy (electricity, gas and oil), water and waste are extrapolated up to 99,000 FTEs. In 2002, the total amount of electricity consumption was 470 million kWh, an average electricity consumption of 4,800 kWh per FTE. The total amount of natural gas used was 22 million m<sup>3</sup> for 99,000 FTEs, so an average use of 230 m<sup>3</sup> per FTE. In some cases oil may be used for heating. The total amount of heating oil used by all respondents was 1.2 million litres of oil, an average of 12.4 litres per FTE. 45% of the respondents reported the use of district heating and the average use was 1.6 GJ per FTE. The average amount of heating energy (gas, heating oil and district heating) was 8 GJ per FTE in 2002.

Energy performance data for the Netherlands can be found at ING in Society, www.ing.com.

**CO<sub>2</sub> emission**

Based on this energy consumption information an estimate of CO<sub>2</sub> emission can be made. For this purpose emission factors were used that are

applicable to the average situation in the Netherlands. Transport has been excluded from the calculation since the performance data reported for 2002 on business travel by car and plane was insufficient. The total CO<sub>2</sub> emission for ING in 2002 is 280 million kg, with an average of 2,820 kg CO<sub>2</sub> per FTE.

**Avoid congestion**

Bringing the work to the people rather than being stuck in traffic for many hours saves not only many people's good moods at the start of the day, it also saves on money, energy and the environment. Early 2003, ING opened its first official Telework Centre in Almere, near Amsterdam, where 160 fully equipped work stations serve as an alternative to regular work places which require a commute through the heavily congested traffic routes to Amsterdam. It is only one of numerous initiatives worldwide undertaken by ING to bring work to the people. Technological innovations that make communications at a distance safer and easier also reduce the need for people to be physically present in their office. In the US, ING is exploring the possibilities and in the spring of 2002, regulations and guidelines were published for flexible working hours and virtual working or teleworking at home. Policies have also been developed in Canada and Australia for flexible working hours and teleworking. In Australia, not just the work but also the office has been brought to the staff. When a second call centre was built in 2002, the chosen location just outside Sydney guaranteed the availability of properly trained staff.

**Water consumption**

Water usage refers to the amount of water purchased from local water suppliers or extracted from ground water or other local sources. For approximately 53,000 FTE's a policy and procedures apply for water consumption. Based on the figures provided by the business units it is estimated that the total water consumption of ING in 2002 was 2.1 million m<sup>3</sup> for 99,000 FTEs, an average of 21.5 m<sup>3</sup> per FTE. For the 34,000 employees working in the Netherlands this is 12 m<sup>3</sup> per FTE.

**Eliminate waste**

Waste is substances, effluents or materials that ING discharges. The total amount of hazardous waste reported by business units representing almost 50% of total FTEs was 37,000 kg in 2002. The average hazardous waste per FTE was 0.8 kg.

The total amount of non-hazardous waste

was 16 million kg in 2002, an average of 166 kg of non-hazardous waste per FTE.

In Australia, a project called Waste Watchers was set up. Waste Watchers was launched with the aim of getting staff to put forward their ideas for eliminating waste and duplication. Waste Watchers is all about creating a cost effective and efficient business. Waste Watchers ran from August until the end of December 2002. The criteria used to assess the winning entries included the value of the saving, the ease of implementation, and sustainability/continuity of savings. During the initial phase of the competition, excellent ideas about improving systems and better cost efficiency were raised. Ideas showed that staff was really keen on improving the business.

As part of their waste policies, business units in the USA, France, Great Britain and Malaysia have installed recycling bins for cartridges, mobile phones and paper in 2002.

### Sustainable procurement

The Christmas parcel, a tradition in the Netherlands, this year contained sustainable products. For the packaging, raw materials were used that can be reused or recycled. For the products, the natural purity and absence of unnatural substances were emphasised. Also

### MAX HAVELAAR COFFEE

In 2002, ING Netherlands decided to switch to fair trade fair priced coffee. By the end of 2003, staff at more than 40 ING locations in the Netherlands (26 million cups i.e. an average of 900 cups per employee per year) will be drinking Max Havelaar coffee. By switching to Max Havelaar coffee, an extra amount of more than EUR 250,000 per year will go to small farmer cooperatives, resulting in direct support to 20,000 farmers and their families.

Dutch products were selected where possible to avoid transportation costs. The international products in the parcel all had the common denominator that they were produced by small-scale suppliers (farmers) that were paid a fair price. In December 2002, about 60,000 (former) employees received a parcel.

### Supplier diversity

It is the policy of ING Americas in the United States to provide opportunities for minority- and women-owned business enterprises and to ensure equal access for all qualified suppliers. As part of the enhanced strategic procurement process, the goal of ING USA is to have five percent diverse suppliers in five years. This means that over the next five years, ING intends to fulfil five percent of its controllable spending through business with women and/or minority-owned entities – benchmark against the performance of the very best companies in the country.

### ANNEKE VAN DOK VAN WEEL, CHAIRMAN OF THE MAX HAVELAAR FOUNDATION AND MAYOR OF THE CITY OF VLISSINGEN, VLISSINGEN

“Improve the world, start with yourself’ is easier said than done. If all consumers would be critical buyers, the world would soon look quite different. I became chairman of the Max Havelaar Foundation because it knows how to build a bridge between the problem of poverty and the solution. Obviously, drinking the right coffee is not the only solution. We could do much more if everyone really wanted to. But Max Havelaar is so practical and transparent. I am proud to welcome ING as a large customer.”



## COMPLIANCE AND RISK MANAGEMENT

Just as good risk management has always been an integral part of financial services, compliance – i.e., the monitoring of integrity in the company and its good reputation – has started to play a much more prominent role in overall company policy in the last few years. Policies for both risk management and compliance policy are still being developed. Furthermore, during 2002 sustainability was further integrated in the overall credit assessment procedures. An example is the new policy ING introduced with respect to the financing of oil palm plantations.

### Compliance

#### Global compliance policy

At Group level, ING has a compliance department in place which monitors risks in the area of reputation and integrity. Compliance officers are embedded in all levels of the organisation, and their responsibility it is to make sure that the code of conduct is being fulfilled and to make employees aware of transgressions of the code of conduct. The total number of compliance officers active worldwide stands at approximately 500. In 2002, monitoring programmes were expanded so that the compliance officers could gain a better insight into various compliance issues. Monitoring programmes consist of detailed questionnaires. Through completing such questionnaires, a business unit can determine if its compliance organisation is adequate, what compliance issues are current alive, or have been prominent in the recent past, and if procedures are being fulfilled. Compliance questionnaires are currently being deployed worldwide; based on the answers the compliance staff can decide to take further action, if necessary.

Making sure the ING Business Principles, which were introduced in 1999, are observed

is an important part of the monitoring programmes. The compliance officers must report whether the Business Principles have not been adhered to, whether there have been investigations by regulators, and whether there have been cases of fraud in the organisation, among other issues.

#### Monitoring incidents

ING's business units were asked if in 2002 there had been any incidents of non-compliance with or breaches of any law or regulatory code of conduct that resulted in disciplinary action (e.g. fines) and/or court action in areas that could be considered a sensitive social issue for ING. Of the 43 business units surveyed (representing 90% of all employees), 65% answered that such incidents did not take place in 2002. In 27% of the business units, this was the case, and 8% did not know. Concerning the non-compliance with the ING Business Principles, there were three incidents reported in total; these three incidents took place in two of the 43 business units. Two business units reported that there were cases of bribery and corruption. One business unit reported incidents of money laundering. According to the business units surveyed, there were no infringements of health, safety and environmental laws in 2002.

In addition to its own Business Principles, ING also must adhere to external regulations, including local laws and regulations in the countries where it is active. The behaviour of companies like ING is tested on the basis of international treaties, agreements, and general values and norms.

### ETHICS HOTLINE

In the United States, ING has introduced an Ethics Hotline which people both inside and outside ING can use. The Ethics Hotline can be used to report suspected and/or fraudulent activities or breaches of ING's Code of Conduct. The Ethics Hotline is available 24 hours a day, 7 days a week. Under ING Americas' Code of Conduct, employees must report ethical issues and issues of misconduct. In Canada, the Ombudsman's responsibilities include being a repository for concerns about ethics.

## Implementation ING Business Principles

In response to the internal questionnaire sent to business units representing 104,000 of ING's employees, 40 business units (representing 95% in terms of employees) reported that they have implemented policies concerning the ING Business Principles. ING Mexico, representing the remaining 5% of employees, was recently acquired and as such has not yet introduced the Business Principles in its organisation; however, this is planned for 2003. According to the results 86% have implemented procedures for the Business Principles and 75% have a monitoring system. Almost half of this group of respondents indicated that they had taken action for improvement in 2002.

In response to a question on how the ING Business Principles are communicated to new employees, the business units indicated that in most cases the Business Principles are communicated during the introduction programme and through self-training using the Intranet or CD-ROM.

### Financial-economic crime

ING Group's policy on financial and economic crime is aimed at implementing measures to combat money laundering, fraud and the financing of terrorist activities. The core principle of ING Group's corporate anti-money laundering policy is that ING will never cooperate in money laundering operations and will do its utmost to avoid involvement in such activities. Management is responsible for making sure local rules on anti-money laundering are in place. The principle is that the local ING rules must comply with ING's corporate policy. In those countries where more extensive legislation or rules exist, this legislation and these rules in those countries will apply.

In 2002 ING made a new anti-money laundering course available on its intranet site. The objective of this self-learning course is to spread awareness about money laundering practices and to make ING employees aware of possible illegal transactions. The self-service course is currently available in English, but versions in Dutch, French, Spanish and Polish are also planned.

### Monitoring of transactions

Since the September 11 attack on the World Trade Center, there has been greater attention to tracking unusual money flows, also known as 'transaction monitoring'. Regulators have asked banks to take a closer look at their 'know your

customer' guidelines. Since September 11 2001, ING has conducted an inventory of its 'know your customer' rules and has accentuated these.

In Europe, before this was required by regulators, ING was one of the first financial institutions to put transaction monitoring procedures in place. ING was also one of the first financials in Europe to have an automated system in operation (called Erase) which is able to monitor unusual or suspicious behaviour of the bank accounts of clients and cross-check with names that appear on terrorist lists. The Erase system has meanwhile been installed in Luxembourg, Romania, the Netherlands (partly) and Curacao.

## Risk management

### Comprehensive risk management procedures

To identify, measure and evaluate financial risks, Risk Management has established comprehensive risk management procedures on all levels of the Group. Such management of risks is performed both on transactional as well as portfolio basis. All ING's credit and underwriting activities (including investment or equity participation) of ING should be compatible with the ING Business Principles. Attention should always be given to protect ING not only from credit and reputation risks but also from the lender's liability perspective. This is especially so in view of the expanding breadth of ING's activities across the business units and geographic regions against a background of increasing responsibility to the societies in which ING entities operate.

### Environmental and social criteria in credit assessment

ING's business units (representing 90% of employees) were asked if they have developed policies and procedures to apply environmental and social criteria in corporate transactions. Of the responding business units 42% (representing 37,500 FTEs) indicated that they have developed a policy to this effect; 30% have specific procedures and 26% have a monitoring system in place. Of the group of respondents that represent 60% of employees, the majority

#### RACE DISCRIMINATION LAWSUIT

In early 2002, ING's US subsidiaries Life Insurance Company of Georgia and Southland Life Insurance Company (US) reached a settlement with plaintiffs in a class-action lawsuit valued at approximately USD 65 million. The lawsuit involved allegations of historical underwriting practices that took into account differences in life expectancy of different races. Life of Georgia and Southland are in the process of implementing the settlement. A number of persons chose not to accept the settlement and are pursuing their individual claims.

mentioned as reasons for not implementing procedures that this was not relevant to their business since they do not provide credit or make investments. The sectors that are generally seen as the riskiest in terms of screening procedures are the sex, gambling and weapons industries. These are followed by the sectors nuclear energy, non-renewable natural resources, tobacco, and biotechnology. Within these sectors, the business units least often indicated agriculture business and environmental financing.

### CSR Statements

During 2002, ING continued developing a set of Corporate Social Responsibility (CSR) statements, a process which began in 2001. The CSR statements are a further expansion of the principles contained in the ING Business Principles and comprise a set of guidelines for dealing with some of the non-financial risks that ING runs in its business activities. CSR statements address ING's business activities in specific industry sectors that are known for their potential environmental, social and/or reputation risks.

In the field of environmental and agricultural awareness, ING developed and implemented a CSR Statement in 2002 regarding the financing of oil palm plantations and the pulp and paper industry. The remaining CSR statements have been prepared following extensive consultation with all ING business units and will be submitted for ING Executive Board approval. Following approval, the statements will be publicised and implemented throughout ING Group. The industry sectors that are covered by the CSR statements will include, for example, agribusiness, animal testing, defence, environmental finance, gambling, human rights and pornography.

### Oil palm plantations and pulp & paper industry

In 2001, a number of cases were revealed regarding the illegal deforestation of tropical rain forests for the development of palm oil plantations. In the wake of this ING sharpened its credit conditions for companies or projects

that can possibly damage the tropical forests. ING has developed a policy concerning the financing of oil palm plantations and pulp & paper industry following the discussion on this issue.

Under this policy, if credit facilities are to be provided by ING, there can be no connection between the deforestation of tropical rain forest and new plantations, the local environment, social and labour-law-related regulations must be observed and the project has to meet the requirements of the World Bank's Forest Policy.

The policy was implemented within ING in May 2002 by incorporation in the Credit Manual and it was published on the intranet site of Structured Finance and Global Risk Management and an article was published regarding the policy paper on the Wholesale Portal. Furthermore, the Palm oil policy has been extensively discussed in the Asia Credit Committee and Senior Front Office and Risk Managers in the related countries and sector have been personally informed about the policy.

The assessment of new credit propositions in this sector will be taking into account policy criteria as defined by ING. These criteria are being carefully monitored at the inception of any new transaction and subsequently in the annual review process.

### Focus on operational risk management

ING established a specialised staff organisation for operational risk management in 2000 in order to make operational risks more transparent and to support management in monitoring and managing them. Operational risk is the risk of direct or indirect damage as a result of inadequate and failed internal processes, people or processes or as a result of external events, such as terrorist actions or natural catastrophes. It is ING's responsibility to control operational risks systematically. The breakdown of systems in funds transfer, the improper execution of procedures, intentional or unintentional mistakes caused by employees, a lack of internal control, or the inability to prevent fraud in a timely way can cause much damage to ING's clients but also to ING itself and its reputation.

### Basel II increases quality operational risk management

The international Basel accord from 1988 (Basel I) stipulated that banks are required to protect themselves against risks that can arise in the course of doing business, in particular the credit

#### ORM NETWORK

All Executive Centres within ING have operational risk management officers in place who, together with the central staff, comprise the central ORM network. Ten people currently work at the central ORM office. Distributed over the various business units are 200 people whose responsibility it is to focus on operational risk management. In 2002, all management centres within ING Europe and within ING Asset Management formed operational risk committees (ORC). In 2003, ING Americas and ING Asia/Pacific will follow.

business. The accord lays down how much capital banks must at least have in order to meet their liabilities. New guidelines for determining minimum solvency requirements are part of the new Basel II accord. Starting 2006, the solvency requirements for banks will depend on the quality of their operational risk management. In 2002, ING was engaged in the preparations for the introduction of these guidelines. By the end of 2003, banks must have already taken concrete steps in their organisation, in terms of systems, risk models and reporting. ING has also introduced operational risk management in its insurance activities, although Basel II formally only applies to banks. For the insurance operations the necessary (internal) economic capital for operational risk will be determined based on the same method used for the bank.

#### Risk and Control Self-Assessment programme

Operational Risk Management (ORM) has set up a Risk & Control Self-Assessment programme (R&CSA) designed to give business units and departments a better insight into the kind of risks they can run, highlight the strong and weak points of the organisation or department,

and how they can prevent or mitigate their operational risks. The R&CSA is still in development and various pilots are being tested at ING Reinsurance, ING BHF-Bank, Baring Asset Management and Postbank.

#### Key Risk Indicators reporting

ORM has also made progress in establishing Key Risk Indicators reporting. Various indicators have been defined which can indicate an increased operational risk. Examples are the number of complaints, the number of error reports, and the frequency of working overtime by employees. Various business units have tested the Key Risk Indicators reporting through various pilots. This has resulted in the publication of monthly overviews for the management of the relevant business units.

#### Incident reporting

As part of the new Basel rules, banks will have to report on incidents concerning operational risks in a structural manner. Starting 1 January 2002, ING introduced incident reporting. In the banking activities incident reporting has been taking place on a quarterly basis since 1 January 2002. A similar process is currently being developed for the insurance operations.

#### LAETITIA PERRON, CFA, SRI HEAD OF ANALYSIS, CRÉDIT AGRICOLE ASSET MANAGEMENT, PARIS

“Over 2002, ING has made significant moves towards more transparent corporate governance policy and systems. As institutional investors involved in sustainable development, we particularly appreciate ING’s commitment to employee training and community involvement. Nevertheless we would be sensitive to ING further refining and enlarging the scope of the environmental and social criteria used in credit assessment. Finally, CSR key issues mostly addressed in ING Business Principles should be further endorsed and implemented group-wide.”



## ABOUT THIS REPORT

### Scope of report

With its report ING in Society, ING wishes to report about its global activities. It includes qualitative and quantitative information about the 2002 calendar year. Where ING's Annual Report covers the financial accountability, the ING in Society report covers the social, environmental and economic aspects of ING's activities.

When the coverage of specific information is restricted to one business unit, country or other part of ING, this is explicitly mentioned.

### Information

The information in this report was gathered from the business units which responded to a questionnaire and through the internal information system. Only business units with more than 100 staff which are owned by ING received a questionnaire. Information about business units acquired is included in the report following the year of the acquisition. Reporting about business units divested will be discontinued as from the year of divestment.

The questionnaires are based on Key Performance Indicators (KPIs). These KPIs are based on the performance indicators of the Global Reporting Initiative (GRI) as well as on the Social Performance Indicators of the financial sector (SPI

Finance). A total of 43 business units out of 44 completed the questionnaire, representing some 90% of the total number of ING staff. A list of participating business units and divisions is available at the Internet ([www.ing.com](http://www.ing.com) under ING in Society). It should be noted, however, that outside the Netherlands not all business units had adequate reporting systems in place and the response rate could differ per question. The percentages mentioned should therefore be regarded as an indication. The percentages mentioned throughout the chapters are based on the number of people employed by the business units that have responded.

Additional information was traced through interviews and available information like policy papers, ING newsletters, press overviews, written speeches and internal reports. The information in this report has been verified by KPMG (see verification statement on page 45).

### Work in progress

ING's reporting practices on corporate social responsibility are a continual process. To help us further develop and improve our reporting practices, we welcome all feedback and suggestions. They can be put forward through our ING in Society web page on [www.ing.com](http://www.ing.com), or by mail.



# VERIFIERS' REPORT

## Introduction

We have been asked by the Executive Board of ING to verify the ING in Society Report 2002 (also referred to as The Report). The Report is the responsibility of the Executive Board of ING Groep N.V. It is our responsibility to provide an opinion on the Report based on our verification.

## Context and scope

The ING in Society Report 2002 deals with the implementation of ING's Business Principles in relation to its four main stakeholder groups – clients, shareholders, employees and society at large, using the reporting criteria presented on page 44 of the Report. Our verification focused on:

- whether the overall picture of ING's global business, its approach to sustainability and the 2002 performance information (text, data and case studies) presented in the Report are consistent with documentary evidence at corporate level, and information from the business units;
- the reliability of the information for 2002 on: Implementation of the Business Principles, Measuring client satisfaction, Complaints from client representative organisations, Diversity, Training budget, Charitable contributions and Energy consumption as reported by six key business units in The Netherlands, Belgium, the USA, Poland, Taiwan, and the United Kingdom.

## Activities

Our verification, planned and conducted by a multidisciplinary team, was based on the International Standard for Assurance Engagements of the International Federation of Accountants. This verification, an investigation on a test basis, provides a moderate level of assurance. Our verification comprised the following activities:

- checking the text, data and case studies in the ING in Society Report for consistency

with underlying internal documentation;

- checking the reported performance data for 2002 for consistency with the data in the administration systems at corporate level;
- a review of selected information at six business units as specified under 'scope';
- reviewing the contents of The Report for consistency with externally published information such as the annual financial report;
- a review of the ING in Society Report 2002 to ensure consistency with our findings and our knowledge of the company.

## Opinion

Based on our review nothing came to our attention that causes us to believe that the following statements are not correct:

- the overall picture of ING's global business, its approach to sustainability and the 2002 performance information (text, data and case studies) presented in the Report are consistent with documentary evidence at corporate level and information from the business units;
- the 2002 information on: Implementation of the Business Principles, Measuring client satisfaction, Complaints from client representative organisations, Diversity, Training budget, and Charitable contributions reported by the six business units are reliable. The local visits indicated that the 2002 data for energy use are subject to the limitations described inside the front cover and on page 44 of the Report.

*Amstelveen, The Netherlands, 10 June 2003*

**KPMG SUSTAINABILITY**

**PROF. DR. GEORGE C. MOLENKAMP (DIRECTOR)**

## WORKERS COUNCILS AND ADVISORY COUNCIL

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AS AT 1 JANUARY 2003

The ING Group Advisory Council advises the Executive Board regarding strategic, social and policy issues or developments, that are relevant for ING.

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 Ben Verwaayen, *CEO BT Group, United Kingdom*  
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# BUSINESS PRINCIPLES

## 1. PERSONAL CONDUCT

ING expects the highest levels of personal conduct by all its employees, whatever their position. It is acknowledged that all effective business relationships, inside as well as outside the Group, depend upon honesty, integrity and fairness.

While it is recognised that limited corporate hospitality is given and received as part of building normal business relationships, employees should avoid accepting hospitality or gifts which might appear to place them under an obligation.

Bribery of any form is unacceptable. No undeclared offers or payments will be accepted or solicited by ING employees, or made by ING employees to third parties, and employees are required to avoid any contacts that might lead to, or suggest, a conflict of interest between their personal activities and the business of the Group.

ING expects all its employees to respect the rule of law and abide by appropriate regulations. Furthermore, ING employees are expected to avoid doing business with any individual, company or institution if that business is connected with activities which are illegal or which could be regarded as unethical. All employees are expected to handle information with care. In particular, the confidentiality of all data processing should be safeguarded. Proper and complete records must be made of all transactions on behalf of ING.

ING employees may not enter into - and should avoid the appearance of engaging in - private transactions based upon insider trading.

## 2. EMPLOYEE RELATIONS

Relationships with employees in all parts of ING are based upon respect for the individual. The Group aims to provide all its employees with safe conditions of work, and competitive terms of employment. ING is committed to equal opportunities and the avoidance of discrimination. Sexual or racial harassment is unacceptable. Personal career development will be encouraged through progressive personnel and training arrangements.

## 3. ENVIRONMENT

ING recognises that certain resources are finite and must be used responsibly. Therefore it pursues a two-pronged, internal and external, approach designed to promote environmental protection. Its external policy is aimed at anticipating developments in the environmental field related to commercial services, and the professional management of environmental risks. Internally, the policy is aimed at controlling any environmental burdens caused by ING itself.

#### **4. INTERNATIONAL OPERATIONS**

As an international financial services provider, ING operates within the context of foreign laws and regulations, and with corporate and private customers from a range of backgrounds and cultures. It is important, therefore, that ING respects diverse cultures, while maintaining adherence to these Business Principles.

ING is committed to respecting the rule of law. The prime consideration is that ING is a commercial organisation and its activities are therefore business-orientated. ING does not intervene in political or party political matters. Nor does it make gifts or donations to political parties. However, within the legitimate role of business ING reserves the right - after careful consideration - to speak out on matters that may affect its employees, shareholders or customers.

#### **5. COMMUNICATIONS**

Within the bounds of commercial confidentiality, ING places the greatest importance on open and transparent communications with its customers, employees and shareholders, as well as society at large.

#### **6. COMMUNITY RELATIONS**

Wherever ING operates, it recognises that good relations with its local communities are fundamental to its long-term success. The Group's community relations policy is founded upon mutual respect and active partnership, aimed at sustaining lasting and trusting relationships between the Group's operations and local communities.

Cultural, sport and environmental activities are a central part of ING's community relations policy, and individual employees are encouraged to play a positive role in community activities.

#### **7. ECONOMIC POLICY**

As a commercial organisation, ING believes that it must provide an adequate return for its shareholders. It supports a market economy as the most effective means of achieving the best returns for its customers, investors and employees, as well as for the countries and territories where it operates. Criteria for credit and investment decisions are primarily economic and, while respecting the wishes of clients, also take into account a range of social and environmental considerations.

#### **8. COMPETITION**

ING recognises the many benefits of a competitive environment. However, the best markets flourish only within an ethical framework, and no one in ING is permitted to disparage a competitor, or to use unethical means to obtain any advantage for ING.

## WE WELCOME YOUR VIEWS

We would appreciate your comments in improving the ING in Society report. We invite all stakeholders to send us their opinion and suggestions via the ING in Society section at [ing.com](http://ing.com), or by mail.

## ING PUBLICATIONS

- Annual Report ING in Society, in Dutch and English;
- Summary Annual Report, in Dutch, English, French and German;
- Annual Report, in Dutch and English;
- Annual Accounts, in Dutch and English;
- Annual Report on Form 20-F, in English (in accordance with SEC guidelines).

The publications are available on [www.ing.com](http://www.ing.com). The publications can also be ordered by fax: +31 411 652125 or by mail: P.O. Box 258, 5280 AG Boxtel, The Netherlands.

