

2011

# ING IN SOCIETY







**YEAR  
2011**

**97,000**

PEOPLE EMPLOYED  
BY ING GLOBALLY

**€ 5,766<sup>M</sup>**

TOTAL NET RESULT

**100%**

ING IS 100% CARBON NEUTRAL  
AND HAS BEEN SINCE 2007

**16.2%**

OF OUR MANAGEMENT  
COUNCIL ARE WOMEN

**72/100**

SCORE OF DOW JONES  
SUSTAINABILITY INDEX

**€ 1,701<sup>M</sup>**

SUSTAINABLE ASSETS  
UNDER MANAGEMENT

**40+**

NUMBER OF COUNTRIES  
WITH ING OFFICES

**118,101**

NUMBER OF CHILDREN  
PROVIDED WITH ACCESS TO  
PRIMARY EDUCATION



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# ABOUT THIS REPORT

This report describes our role in society and our sustainable initiatives in 2011. It covers the financial year from January 2011 to December 2011.

This report is intended primarily for institutional investors, our customers, non-governmental organisations (NGOs) and anyone with an interest in ING's sustainability performance. The ING Annual Report 2011, which covers ING's financial performance and corporate governance policies, is available on [ing.com](http://ing.com).

The content of the ING in Society report has been determined based on the following factors and criteria:

- Issues that are currently most important to our stakeholders, our business operations and for our financial outcomes;
- Consultations with our business lines to identify which social, environmental and ethical topics are most relevant to them;
- Sustainability issues, risks or opportunities as identified by the Group Sustainability department;
- Expectations made explicit through international standards.

In 2009 we launched 'ING for Something Better', a programme that brings together all of our sustainability initiatives into one format. The structure of this report is based on this concept, which was further developed in 2011. More information about this can be found on page 28.

## COLLECTING DATA FOR THIS REPORT

We use a proprietary, online data collection sustainability tool to gather, track and validate data required for our annual sustainability reporting cycle. All ING businesses over which ING has management control and which have more than 100 FTEs submit data signed off by a senior executive. This data is monitored

by our internal experts and an independent external advisor (DHV), using analytical procedures and follow-up inquiries.

The sustainability data in this report covers business units in 33 countries and approximately 90% of our FTEs. The report contains links to both ING's website and external websites.

For performance indicators not covered by our sustainability tool, we gathered information at different levels within the organisation. The departments ING Group Compliance, Corporate Legal, Credit Risk Management, Operational Risk Management, Corporate Procurement, Facility Management, Human Resources, Public & Government Affairs, Corporate Communications, and Investor Relations provided performance data and descriptions of corporate policies, procedures and monitoring systems.

All information on ING's financial performance in this year's report is based on the consolidated figures stated in the Annual Report 2011, with the exception of the "Finance and Transparency" paragraphs on pages 60-61 and 70-71, for which we have used internal credit risk measurement data.

## SUSTAINABILITY

From now on, we will use the term 'Sustainability' instead of 'Corporate Responsibility' to sum up our effort to integrate social, environmental and ethical considerations into our core business strategy. We believe this term better captures our mindset and the plans and targets we have for the future of our company. We believe we can best contribute to

society by being good at what we do, taking responsibility for the impact of our products and services on the world around us, and contributing to positive change that allows future generations to thrive, within the resource limits of our planet.

## REPORTING STANDARDS AND ASSURANCE

We continue to use the Global Reporting Initiative (GRI G3.1) as our core sustainability reporting framework, reporting at an A+ level (GRI checked). In addition, we have reported on performance indicators specific to the financial services sector according to the GRI's Financial Services Sector Supplement (FSSS). In cases where we are unable to report on certain indicators, we aim to improve our systems in order to include those items in future reporting. From a materiality point of view, we have published some of the GRI standard disclosures on our website. For more information about our compliance with GRI standards, please visit [www.ingforsomethingbetter.com/report](http://www.ingforsomethingbetter.com/report).

We report our performance against established targets and commitments, as expressed in our KPIs and progress report. All KPIs relate directly to ING's strategy on sustainability. Ernst & Young provided reasonable assurance on the KPI table and description of the reporting process (About this report). Additionally the progress report is provided with a limited assurance. The assurance report can be found on page 105.

Special terms or criteria used in this report will be defined throughout the report.

## IMPROVEMENTS

This report contains several improvements over last year's report based on recommendations we received from our stakeholders.

- More detail on stakeholders' views about performance and reporting: this includes the results of structured engagement around reporting and material issues, and responses to adverse comments and criticisms, see page 22-27;
- More information on how we engage with customers, NGOs, governments, regulators, shareholders and other stakeholder groups; see page 22-27;
- Greater coverage of material issues as identified by our stakeholders and of challenges for our international business; see page 14-27;
- A more complete overview of the composition of our businesses, including our exposure to different sectors in the economy; see page 14-15;
- More coverage on the social and environmental impacts of our banking operations; see page 107;
- More extensive assurance (covering our progress report, in addition to the KPIs); see page 105-106.

## INTEGRATING FINANCIAL AND NON FINANCIAL REPORTING

ING has incorporated a chapter on its sustainability strategy in the annual financial report since 1995. In 2011 we started to integrate sustainability performance data in our quarterly financial reports. This 'ING in Society' report goes a step further by showing how the economic, social and environmental aspects of our business are connected. We believe such an integrated approach to reporting provides readers with greater context in evaluating our performance data; further demonstrates how sustainability fits into our business strategy; and meets the information needs of our stakeholders. However, we acknowledge that fully integrated reporting is not achieved by simply integrating different corporate reporting components. We will need to further invest in developing an effective integrated management and reporting process. This can be done only by cooperating closely with different departments within ING and with specific stakeholder groups, such as investors, sustainability professionals and accountancy firms.



### Statement GRI Application Level Check

GRI hereby states that **ING** has presented its report "ING in Society" (2011) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 April 2012



Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **ING** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 19 April 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



"Society is demanding  
that we reinvent  
ourselves."

**Jan Hommen**  
Chairman of the  
Executive Board

**Dear reader,**

2011 was a year marked by strong economic headwind and intense debate on the future shape of the financial services industry. These are issues that will remain high on the agenda in 2012.

Amidst ongoing economic uncertainty, in Europe and the US in particular, society is demanding that financial institutions reinvent themselves: putting the interests of the customer first, ensuring financial stability, being more transparent on products and services, strengthening risk management and governance, moderating remuneration policies and stepping up efforts to support sustainable economic development.

In the past year, we made significant progress on the path of transforming our company, separating our banking and insurance/ investment management businesses and further integrating sustainability in our overall corporate strategy and business activities. Looking ahead, I consider it our most important challenge to better demonstrate that we provide real value that benefits our customers and society.

Earning customer trust remains a key priority for ING. In our day-to-day business, we are returning to the forefront of our traditional function to collect customer savings balances and reinvest these into the economy through investments in loans to consumers and businesses. We want to further align our services and business operations with the interests of our customers and clients, for instance by screening our product portfolio against stricter criteria for good customer care. This includes issues such as simplicity, transparency and responsible risk appetite. And, we actively invest in enhancing the financial capabilities of customers, in order to give them a better insight into their personal financial situation and help them to simplify their financial decision-making.

At ING, we have developed a vision on social, ethical and environmental issues. This is translated into policies and procedures,

which we apply all over the world with the aim to manage the potentially negative socio-environmental risks of our transactions and client engagements. In 2011, we further refined our Environmental and Social Risk Policy framework. For example, by initiating a fishery policy and implementing the new OECD Guidelines for Multinational Enterprises, as developed by the UN Global Compact Office and the OECD Secretariat.

Taking good corporate citizenship one step further, it is our ambition to contribute to positive change. This means that we are stepping up our efforts to provide innovative financial solutions to the major social funding and investment challenges, in areas such as energy transition and health. Our research teams actively explore the business case for sustainability.

What is more, we invite our employees to play an active role in society through our community investment programmes. In November and December 2011, during the 'ING Chances for Children Global Challenge', a total of 24,433 ING employees pooled their efforts in support of children - an impressive 27.5% of our company's global workforce.

Although we believe we are on the right path, I am amongst the first to acknowledge that regaining trust and integrating sustainability in the heart of our business requires continuous effort. A very topical subject in this regard is the widespread social concern on the financial industry's remuneration practices. When determining our remuneration policies, we carefully take into account our stakeholders' expectations with regard to responsible remuneration. In response to the Dutch public debate on this issue in March 2011, the Executive Board decided to not accept a variable pay for 2010, and to abstain from

any kind of variable remuneration as long as the capital support received from the Dutch state has not been fully repaid. Moreover, we have further reviewed and adapted our remuneration policies for the rest of our staff, in particular senior management, with the aim to ensure an increased focus on long-term value creation, risk and non-financial performance measures.

Regarding the debate on the future shape of the financial industry, we support measures to make the financial system more robust, such as higher capital buffers and stricter liquidity requirements, which we are already implementing to a large extent. At the same time, it is important in this respect to safeguard the ability of financial institutions to finance the real economy. In my view, financial institutions with sufficient capital generation capabilities and expertise can play a vital role in formulating and arranging the financing and investment solutions which are needed to meet today's social and economic challenges.

Together with our customers and other stakeholders, and thanks to the professionalism, commitment and dedication of our employees, we are determined to help create a more sustainable future. Therefore, we will continue to leverage our resources, skills and expertise to ensure long-term business success by stimulating economic development, a healthy environment and a stable society.

**Jan Hommen**

Chairman of the Executive Board

**“We are determined to help create a more sustainable future.”**

ING expects the highest levels of personal conduct and integrity from its employees, especially its management, in order to safeguard its integrity, reputation and performance.

#### COMPLIANCE AND GOVERNANCE

Good governance and compliance are the foundations for responsible business practice. They are essential to serve the interests of our customers, shareholders and employees. We aim to comply with laws and regulations as well as ethical, environmental and social standards. We believe that achieving the minimum of compliance risk management is not sufficient. In order to build and preserve an outstanding corporate reputation, we want our employees to go beyond basic compliance and to act with integrity at all times.

#### GOVERNANCE STRUCTURE

Full details about our governance structure and our organisation, as well as the qualifications and expertise of the Executive Board and Supervisory Board, can be found on our website at [www.ing.com/cg](http://www.ing.com/cg). The Annual Report 2011 contains details about financial and non-financial remuneration and ancillary positions of members of the Executive Board and the Supervisory Board. Progress on our sustainability performance is regularly reviewed and formally assessed by our CEO and the Executive Board. They in turn inform ING's Supervisory Board. This ensures support for, and ownership of, sustainability among ING's most senior executives.

#### POLICIES

We aim to embed clear, practical policies and procedures in our business processes across all of our business lines. We have systems that help our management to track current and emerging risk issues, to communicate them to internal and external stakeholders, and to continuously improve relevant issues. Risk management involves understanding and delivering on the expectations of our customers and other stakeholders. By doing this, we strengthen the quality of our key relationships.

Non-financial risk policies and procedures include:

- The ING Group Charter and Framework
- Regulations concerning insider training
- Whistleblower procedure
- Financial Economic Crime policies

#### ING'S SUSTAINABILITY DEPARTMENT

ING's activities in the field of sustainability are led and coordinated by a dedicated Sustainability function, which is based at our headquarters in the Netherlands. Since 2011, the Global Head of Sustainability reports directly to ING's CEO. The responsibilities of the Sustainability department include (amongst others):

- Develops ING's sustainability vision and strategy
- Engages in dialogue with civil society groups and other stakeholders;
- Coordinates performance reporting and produces the annual 'ING in Society report';
- Provides information to sustainable investors and rating agencies;
- Supports our businesses in developing sustainable products and services;
- Sets up internal community development and environmental awareness programmes;
- Manages (inter-)national partnerships;
- Manages communication with the 'ING for Something Better Foundation'.

ING has a network of subject matter experts throughout the organisation who shape the company's approach to sustainable business opportunities, risk and community investment. These experts support, monitor and ensure the delivery of our common priorities. Many other departments across the Group share the responsibility for fulfilling our sustainability agenda. These departments include the Environmental and Social Risk department, Corporate Credit Risk Management, Corporate Procurement, Operational Risk Management, Group Compliance, Human Resources, Corporate Communications, Public & Government Affairs, Investor Relations and various client-facing teams. They help to coordinate group-wide initiatives and submit policy recommendations to the Sustainability department, various specialised committees, the Group Executive Board, and the Management Boards Banking and Insurance / Investment Management. For more information, please visit [www.ing.com/cg](http://www.ing.com/cg).

## OUR BUSINESS PRINCIPLES

As an international financial institution, ING influences the lives of many people. That is why we strive to be both profitable and just, and to contribute to positive economic and social change. We can do well only by doing right for all our stakeholders.

Our business revolves about people and trust. Being entrusted with other people's money is a responsibility we take very seriously. Only by acting with professionalism and integrity can we gain and maintain our customers' confidence and preserve our company's reputation. The ING Business Principles play an important role in this respect.

The ING Business Principles were first introduced in 1999. They set a global standard for the behaviour expected of every employee. The ING Business Principles are refreshed every five years to ensure their relevance in a changing environment.

Each of the four principles is equally important. Taken as a whole, they form our collective conscience. They are the foundation of our strategy, culture and day-to-day work. Living the ING Business Principles helps us make decisions that can stand the test of time.

The Principles are not voluntary suggestions. They are non-negotiable, and every single ING employee will be responsible for living up to them.

The ING Business Principles will enable us to do what we do best, both today and tomorrow: to help our customers manage their financial future.

**WE ACT WITH INTEGRITY**

**WE ARE OPEN AND CLEAR**

**WE RESPECT EACH OTHER**

**WE ARE SOCIALLY AND  
ENVIRONMENTALLY  
RESPONSIBLE**

# OVERVIEW OF OUR COMPANY

ING is a global financial institution of Dutch origin that currently offers banking, investments, life insurance and retirement services to meet the needs of a broad customer base. We are a strong European bank with attractive home market positions in northern Europe and growth options in Central and Eastern Europe and Asia, while creating an optimal base for the independent futures for our insurance and investment management operations.

## **SEPARATING ING BANK AND ING INSURANCE / INVESTMENT MANAGEMENT**

ING is separating its banking and insurance and investment management operations in order to serve the interests of its stakeholders, increase management focus and create value for our shareholders. We believe the widespread demand for greater simplicity, reliability and transparency makes this the best course of action. The separation is also part of the restructuring plan that was agreed upon with the European Commission in order to obtain approval for support from the Dutch State during the financial crisis.

## **APPEAL AGAINST THE EC DECISION**

In January 2010, ING filed an appeal with the General Court of the European Union against specific elements of the European Commission's decision of 18 November 2009, which had approved the state aid received and ING's restructuring plan. In July 2011, oral arguments of the appeal case were heard by the Court. The ruling of the Court was on 2 March 2012. The Court partially annulled the EC decision. ING welcomed this judgment. Since 2 March, ING has been in the process of carefully assessing the full judgment as well as its consequences. More detailed information about this appeal (including the Dutch State's decision to partly join ING in its appeal) can be found on page 15 of the ING Group Annual Report 2011.

## **PROFILE AND BUSINESS STRATEGY ING BANK**

ING Bank is a large international player with an extensive global network in over 40 countries. It has leading banking positions in its home markets of the Netherlands, Belgium, Luxembourg, Germany and Poland. Furthermore, ING has key positions in other Western, Central and Eastern European countries and Turkey. This is coupled with options outside of Europe which will give ING Bank interesting growth potential in the long-term.

The retail banking operations are focused on delivering simple and transparent retail products at low costs through a multi-channel distribution approach. Commercial Banking supports its global clients through an extensive international network.

Since January 2011, ING Bank has been operating as a stand-alone business under the umbrella of ING Group.

Our ambition is to remain a strong European bank with leading domestic banking positions in attractive, stable home markets, as well as a leading commercial bank in the Benelux and Central and Eastern Europe. We intend to continue to selectively transform our various ING Direct units into more mature full-service banking models. These initiatives in Europe, coupled with our positions outside of Europe, should create attractive long-

term growth potential for the Bank. ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, developing simple product propositions and marketing.

## **PROFILE AND BUSINESS STRATEGY ING INSURANCE / INVESTMENT MANAGEMENT**

ING's insurance and investment management businesses include life and non-life insurance, pensions and asset management. These activities are divided into six business lines: Insurance Benelux, Insurance Central and Rest of Europe, Insurance US (excluding US Closed Block Variable Annuity), US Closed Block VA, Insurance Asia/Pacific and ING Investment Management. Investment Management (IM) provides a broad range of investment strategies and advisory services in Europe, the Americas, Asia/Pacific and the Middle East.

In 2011, we began preparations for two initial public offerings (IPOs): one for the US insurance and investment management activities, and one for the European and Asian insurance and investment management businesses. On 12 January 2012, ING announced an update on the restructuring of the insurance and investment management businesses. Due to the uncertain economic outlook and volatile markets, especially in Europe, ING has decided to review other strategic options

for its Asian insurance and investment management businesses. For the European activities, ING will continue preparations for a stand-alone future, including the possibility of an IPO. ING will also continue to prepare for the base case IPO for the US insurance and investment management businesses.

#### **ING GROUP FINANCIAL RESULTS 2011**

Despite the challenging market circumstances, ING Group's full-year results improved compared with 2010. The full-year 2011 net result was EUR 5,766 million compared with a net result of EUR 2,810 million in 2010. The 2011 net result includes EUR 1,866 million of gains on divestments, of which EUR 995 million was attributable to the sale of our Latin American insurance, pension and investment management business; EUR 347 million to the sale of ING Car Lease; and EUR 466 million to the sale of Real Estate Investment Management.

Underlying net result for 2011 was EUR 3,675 million, up 15.1% from EUR 3,192 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestments and special items. ING Bank recorded an underlying result before tax of EUR 4,740 million in 2011, down 17.4% from 2010. This decrease was mainly due to EUR 783 million more adverse market impacts in 2011, including EUR 588 million of impairments on Greek government bonds. ING Insurance / IM reported an underlying result before tax of EUR 314 million, which was up EUR 1,386 million compared with the EUR 1,072 million loss in 2010. Both years were heavily impacted by markets and other impacts (EUR -1,547 million in 2011 versus EUR -2,567 million in 2010).

ING's capital position remained strong, despite the EUR 3 billion repayment to the Dutch State in May 2011. ING Bank's core Tier 1 ratio was stable at 9.6% at the end of 2011, absorbing the EUR 9 billion of higher risk-weighted assets (RWA) under the Capital Requirements Directive III (CRD III). The Insurance Group Directive Solvency I ratio decreased to 225% at the end of 2011 from 230% at the end of 2010. More detailed

information about the financial performance of ING can be found in the ING Group Annual Report 2011.

#### **TRANSACTIONS WITH THE DUTCH STATE**

In October 2008, ING received EUR 10 billion of capital support from the Dutch State. In December 2009, ING repaid a first tranche of EUR 5 billion of this amount to the Dutch State plus a premium. In May 2011, ING was in a position to repay a second tranche of EUR 2 billion plus a premium out of retained earnings. Consequently, by the end of 2011, ING had repaid a total amount of EUR 7 billion in principal. Including interest and premium, this amount reached a total of EUR 9 billion. ING aims to repay the remaining EUR 3 billion when prudent and possible on terms acceptable to all stakeholders.

ING Group and the Dutch State also reached an agreement on 26 January 2009 on an Illiquid Assets Back-up Facility ('IABF'). The IABF was designed to cover the portfolios of Alt-A residential mortgage-backed securities of both ING Direct USA and ING Insurance US, with a par value of approximately EUR 30 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. Throughout 2011, Alt-A market values further recovered compared with 2010, repayments continued, and cash losses remained limited. More information about this, and about the adjustments to the IABF resulting from the sale of ING Direct USA in 2011, is given in the ING Group Annual Report (note 33 to the consolidated annual accounts).

# ING'S EXTERNAL ENVIRONMENT IN 2011

2011 was a tumultuous year. The euro crisis, social unrest in the Arab world, important new regulatory requirements for financial institutions, and evidence that global warming has worsened are just a few examples. ING takes economic, environmental and social developments into account in managing its business. Many of our stakeholders also sought our views on these issues. This section summarizes how we addressed the most material of these developments.

## **ECONOMIC TURBULENCE**

As a result of the European debt crisis, macroeconomic conditions started to deteriorate in the second half of 2011. Eurozone consumer and producer confidence declined sharply, international trade stopped growing, companies' willingness to invest fell and employment perspectives started to deteriorate markedly. Whilst Europe seemed to be sliding into recession in 2011, the US economy showed signs of resilience in the second half of the year. Jobs data and unemployment rates gave grounds for market confidence and even some of the housing data was less negative than anticipated. However, the rate of growth of the US economy was still low in 2011.

By contrast, in many emerging economies like China, India and Brazil, household spending and corporate investment stayed at elevated levels and thus fuelled job creation, but this was not enough to quell fears of a further widening of global imbalances. Major imbalances between Asia and the Western world and between North and South in Europe continue to exist and threaten economic growth, and the stability of the global financial system. Looking ahead, underlying sovereign and financial system vulnerabilities remain a significant concern. The outlook for a large part of the global economy in 2012 therefore seems to be somewhat gloomy.

## **CRISIS IN THE EUROZONE**

For the eurozone countries in particular, 2011 was a year with two faces. In the first half there were still signs of continuing economic recovery. But in the second half, the eurozone's sovereign debt crisis, which emerged in 2010, deepened, causing a negative knock-on effect on the economy. This triggered an intense debate about the desirability of private sector involvement in sharing the burden of a Greek public debt restructuring in particular.

ING expressed its willingness to participate in a voluntary restructuring. Its total impairments on Greek government bonds in 2011 amounted to EUR 978 million. As a result, ING's total Greek government bond portfolio has been written down by approximately 80%.

Looking ahead, ING strongly advocates measures to ensure increased budget oversight and control at EU level. A 2011 study by ING's Chief Economist Mark Cliffe (published on [www.ing.com](http://www.ing.com)) showed that a break-up of the eurozone would cause a severe decline in European economic growth, which would affect the Netherlands in particular. Therefore, ING considers it absolutely vital that European leaders rebuild confidence in European integration.

## **SOCIAL UNREST AND INCREASED INFLUENCE OF SOCIAL MEDIA**

Worldwide social unrest has made headlines during the past year. The Arab Spring uprisings, which erupted in Tunisia in January 2011, toppled members of several autocratic Arab regimes after decades of rule. The Occupy Movement, which originated in a park near Wall Street, quickly evolved into a movement with camps in many cities. Rising income inequality in both developed countries and the developing world emerged as an issue of significant social tension. In southern Europe, citizens protested against austerity measures passed by their governments in response to the crisis in the eurozone. In London, riots broke out, reflecting rage at police and shopkeepers.

Many people used the web to express their concerns about the existing political and economic structures and the need for change. Social media, which were instrumental in supporting protests, became a powerful platform for social and political action. This also holds true for the corporate sector, which was confronted in 2011 with increased public discussions on social media, e.g. on the desirability of government intervention in business through changes in regulation, tax policy or contracts.

### HEATED DEBATE ON FUTURE OF FINANCE

In response to the financial crisis of 2008 and 2009, many national and international regulators have taken the initiative to create a more stable financial system. Last year, the future of the financial sector continued to be at the forefront of the public consciousness. Financial institutions continued to suffer reputational damage due to the bonus discussions, government bailouts and the perception of 'irresponsible trading'. At ING, we recognise the public's concerns and are not only taking action to restructure our company in response of these concerns, but also playing an active role in the debate.

Throughout 2011, we discussed at length the future of finance, including that of our own company, with regulators, policymakers and academics. In general, we agree with many of the new measures and regulations that have been proposed by these stakeholders (such as higher capital buffers, stricter liquidity requirements and more stringent regulation for such issues as remuneration policies and product development) and are implementing them to a large extent already.

At the same time, however, we have concerns that the ultimate and aggregated consequences of all reforms are still not fully clear; that there are too many uncoordinated additions to regulation; that there is too much focus on short-term measures; and too little focus on how the financial sector can contribute to achieving sustainable economic growth. For a detailed explanation of these concerns, please turn to pages 13 and 14 of the ING Group Annual Report 2011.

Most importantly, we consider it essential to carefully take into account the fact that some of the measures proposed also come with a cost to society, e.g. in the form of a reduced ability for financial institutions to finance the real economy. In the midst of the current economic downturn, this could have significant consequences for the return to growth as well as financial institutions' ability to fund the investments needed to cope with major social challenges, in areas like health care, education, housing and the transition to renewable energy.

These effects would particularly be felt if retail banking and commercial banking activities were separated, as some have suggested. We believe that one of the main advantages of the universal banking model is that it enables a financial institution to provide basic products and payment services to consumers at an attractive price and with competitive rates on savings accounts and deposits. An independent retail bank would probably face a difficult future, due to the relatively high financing costs, the expectation of tighter capital requirements and diseconomies of scale. To illustrate this point, the text box on the next page describes the various activities of a universal bank.

## ING's universal banking model

As a universal bank, we combine activities to fulfil the traditional financial intermediary function (financing the real economy by transforming savings from that same economy) as well as activities which we carry out to serve the needs of our larger corporate clients. These various activities can be categorised as follows:

### **a. Payment transactions**

We aim to provide efficient and secure processing of domestic payments at relatively low costs. We also process international payments for individuals, businesses and public institutions.

### **b. Managing private savings and companies' surplus cash**

We receive household savings with the aim to manage them safely and pay customers a rate of interest in return. Surplus cash of businesses and the public sector is looked after in a similar way.

### **c. Lending to private customers**

Lending to private customers is one of our core functions. Mortgage loans are the most significant form of lending to private customers. In the Netherlands, for instance, 85% of the people who own a property have a bank mortgage.

### **d. Lending to small and medium-sized enterprises (SMEs)**

SMEs, in particular in Europe, rely almost entirely on lending by banks for their financing. SMEs have a relatively high risk profile, which is reflected in relatively high risk costs. Lending to SMEs also involves a high degree of concentration risk, which we seek to mitigate through diversification.

### **e. Lending to larger companies**

Larger companies are less dependent than SMEs on bank lending but still seek to fulfil their financing needs with banks like ING for about half of their capital expenditure. Large international companies in particular use more complex forms of credit for financing and our specific expertise on these kinds of instruments.

### **f. Financing of capital expenditure by the public sector, in particular in the Netherlands**

The Dutch public and semi-public sectors have substantial financing needs and rely to a significant extent on the Dutch banking sector to meet them. Examples are the health-care and education sectors and investments for infrastructure and renewable energy.

### **g. Advice and services to businesses**

We offer a wide range of services and products that help our corporate customers to manage their credit risk, market risk, interest rate risk, currency risk and other types of financial risk, as this is not a primary business process for them. Some of the customers' individual risks are offset within our bank's balance sheet, as diversification generally leads to lower costs for other risks.

We often act as key partners to export-oriented businesses in their cross-border activities, as our overseas networks are familiar with local regulations and customs. We also advise on mergers and acquisitions. Finally, we advise larger businesses on capital market transactions, for example managing initial public offerings and bond issues. An inherent part of this type of process is that we sometimes also act as investors in this type of security for short periods.

### **h. "ALM book", asset and liability management**

Many of the above activities are recognised in part on both sides of our balance sheet. We take positions on the financial markets in order to address and mitigate the mismatch that arises between assets and liabilities. We have various techniques available for ALM using for example, derivatives and other financial instruments. These day-to-day activities on the financial markets are an integral part of all the above activities.

### **i. "Trading Book", trading for customers**

The trading book records the bank's positions in financial instruments. The majority of the bank's trading activities are carried out to serve customers, particularly larger corporate clients and public bodies. A minority of these activities are to maintain a small "stock" to ensure that customers can be served quickly and at competitive prices (market making). An example is concluding hedge products for customers who want to hedge interest rate and/or currency risk.

### **j. "Trading Book", proprietary trading**

The trading book also records transactions and positions in financial instruments that are not directly related to services to customers, but predominantly executed to achieve a result, which can then be used e.g. to support activities that are not viable on their own, such as market making for government bonds. At ING Bank, proprietary trading and the associated risks were very limited, accounting for less than 1% of total risk-weighted assets (RWA) in January 2012.

## **CHALLENGES IN THE DUTCH HOUSING MARKET**

In 2011 Dutch homeowners and buyers were increasingly confronted with challenges stemming from the weak performance of the Dutch housing market. In 2011, the total number of sold properties fell 7% and the average sale price declined 4%, according to the NVM (Dutch association of Real Estate Brokers and Agents). This underperformance is generally believed to be caused on the one hand by the adverse economic climate, and on the other hand by the ongoing uncertainty in the Netherlands concerning currently existing tax facilities.

A structural problem in the Dutch housing market is that a number of rules, regulations and fiscal tools pertaining to both the rental and property market do not interact very well with each other. As one of the largest mortgage lenders in the Netherlands, and given our market intelligence and economic expertise in this area, ING believes it has a responsibility to help restore confidence in the housing market. In 2011, we produced a position paper exploring several policy options which we believe would help stabilise the Dutch housing market. We discussed our proposals with relevant stakeholders.

## **DEBATE ON COMMODITY DERIVATIVES TRADING**

In 2011 ING was confronted with an intensifying debate about financial investments in commodity derivatives markets and their impact on food prices. A report by SOMO, a non-profit Dutch research and advisory agency, concluded that excessive investments and capital inflow into the market can increase agricultural commodity price increases and volatility. SOMO examined the activities of Dutch financial institutions and pension funds in the agricultural derivatives markets.

ING's exposure to agricultural derivatives is extremely limited. We are not involved in proprietary trading of soft commodities and only managed EUR 12 million of investments in corn and wheat futures on behalf of investment clients. More information about this topic can be found on pages 52 and 64 of this report. In response to SOMO's study, ING stated that it would take appropriate measures if and when investments in commodity derivatives are found to correlate with agricultural commodity price increases and volatility.

## **SHIFT IN PUBLIC PERCEPTION REGARDING ENERGY TRANSITION**

The Fukushima Daiichi nuclear disaster caused by the severe tsunami in Japan in March 2011, caused by a severe tsunami, fuelled a significant shift in public perception about how governments prioritise public health, safety, security, and natural environment when determining energy policies.

Although ING does not oppose nuclear energy as such, we do take a very restrictive stance on the matter, requiring the highest possible standards with regard to health, safety and technical design standards, including geographical location and possible seismology risk.

Moreover, we are actively stepping up our efforts to reduce our direct environmental footprint (for more information about this, please turn to page 73). Furthermore, we are actively engaging with our clients by motivating them to assess their footprint and by providing innovative financial solutions to help them minimise it (more information can be found on page 46).

## **DURBAN CLIMATE CHANGE CONFERENCE**

In October 2011, a month before the start of the 2011 UN Climate Change Conference in Durban, South Africa, a group of 285 investors including ING, together representing more than USD 20 trillion in assets, published a joint statement entitled the "Global Investor Statement on Climate Change". It stressed the urgent need for policy action that stimulates private sector investment into climate change solutions, creates jobs, and ensures the long-term sustainability and stability of the global economic system. ING has joined the investor community's call for a well-designed and effectively implemented long-term climate change and clean energy policy.

SUSTAINABILITY REPORTING



We continuously listen to our different constituencies, the most important of which are customers, employees, supervisors, shareholders, civil society organisations, citizens and regulators.

We seek feedback from our stakeholders on different issues and try to engage them in a constructive dialogue. This enables us to learn which issues are most important to them and to determine how we can best align the interests of our business with theirs.

#### **OUR APPROACH TOWARDS STAKEHOLDER ENGAGEMENT**

Rather than having one-off consultations around specific topics, we prefer to take an integrated approach towards stakeholder engagement. This means that we have an ongoing dialogue about our role in society, our products and services, our business performance and other issues. This is done at both the business unit and Group level.

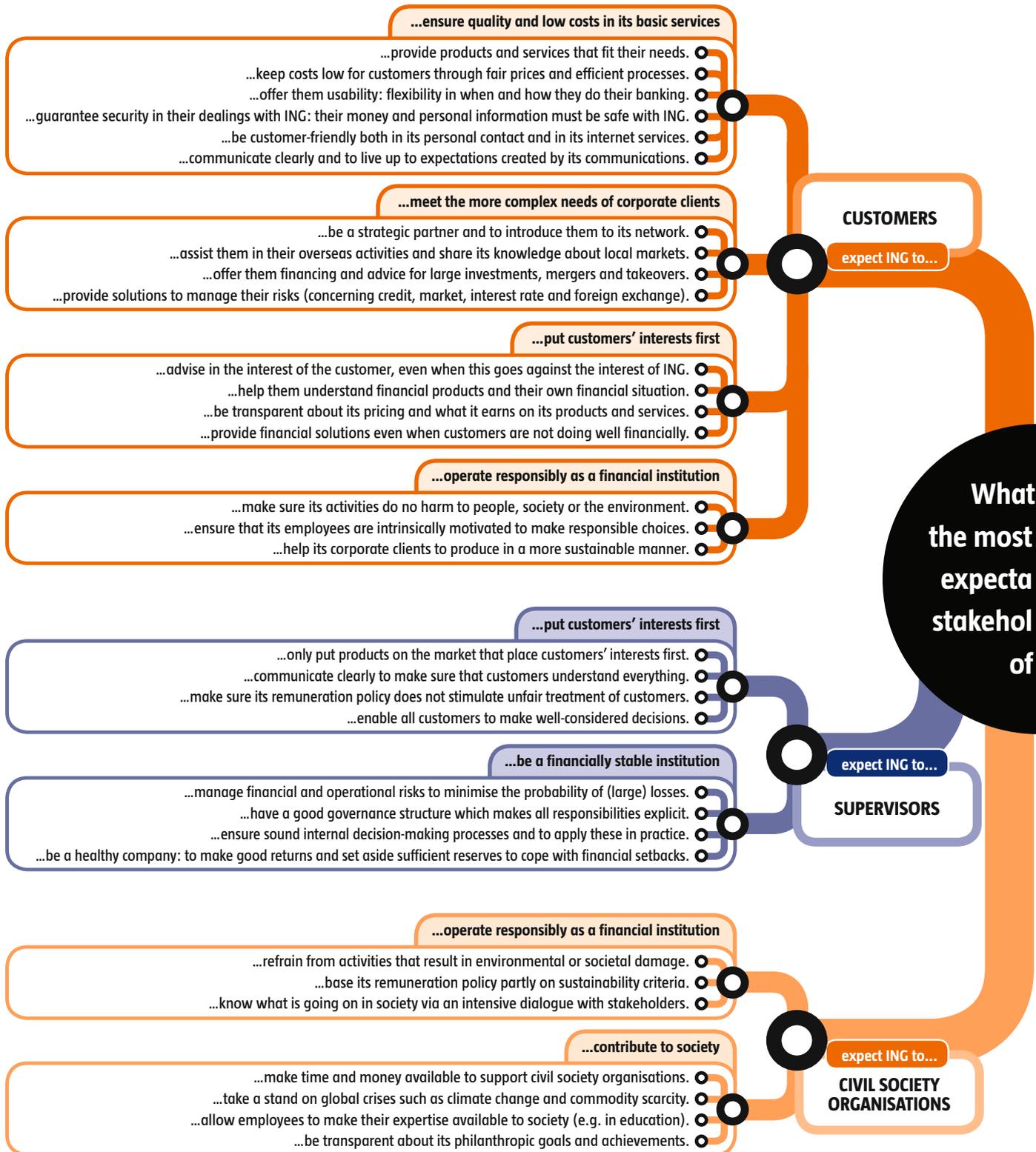
The instruments we use to conduct this dialogue include: regular information sessions for private and corporate clients on customer protection; stakeholder dialogues on topics like financial regulation and corporate responsibility; representations in various international bodies; roundtable sessions with policymakers and academics; frequent bilateral contacts with regulatory and government authorities, civil society organisations (including non-governmental organisations, labour unions and industry associations); press conferences; frequent conference calls; technical briefing sessions; and roadshows for journalists, analysts, rating agencies and investors. We also use surveys, in-depth interviews and focus groups.

#### **LEARNING ABOUT STAKEHOLDER EXPECTATIONS**

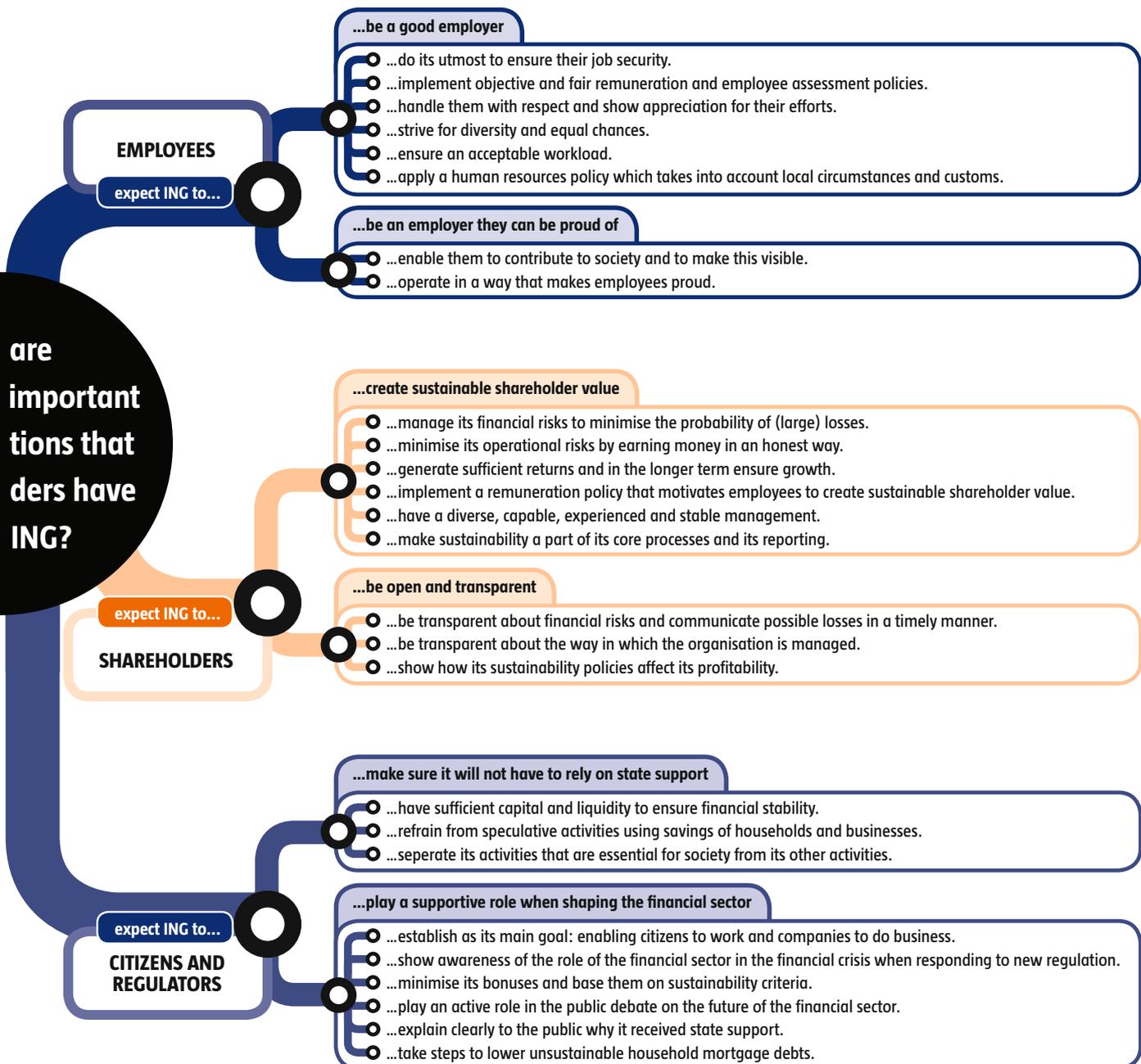
As indicated, the way financial institutions account for their way of doing business, remains a subject of constant debate. Banks and insurance companies are expected to actively involve their stakeholders as they (re-)design their business strategies. This is especially true for financial institutions such as ING that received state aid in 2008/2009 and are currently implementing far-reaching restructuring programmes.

However, the expectations of each stakeholder can vary widely. Shareholders' priorities will usually be different than employees' or regulators'. In order to give a clear overview of the diversity of stakeholder views we encounter, we asked 'de Argumentenfabriek' (the Argumentation Factory), an Amsterdam-based agency, to help visualise them based on several stakeholder dialogue sessions that were held during 2011. The result is shown on the next two pages.

## The various expectations of different stakeholder groups



This map gives an overview of the expectations that various stakeholders have of ING. The expectations on this map apply to both ING Insurance/Investment Management and ING Bank, with the emphasis on the latter. The expectations described here have not been checked for consistency. This means that there may be expectations on this map that are incompatible with each other. This map was created on the basis of desk research and two thinking sessions with stakeholders. The expectations on this map do not express the views of ING itself. Our thanks go to all the experts for their contribution.



## ING's positions on issues relevant to its stakeholders

The Expectations Map provides an extensive overview of the issues that matter to our stakeholders. Although this overview is by no means complete, it does illustrate the complexity of our operating environment. Clearly, the expectations of our stakeholders are not always consistent, and sometimes even contradictory. As a result, our daily business is a continuum of real-life dilemmas.

For instance, many of our stakeholders rightly emphasise our responsibility to minimise risk. At the same time measured risk-taking is an inherent part of the business of a financial services provider. Taking just one example from the Expectations Map, servicing corporate clients well will sometimes requires us to help

them manage their credit, market, interest rate and foreign exchange risks.

Accordingly, supervisors and regulators expect us to raise capital buffers and improve our liquidity position, while customers expect us to provide financial solutions even when they are not doing well financially. Finally, with regard to financing in light of the climate change debate, what should be our response to a request for finance of a modern and efficient coal fired power plant if the new one is meant to replace an old and inefficient one?

Notwithstanding these dilemmas, we consider it our responsibility to carefully weigh the interests of our stakeholders and to do our utmost

to meet their expectations. But while having a thorough understanding of stakeholder expectations is one thing, it is quite another thing to effectively translate these expectations into concrete solutions and match them with our business strategies. Particularly relevant in this respect is providing insight into how we use or apply their input in designing the solutions that our stakeholders expect of us.

Based on the Expectations Map and our bilateral contacts with our stakeholders, we have identified the most material issues per stakeholder group. The table below provides brief explanations of our positions, strategies and/or business actions per issue.

### CUSTOMERS

ISSUE	ING'S POSITION
Determination of prices, fees and rates on ING's products and services	An important element of our customer suitability approach is our commitment to clearly explain how rates are determined, what costs are associated with the services provided and how ING's rates compare to rates in the market. Our ultimate goal is for all stakeholders to trust that ING charges a reasonable price (value for money) for its products and services. See page 36 and 37 of this report for more information on our customer suitability programme.
Security of online banking systems	ING aims to provide optimal security of client data and of all transactions as well as to ensure fraud protection; for us protecting our clients is just good business. At the same time, it is clear that there continues to be risks online. Therefore, we also encourage our customers to protect themselves. We provide more information on this on <a href="http://www.ing.com">www.ing.com</a> .
ING's commitment to enhancing its customers' financial capabilities	One way we try to improve our customer's experience is enabling customers to further improve their financial capabilities. We offer insight, tools and programs. See page 35 onwards of this report for more information.
ING's efforts to ensure that customer deposits are not used to finance socially or environmentally harmful activities	Environmental and Social Risk (ESR) Policies have become integral to ING's risk culture and are a fully integrated part of our business. Environmental and social risks associated with a financial transaction can be complex and have an impact on both our business and that of our clients. By implementing ESR standards, we have been improving our business and helping our clients improve their overall risk profile. See page 46 for more information.
Remuneration of ING's Executive Board and employees	ING aims to match compensation schemes appropriately against a variety of factors, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders. This is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. ING has operations in over 40 countries and over 97,000 employees of whom around 71,000 are based outside the Netherlands (over 54% of senior management is non-Dutch).  As much as possible for a global financial institution of our size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates. Since 2008, ING has been continually reviewing and amending its remuneration policies in response to the ongoing review of the financial system and related public debate, as well as in line with applicable regulatory developments. More information on this can be found on page 83.

## EMPLOYEES

ISSUE	ING'S POSITION
Job certainty	Although it is impossible to ensure job security at all times, ING considers it vital to its success to foster an open, safe, inclusive and stimulating working environment for its employees. Anticipating and supporting lifetime employability is considered utmost important at ING. This calls for a timely and continuous focus on employees' personal development as well as specific action to boost employability. In the interest of all parties, ING and the employee share responsibility that employees' expertise and skills stay in pace with changing demands.
Diversity	We believe it is right for the composition of our workforce to reflect that of society and for our people to bring a diversity of talents, beliefs and perceptions to their work. We recognise that diversity is more than the female/male ratio. It is about hiring people of various races, genders, ages, sexual orientation, physical abilities and personal philosophies. To increase the level of diversity, a centralised team helps ING businesses create their own diversity plans. See page 80 for more information.
Opportunities for employees to participate in and contribute to projects serving social and environmental needs	We consider it our responsibility to make a positive contribution to the many communities in which we do business. We facilitate and encourage our employees to join this mission as they are the cornerstone of the programmes we develop and support. Our global initiatives are complemented with local community investment activities. See page 88 for more information.

## SUPERVISORS

ISSUE	ING'S POSITION
Product development and product approval procedures	Customer suitability is one of the key elements in our approach to achieve a better customer experience. This goes beyond our commitment to comply with consumer protection and financial services regulation. To ensure customer suitability, we have taken significant steps to evaluate our product portfolio and product approval procedures based on sharpened criteria for good customer care. See page 36 of this report for more information.
Financial health of the company / ability to withstand unanticipated shocks	Solid earnings and a strong capital and funding position enable ING to support its customers also in uncertain times. On the banking side the core Tier 1 ratio, a key measure of financial strength, was at 9.6% at the end of 2011, i.e. well above the 9% requirement. ING Insurance/IM operating results mostly showed improvement throughout 2011. See ING Group Annual Report 2011 for in-depth information on ING's financial strength.
Governance structure ensuring transparency of responsibilities and competences	Good corporate governance entails a careful balance between the short-term and long-term interests of the company. ING's aim is to have a governance structure that is transparent and does justice to the interests of all of its stakeholders. See <a href="http://www.ing.com/cg">www.ing.com/cg</a> for more information.
Risk management approach and systems ensuring that ING effectively assesses and controls risks that may potentially impact its financial and operational performance and / or the wider financial system / economy	Taking measured risks is part of ING's business. To ensure measured risk-taking ING has integrated risk management in its daily business activities and strategic planning. We adopt a 'three lines of defence' governance model for risk management, whereby ownership for risk is taken at all levels in the Group. The commercial departments form the first line of defence. The second line of defence consists of the risk management organisation, headed by the chief risk officer and the corporate legal function. The third line of defence is the corporate audit function, which independently oversees and assesses the functioning and effectiveness of the first two lines. See ING Group Annual Report 2011 for more information.

## CIVIL SOCIETY ORGANISATIONS

ISSUE	ING'S POSITION
Publication of all loans to companies and governments that exceeds EUR 1 million	While we feel the request for publication of all loans to companies and governments over EUR 1 million conflicts with our legal obligations and duty of care towards our clients, we value the principle of transparency and decided to publish a general sector breakdown of our financing activities on page 60 and 61 of this report.
The possible correlation between investments in agricultural commodity futures, price increases and volatility	ING is closely following the international debate and actively participating in research studies and dialogues to gain a better understanding of any possible correlation between the two. If and when investments in commodity derivatives are found to correlate with agriculture commodity price increase and volatility, we will take appropriate measures will be taken by ING. See page 52 and 64 of this report for more information.
Coal-related financing and investments	Coal continues to be an important fuel source in the global energy mix. We do thus not exclude coal as a fuel source. Our project finance utilities portfolio shows a decrease in coal and an increase in renewables.  ING's energy portfolio is shown on page 54 of this report. ING's active involvement in financing activities that support energy transition is discussed on pages 54 onwards.

CIVIL SOCIETY ORGANISATIONS (CONTINUED)

ISSUE	ING'S POSITION
Research on ING's involvement in cluster munitions	Our defence policy is an important part of our sustainable approach to financing. Over the years, the policy has evolved to reflect the societal debate about controversial weapons and arms trade. The policy provides clear guidance on what we believe to be controversial or undesirable business activities. ING will neither finance the production, maintenance or trade of anti-personnel landmines and cluster munitions, as well as depleted uranium ammunition, biological and chemical weapons nor provide any financial services to companies involved in these kinds of weapons. More information can be found on page 53 and page 65 of this report.
Further restriction of our defence policy required in light of the Arab Spring	In 2011, we confirmed that we have not financed the trade of defence equipment to the countries involved. See page 53 and 65 of this report for more information.
Applying animal-friendly standards to our company restaurants for employees in the Netherlands	The catering in our restaurants has been outsourced to a company known for its sustainable business practices. Our procurement policies are explained on page 74 of this report.
Labour conditions in ING's operations	We consider it vital to the success of ING to provide an open, safe, inclusive and stimulating working environment for our employees. See page 80 and onwards for more information on our efforts to create a better workplace. ING also actively contributes to external reviews and uses insights and recommendations from external reports to make improvements. This was the case for a 2011 report by SOMO about the workplace at ING Bank in Romania.
Pig farming	Higher animal-friendly standards and organic farming come at a financial cost, which the average consumer is not willing to pay. A forced transition of all pig farmers by banks would thus bankrupt the sector. Therefore, we instead support farmers willing to change by supplying them with best practices and granting favourable interest rates on loans intended to achieve higher standards. In 2011, the ING Economics Department published a study about pig farming, which suggested alternative marketing methods and ways to double the share of organic farming and other more sustainable alternatives from 15% to 30% by 2020.

CITIZENS AND REGULATORS

ISSUE	ING'S POSITION
Desirability of separating retail and commercial banking activities	One of the main advantages of the universal banking model, as illustrated on page 18, is that it enables a financial institution to provide basic products and payment services to consumers at an attractive price and with competitive rates on savings accounts and deposits. An independent retail bank would probably face a difficult future, because of the relatively high financing costs, the expectation of tighter capital requirements and diseconomies of scale.
Measures to improve the stability of the financial system through stricter solvency and liquidity requirements	Reforms in the financial sector are of particular interest to ING as a cross-border financial institution with operations all over Europe and in other parts of the world. Although we actively support many of the new regulatory proposals and are implementing them to a large extent already, we have strong concerns that the ultimate and aggregated consequences of all reforms are still not fully clear. We fear that there are too many uncoordinated additions to regulation; that there is too much focus on short-term measures; and too little a focus on how the financial sector can contribute to achieving sustainable economic growth. More information can be found on page 18 of this report and in the ING Group Annual Report 2011.
Progress in repayment of the Dutch State	See page 15 of this report for a general overview and the ING Group Annual Report 2011 for in-depth information on the current state of affairs with regard to repayment of state aid received in 2008 and 2009.
Debate on the future of finance	We recognise the public's underlying concerns. As indicated on the Expectations Map, we are not only taking action to restructure our company, but are also playing an active role in the debate. See page 17 of this report for more information.

## SHAREHOLDERS

ISSUE	ING'S POSITION
Transparency on financial performance of ING Group	See the ING Group Annual Report 2011 for more in-depth information on the financial performance of ING Group and its various business lines.
Progress in separation of ING Bank and ING Insurance / Investment Management	The restructuring of ING Group is on track. Our banking and insurance/investment management businesses have been operating as stand-alone companies since January 2011. Further progress on separation projects and divestments was made throughout 2011. See the ING Group Annual Report 2011 for more information.
Measures with regard to cost containment	See the ING Group Annual Report 2011 for in-depth information on cost containment at both ING Bank and ING Insurance /Investment Management.
ING's dividend policy	ING's policy is to pay dividends in relation to the long-term underlying development of cash earnings. Dividends will only be paid when the Executive Board considers such a dividend appropriate. Given the uncertain financial environment, increasing regulatory requirements and ING's priority to repay the remaining outstanding core Tier 1 securities, the Executive Board will not propose to pay a dividend over 2011 at the annual General Meeting. ING intends to resume dividend payments on common shares when all remaining core Tier 1 securities have been repaid to the Dutch State and Basel III requirements have been met.
Progress in implementing new Basel III, Solvency II and other regulations	Financial regulation and accounting standards are in a state of flux, and ING is following the developments closely. Over the past year, ING Insurance Eurasia has continued the implementation of the requirements of the Solvency II directive. Meanwhile, the Bank has taken further steps to prepare for the improved regulatory capital and liquidity framework for banks, commonly referred to as Basel III. ING is well positioned to operate under these new regulatory frameworks once they are in force. This is also reflected in the outcome of the EU capital exercise performed by the European Banking Authority, which concluded that ING Bank is currently adequately capitalised. See the ING Group Annual Report 2011 for more information.

# ING FOR SOMETHING BETTER

In 2009, we launched 'ING for Something Better', a programme that brings together all of our internal sustainability initiatives into one format. The online platform of ING for Something Better, originally created for ING employees, gave them an opportunity to share ideas and best practices, find volunteering work, or donate money to good causes. We have also bundled part of our community investment activities in the ING for Something Better Foundation. In 2011, we further developed the ING for Something Better concept, and improved the website ([www.ingforsomethingbetter.com](http://www.ingforsomethingbetter.com)) by including more information about our policies, performance and reporting efforts. The structure of this report is based on the 'for something better' concept.

## **BETTER CUSTOMER EXPERIENCE**

We strive to put the needs of our customers first in all our intentions and actions. This requires us to provide products and services in the way our customers want them delivered: with exemplary service and convenience provided at attractive prices. Our customers expect us to be accessible, to respond to their queries in a fast and efficient way, to be open and transparent about our products and services and to provide knowledgeable, objective and professional advice. These expectations go beyond the need to comply with consumer protection and financial regulation. It comes down to delivering suitable products and services, via the right distribution channels and at fair prices or returns. We are also committed to enhancing consumer financial capability. We invest in helping customers to improve their financial decision-making and to become better at managing their finances. We specifically focus on young people, so they grow up to be citizens capable of making effective and responsible financial choices.

## **BETTER BUSINESS**

We will be successful in the long-term only if our business contributes to economic development, a healthy environment and a stable society. Social, ethical and environmental criteria are therefore strongly embedded in our financing and investment policies as well as in our business ambitions. We make sure that our strategic decision-making is based on financial and non-financial performance objectives. We actively leverage our resources, skills and expertise to contribute to positive change regarding such societal challenges as climate change, education, healthcare and environmental protection. Moreover, we want to meet the growing demand for products and services that not only generate good financial returns, but also serve clear social and environmental objectives that facilitate the transition towards a more sustainable economy. As a result, our research teams actively explore the business case for sustainability. To mitigate the potential harmful impact of our financing and investment activities, we also actively seek opportunities to bridge investment gaps in cleaner technologies and innovation.

## **BETTER ENVIRONMENTAL FOOTPRINT**

As the global population continues to grow, the pressure on our natural habitat and resources becomes more and more apparent. As a result, society finds itself confronted with issues such as the scarcity of water and food, biodiversity reduction and climate change. Though scientific evidence is not conclusive about the timing, extent, and exact consequences, the established academic view is that the warming of the climate system is unequivocal, man-made and caused by greenhouse gas emissions. Our ongoing assessment learns that we can further reduce our own carbon footprint - direct through our operations and indirect through the effects of our business -. Therefore, we have invested in eco-efficiency and we aim to manage our portfolio with this goal in mind. We aim to mitigate the potential harmful impact of our financing and investment activities, and we actively seek for opportunities to bridge investment gaps in cleaner technologies and innovation.



# BETTER

## **BETTER WORKPLACE**

We consider it vital to the success of ING to foster an open, safe, inclusive and stimulating working environment for our employees. We also have the ambition to be a top employer, for our existing and future employees. We aim to consistently provide our people with the tools they need to be successful, and to create a work environment that supports their physical and mental wellbeing. We seek to empower our people to make a positive difference to our customers and encourage them to grow, develop themselves and contribute to society. We pay special attention to creating an inclusive corporate culture that embraces differences. We recognise and reward individual and collective success, while taking into account society's changing expectations with regard to responsible remuneration.

## **BETTER COMMUNITIES**

We consider it our responsibility to make a positive contribution to the many communities in which we operate. This is why we invest in our communities and why we work hard to strengthen them from the inside out. We facilitate and encourage our employees to join this mission as they are the cornerstone of the programmes we support. We have chosen to prioritise our global initiatives around the themes children & education and financial education & entrepreneurship. These align with the goal of our business to invest in tomorrow's economy by supporting people to plan for a secure financial future. Our endeavours take the form of various initiatives, including e-mentoring projects for underprivileged children, fundraising for our global partner UNICEF, and various initiatives promoting financial and business literacy. Our businesses also support specific local causes that respond to the needs, expectations and employee preferences in their home markets.

# ING PROGRESS REPORT 2011

We have been tracking and monitoring our sustainability performance since 1995. By evaluating our performance and setting goals for the year ahead, we are able to improve our track record.

Ernst & Young Accountants LLP has audited the progress report with a limited level of assurance.

This Progress Report provides an overview of our performance in 2011 against the commitments that we have made in 2010. Moreover, we will set goals for 2012 and beyond. We have structured our Progress Report in accordance with the 'for something better' concept that was presented on page 28.

- Goal achieved
- ◐ Goal partly achieved
- Goal not achieved

## BETTER CUSTOMER EXPERIENCE

### AMBITION

We provide products and services that are accessible and contribute to the financial wellbeing of our customers

### GOALS FOR 2011

### PROGRESS IN 2011

Introduce the Net Promoter Score (NPS) programme in all ING business units

● By the end of 2011, 38 of ING's retail business units were using NPS. Around 1 million customers have been polled

Implement Customer Suitability programmes within all business operations

◐ We launched many initiatives within the scope of the Suitability programme (e.g. Savings Guideline). ING Bank in the Netherlands has developed short movies which were launched on their internet, explaining particular products. See our chapter 'Better Customer Experience' for more initiatives

Further develop financial education initiatives

● We launched multiple initiatives regarding financial education. See the chapters 'Better Customer Experience' and 'Better Communities' for more information

### GOALS FOR 2012 AND BEYOND

Further develop thought leadership on financial education, e.g. by conducting more international surveys

## BETTER BUSINESS

## AMBITION

We aim to minimise harm and contribute to positive change

## GOALS FOR 2011

## PROGRESS IN 2011

Enhance our existing environmental and social risk (ESR) policy framework and further embed it in the organisation

- The ESR framework was integrated in the customer due diligence process

ING provided input to Professor John Ruggie for the development of the "Guiding Principles on Business and Human Rights", which are based on the UN "Protect, Respect and Remedy" Framework for Business and Human Rights.

Training was given on the different sector policies with regard to commodities

Increase general and customised training to employees on ESR policies

- A slight decline in participants that received ESR policy training (350 employees), which is explained in our chapter 'Better Business' on page 48

Actively assist our clients to improve their sustainability performance

- We actively assist our clients to improve their sustainability performance. Examples are given on page 52 (Doing business with Chiquita) and page 58 (ING Calls for 'Green Delta plan')

Continue to invest in employee recognition of the ING Business Principles

- The Promoting Integrity Programme rolled out e-learning programmes which enhanced the awareness of the ING Business Principles. See chapter 'Better Business' for more information

Increase the underlying (SAM) score for the Dow Jones Sustainability Index

- ING (historically rated as an Insurance company) was again included in the 2011 DJSI World Index with the same underlying score as in 2010

Growth of sustainable assets under management by 5% compared to total assets under management (15% in 2012; starting year was 2010)

- The decrease of 20% is mainly due to the exit of one large institutional client from the 'INI Duurzaam Rendement Fonds'

Develop and market new sustainable products and services

- ING IM introduced a new fund; ING Sustainable Credit Fund

## GOALS FOR 2012 AND BEYOND

Maintain an up-to-date ESR policy framework and promote ESR in the sector

Actively market sustainable products and services

Investigate the consequences of resource scarcity for our clients and assist them in formulating financial solutions

50% of our global project finance equity energy portfolio consists of renewable energy in the coming 12 to 18 months

## BETTER ENVIRONMENTAL FOOTPRINT

### AMBITION

We actively manage our environmental footprint

### GOALS FOR 2011

Further minimise ING's environmental footprint

Develop our own environmental and social criteria to assess products and services in over 22 cross-border procurement categories

Decrease our CO<sub>2</sub> emissions by 30% in 2012 compared to 2007

### PROGRESS IN 2011

- We have started several initiatives that are aimed at further minimising our environmental footprint, increasing environmental awareness among our workforce (e.g. Earth Hour) and increasing our purchase of green electricity.
- Within ING Bank, the department Global Procurement Bank determined criteria for more than 70 product categories and is working to implement these in the procurement processes. At ING Insurance/IM the development of the criteria is still in progress.
- In 2011, the absolute amount of carbon emissions decreased by 25% compared to 2007
  - 2007 = 211 CO<sub>2</sub> kilotonnes
  - 2011 = 169 CO<sub>2</sub> kilotonnes
 However the number of FTEs decreased considerably, due to economic circumstances. As a result, the emissions per FTE have decreased only by 2% in the 2007-2011 period
  - 2007 = 2,15 CO<sub>2</sub> / FTE
  - 2011 = 2,11 CO<sub>2</sub> / FTE

### GOALS FOR 2012 AND BEYOND

Lower our CO<sub>2</sub> emissions by 30% in 2012 compared to 2007

Further review procurement processes in order to create more sustainable practices

## BETTER WORKPLACE

### AMBITION

We foster an open, safe, stimulating place to work and want to become a top employer

### GOALS FOR 2011

Implement country specific, customised diversity plans and track progress

By 2015, 33% of ING Management Council members are women

### PROGRESS IN 2011

- We continued to implement diversity plans and tracked the results. For examples see the chapter 'Better Workplace' on page 82
- The share of women on the ING Management Council has increased from 14.9% to 16.2%

### GOALS FOR 2012 AND BEYOND

Increase overall employee engagement as measured by the Winning Performance Culture scan

Further embed sustainability in employee onboarding programmes, and ensure sufficient awareness for the issue among new employees

Track progress in the implementation of the Top Employer programme. (See chapter 'Better Workplace' for more information)

## BETTER COMMUNITIES

### AMBITION

We invest in tomorrow's economy by supporting children find their way towards a financially secure and independent future

### GOALS FOR 2011

Increase the share of employees who participate in the ING Chances for Children Global Challenge to 25% (30% in 2013)

### PROGRESS IN 2011

- The ING Chances for Children Global Challenge had a participation rate of 27.5%

Ensure that ING's voluntary financial contributions match the minimum standard that one child should be provided with access to education for each ING employee through our global UNICEF partnership (EUR 30 per child)

- We have continued to match the minimum of one child being provided with access to education per ING employee through our partnership with UNICEF

### GOALS FOR 2012 AND BEYOND

In 2015, at least one million children are reached through our partnership with UNICEF

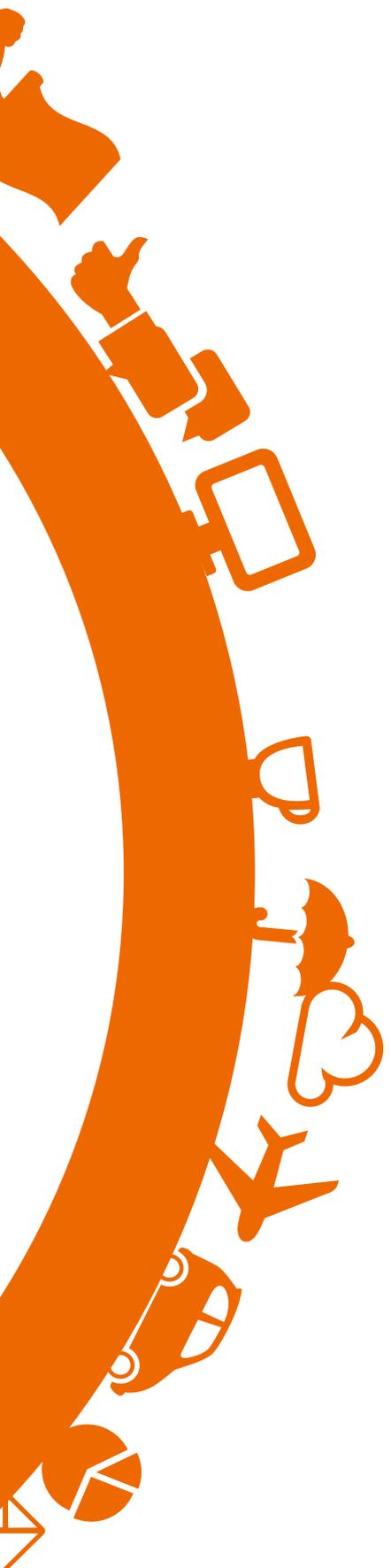
In 2015, employee participating in community projects exceeds 30%

By 2012, we have increased the share of employees participating in the Global Challenge to 28% of our global workforce

We have rolled out new financial literacy initiatives in 5 new countries in 2012



# BETTER CUSTOMER EXPERIENCE



# BETTER CUSTOMER EXPERIENCE

Since the emergence of the financial crisis in 2008/2009, restoring customer trust has been ING's top priority. One of the most important lessons from the events of the past four years is that the needs of customers should always come first. We call this customer centricity.

Bringing customer centricity into practice comes with its own set of challenges. We need to deliver high-quality financial products and services in the way our customers want them delivered: with exemplary service and convenience provided and at an attractive price. Moreover, our customers expect us to be available when they need us, to provide them with a clear overview of their financial situation, to respond to their queries in a fast and efficient way, to be open and transparent about our products and services and to provide them with knowledgeable, objective and professional advice.

## ENSURING 'CUSTOMER SUITABILITY'

It is vital that our customers trust our ability to provide them with honest and sound advice based on a realistic assessment of their needs, interests and options. This is what we call customer suitability, and it is one of the key elements in our approach to create a better customer experience. Customer suitability goes beyond our duty to comply with consumer protection and financial services regulations. In essence, customer suitability comes down to delivering suitable products and services to the right customers, via the right distribution channels and at fair prices or returns. To ensure this, we

have evaluated our product portfolio and product approval procedures based on sharpened criteria for good customer care.

ING's Customer Suitability Programme (CSP) was first applied to ING businesses that service retail customers and later to SMEs and Mid-corporate clients. All business units went through the Customer Suitability Programme in 2011.

## Customer suitability at Nationale-Nederlanden in Spain

*In 2011 Nationale-Nederlanden (NN) Spain stepped up its efforts to put customers centre stage. This had a significant impact on the sales force: NN Spain improved its processes for recruiting and training to ensure customers are served by advisors who have the right skills.*

*In addition, the company evaluated its processes, customer materials, products and services with the aim of increasing clarity and transparency. As a result, NN Spain significantly simplified its client communications, with clearer disclosure in*

*simple, plain language. Another improvement is a new Financial Needs Analysis tool, which helps customers to identify the gap between their current financial situation and their goals, and it provides them with advice to bridge the difference over time. The tool comes with a standardised sales process and interview, which creates consistency across all distribution channels.*

## Peter Paul Wekking

Director of External Relations  
and Marketing Credit at  
ING Bank Netherlands



The Customer Suitability Programme (CSP) has been the driving force behind ING's shift from product centricity to customer centricity. It is now fully embedded in ING's business and provides a framework within which products are reviewed.

"The CSP complements the knowledge of our customers with our expertise. This enables them to make sound financial decisions, which are often among the most important ones in their lives. In my opinion, there is nothing innovative about the CSP. It is about living up to what people expect from us."

**"There is nothing innovative about customer suitability. It is about living up to what people expect from us."**

One of the biggest challenges of the programme was to define the term 'suitability'. Therefore, ING first formulated so-called Golden Rules. These are non-negotiable principles that determine what suitability means in day-to-day practice.

"These rules state that ING should strive to meet customers' needs throughout all stages of their life, offer fair value to customers and explain the risks, returns and costs of our products and services. In addition, we regularly assess products, services and sales practices and only work with professional and licenced distributors."

CSP has already proved its value. In 2011 ING Bank Netherlands held more than 59 customer meetings and panels. The feedback from these sessions was used to review all of the bank's processes. This review immediately alerted us to take a closer look at those areas in which our products and services did not meet our Golden Rules criteria. We then fixed problematic products and services.

In addition, ING has written a new customer-friendly and sustainable savings policy. As a result, we now proactively approach customers to advise them on products best suited to their long-term needs.

ING also changed its claims policy. Employees are now empowered to handle small complaints at their own discretion, for example by offering a suitable compensation. "This saves the employee from having to deal with various levels of managerial approval and gives our client a quick solution. It's what they expect from a company like ING," says Wekking.

"Customer suitability will now become a way of life and embedded as a part of our company philosophy. As of 2012, we will annually review our services and products in the light of the standards that we want to live up to."

**ENHANCING THE FINANCIAL CAPABILITIES OF OUR CUSTOMERS**

Another way we are trying to improve the customer experience is by supporting our customers to improve their financial capabilities. Financial decisions influence people's education, career, business endeavours and family life, all the way into old age and into the next generation. Given the impact of many financial decisions, ING believes its customers should have sufficient knowledge and confidence in order to make financial decisions that are in

their best interests. ING offers insight, tools and programmes to help our customers improve their financial decision-making and become better at managing money.

In 2011 we introduced several new initiatives to educate consumers and enhance their insight and confidence about in their current financial situation and financial outlook. We focused in particular on young people because good financial habits are formed early in life. We want to do our part to ensure that they grow up

to be consumers capable of making effective and responsible financial choices. But we believe we have duties to society at large as well. That is why we also try to educate adults from all layers of society about the most common financial decisions concerning saving, investing, insurances, mortgages and pensions. More examples of our initiatives in this field can be found in our Community Investment report (see [www.ingforsomethingbetter.com](http://www.ingforsomethingbetter.com)).

**Initiatives to enhance financial capabilities across the globe**

*In 2011, ING published a study called 'Consumer Resourcefulness', that explored the financial attitudes and behaviour of consumers. More than 5,000 people in ten countries in Europe, the US, Latin America and Asia participated in this online survey. 90% of respondents indicated that they wanted to become better at managing their money. What prevents most of them from achieving this is that they either do not know where to start or where to get information. These results were gleaned from a Financial Intelligence ("FQ") test, which was part of the survey. The FQ test measured the financial literacy of consumers and how this influences their attitude, behaviour and emotional wellbeing.*

*Depending on the responses, consumers were grouped into one of four financial literacy knowledge profiles: excellent, good, basic or poor. The study recommends respondents from all four profiles do research before taking important financial decisions.*

*Based on this research, ING introduced several new online tools, calculators and worksheets to enable customers to calculate their savings goals and retirement plans and gain more insight into their own financial situation. These tools are available on many of our local websites around the world.*

*Another example of a local solution we developed in response to the research can be found in Romania. ING Life Insurance (Asigurari de Viata) developed an educational programme targeting people aged 18 to 26, as the Consumer Resourcefulness study had indicated that 69% of Romanians had only rudimentary financial knowledge, while over 90% wanted to improve their capabilities and 40% were actively seeking for professional support to achieve this. The programme covered a number of subjects related to financial planning and life insurance. Students from 44 universities participated. The online portal was visited by 7,100 unique users.*

*In the Netherlands, ING researched the financial needs and attitudes of children, parents and students in a study called 'Study and Money'. The results revealed an emerging trend of rising student debt amongst the Dutch student community. In response, ING launched the online platform 'Villa Pecunia', which offers indebted Dutch students various services to help them manage their finances better. Since students are more likely to be influenced by the behaviour and views of their peers, the platform is based on student-to-student knowledge exchange.*

*Another consumer education initiative is the website eZonomics, which has further expanded in 2011. eZonomics allows people to ask ING economists questions on economic and financial issues. There is also a popular daily poll that attracts more than 60,000 respondents per day. The polls, and the analysis of the results, are supplemented by a wide variety of easy-to-understand articles, videos and*

## Customer first in India

*Our banking and insurance operations in India launched several new products in 2010 and 2011 to meet the changing needs of their customers. The new products were designed from the ground up with customer centricity in mind.*

*For example, ING India introduced the ING Zing savings account. It offers features that were previously missing from similar savings products for children, including customisable limits on withdrawals, standing instructions for monthly payments to the account and a debit card with discounts on children's brands. The account is also connected to kidzzbank.com, a website that educates kids in a fun way about money and banking.*

*ING India also optimised its offerings for its business banking customers after recognising that bank accounts need to better reflect businesses' changing needs over time. Most account features tend to be based on a quarterly average balance, but companies operating in cyclical industries often have other requirements, for example a temporary need for higher transaction and cash deposit limits. ING India therefore launched the Flexi Current Account, which gives companies more flexibility.*

*For its part, ING Vysya Life introduced needs analysis and risk profiling tools for all new life insurance policies. These tools help the customer understand his or her current cash flows and liabilities, suggest cash requirements in case of an unforeseen event, such as death or a major illness, and determine the level of risk coverage and savings needed.*



*other resources about managing money. Similar local websites include 'Mijn Geld' in the Netherlands, 'Finanz Versteher' in Germany, 'Monnaie Time' in France, 'En Naranja' in Spain, 'SuperStarSaver' in Canada and 'Gut mit Geld' in Austria.*

*ING Direct in Spain held an event called 'Open House Days'. Customers were invited to visit ING Direct and learn how a bank works. More than 350 people attended. In the Netherlands, ING offers a similar format called 'Financial Information Evenings'; they took place 59 times in 2011. Nearly 11,000 customers have visited our local branches for these informational events since this format was introduced in 2009.*

*ING Direct in Canada launched a new website aimed at educating children about basic financial matters. In the Netherlands, we launched an online challenge called 'Chicks versus Dudes' that teaches children in a fun, competitive way how to manage a simple budget.*

## Dialogues on pensions at Nationale-Nederlanden

*For most of us, pensions is a difficult topic to understand. Yet Nationale-Nederlanden (NN) aims to keep it simple for its customers and advisors. Instead of publishing numerous brochures, NN wants to stay in touch with its customers at a personal level. Interaction is therefore one of NN's key pillars for creating a better customer experience. Interaction and dialogue are particularly important in light of the 2011 Pension Agreement in the Netherlands, which has resulted in many changes for Dutch citizens.*

*As part of its 2011 pension campaign, NN organised master classes for its advisors to deepen their knowledge of specific pension-related topics. Also discussed were the best products and services to improve the customer experience.*

*Furthermore, NN launched a new internet portal that gives employers and their employees up-to-date information about retirement and other financial topics. Difficult topics are explained in short videos and articles. Employees can use the information and insights gained for their own financial planning.*

*In the light of the changing pension environment NN also organised a debate between generations about such issues as a higher retirement age, the effect of more flexible labour markets, the needs of the current generation and more. Around 200 representatives from different stakeholder groups discussed these topics with a panel of experts, which included representatives from the Dutch government, pension experts, entrepreneurs and professors in risk management and finance. There was broad agreement amongst the participants that the uncertain economic environment has made it more difficult for individuals and households to plan for the future. Attendees also agreed that private individuals, the government, social partners and the financial sector all share the responsibility for creating a stable and well-financed pension system. Another conclusion was to explore the possibility of standardising pension plans; this could make the existing pension system in the Netherlands more affordable.*

## PLACING THE CUSTOMER AT THE HEART OF EVERYTHING WE DO

We have introduced the Net Promoter Score (NPS) programme to drive cultural change. NPS involves immediately acting upon customer feedback about their experience of doing business with ING. It is more than just a metric to measure customer satisfaction. It is about stimulating staff to share customer input across the organisation and to use customer feedback as the basis for decision-making.

NPS involves conducting customer surveys around such aspects as the conduct of our staff, how customers experience our branches, the quality of our products, and the ease of our processes. The answers to the NPS surveys help us determine whether a client is dissatisfied, has a neutral opinion, or is so positive that he or she would recommend ING to friends and family. Dissatisfied customers are called back and actively consulted on their complaints so that we can take remedial action. Neutral customers are asked what we can improve. Promoters provide input about what we do well so that we can replicate this across our businesses. We try to call back customers who have participated in an NPS survey within 48 hours of their doing business with us.

The surveys have enabled us to improve our internal processes and service levels. By embedding NPS in our day-to-day business operations, we have turned customer centricity into something tangible and actionable. By the end of 2011, 38 of ING's businesses were using

**Mark Cliffe,**  
Chief Economist at ING

*"Every day life is full of economic decisions. With the financial crisis driving home the need for financial education, financial institutions bear a particular responsibility in meeting that need. The challenge is to do so in a way that consumers find accessible and engaging. ING's local consumer economics initiatives are rising to that challenge."*

NPS to measure the experiences of their customers. Around 1 million customers have completed an NPS survey with a remarkable 20% response rate.

In addition to improving our ability to measure our customers' experiences, NPS yields structural improvements to our business, sometimes leading to changes in our business model. In 2011, NPS resulted in adjustments in the following areas:

- Products: we have launched new investment funds that enable clients to better diversify their risk or simplify the fund management of unit-linked products;
- Accessibility and clarity of information: we made annual statements easier to understand, introduced a 'call-me button' on the ING website, and launched

initiatives to proactively contact customers, for example by sending periodical e-newsletters;

- Claims and surrender process: we aim to ensure a '24 hour pay-out' in case of a life claim; we have introduced email and SMS notifications once a claim is registered, for changes of contact address and a payment method via a call centre; and we are now enabling customers to submit requests for smaller claims via e-mail and ensure partial surrender within 24 hours or surrender via a phone call;
- Customer service: ING agents and account managers now call their customers once a year to find out if their needs are being appropriately met. In the past, the contact with the sales force was more infrequent.

External recognition of ING in several countries underlines the added value of NPS as a management tool in 2011. In Slovakia, for instance, a Slovak market research agency compared ING Insurance Slovakia's SMART life insurance product with products of its competitors. The product was considered to be the most transparent and innovative product in Slovakia. In the Czech Republic, the SMART product was Best Insurance Product of the Year 2011 during the Bank of the Year competition. In Poland, ING won the 2011 Friendly Life Insurance Company award for the second year in a row. And in Hungary, ING won a Best Brand award after developing a campaign that educated people about the need to do pension planning.

## WE GATHERED CUSTOMER FEEDBACK IN 38 BUSINESS UNITS



### LATIN AMERICA\*

- ING Chile Pensions
- ING Mexico Pensions
- ING Colombia Pensions
- ING Insurance Peru



### WESTERN EUROPE

- ING Bank Netherlands
- ING Bank Belgium
- ING Bank Luxembourg
- ING Direct (UK, Italy, France, Spain, Germany and Austria)



### CENTRAL EASTERN EUROPE

- ING Bank Romania
- ING Bank Śląski
- ING Bank Turkey
- ING Insurance Śląski
- ING Insurance Romania
- ING Turkey Life
- ING Insurance Bulgaria
- ING Life Insurance Greece
- ING Insurance Hungary
- ING Insurance Czech Republic
- ING Insurance Slovakia



### ASIA / PACIFIC

- ING Vysya Bank
- ING Direct Australia
- India Vysya Insurance
- ING Malaysia - Berhad
- China Insurance
- ING Insurance Korea
- ING Insurance Thailand
- ING Insurance Hong Kong
- ING Life Insurance Japan



### NORTH AMERICA

- ING Direct US\*
- ING Direct Canada

\* See page 107 for more information about divestments



# BETTER BUSINESS



# BETTER BUSINESS

In our view, sustainability contributes to long-term business success - for ourselves and for our customers - while contributing towards economic development, a healthy environment and a stable society. ING integrated sustainability considerations and objectives in its business strategies, by actively managing the socio-environmental risks of our transactions and client engagements and stepping up our efforts to contribute to positive change.

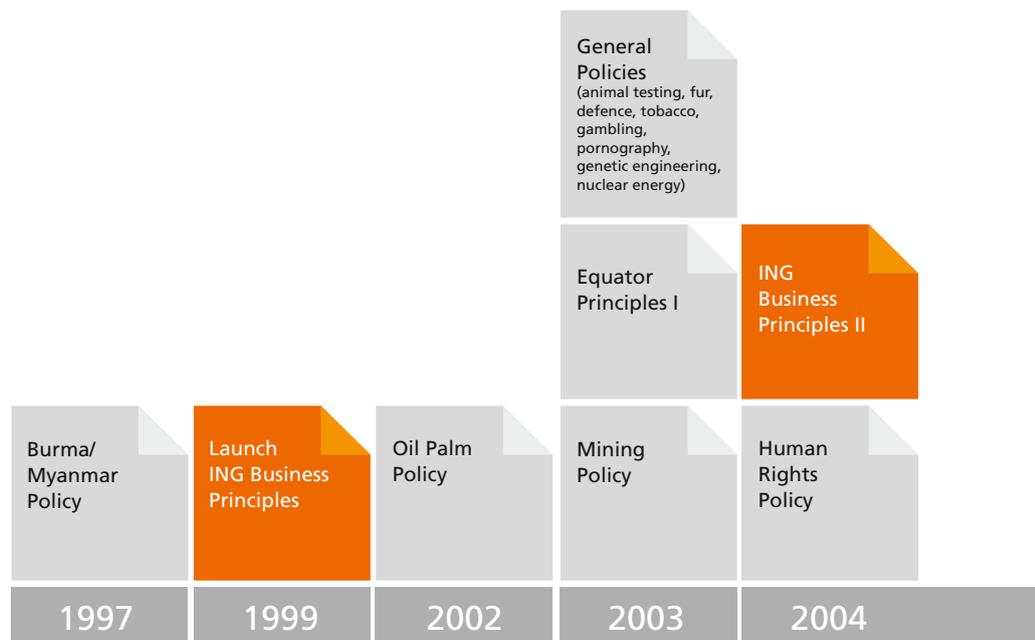
## MANAGING ENVIRONMENTAL AND SOCIAL RISK (ESR)

Historically, ING has applied high environmental and social standards in its operations to mitigate risks. Policies in this framework were first formalised in the year 2003 and address issues like human rights, protected areas, biodiversity and ethical dilemmas. The Environmental and Social Risk (ESR) Policies have become integral to ING's risk culture and are a fully integrated part of our business.

Environmental and social risks associated with a financial transaction can be complex and have an impact on our business and that of our clients. By implementing ESR standards, we have been improving our business and we have helped

our clients improve their overall risk profile. ING Bank has a dedicated Environmental and Social Risk department which advises on business transactions with potential environmental or social sensitivities. The department is part of the Risk function, and has a strategic responsibility to develop ESR Policies and facilitate their implementation across ING Group.

The department also assists in client engagement related to policy compliance, and participates in stakeholder dialogues with peer constituents, such as the Equator Principles Financial Institutions network. ING's current set of ESR Policies is grouped into the following categories:



### General policies

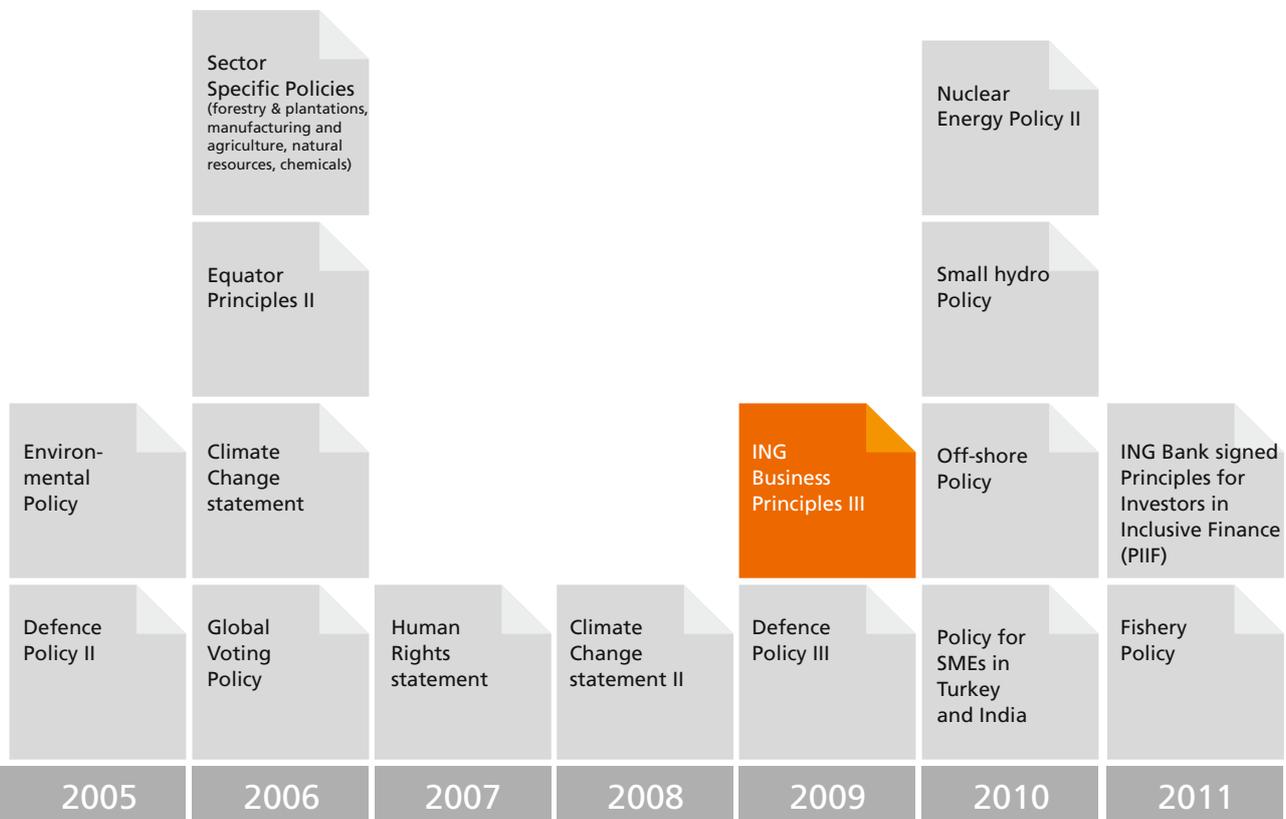
These policies define our minimum standards; they make sure we are not engaging with clients or companies with activities beyond what we find acceptable. Our general policies deal with a variety of issues which could be present in any sector or business activity.

### Sector-specific policies

These policies deal with environmental, labour and human rights issues that are specific to a particular sector. They guide us in our aim to support companies across these sectors to improve their environmental and social performance.

### Project-related policies

These policies (e.g. the Equator Principles) deal with issues related to project finance, but we also apply them to project-related advisory and lending, for both financing and advisory work. Details on the application of the Equator Principles (EP) can be found later in this section.



## Managing socio-environmental risks at ING Bank

All ING activities are within the scope of our ESR framework. The ESR management procedures were first developed for ING's Commercial Banking activities with the exception of the defence policy, which has always had a broader scope. In August 2008, the scope of the ESR Policies was extended to cover all of ING's Business Lines. Relevant process changes are to ensure consistent application of the policies at all levels of ING.

### ESR GOVERNANCE MODEL AT ING BANK

ESR is applied at the client level and the transaction level. Whenever ING receives a request to offer a product or service for a client, the ESR Policy compliance of all corporate policies and client activities is verified. When entering into specific business engagements, another in-depth verification takes place. To illustrate this, the risk level of a corporate engagement with a major client in the extractive industry sector may involve a different risk level than a specific project. It could be the case

that all corporate policies conform with international best practice, but that an individual project may be exposed to risks because of the specifics of the project and the country. If this is the case, it requires either significant due diligence and monitoring, or it is considered beyond our risk appetite.

The chart below gives an illustration of how the ESR governance model is applied in practice. For specific transactions or engagements, the ING's Front Office staff first checks whether the engagement is in line with ING's Business Principles. The second step is to determine whether the engagement carries 'high' or 'low' risk under the ESR policies. When assessing the applicability of ESR policies, we focus on the (potential) client as well as the sector and country where it operates. The criteria used to flag risk business engagement refer (among others) to:

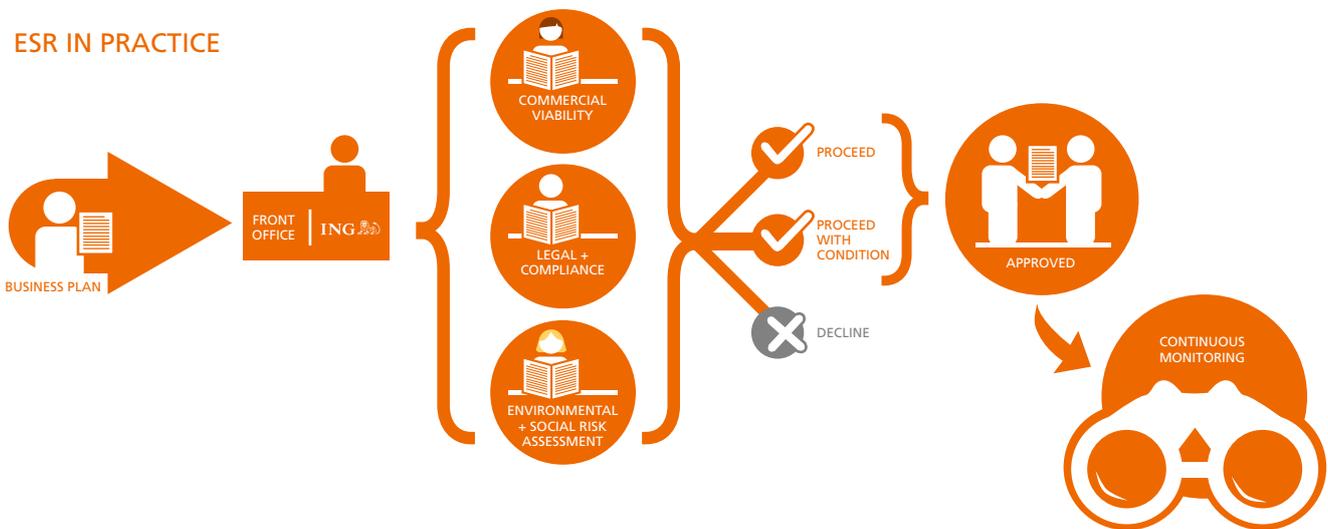
- Impact on protected areas (as identified by international institutions such as the International Union for the

Conservation of Nature (IUCN), the Ramsar Convention, and the United Nations Educational, Scientific and Cultural Organisation (UNESCO));

- Environmental and social performance of client and the purpose of the financing;
- Involvement in countries defined as 'high risk' by ING;
- Projects with high and medium environmental and social impacts (Equator Principles Category A/B).

In the case of low-risk transactions, our Front Office and risk managers proceed with the engagement. However, if the transaction is considered to be 'high risk', a further ESR assessment is carried out, often in close cooperation with ING's Sustainability department. Based on the assessment an advice is given on how to proceed. The Executive Board and ING's highest credit committee may waive a negative ESR advice.

### ESR IN PRACTICE



## Diederik Timmer

European Director of  
Sustainalytics



Sustainalytics is a global provider of environmental, social and governance research and analysis. Diederik Timmer, European Director of Sustainalytics, believes that financial institutions urgently need to regain the public's trust by aligning their strategy with sustainability, and creating simpler, more personalised products.

Timmer's message is poignant and succinct: people don't really trust or believe financial institutions any more. "They see them as institutions that just want to gain from any development, at any expense. This is a real problem."

To regain the public's trust, financial institutions need to be open, transparent and personal. "For a bank, this would mean creating products that are simple to understand, with less fine print, and designing products that are truly tailored to an individual's financial needs."

Financial institutions should also integrate sustainability into their business strategy. "Financial markets should pursue long-term investment objectives that achieve financial returns as well as social and environmental change. The most effective approach balances both. Sustainable financial markets should manage the impact of financial institutions on society. This requires them to engage in activities where they can actually bring about change, for example by investing in microfinance institutions or in companies that contribute to development and innovation."

"Shareholder and stakeholder interests must be seen as aligned," continues Timmer. "There is no real discrepancy between the two. When banks realise this, they will benefit in the long term."

**"Financial institutions need to be open, transparent and personal."**

"Investors take sustainability seriously for various reasons - to maintain reputation, to contribute to social and environmental change, and to create a better investment portfolio that creates greater returns with lower risk."

**REFINING ENVIRONMENTAL AND SOCIAL RISK POLICIES AT ING BANK**

Policy refinement is a continuous process and ever since their initial approval, ING's ESR policies have been extensively adjusted to ensure their ongoing relevance to the challenges and issues associated with our clients' business activities.

When developing new policies, or refining existing ones, we consult our internal and external stakeholders, for example at the roundtable on Responsible Banking and Best Practice for Environmental and Social Governance Teams, which is organised by the United Nations Environment Programme Finance Initiative (UNEPFI). Consultation allows us to enhance our criteria and helps us to align our policies with best-in-class standards. Furthermore, the OECD developed new guidelines on human rights, and ING coordinates the joint understanding and translation into bank policies for the entire industry.

In 2011, we implemented the following main policy changes:

- The ESR framework was integrated into the customer due diligence processes.
- ING publicly supported the Ruggie framework, this is a framework developed by the special representative to the secretary-general of the United Nations on Business and Human Rights, John

Ruggie, who contends that the key responsibility of corporations is to respect human rights. We are now discussing the translation of this framework into standards for practical use by financial institutions.

- Different sector policies with regard to commodities were further specified and we provided training on how to work with these amendments.
- Our policy framework is currently under review with the aim of making it easier for our colleagues to use. This process will be finalised in 2012.

**TRAINING AND CAPACITY BUILDING WITHIN ING BANK**

In addition to developing and applying policies, our ESR department also delivers policy training programmes to our employees. During such a training, employees dealing with specific ESR policies get together for in-depth discussions on how the policies work, and the benefits and challenges of implementing them.

Each year, specialists from the ESR department travel to different ING offices around the world to provide training on the existing ESR framework or on newly developed policies, for example on commodities. In 2011, training was given in Turkey, focusing on the Equator Principles (EP), the defence sector and nuclear

power. New ING employees also receive training on ESR policies.

The number of people trained by the ESR department dropped to 350 from 443 in 2010. Because our policies are more and more integrated in the system for client onboarding, the need for training has decreased. In addition, our EP and Sector policies are currently under revision. Once the renewed versions are available, training will resume.

Throughout our organisation, we have ESR experts who act as the main contact point for ESR issues in specific regions. This ensures a high-quality reviewing and assessment process. The network will be expanded in the coming years.

## **APPLYING THE EQUATOR PRINCIPLES**

The Equator Principles (EP) have become the standard in the financial industry for assessing and managing environmental and social risk in project finance transactions. The EP are adopted and applied voluntarily by financial institutions, called Equator Principles Financial Institutions (EPFI). The EP are based on the International Finance Corporation Performance Standards on social and environmental sustainability (IFC PS) and the Environmental, Health, and Safety Guidelines (EHS Guidelines). Formed by the EP Association representatives of the EPFI manage, administer and develop the EP. Its goal is also to ensure long-term viability of the framework.

ING is one of the 14 members of the EPFI Steering Committee. ING will chair this Committee in 2012. Together with the other members, we play a role in guiding the EP and the Association in new directions. We participate in several working groups, and chair the committee that focuses on social risks, specifically looking at all matters related to human rights. We aim to incorporate relevant developments, such as the Ruggie framework and the new OECD guidelines, into the Equator Principles Framework.

Currently more than 75 financial institutions are part of the Association and use the EP. Together we are working hard to increase this number by sharing best practices with non-participating banks or talking to regulating bodies. The ongoing refinement of the EP is something we aspire to, but this will possibly limit the ability of new players to enter the Association. Welcoming new financial institutions on board, while at the same time continuing to invest in further progress, requires a careful balancing act.

ING is an active advocate and user of the EP as we recognise their ability to positively contribute to society. Application of EP requires in-depth research on environmental and social risks. By raising awareness of these risks, we support our customers in identifying opportunities to mitigate them. We only engage with clients when the basics are in place, and aim to assist them in improving the standards they apply. We incorporate conditions related to our Policy framework in the financial documentation, making them part of the commercial relationship.

In 2011 the IFC Performance Standards were up for their periodical review. ING coordinated the work that was done on the topics human rights and labour rights. The new standards became valid on

1 January 2012. The revision of the Equator Principles were triggered by a strategic review and experience of the last few years.

Topics being addressed in the revision are:

- Transparency requirements, both for clients and EPFI on how the EP are being applied and implemented.
- Climate change.
- The Ruggie Framework and OECD standards on human rights.
- The scope of the EP.
- Consistent implementation of the EP by all EPFI.

The review will be finalised in 2012.

Each project sensitive to environmental and social risks is reviewed at least annually, depending on any additional conditions set, or significant risks attached to a project. The review assesses if the project is still compliant with the EP and the given requirements. Some projects are 'approved under conditions', which means the basic elements are in place, but the company still has to meet some requirements in order to be fully compliant.

**ING will chair the EP Steering Committee in 2012**

**EQUATOR PRINCIPLES SCREENING AT ING BANK IN 2011**

Number of projects screened, including outcome



**AFRICA**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure		1	
Natural Resources			
Other			
Power & Utilities			
<b>Total</b>		<b>1</b>	



**WESTERN EUROPE**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure		3	2
Natural Resources		1	1
Other			
Power & Utilities			11
<b>Total</b>		<b>15</b>	<b>3</b>



**CENTRAL & EASTERN EUROPE**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure		1	1
Natural Resources		3	
Other		1	3
Power & Utilities			1
<b>Total</b>		<b>5</b>	<b>5</b>



**NORTH AMERICA**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure		1	
Natural Resources		1	
Other		1	1
Power & Utilities			7
<b>Total</b>		<b>10</b>	<b>1</b>



**LATIN AMERICA**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure			1
Natural Resources		1	
Other			1
Power & Utilities			1
<b>Total</b>		<b>1</b>	<b>3</b>



**MIDDLE EAST**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure			
Natural Resources			
Other			
Power & Utilities		1	
<b>Total</b>		<b>1</b>	



**ASIA / PACIFIC**

	Equator Principles Advice		
	Negative	Positive	Conditional
Infrastructure			
Natural Resources		2	2
Other		1	1
Power & Utilities		2	2
<b>Total</b>		<b>5</b>	<b>5</b>

The number of negative advices based on application of the EP has dropped significantly over the years. Two reasons for this are training and higher awareness in the front office, which help to filter out non-compliant deals from an early stage. Furthermore, ING believes that simply turning down a project does not solve the underlying social or environmental issues that may be at stake. For this reason, we normally decide to proceed with the project under certain conditions and to 'nudge' the client towards EP compliance through close monitoring during the life of the project.



## Shawn Miller

Chair of the Equator Principles Association Steering Committee  
Managing Director of Environmental and Social Risk  
Management (ESRM) at Citi

*How do the Equator Principles (EP) help a bank become more sustainable?*

First and foremost, they help banks manage risk. When financing large infrastructure projects, the EP provide a credible and effective way to assess and manage risks, and have intelligent conversations with our clients. Also, banks have built environmental and social risk policies and frameworks on top of the EP as part of their business. This has made our investment and lending decisions more sustainable.

*How important is advocacy of the Equator Principles by banks?*

It is important for the success of the EP that they are used in all regions and markets worldwide. Many of us - including ING and Citi - operate in diverse geographies outside of our home markets. It's important that we are competing on a level playing field. It also makes good business sense: the EP are about both assessing and managing risk with our clients. I feel strongly that it is the duty of the leaders in the EP Association to advocate the use of EP in all our markets.

*How has the financial crisis impacted the relevance of the Equator Principles?*

Throughout the crisis, the EP have been a constant example of success and innovation. Are they perfect? No. Do we recognise there are things that we could do better? Yes. Instead of trying to apply them less strictly, the EP for financial institutions have tried to make them better. Indeed, I feel strongly that applying the EP robustly and consistently helps banks manage their reputation.

*Should the EP be made mandatory through governmental regulations or any other regulatory body?*

No. I think the EP have been hugely successful on their own as a voluntary environmental and social risk management framework for the finance sector. We need to continue to challenge ourselves to do better, to be more open and transparent, and work with our clients jointly to solve issues on the ground.

*What is the future of the Equator Principles - enhancing their scope or expanding the number of banks that apply them?*

I don't think it's an 'either or' proposition. The EP were envisaged as a risk management framework for large infrastructure developments and can't be applied to every banking product or business line. We are, however, trying to determine when the EP could be applied in other areas, for example corporate loans with known use of proceeds. As for the number of banks applying the principles, we have done a pretty good job of bringing in the major global project finance banks. Still, we have a long way to go in South and East Asia.

**“The Equator Principles make good business sense.”**

**A CLEAR STANCE ON BANKING  
IN SENSITIVE MARKETS:  
AGRICULTURAL COMMODITIES**

As indicated on page 19 there is an increasing concern that excessive investments and large capital inflow into the agricultural commodity futures market may lead to volatility and increase of food prices. Given the importance of the subject, ING is closely following the international debate and actively participating in research studies and dialogues to get a better understanding of any possible correlation between the two. If and when investments in commodity derivatives are found to correlate with agricultural commodity price increase and volatility, appropriate measures will be taken. ING Bank is present throughout the commodities' value chain:

- ING Bank offers financial solutions to companies throughout the commodities' value chain. This ranges from producers and traders, to transporters and processors of food products. ING Bank offers these clients straightforward financing such as trade finance, corporate loans and working capital, but also more complex financial structures such as the financing of ships, storage facilities and plantations.
- For clients that are active in the commodities value chain - i.e., producers and processors of food - ING provides hedging services. Hedging is a useful tool to limit uncertainty by reducing their exposure to the risk of price fluctuations, and is an activity which has been done for centuries.

A 'sanity check' is applied to ensure the link between the hedge (a future on a certain commodity) requested and the business activities of the client. Hedging is thus not used for speculative purposes, but to give more price certainty to the users of physical goods in the food supply chain.

- ING Bank offers commodity derivatives to its investment clients. The total exposure to corn and wheat futures are limited to EUR 8 million. There is no exposure to rice futures.

ING Bank does not trade physical agricultural commodities, or derivatives of agricultural commodities for its own account, nor do we invest our proprietary assets in these securities/products.

## Doing business with Chiquita

*Chiquita is one of the world's premier producers of bananas and other fruits. Since the 1990s, the company has been working to improve its environmental performance and the conditions for its workers. Today, the company's Latin American banana farms are certified by the Rainforest Alliance and comply with international labour standards.*

*According to George Jaksch, Senior Director of Corporate Responsibility and Public Affairs with Chiquita, the company is now developing a company-wide sustainability programme, mobilising employees to embrace sustainability and making purchasing more sustainable. Working with ING is helping Chiquita to make this transition.*

*Since the 1980s, ING has provided guarantees and credit facilities and has financed the expansion of the company's shipping fleet. From the start of the ING-Chiquita relationship, both organisations discovered they shared a common set of values, including those involving corporate responsibility (child labour, social issues). Then, in 2009, as part of a loan review, ING asked Chiquita about recent publicity surrounding the company's ethical standards. This initial review led ING to host a team from Chiquita in Amsterdam in 2011 to perform*

*a thorough review of the company's corporate responsibility efforts.*

*During the visit, Chiquita and ING discussed the company's sustainability efforts of the last few years and reviewed supporting documentation. "ING's team had done their research. They asked very probing questions and displayed a high level of expertise and personal concern," he adds.*

*According to Jaksch, it became apparent that sustainability was immensely important to ING and to the relationship between both companies. "Like ING, we look for sustainable, long-term partnerships. We were drawn to ING by its business and work ethic, fair standards, transparency and the financial strength of the institution."*

*"We run a very transparent operation and are mindful that our financial partners are looking over our shoulders and are beside us as we conduct our business. Our suppliers and key customers ask us all the time about the kind of financial institutions we are dealing with, more so over the last three or four years," says Jaksch.*

## **A CLEAR STANCE ON BANKING IN SENSITIVE MARKETS: DEFENCE EQUIPMENT**

Our defence policy is an important part of our sustainable approach to financing. The policy was first drafted in 2003 and thoroughly revised in 2005 and 2009. Over the years, it has evolved to better address social concerns about controversial weapons and arms trade.

Our defence policy provides clear guidance on what we believe to be controversial or undesirable business activities. We consider anti-personnel landmines and cluster munitions controversial, as well as depleted uranium ammunition, biological and chemical weapons. ING will neither finance the production, maintenance or trade of these weapons nor provide any financial services to companies involved in these kinds of weapons. Also, we do not finance nuclear weapons. However, we may finance the non-controversial activities of high-tech companies, such as civil aviation activities, if the company guarantees that ING funds will not be used for nuclear weapon-related activities. A good example of the latter is EADS, a company engaged in activities for the French deterrent force and a global player in

civilian aviation through its subsidiary Airbus. ING finances EADS, but we have extensively discussed our restrictive approach towards nuclear defence activities, a point of view well respected by the company.

Furthermore, the policy sets guidelines for arms trade. It prescribes that ING will not have dealings with companies in the defence sector when there is evidence that they make arms available to countries that are under a weapons embargo, terrorists and other non-governmental armed groups, or when they are used for internal repression, serious violations of international humanitarian law or for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defence.

### **ING BANK'S FINANCING OF THE DEFENCE INDUSTRY**

Based on SIPRI (Stockholm International Peace Research Institute) reports, the defence industry makes up roughly 2.5% of global GDP. Our lending services to, and investments in, this sector amount to some EUR 108 million, equal to 0.01% of our customer-related financing and investment

activities. Although our stake in the sector is fairly limited, it is not just numbers that count, particularly not in a sector as sensitive as defence. In 2011, several civil society organisations expressed their concerns over any possible financing of defence equipment to the Middle East in light of the Arab Spring. In response, we confirmed not to have financed the trade of defence equipment to the countries involved.

Another important issue in this regard relates to our financing activities of trade and export. Banks issue letters of credit and other instruments, often in the case of international transactions, which form the basis for the seller and the buyer to do their trade. Our trade financing activities are also governed by our defence policy, whereby we check both the nature of the goods, the supplier, the receiving party and its intended purpose. In 2011, 20 trade financing projects related to the defence industry were approved. Twelve transactions had a civilian purpose (such as hobby and sport usage), while eight were trade finance transactions from companies to governments.

## **Monitoring defence exposure based on SIPRI list**

*The defence sector is a diverse group of industrial and technology companies with many different activities, ranging from ammunitions to speciality vehicles and aircrafts to security technology, often used for both defence and civilian purposes. We have screened our portfolio to determine which financing ING has provided to the defence sector. Since the definition of defence is not clear-cut, we made use of the SIPRI Top 100 list to determine our involvement. The SIPRI Top 100 list is made up of the world's largest arms-producing companies, based on the revenue derived from their defence-related activities. Looking at the largest companies on that list, which together are good for 90% of the world's arm sales, we could conclude that at the end of 2011, ING Bank had provided loans to the global defence industry for a total of EUR 108 million. This is 0.01% of our total loan book.*

*The Stockholm International Peace Research Institute Top 100 lists the world's 100 largest arms-producing and military services companies (excluding Chinese companies), ranked by their arms sales in 2010. The list is based on the comprehensive SIPRI Arms Industry Database, which contains financial and employment data on the world's major arms-producing and military services companies.*

## Contributing to positive change at ING Bank

### SUSTAINABLE PRODUCTS AND SERVICES

We strive to meet the growing demand for products that not only generate good financial returns but also serve clear social and environmental objectives.

ING Groenbank exemplifies this approach. This Dutch entity, established in 1996, aims to help our business customers make their activities more sustainable through advice and suitable banking products. ING Groenbank is the number two green bank in the Netherlands. ING Groenbank's portfolio decreased from EUR 829 million in 2010 to EUR 648 million in 2011 due to the Dutch

government's ongoing dismantlement of tax facilities for sustainable investments. As a result, we have seen a strong decrease in the influx of green savings.

We expect this trend to continue in 2012. Decreased tax facilities will result in fewer opportunities to provide a discount on green loans. We intend to invest in initiatives that do not depend on fiscal advantages and to set up an advisory desk that will allow us to find sustainable partners for our clients within ING. ING Groenbank's changes reflect a wider trend in the industry. As indicated on page 103, our sustainable assets under management

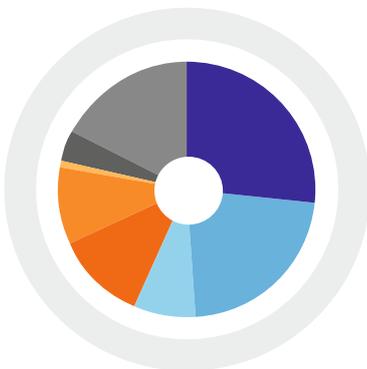
declined in 2011 from EUR 2.7 billion to EUR 2.0 billion.

### INCLUSIVE FINANCE

ING acknowledges the importance of inclusive finance. Since 2004 ING has granted loans to Micro Finance Institutions (MFIs) in developing countries, which in turn lend the money to micro-entrepreneurs. Via ING Vysya Bank Ltd. in India, we also provide direct loans to micro-entrepreneurs and self-help groups. With a current portfolio of EUR 53 million, we serve more than 400,000 micro-entrepreneurs in India. *(to continue reading, turn to page 56)*

### PROJECTS ING GROENBANK 2011

according to type  
in percentages



	2011	2010
● City heating	28%	34%
● Green-label greenhouses	23%	22%
● Sustainable energy (wind & solar)	8%	9%
● Sustainable construction	12%	12%
● Nature	10%	11%
● International loans	1%	1%
● Organic agriculture	4%	3%
● Other projects	18%	8%
Total	100%	100%

## Exploring and researching the business case for sustainability

Countering global warming and climate change is one of the most pressing issues society faces today. There is growing evidence that there are business and economic reasons to intensify investments aimed in a more efficient use of energy and water, and a reduction of greenhouse gases and waste. ING is therefore actively advising investors and corporate clients about the advantages of sustainable business. An example was a report by our Western European Equity Research team in April 2011 called 'The Third Industrial

Revolution'. The study showed that potential worldwide savings from a more efficient use of energy and water and reductions in greenhouse gases and waste could be EUR 1.5 trillion, or 5% of global GDP, by 2020. Benelux companies are in the lead in capturing a share of this sustainability opportunity. The report predicts they can achieve cost savings of EUR 56.9 billion by 2020 by reducing greenhouse gases and the use of energy and water.



## Malgorzata Kolakowska

President of the Management  
Board ING Bank Śląski, Poland

*How important is it for ING Bank Śląski to be included in the Polish Respect Index?*

ING Bank Śląski has been included in the Respect Index since it was listed on the Warsaw Stock Exchange in 2009. Companies that demonstrate strong performance in the areas of corporate governance, investor relations, employee engagement, and social and environmental programmes are included in the Index. We believe our approach to sustainability is our distinctive feature; we build relationships with our customers and the community, and take up actions in favour of the environment. In this way we aim to build solid relationships with key stakeholders, which eventually contribute to higher levels of trust and a competitive advantage. The Index is re-evaluated every six months, so we really do need to stay focused if we want to stay included.

We also look at best practices and we keep an eye on developments in the market. Last year we were proud to be awarded first place in the Responsible Companies ranking in the Financial Institutions category.

*How important do you think non-financial performance is for investors?*

Nowadays, non-financial indicators have become increasingly important for investors. A high return on equity alone is no longer enough to attract them. A company needs to communicate transparently, and the quality of reporting and the team that answers questions from the investor community need to be up to standard. In this respect it is important that a company observes ethical, environmental and social standards, and respects employees' rights. The Respect Index puts a lot of emphasis on these non-financial aspects. This makes companies with a strong sustainable track record more attractive.

*Can you say something about your key targets for 2012?*

Improving our sustainability performance is one of our business objectives. In addition, we want to improve operational excellence and client centricity, invest in developing more client-friendly solutions and easier and clearer systems for the handling of complaints. We will also roll out several satisfaction surveys and continue to make regular improvements to the quality of our products and services.

**“Companies with a strong sustainable track record are more attractive.”**

*Did you need to take specific steps internally to ensure inclusion in the Respect Index?*

We have appointed a corporate social responsibility team, composed of representatives from all of the bank's organisational units. We regularly collect the data related to various initiatives within ING Bank Śląski, and we continue to invest in our knowledge on the subject.

(continued from page 54)

We acknowledge the need to increase transparency, prevent over-indebtedness and continuously focus on the social performance. One of the steps we took in 2011 to address these challenges was to sign the Principles for Investors in Inclusive Finance (PIFF). The PIFF have meanwhile been successfully implemented at ING Vysya Bank Ltd. in India.

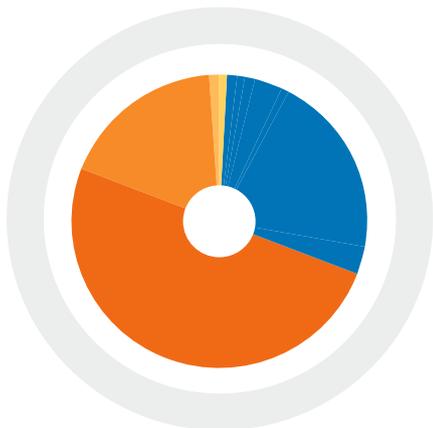
**SHIFT IN ING BANK'S ENERGY PORTFOLIO**

ING believes that the global energy sector plays a vital role in combating environmental challenges such as global warming. The energy

sector has the power to encourage the sustainable development of both emerging and industrialised economies. As a financial institution, we strive to bridge investment gaps in cleaner technologies and innovation. However, we also call upon governments to create (tax and legal) incentives for long-term investments.

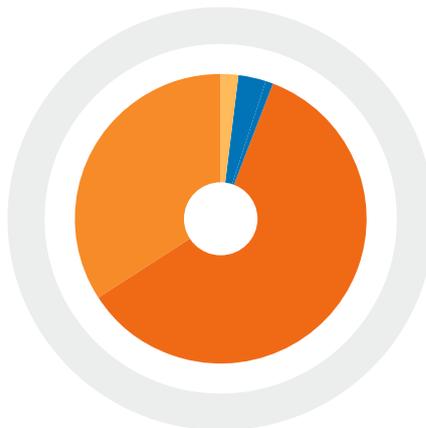
Below we show how our own energy lending portfolio has shifted. It clearly exemplifies our commitment to more sustainable energy sources. At year-end 2011, 33% of the portfolio was in renewable energy projects and we expect to increase that share to 50% in the next 12 to 18 months.

**SNAPSHOT GLOBAL ENERGY PORTFOLIO\***



Year 2011, in percentages

● Renewables:	
● Geothermal	1%
● Waste	1%
● Biomass	1%
● Solar	3%
● Offshore Wind	1%
● Wind	20%
● Hydro	3%
● Gas	50%
● Coal	18%
● Oil	1%
● Landfill Gas	1%
Total	100%



Year 2005, in percentages

● Renewables:	
● Geothermal	0%
● Waste	0%
● Biomass	-%
● Solar	-%
● Offshore Wind	-%
● Wind	1%
● Hydro	3%
● Gas	60%
● Coal	34%
● Oil	2%
● Landfill Gas	-%
Total	100%

\*ING Structured Finance Utilities, Power & Renewables



## Christopher Steane

Global Head of Lending  
ING Commercial Banking

### “Sustainability can be a business opportunity as well as an environmental and social responsibility”

*How do the issues of sustainability affect ING?*

Sustainability, including the effects of climate change, is a very important concern. In my view, ING does well in the area of its Environmental and Social Risk Policies, which I think are well drafted and well implemented. These policies tell us what not to do and stop us from doing harm. The question I have is: are there ways we can approach sustainability and climate change issues more positively? Unfortunately, I don't have the time myself to analyse all the possibilities in what is a complex area, and so I initiated the Lending Services High Impact Team (HIT) Project on Sustainability.

*What is the HIT Project on Sustainability?*

Over a 100-day period of selective and concentrated work, 20 highly motivated volunteers reflecting the diversity of the global Lending Services business worked in two teams. One team addressed the broad theme of “sustainability”, including population growth, resources scarcity, pollution, waste and biodiversity, and the other team the more specific theme of “global warming”, including climate change mitigation and adapting to and the transition to a low carbon economy. The challenge for each team was to deliver three new lending initiatives or policy guidelines

that are commercially viable in the long term and make a direct contribution to the issue.

*What is next for sustainability in Lending Services?*

We recently heard the final presentations from the teams and I am very pleased with the results. This project has brought a lot of clarity to our thinking and the Lending Services management team is now considering the detailed recommendations and deciding upon the next steps to be taken in 2012. I am hopeful that by adapting our approach, ING Lending Services can make a greater contribution to sustainability and action against climate change.

#### **ING Commercial Banking Lending Services**

*ING's commercial bank provides loan facilities to large corporate and financial institution clients. In addition, the Structured Finance and Real Estate Finance divisions provide specialist finance for projects in industries such as power generation, transportation, natural resources and infrastructure, as well as to institutional investors in real estate.*

## Solar energy in Italy

ING's involvement in renewable energy has so far included wind energy projects across Europe and the US. In 2011, we also entered the Italian solar power market with the successful financing of three large-scale projects in Italy for AES Solar, a leading global producer of solar power, and Toto Group, a construction company.

According to Stefano Saglia, Italy's former undersecretary for energy affairs, Italy is firmly committed to solar energy as part of its 2020 emission reduction goals. With more than 12.7 gigawatt (GW), Italy's solar power market is the world's largest. Though technically feasible, the projects are complex from an authorisation and regulatory point of view. However solar projects benefit from a 20-year regulated feed-in tariff.

The 24 megawatt (MW) Toto Monteboli project in Eboli was the first in Europe to be realised through a public-private partnership, a structure usually reserved for public infrastructure projects. So before 30,000 families could use solar energy, complex negotiations took place between owners, banks, suppliers and the municipality.

To further compound matters, financial institutions have

become increasingly selective as a result of the economic crisis, making it more difficult for green energy plants to obtain financing. Nevertheless, ING decided to get involved by becoming one of the mandated lead arrangers and hedging banks.

"Initially, only Italian banks were involved. Once on board, ING gave the project a distinct international character and, even more important, credibility. This facilitated discussions with the municipality of Salerno and other parties," says Fabio Fritelli, CFO of Toto. "As AES Solar was established to become one of the leading global solar power producers, we value this new partnership on the back of our two Italian projects, knowing that ING is an international player," comments Claudio Pisi Vitagliano, head of European Finance at AES Solar.

As the market for solar energy changes, balancing commercial realities with environmental goals is becoming harder. The Monteboli project provides a template for how to set up a successful renewable energy project in a shifting economic and regulatory environment.

## ING calls for 'Green Delta Plan'

The Dutch government has set a target for 14% of all energy consumption in the Netherlands to come from renewable sources by 2020. This is an ambitious goal. Significant effort and investments will be required in order to achieve this objective. This was one of the main conclusions of a study published by the ING Economics Department in September 2011.

According to ING's economists, global energy demand will rise sharply in the coming years. However, 80% of the world's energy needs currently come from oil, coal and gas, which emit a significant amount of CO<sub>2</sub>. Furthermore, these resources are finite. ING's report argued that the share of fossil fuels in the global energy mix must be reduced in favour of renewable energy. In the Netherlands, the renewable energy market is growing at an annual rate of 13%. However, renewable energy is still a mere 4% of total energy consumption, which is far under the government's 2020 goal of 14%.

ING's analysis demonstrated that there is still ample opportunity to make energy production in the Netherlands more sustainable, for instance by increasing investments in wind energy and biomass. Opportunities to reduce energy consumption lie mainly in the building sector (e.g. through better insulation, double-glazing and high-efficiency boilers). Co-generation and heat and cold storage are also promising options in the industrial, real estate and agricultural sectors.

The report showed that in order to achieve the government's 2020 sustainable energy targets, annual investments of EUR 10 billion are needed versus current investments of EUR 2 billion. ING therefore calls for a 'Green Delta Plan' to be agreed between the government, business, lenders and knowledge institutions in order to bridge this financial gap.

## Claudia Mennen-Vermeule

CFO of Green Gas International



Green Gas International designs, builds and operates plants that convert polluting methane waste gas from coal mines and landfills into clean energy and carbon credits. Founded in 2005, the company operates around 50 projects worldwide, with a combined capacity of around 110 MW. Former CFO Claudia Mennen-Vermeule looks for innovative ways to finance these projects.

“Project finance is difficult for small projects because of the high legal and due diligence costs. We looked into issuing carbon bonds, but that would require support of various governments and agencies, which would be too complex and expensive. Instead, we came up with other creative and revolutionary ideas.”

This led the company to ING. “We initially looked at project financing, but the feedback was that it was too small. So Green Gas, together with ING, realised that we needed an umbrella facility where we could bring all the projects together. That would mean negotiating a document once, and then bringing in new projects under that basic framework.”

This approach was beneficial to both parties. The larger project size made it easier to cover the costs involved, and since it was structured through the Netherlands, the financing was quite secure. “We have sold the carbon credits forward, so ING doesn’t have a pricing risk on the credits.”

The approach was complex and many risks had to be dealt with, so the project took a year to be completed. Mennen

muses that for now, the project is based on carbon credits, but the next step will be to see how electricity generation can be made part of the equation.

**“We make energy from a waste product, improve the environment and make an economic profit.”**

“The project is major indeed. We will realise emission reductions of 1.6 million tonnes of CO<sub>2</sub> per year. This is equivalent to neutralising half a million cars on the roads, or 10% of all cars in the Netherlands. In addition we are generating enough renewable energy to meet the needs of a city with 300,000 inhabitants.”

Mennen is hopeful for the future of her company and for the industry as a whole. “We are a self-financing company that stands on its own feet. We have shareholders that are committed to our operations. We make energy from a waste product, improve the environment and make an economic profit out of it.”

# FINANCE AND TRANSPARENCY BANK

People will only entrust their money to us, if they feel that we are committed to managing their money well. An important factor in this respect is that we are well aware of the increasing levels of expectations amongst our customers and in broader society with regard to

responsible finance. We therefore consider it important to be optimally transparent on where we collect our money from and on what we do with the funds entrusted to us.

into both the funding sources of ING Bank as well as the allocation of the funds entrusted to us. Moreover, it illustrates the application of our Environmental and Social Risk framework in our commercial lending activities.

For this reason the charts below provide insight

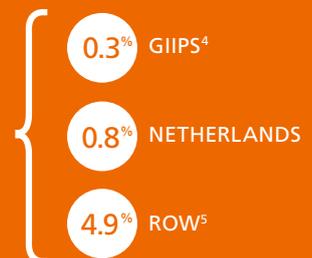
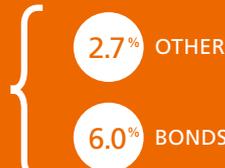
## FUNDING BASE ING BANK TOTAL EQUITY AND LIABILITIES<sup>1</sup>

The figure below represents the total equity and liabilities of the 2011 consolidated balance sheet of ING Bank, illustrating the funding base of ING Bank. The total funding of ING Bank amounted to EUR 961 billion, 49.9% of which consisted of customer deposits.



## SEGMENT BREAK-DOWN LENDING & INVESTMENTS CREDIT RISK PORTFOLIO PER CLIENT SEGMENT<sup>3</sup>

The figure below gives an overview of ING Bank's lending and investment activities. This overview is based on ING Bank's internal credit risk measurement methodologies, showing our portfolio divided over five client segments. As indicated, the vast majority of ING Bank's portfolio serves the financing and investment needs of households, companies, other financial institutions and governments. For instance, 40.8% is allocated in the form of mortgages and other types of loans provided to private individuals and 26.9% of ING Bank's assets are allocated to meet the financing needs of small and midsize enterprises, large corporations and other commercial enterprises.



<sup>3</sup> For more information see the ING Group fourth quarterly report, page 26.

<sup>4</sup> Greece, Italy, Ireland and Spain

<sup>5</sup> Rest of the world

<sup>1</sup> For the balance sheet of ING Bank, please see the ING Bank Annual Report 2011, page 16.

<sup>2</sup> Trading liabilities are listed under Financial liabilities at fair value through profit and loss, as stated on page 16 of ING Bank Annual Report

## ECONOMIC SECTORS

### CREDIT RISK PORTFOLIO PER ECONOMIC SECTOR<sup>6</sup>

The sector overview on the right gives a further specification of the different sectors in which ING Bank carries out its corporate lending and investment activities, which account for 26.9% of its total lending and investment activities (as indicated on page 60). The specification is based on the NAICS<sup>7</sup> classification applied by ING Bank Credit Risk Management in our internal measurement methodologies.<sup>6</sup> It illustrates, for instance, that 0.5% of the Bank's lending and investment portfolio (the first element on the right) relates to the technology sector and 6.2% relates to real estate (the last element shown).

As indicated before, all our activities are governed by our ESR policy framework. The icons depicted in the overview illustrate which policy is applicable to which sector. Note that we have several specific policies applying to the different sectors, such as country risk policies, which do not all form part of our environmental and social risk framework. Please see page 44 for more information on our ESR policy framework and its practical implementation.

<sup>6</sup> Please refer also to ING Group Annual Report 2011, page 228

<sup>7</sup> Please refer to the Glossary for explanation of these terms

- OUR POLICIES ON
-  ANIMAL TESTING
  -  DEFENCE
  -  ENVIRONMENTAL COMPLIANCE
  -  FUR
  -  GAMBLING
  -  GENETIC ENGINEERING
  -  HUMAN RIGHTS
  -  NUCLEAR ENERGY
  -  PORNOGRAPHY
  -  FORESTRY & PLANTATIONS
  -  LABOUR RIGHTS  
(MANUFACTURING/AGRICULTURE)
  -  NATURAL RESOURCES & CHEMICALS
  -  EQUATOR PRINCIPLES



## Managing socio-environmental risks at ING Insurance and Investment Management

### GOVERNANCE MODEL

All investment activities at ING are first and foremost governed by the ING Business Principles. ING Insurance/IM has taken several measures to support the practical implementation of these principles across our investment activities.

First, ING Insurance/IM applies the ING Group ESR framework. Based on this framework, we have made a list of companies that ING managed funds and proprietary assets cannot invest in. To ensure universal application across ING, the list is fed into the trading software, subsequently preventing any trade in the stock of these companies.

Furthermore, ING Insurance/IM has developed an integrated Environmental & Social Governance (ESG) model. We collect and analyze ESG data to enable all of our investment professionals to make better long-term investment decisions based on a more holistic understanding (financial and non-financial factors) of a company and based on a long-term perspective. In 2011, we made significant progress in integrating ESG factors in our investment processes by providing the portfolio fund managers with an analysis of companies' environmental, social and governance performance, complementing the traditional financial analysis.

In addition, we proactively contribute to positive change by offering specific Socially Responsible Investment (SRI) funds that combine ESR minimum norms, an ESG long term holistic perspective and specific sustainability criteria in both equity and fixed income.

### MANAGING ASSETS

ING distinguishes different types of assets that are managed for our own account and for third parties. The majority of ING's assets are managed by ING Investment Management (ING IM). These assets can be divided into three categories.

1. Proprietary assets are those that back insurance contract liabilities. ING invests this money in a prudent way in order to pay future claims under these contracts. The return (profits and losses) is for ING's own account.
2. Third party assets are those that ING manages for institutional clients. ING IM selects specific investments based on the investment criteria defined by the client. The return is for the account of the client.
3. ING managed funds are investment portfolios that we offer to retail clients. The returns made by these funds are for the account of the client. A specific group of ING managed funds are our SRI funds, which use sustainability criteria to determine the investment universe.

ING IM's Responsible Investment (RI) strategy is based on our Investment Principles, which state that we are committed to investing responsibly and delivering customer-oriented investment solutions.

Therefore, we follow four clear guidelines:

- We are committed to the United Nations Principles for Responsible Investment (UN PRI);
- We do not invest in controversial weapons;
- We actively vote in our customers' best interest;
- We offer specialised SRI funds and tailor-made Responsible Investment solutions.

Each region has its own dedicated ESG and SRI investment professionals who have extensive experience in analyzing ESG data and managing sustainable funds and are able to educate other colleagues in our organisation on taking ESG information into account and responsible investment.

Furthermore, ING IM is a signatory to the European Social Investment Forum (Eurosif) SRI Transparency Code. Eurosif promotes transparency on the use of qualitative investment criteria to enable consumers (investors) to make a more informed choice, by clarifying the principles and processes used by SRI mutual funds in their investment processes.

In addition, a PRI committee has been set up with representatives from different regions to monitor and align regional PRI initiatives. The members are responsible for implementation, progress review and feedback to the relevant teams in their regions. The committee also provides advice to the Management Board Insurance / IM about our positioning and future initiatives in the ESG and SRI area.

### **INTEGRATING ESG FACTORS INTO THE INVESTMENT PROCESS**

We believe that integrating environmental, social and governance (ESG) factors into the investment process enables us to take into account factors which are often out of scope of traditional financial analysis, but can have a significant impact on long-term performance. This allows our analysts to unlock potential value by identifying opportunities and/or risks from an ESG perspective, upon which fund managers base their investment decisions. These criteria are integrated into the investment process for both the proprietary assets and third-party assets. Our dedicated SRI funds use the same database but add a combined approach of best-in-class and negative screening based on sustainability criteria.

The ESG factors covered include environmental damage and climate change, corruption, human rights, health and safety, as well as good governance. The analysts have access to the ESG database. The idea is that all analysts can use the ESG data in a ready-to-use format.

The ESG database includes information on how each company scores on different ESG factors compared to its sector average and if there are any structural issues or controversies regarding people, planet and society. The analysts incorporate these data in their investment cases, thereby looking at the materiality (i.e. the impact on the valuation) for each company that is reviewed for investment. Fund managers base their decisions upon these investment cases. This process is applicable to equities and corporate bonds. A similar procedure is in place for government bonds, whereby instead of using ESG data on company level, we make use of ESG data on country level.

### **RESTRICTED LIST**

The basis for our responsible investment approach is ING's ESR policy framework. This framework consists of a wide range of policies concerning environmental and social aspects, such as the defence sector, animal testing and gambling (refer to page 69). Based on this

framework, we have developed a restricted list, i.e., a list of non-eligible companies that are considered to be the worst offenders in sensitive areas. In addition, we maintain a restricted list specifically for the defence sector. The restricted list is applicable to the proprietary assets (i.e. premiums) and the SRI funds, while the restricted list for the defence industry is applicable to all assets, both proprietary and third party.

### **EXERTING INFLUENCE BY VOTING**

Our voting policy states that not only financial, economic and corporate governance information is important in assessing shareholder value, but also social, ethical and environmental considerations.

By voting at general meetings, ING IM Europe can influence matters, such as director nominations, remuneration policy and the issue of new shares. ING has published a Global Voting Policy for all asset managers within the company. The principles as expressed in the Global Voting Policy are the foundation for ING IM Europe's voting policy.

This voting policy describes how we vote on standard resolutions at annual general meetings and extraordinary general meetings of our investee companies. The shareholder meetings of our Dutch and Belgian holdings, as well as all companies that are held in the Sustainable Equity fund, are individually scrutinised by an in-house proxy voting committee. In this proxy voting committee fund managers and analysts are represented in order to ensure a clear linkage between our voting activities and investment activities. In several other instances, voting behaviour is decided on the basis of advice of external specialists, in particular ISS. In the United States, Japan and a number of other countries, shareholder resolutions are often used to raise ESG issues. ING IM has the policy to actively vote on shareholder proposals that are related to ESG issues relevant to the company at stake. ING IM supports shareholder proposals if we believe they help address significant social and environmental issues that can be material to a company.

At the same time, we take a rational approach in our analysis of the shareholder proposals at hand.

We are generally supportive of shareholder proposals that seek to generate greater transparency and accountability about how companies address key environmental and social issues. This also goes for proposals that seek to bring an investee company's corporate governance into line with best practices.

**PROACTIVE ENGAGEMENTS WITH COMPANIES AND INVESTORS**

Engagement activities are conducted by our own specialists and, to a certain extent, through our external (ESG data research and

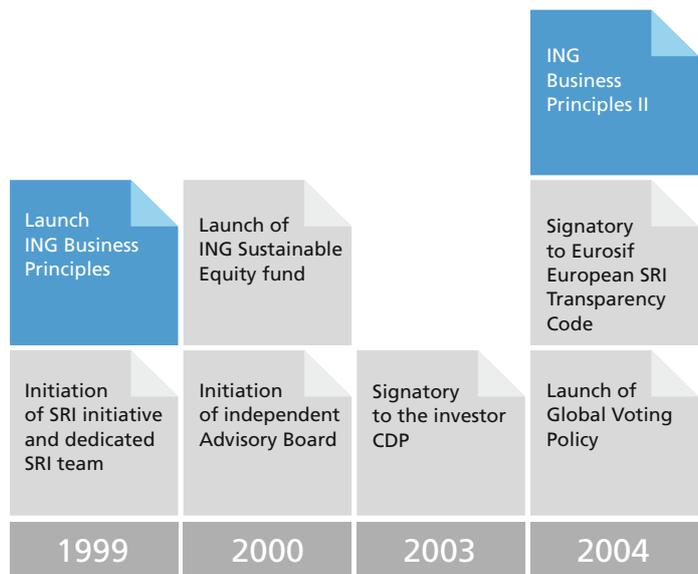
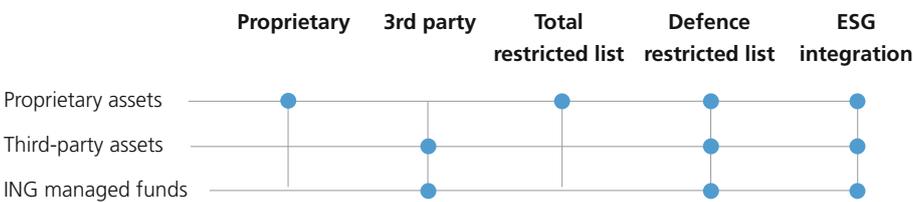
proxy voting) providers. Analysts, portfolio managers and ESG specialists have regular meetings with company management teams. The company meeting reports are filed in our research database and this information is accessible to all our investment professionals globally. ING IM also takes part in collaborative engagements with other investors. The main advantage of such engagements is sharing knowledge. One of the organisations with which we actively engage is Eumedion, which acts as representative of the interests of European institutional investors in the field of corporate governance in the Netherlands.

**A CLEAR STANCE ON INVESTMENT MANAGEMENT IN SENSITIVE MARKETS: AGRICULTURAL COMMODITIES**

The involvement of ING Insurance/IM in commodities is very limited. We offer commodity derivatives solutions and investment funds to our retail and institutional clients, to diversify their investment risks. These investments are made by non-commercial parties and are managed by ING IM.

In helping our retail and institutional investment clients to minimise investment risks in their portfolios, we provide an investment fund linked to a general commodity index (Dow Jones - UBS Commodity Index).

**ESG INVESTMENT**



ING Investment Management offers one commodity fund to retail clients and institutional investors. In 2011, the total of exposures to agricultural commodities futures was lower than EUR 15 million. Combined positions in the commodities corn and wheat futures are roughly EUR 5 million, and there was no exposure to rice futures. Such funds provide liquidity to the derivatives market, making hedging for professional parties possible.

ING Insurance/ IM does not trade physical agricultural commodities, or derivatives of agricultural commodities for its own account, nor do we invest our proprietary assets in these securities and products.

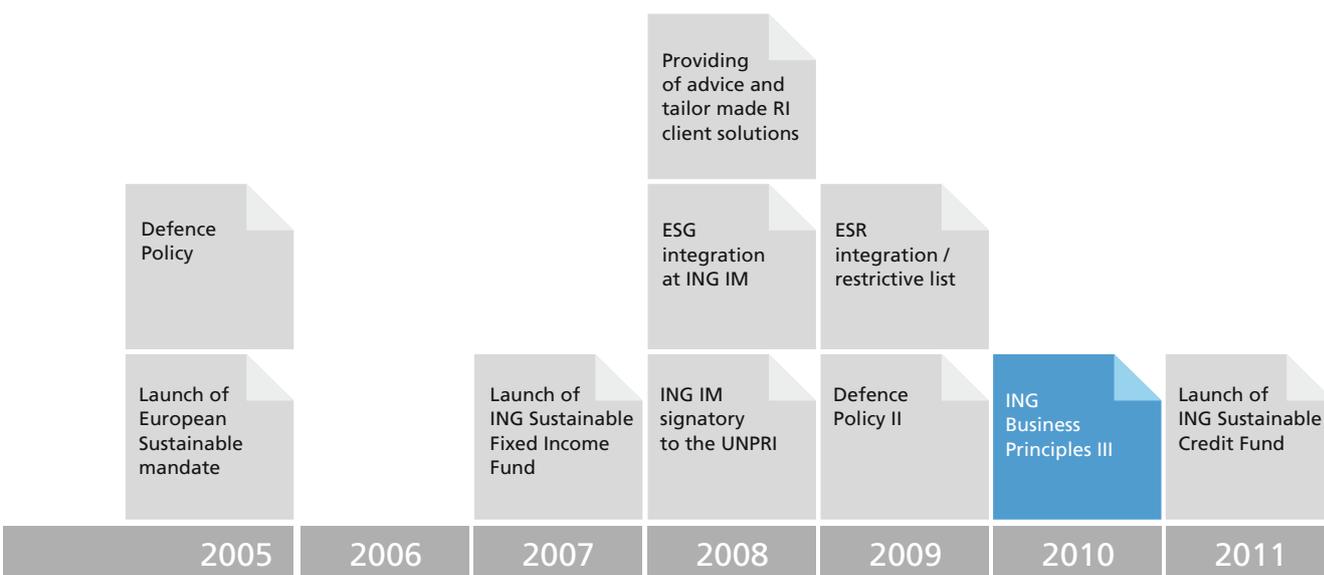
**A CLEAR STANCE ON INVESTMENT MANAGEMENT IN SENSITIVE MARKETS: DEFENCE EQUIPMENT**

ING will not invest its proprietary assets in controversial weapons companies and will, with the exception of discretionary mandates and index trackers (see Glossary: index trackers) and wherever legally possible and independently enforceable by ING, ensure customer funds are not placed in such companies through ING managed funds.

**ING IM'S INVESTMENTS IN THE DEFENCE INDUSTRY**

The defence industry is a diverse group of companies with many different activities, ranging from ammunitions to speciality vehicles to security technology. We have screened our portfolios to see what investments are made or managed by ING in the defence industry. Since the definition of defence is not clear-cut, we made use of the SIPRI Top 100 list to determine our involvement (please

see page 53 for more information on SIPRI). We researched the exposure of ING Insurance/IM to the group of the largest companies that together are good for 90% of the world's arms-producing sales. We make the distinction between proprietary assets and third-party assets. Investments that ING Insurance makes are mostly done by buying equity or corporate bonds of large industrial conglomerates that are active in a wide range of activities and sectors, including defence. To determine and narrow down our exposure to the defence activities, we used a method that is also used by peers and research organisations. We multiply our investment in a conglomerate with the percentage of total sales this conglomerate receives from its defence activities. By doing so, we have the following defence related exposures: EUR 91 million in proprietary assets and EUR 87 million in third-party assets as per 31 of December 2011 (in total EUR 178 million).



## Contributing to positive change at ING Insurance / Investment Management

ING Insurance and Investment Management is meeting the growing demand for products that generate good financial returns and serve clear social and environmental objectives by developing appropriate products.

### SPECIALISED SRI FUNDS

In 2011 ING IM introduced a new fund called ING Sustainable Credit Fund. It is a sustainable fixed income fund that invests in euro bonds of companies that score sufficiently on ING's environmental, social and governance (ESG) criteria. By managing this type of fund, ING IM has extended its capabilities in the field of socially responsible fund management.

ING IM's flagship ING Sustainable Equity Fund has been offered since 2000. In 2011, it was the best-performing Dutch sustainable equity fund. It also beat the MSCI World Index benchmark, the most widely used standard for equity market performance in the developed world. The international equivalent of the ING Sustainable Equity Fund is the Luxembourg-based ING (L) Invest Sustainable Equity Fund, which was also performed strongly in 2011 and has been ranked number one in its peer group of global sustainable equity funds on a three-year basis.

### OFFERING TAILOR-MADE RI SOLUTIONS

ING IM offers clients the possibility to set up separate mandates according to their specific preferences with respect to best-in-class and exclusionary criteria. In addition, we provide investment advice relating to various sustainability-related issues. ING IM aims to further grow its expertise in incorporating ESG factors into its mainstream investment process.

**“By combining risks and opportunities linked to ESG factors with a thorough financial analysis of companies, we are able to take into account factors which are often out of the scope of traditional financial analysis. These factors can have a significant impact on long-term performance. The strong track record of our Sustainable Equity Fund shows that ESG management and good fund performance can go hand in hand. As sustainable investing is moving mainstream, our Sustainable Equity Fund can form an attractive core holding in any equity portfolio.”**

**Nina Hodzic, ESG specialist at ING Investment Management**



## James Gifford

Executive Director of UN PRI

The United Nations Principles for Responsible Investment (UN PRI) were created to help integrate environmental, social and governance (ESG) issues into investment practices. James Gifford, UN PRI's executive director since their launch in 2003, believes more and more institutions across the world are beginning to appreciate the Principles' value.

"The principles are process-oriented. If they are implemented by financial institutions, they will not only deliver more stable financial markets and more productive economies, but also significantly benefit the environment and society."

## "The Principles for Responsible Investment significantly benefit the environment and society."

The PRI are voluntary and aspirational rather than regulatory. They encourage investors to understand emerging risks and opportunities around environmental and social corporate governance factors in a proactive way. They are non-prescriptive and encourages transparency.

Gifford notices how different regions have adopted different attitudes to responsible investment. "Western

Europe - the Netherlands and Scandinavia in particular - and Australia and Brazil are most proactive. This is in part because of the leadership of large institutional asset owners in those markets."

"The idea that environmental and social issues are core to how a company runs is more common and deeper in Europe than it is in North America, where these issues tend to be more polarised. But this is changing, and we have a lot of momentum in North America."

In Asia, PRI are gaining traction in Japan and Korea, while India and China have proven more challenging. China is interested in clean technologies and sustainable investment, but the Principles have traditionally been focused on how to implement responsible investment within mainstream assets such as equity and fixed income.

Generally, however, Gifford believes that the PRI have become more widely adopted since 2008. "People recognise that the status quo was not really working. The philosophy behind the PRI of long-term investments and purpose of investment - which is to allocate productive capital to human welfare and to enterprises that deliver goods and services to the economy - was largely forgotten before the financial crisis."

In the future the PRI will focus on regional expansion and depth in asset class implementation, incorporating areas of fixed income and private equity. "Most PRI signatories come through peer relationships, so it is about financial institutions showing leadership within their own markets and setting an example."

**Paul Laudicina,**

Managing Partner and  
Chairman of A.T. Kearney



The consultancy firm A.T. Kearney last year conducted its 'Green Winners' research into companies that demonstrate a clear focus on sustainability. The conclusions of this research strengthens our conviction that further investments in sustainability are justified. Paul Laudicina, A.T. Kearney's Managing Partner and Chairman of the Board, explains how sustainability driven companies outperformed their peers during the financial crisis.

*Why did A.T. Kearney do this research?*

In the years prior to the financial crisis, many companies were making considerable investments in sustainability practices and initiatives. Sustainability was high on consumers' minds, and businesses were quickly trying to ensure they had sustainability strategies, sustainable products and green supply chains. As one of the first major consulting firms to become carbon neutral, we were quite interested in testing the value of these investments and how companies committed to sustainability could succeed.

## **"A less-than-complete commitment to sustainability has little payback"**

*What did the study show?*

Our original study was conducted at the height of the financial crisis and showed that the stock prices of companies with a legitimate commitment to sustainability outperformed their peers. We looked at 99 companies in the Dow Jones Sustainability Index, and found that in 16 of the 18 industries, those companies outperformed their industry averages by 15% - during the May-November 2008 period, the height of the market meltdown.

*Based on these outcomes, did you decide to continue your research?*

In 2009, we did a similar Sustainability Index study, because we believed that sustainable companies had better mid-term performance and lower risk, resulting in a lower cost of capital. Again, sustainable companies were proven to have a lower weighted average cost of capital than their peers. In fact, in 8 of the 16 industries we analysed, that gap was greater than half a percentage point. Also, their stock prices decreased by a smaller amount than their peers from January 2008 through June 2009.

*Did you expect this outcome?*

A.T. Kearney has worked with many companies to establish sustainability strategies tied directly to the operations of their businesses. We suspected there would be benefits to companies that approach sustainability in a holistic, strategic fashion. Sure enough, these companies have some common characteristics, including a greater focus on long-term strategy, not just short-term gains, strong corporate governance and sound risk management practices; and they have a history of investment in green innovations that helps them outperform their competitors.

*Do you think sustainable funds will continue to outperform others?*

The primary take-away from this research is that companies must constantly examine all sustainability practices and determine how genuinely committed they are to them. A less-than-complete commitment aimed at improving public relations, or catching industry leaders, has little payback. But sustainability efforts that are truly transforming the way the business operates should be continued and will produce a stronger company delivering enhanced shareholder and broader stakeholder value.

## Investigating the impact of cultural influences on retirement planning

*In the United States, ING Insurance has been serving the needs of retirement plan sponsors for over 40 years. The business supports employers and customers across all 50 states, with offices and representatives in the local communities where we do business. ING Insurance US is committed to helping Americans achieve their retirement and financial goals, and in our view this requires a multicultural approach to the country's diverse communities, through products, service and research. Such an approach is both respectful and business savvy, as multicultural communities make up about 35% of the market now, a figure that expected to increase to 55% by 2050. Many multicultural communities are growing much faster than the rest of the US population.*

*In recent years ING in the US developed its independent multicultural distribution and we continue to provide multilingual sales support and service, for example in Spanish. In addition, the multilingual field representatives can provide plan enrolment and other services in Spanish. We also offer ING for Life en Español, an interactive online tool in Spanish about purchasing life insurance.*

*As part of this service orientation, our US-based ING*

*Retirement Research Institute commissioned a comprehensive study in 2011 investigating the attitudes, behaviours and preparedness of different American ethnic groups regarding their future retirement. The research shows that while Americans of all backgrounds encounter similar barriers to saving and planning, cultural differences account for disparate experiences among African-Americans, Asians and Hispanics.*

*According to the study, entitled 'Retirement Revealed', all populations found retirement planning to be a daunting task. However, Hispanics felt the least prepared, with 54% indicating they were "not very" or "not at all" prepared. This compares with 50% of African-Americans, 48% of whites and 44% of Asian respondents indicating that they don't feel prepared, according to ING's research.*

*These results correspond with the amounts saved in respondents' employer-sponsored retirement plans, with Hispanic respondents reporting the lowest average balances (USD 54,000). This amount was considerably lower than the average balance across all groups (USD 69,000). In contrast, Asian respondents reported having the highest average plan balances (USD 81,000).*

## Introducing Socially Responsible portfolios for retirement plan investors

*In an effort to provide customers with socially responsible investment options, ING's American retirement services business began offering ESG Manager Portfolios to participants in many of its defined contribution retirement plans.*

*ESG Managers Portfolios are a series of non-proprietary, multi-manager risk-based asset allocation funds that integrate ESG factors into their investment analysis and*

*decision-making. They were launched in 2010 by Pax World Management and are sub advised by Morningstar Associates. Initially, the portfolios were available only through financial advisors, but in 2011 ING became the first defined contribution provider in the United States to offer these funds to workplace retirement plan investors. The portfolios have now been made available to plan sponsors and participants in ING's education, government, healthcare and not-for-profit market segments.*

# FINANCE AND TRANSPARENCY INSURANCE / INVESTMENT MANAGEMENT

People will entrust their money to us only if they feel that we are committed to managing their money well. An important factor in this respect is that we are well aware of the increasing levels of expectations of our customers and in broader society with regard to

responsible finance. We therefore consider it important to be transparent on where we collect our money from and on what we do with the funds entrusted to us.

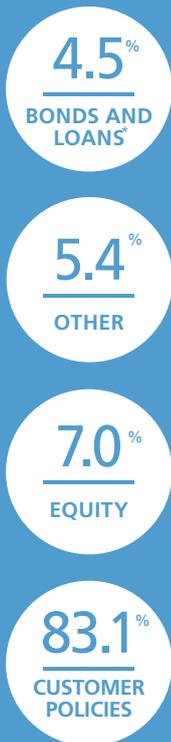
Insurance/Investment Management's sources of assets as well as an assets class breakdown of its proprietary investments. Moreover, it shows the elements we use in screening our proprietary assets on environmental and social risks.

The chart below gives a specification of ING

## FUNDING BASE ING INSURANCE / IM

### TOTAL EQUITY AND LIABILITIES<sup>1</sup>

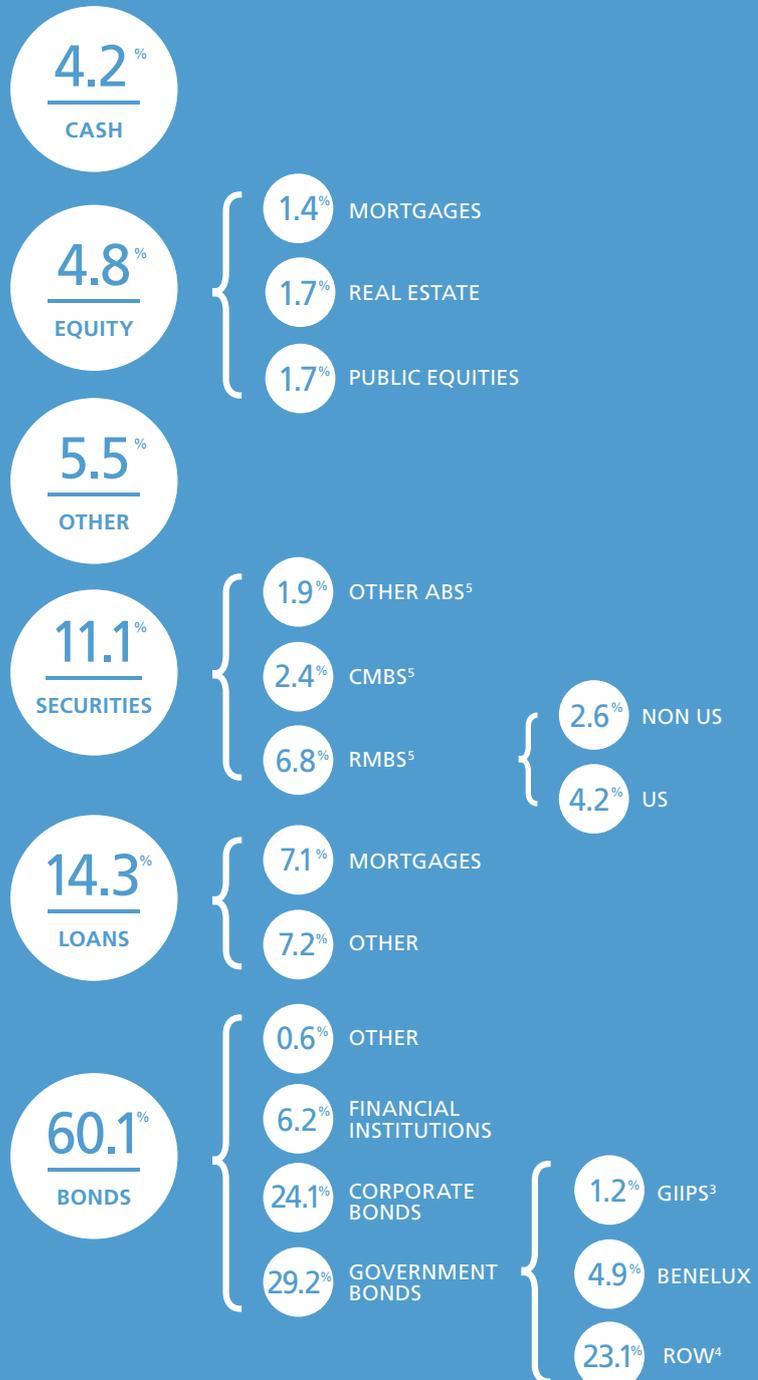
The figures below represent the equity and liabilities of the 2011 consolidated balance sheet of ING Insurance, illustrating the funding base of ING Insurance/IM. Total assets amounted to EUR 335 billion. By far the largest part (83.1%) stemmed from insurance and investment policies.



## ASSET BREAKDOWN LENDING & INVESTMENTS

### LENDING AND INVESTMENT CREDIT RISK PORTFOLIO PER ASSET CLASS<sup>2</sup>

This overview is based on internal credit risk measurement methodologies, showing our ING Insurance total lending and investment portfolio, divided over six asset classes. To be able to meet the long-term (life insurance) obligations while mitigating risk for our customers, the majority of our funds are invested in bonds (60.1%). ING Insurance/IM's proprietary assets amounted to EUR 191 billion in 2011.



<sup>1</sup> For the total balance sheet of ING Insurance, please see the ING Insurance Annual Report 2011, page 15.

<sup>2</sup> Please also see ING Group quarterly report, fourth quarter 2011, page 41.

<sup>3</sup> Greece, Italy, Ireland and Spain

<sup>4</sup> Rest of the world

## ECONOMIC SECTORS

### LENDING AND INVESTMENT CREDIT RISK PORTFOLIO PER ECONOMIC SECTOR<sup>6</sup>

The sector overview on the right gives a further specification of the different sectors in which ING Insurance/Investment Management carries out its lending, pre-settlement, money market and investment activities. The specification is based on the NAICS<sup>5</sup> classification applied by ING Insurance/Investment Management credit risk management in our internal measurement methodologies.<sup>6</sup> It illustrates, for instance, that 63.9% of our assets are allocated for investments in the financial industry and the public sector.

As indicated before, all our activities are governed by our ESR policy framework. The icons depicted in the overview illustrate which policy is applicable to which sector. ING Insurance/Investment Management invests by far the largest part of its funding in listed assets (government and corporate bonds, equities, etc.). Its most important instrument in implementing the ESR framework is a restrictive list: governments and companies breaching our policies will be placed on this list in order to ensure that no harmful investments will be made. ING Insurance/Investment Management can only decide to invest or not invest in listed assets; it cannot specifically exclude certain activities in which it does not want to invest (a distinction that ING Bank is able to make in lending engagements).

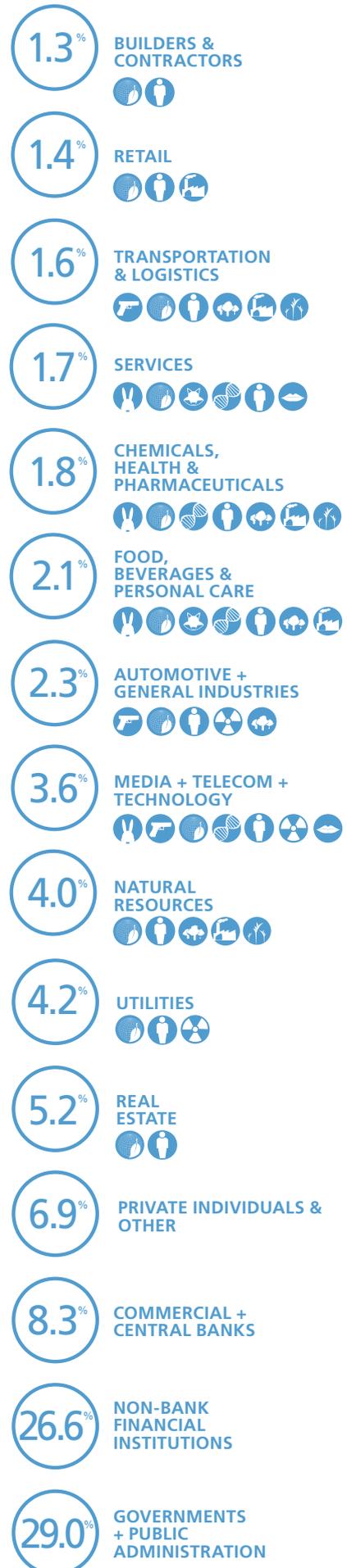
We have several specific policies applying to the different sectors, such as country risk policies, which do not all form part of our Environmental and Social Risk framework. Please see page 44 for more information about our ESR policy framework and its practical implementation.

<sup>5</sup> Please refer to the Glossary for explanation of these terms

<sup>6</sup> Please refer also to our Annual report 2011, page 261 and 274.

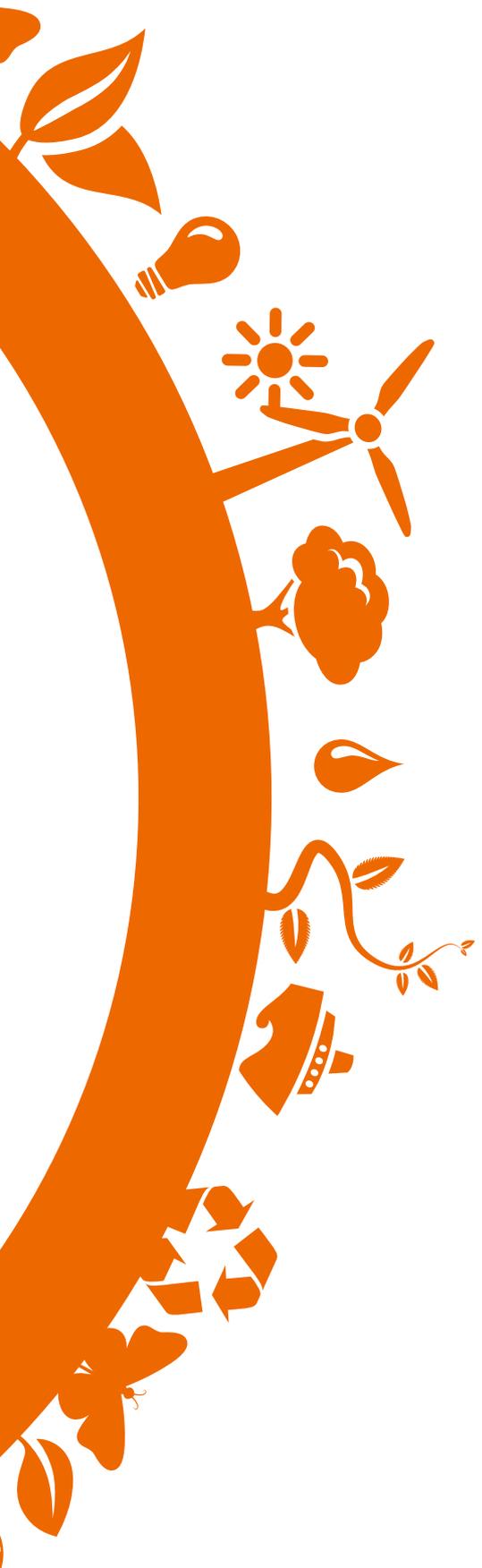
#### OUR POLICIES ON

-  ANIMAL TESTING
-  DEFENCE
-  ENVIRONMENTAL COMPLIANCE
-  FUR
-  GAMBLING
-  GENETIC ENGINEERING
-  HUMAN RIGHTS
-  NUCLEAR ENERGY
-  PORNOGRAPHY
-  FORESTRY & PLANTATIONS
-  LABOUR RIGHTS  
(MANUFACTURING/AGRICULTURE)
-  NATURAL RESOURCES & CHEMICALS





# BETTER ENVIRONMENTAL FOOTPRINT



# BETTER ENVIRONMENTAL FOOTPRINT

As the global population continues to grow, the pressure on our natural habitat and resources becomes more and more apparent. As a result, society finds itself confronted with issues such as the scarcity of water and food, biodiversity reduction and climate change. Though scientific evidence is not conclusive about the timing, extent, and exact consequences, the established academic view is that the warming of the climate system is unequivocal, man-made and caused by greenhouse gas emissions. Based on these findings, we seek to play our role contributing to the wider decarbonisation of the economy.

Climate change challenges society to provide sufficient water, food and energy in a sustainable way. Many of our stakeholders expect ING to have a clear view on issues such as climate change, and to thoroughly consider its direct and indirect impact on the environment.

In our view, countering climate change cannot be achieved by government intervention alone or by the isolated actions of individuals, businesses or NGOs. It is only when we jointly set goals, determine actions and commit to results that we can mitigate the effects of climate change. The lack of agreement at last year's UN Climate Conference in Durban illustrates that a unified approach is vital, but not yet a reality.

Clearly, this does not release ING from its responsibility to do its part. There are two dimensions with regard to our carbon footprint: first we have a direct footprint through our operations; and second an indirect footprint through the effects of our business. In the past few years, ING has invested in ways to reduce its direct footprint. We have also been engaging with our clients, by motivating them to assess their own footprint and to minimise it. Our efforts to improve our indirect footprint were discussed in the "Better Business" chapter (page

40 - 67). This chapter focuses on our direct footprint and our active approach to public advocacy.

## MANAGING OUR DIRECT ENVIRONMENTAL IMPACT

Achieving more efficient use of energy and water and reducing greenhouse gases and waste obviously starts within our own business operations. In terms of our global operational footprint, we calculated our emissions in 2005, the first year we published our Environmental Statement, and have been reporting on it ever since to several sustainability rating agencies.

Our direct footprint consists mainly of paper, energy usage and business travel. We take a critical look at our use and procurement of resources essential to our day-to-day operations, and we have set ambitious targets to reduce our operational footprint. For instance, by 2012 we aim to reduce our carbon emissions by 30% compared to the 2007 level.

In 2011, the absolute amount of carbon emissions from our business operations decreased by 25% since 2007.

- 2007 = 211 CO<sub>2</sub> kilotonnes
- 2011 = 169 CO<sub>2</sub> kilotonnes

However, the number of FTEs has decreased considerably since 2007.

As a result, the emissions per FTE decreased by only 2% during this period.

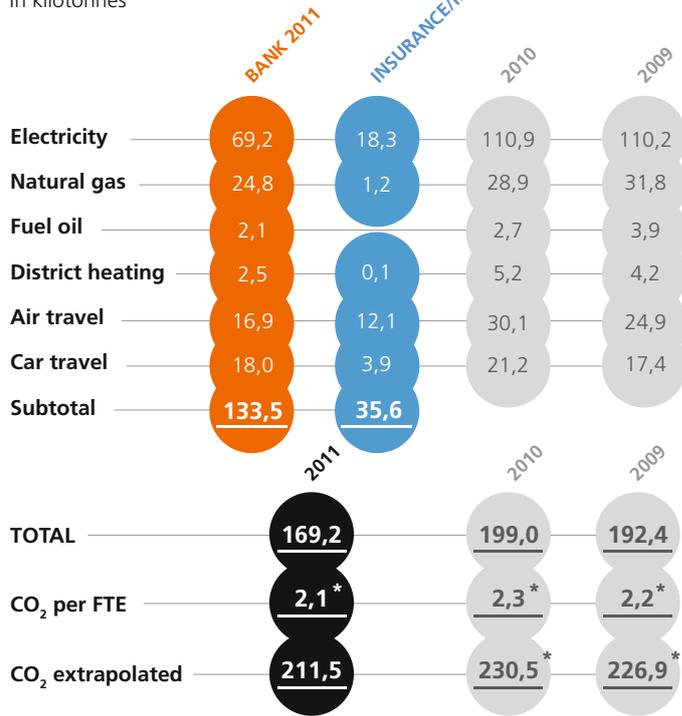
- 2007 = 2,15 CO<sub>2</sub> / FTE
- 2011 = 2,11 CO<sub>2</sub> / FTE

ING has been operating climate neutral since 2007, partly through efforts to minimise our carbon emissions and partly through the purchase of carbon credits to compensate for the remaining emissions. We have purchased carbon credits from wind farms in China. These wind farms have a positive impact on the climate by generating electricity with hardly any CO<sub>2</sub> emissions. They provide electricity which would otherwise have been generated in existing fossil fuel power plants.

In 2011, we developed sustainable procurement policies, which guide us in screening our suppliers on sustainable operations. For instance, services in our employee restaurants in the Netherlands have been outsourced to a company known for its sustainable business practices and for applying most standards set by NGO's - for example around organic milk and MSC-certified fish. We have started to develop and implement these kinds of criteria for all product segments.

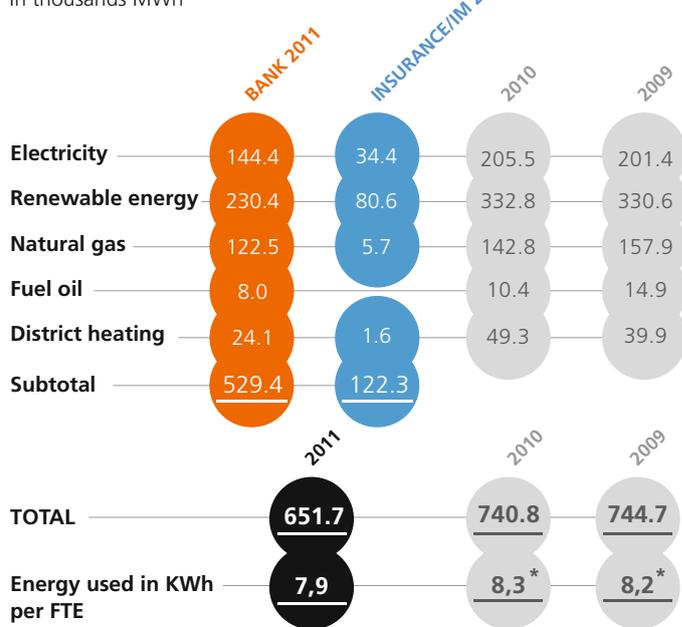
## TOTAL CO<sub>2</sub> EMISSIONS

Based on coverage of 81.1% FTEs worldwide  
In kilotonnes



## BREAKDOWN OF ENERGY CONSUMPTION

Based on coverage of 84.1% FTEs worldwide  
In thousands MWh

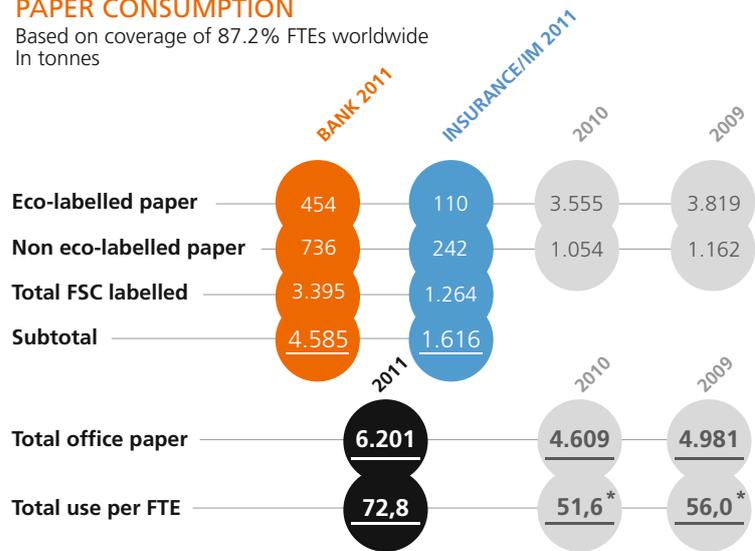


\* Due to a more accurate calculation of FTEs, figures have been restated

More than 60% of our business units have implemented our sustainable paper policy, and we will continue to encourage business units to purchase sustainable paper.

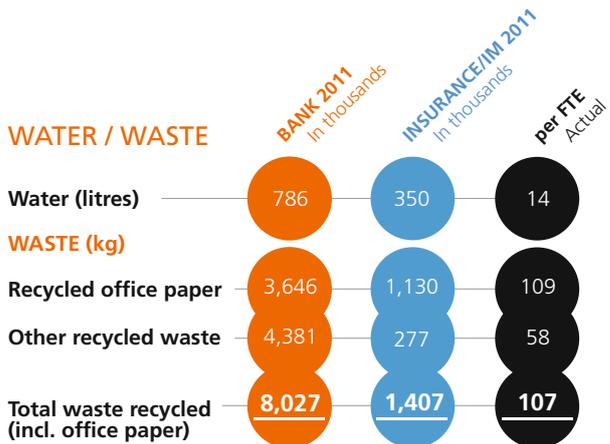
**PAPER CONSUMPTION**

Based on coverage of 87.2% FTEs worldwide  
In tonnes



\* Due to a more accurate calculation of FTEs, figures have been restated

In 2011, we widened the scope of reporting regarding our direct footprint by adding data on our use of water and production of waste. Building on this knowledge, we will now look for further improvements in the years ahead.



## ADVOCACY

Besides enhancing awareness in-house, ING also tries to use its influence and expertise to put the subject of climate change higher on governments' and policymakers' priority lists. This is illustrated by the fact that we have signed the Climate Change Statement of the Global Roundtable on Climate Change. We joined many other banks in signing a statement that called on the participants of the UN Climate Conference in Copenhagen in 2009 to reach clear agreements regarding sustainable energy. We also called

on the Dutch government to create favourable conditions for a swift transition to sustainable energy and to reinstate the tax scheme that creates incentives for environmentally friendly investments.

We are an active member of various organisations that support the need for measures to tackle climate change. For instance, we are a member of the Climate Change Working Group of the UNEP Finance Initiative and the Global Roundtable on Climate Change. Through our participation in these forums, we

learn more about the scientific, technological and economic issues surrounding climate change. This knowledge shows us the risks and opportunities related to climate change for our clients. We support the Carbon Disclosure Project (CDP), to which ING is a signatory partner. For the last two years, we have also hosted the launch of the CDP Report on environmental performance of European companies. For an extensive overview of our memberships, partnerships and endorsements, please refer to page 101.

## ING supports Earth Hour

*At 8.30 pm on Saturday 26 March 2011, ING joined millions of organisations and individuals around the globe to mark the fifth WWF Earth Hour. This was done by plunging offices and homes into symbolic darkness. Lights were turned off as part of a pledge to raise awareness about climate change and the environment, and to reduce our carbon footprints. A record number of ING business units in 25 countries turned off their lights, and undertook all kinds of other creative and inspiring initiatives to make sure their contribution to Earth Hour had the deepest impact. Candlelight vigils, billboard displays, community count-downs and mass mailings were used to mobilise employees and customers in the run-up to the event. WWF also asked participants to "go beyond the hour" and turn their pledges into concrete action. ING took up this challenge, as illustrated by an example from ING Vysia Bank in India.*

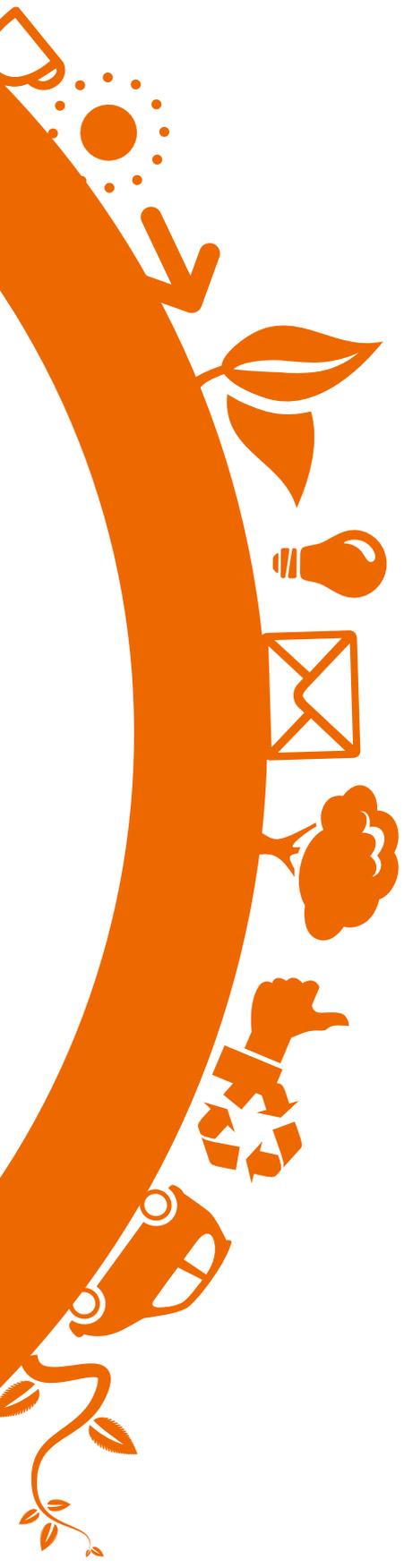
### **'Going beyond the hour' in India**

*ING Vysya Bank teamed up with JCDecaux Advertising India to install billboards inside and outside Bangalore International Airport which invited passersby to sign on to the Earth Hour pledge. Thousands of passengers in the arrival and departure lounges signed up to support the cause. Special baggage tags were distributed among the travellers with the message "I support Earth Hour", helping to spread the cause far and wide. Meanwhile, candlelight displays were held in a number of locations.*

*ING Vysya Bank also launched its first solar powered ATM at BTM Layout Bangalore. The Bank used Earth Hour to celebrate its progress over the last two years in reducing energy consumption by 20% (258 tonnes of CO<sub>2</sub> emissions) and water consumption by 10% (2,500,000 litres) - a result that is testimony to the effect of Earth Hour in raising awareness and inspiring action.*



# BETTER WORKPLACE



# BETTER WORKPLACE

We consider it vital to the success of ING to foster an open, safe, inclusive and stimulating working environment for our employees. To optimally prepare for the future, we have formulated the ambition to become a top employer.

## TOP EMPLOYER

The operating environment for financial institutions is undergoing fundamental changes. Our long-term business depends not only on being resilient to change, but also having the right people. In order to attract, develop and retain the most talented people, both now and in the future, we want to be recognised as a top employer. Research shows that top employers have more engaged employees who in turn give customers a more positive experience. Moreover, highly

sought-after employers are more productive and have significantly lower employee turnover.

We aim to become a top employer by consistently providing our employees with the tools they need to be successful and to create a work environment that supports their physical and mental wellbeing. We seek to empower our people to make a positive difference to customers. Also, we encourage them to grow, develop themselves and give back to society. We pay special

attention to creating an inclusive corporate culture that embraces differences. We strive to strengthen our performance culture in line with the aforementioned objectives, the ING Business Principles and society's changing expectations with regard to responsible remuneration.

In this chapter, we show an example of how we try to become a top employer. We also report on the progress we are making based on the outcomes of our annual employee engagement survey.

## Training 50+ at ING DiBa

*In the past ten years, the number of employees at ING-DiBa in Germany has grown from 600 to 2,800. During this period, however, very few people above the age of 50 applied for jobs. An internal analysis showed that less than 5% of applicants were older than 50. Diversity has always been important to ING-DiBa and the company strives to have a workforce reflecting different generations to reflect its customer base. Older professionals bring a great deal of experience, which can add enormous value in the contact with customers. ING-DiBa therefore wondered how it could attract a higher number of older applicants.*

*The first thing it did was to add a teaser to all of its new job ads: "50+ welcome". Once new employees were onboard, the company then offered them a specially designed one-year training programme called Training 50+ to prepare them for positions in the call centre.*

*The training programme was piloted at ING-DiBa's Nuremberg location. It is based on the German concept of integrated training (Duales Berufsausbildungssystem),*

*whereby training takes place at both the office and at vocational schools. ING-DiBa's Trainees 50+ went to a third-party educational provider once a week, where they received theoretical instruction and were prepared for the exams by the Chamber of Commerce. The practical part of the training was given on the remaining four weekdays at ING-DiBa.*

*Results have been positive so far. The first group of trainees have meanwhile completed their training as Service Assistants. Some of them told ING-DiBa that they thought they would never work again. The creation of more mixed-age teams has been a benefit. Combining the experience and know-how of colleagues from different age groups has created a true learning organisation and become a valuable asset to ING-DiBa.*



## Sarah Keizer

Head of Performance Culture  
and Change at ING Group

*In your job as Head of Performance, Culture and Change, what are you particularly proud of?*

"Well, I would have to say the work we have done in the area of employee engagement. Each year our Winning Performance Culture Survey provides us with a snapshot of what our employees are thinking and feeling. This year, we were pleased to see that, company-wide, our employees are still proud to work for ING and say we are a good employer. Of course, we also could see the influence of the external environment in the results. But at a time when the entire financial sector is reassessing its role, I am proud that ING's culture and fundamental values seem to be sound."

*What kind of behaviour does ING expect from its senior management? And have our expectations changed as a result of the financial crisis?*

"In 2011, ING relaunched its management behaviour model and gave it a new name 'Orange Leadership'. The model reflects our belief that leadership begins with self-awareness; that managers should behave in line with our values and business principles; and that they spend their time setting a clear direction and getting the best out of our people to achieve sustainable results. And in everything they do, they need to take account of our customers, society and the environment. While the financial crisis emphasised the need for clarity about ING's leadership behaviours, we were planning to refresh the model in preparation for becoming a standalone bank.

*Are ING's senior managers assessed on sustainability targets?*

"Yes, in 2011 our Management Council members must include an objective related to sustainability as part of their personal objectives. Additionally, our senior managers are assessed on the achievement of both business objectives and their behaviour as managers. Management behaviour - or - how well they live up to the ING Orange Leadership behaviours - accounts for 50% of

**"Employees are the engine of growth."**

their final performance rating. We put a lot of emphasis on making sure both what they do and on how they do it are part of the performance evaluation."

**DIVERSITY**

Diversity is important to ING. We believe it is right for the composition of our workforce to reflect that of society, and for our people to bring a diversity of talents, beliefs and perceptions to their work. We recognise that diversity is more than the female/male ratio. It is about hiring people of various races, genders, ages, sexual orientation, physical abilities and personal philosophies. To increase the level of diversity in our workforce, a centralised team helps our businesses to create their own

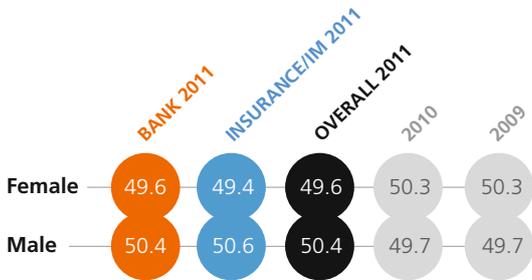
diversity plans in order to reflect their local situation. Since 2000, a Diversity Council of senior managers and chaired by the CEO has given practical support to our efforts to achieve our diversity ambitions. One of our diversity goals is for women to make up 33% of our Management Council by 2015. It is a challenging target, as this figure stood at 16.2% by the end of 2011. Furthermore, the number of senior positions has decreased with the recent company restructuring. Still, we are very pleased that we can indeed

celebrate a few significant successes like the appointment of a female CEO in Turkey and that of a female board member in Germany.

To further improve our track record, we have introduced various talent nurturing programmes for diversity. In the Netherlands, for example, female middle managers receive support during their transition to senior management positions, whereupon they can take advantage of a more intense senior women’s management programme.

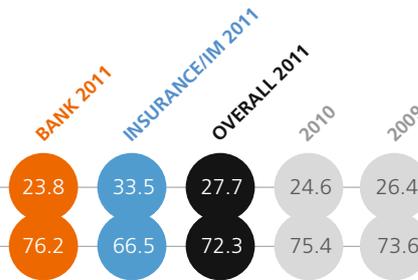
**TOTAL WORKFORCE GENDER BREAKDOWN\***

In percentage of employees



**MANAGERS OVERSEEING OTHER MANAGERS\***

In percentage of employees



\* The data in the preceding tables was collated and analysed by Workforce Analytics, ING Group HR.

**Diversity at ING France**

Since its establishment in 2000, ING Direct France has been strongly committed to diversity. “We are proud to see that our workforce is reflecting French population diversity. We had no need to set targets; our achievements in diversity are based on our values of openness and performance. Indeed, more important than a focus on statistics is that managers and HR teams who work in recruitment are open to, and actively seek, diversity. As a leader, I am committed to ensuring that diversity does not remain a paper construct. It is alive thanks to attitudes and values of the company,” says Benoît Legrand, Country CEO ING France.

Legrand adds that each company could be supported by a set of targets and priorities to cover all aspects of diversity, in line with company’s footprint, but the point is eventually not target setting but rather getting it rooted in the culture. Diversity cannot be simplified to whether a man or woman is most suited for a job; it also covers for example age or education background, says Legrand. “The average age of our staff at the moment is 33, so we are looking at attracting older people.

This injects experience into the workforce, so that younger employees can also learn from the older ones.”

“There are formal targets set in France by the banking industry group, which require 40% of managers to be female. In ING Direct France, women represent 42% of the management, and our overall representation of women is 55%. This has not been achieved in a few months; it has been built over the last 10 years. So, I think it’s fair to say, gender diversity is now in our genes,” Legrand says. Achieving these targets, however, is just a first hurdle as ING Direct France also has ambitions in the area of training and career coaching, in recognizing parenthood constraints and making the organization a more inclusive place for the disabled people and older professionals.

He believes it is key to build a living culture and environment fostering inclusion for all profiles. “Diversity should not be just something that ‘must be done’, but more of a ‘want to do’ as it brings each of us, and the company, much further.”

## Catalyst for change towards more diversity

Founded in 1962, Catalyst is the leading non-profit organisation aimed at expanding opportunities for women and business. Its more than 500 members - companies, business schools, and associations - employ millions of people around the world. Allyson Zimmerman, Director of Catalyst Europe, shares her view about diversity in the financial targets.

According to Ms. Zimmerman, diversity targets are difficult to meet in all sectors, not just in financial services. "Even the best talent management systems are, often unintentionally, permeated with gender-based stereotypes. This established the 'male-leader-male-default' model, based on the leadership of the organisation, which is often male. Those who are not in the model find it difficult to advance successfully," says Zimmerman.

It is, however, possible to overcome these challenges and meet diversity targets with specific regard to gender. Zimmerman argues that this requires companies to understand the business case for diversity, to set the tone at the top, and to define goals with accountability throughout the organisation.

In addition, she says, it is important that organisations identify the case for talent management. "It is more beneficial to pick the best talents from a 'full deck', but companies lacking in women have fewer opportunities. Apart from that, it is critical to mirror the market place and key stakeholders."

The third and final way to increase gender diversity is through sponsorship. "Sponsorship matters to women and men. Sponsoring someone and developing his or her talent is a leadership trait and should be encouraged throughout the organisation."

Looking ahead, Ms. Zimmerman believes that diversity in Europe will increase in the coming decade. "The overall process continues to be slow, but quota legislation combined with slow economic growth across Europe are changing things. They have put the spotlight on efforts to accelerate change and galvanise more commitment to diversity in the workplace."

### EVALUATING AND ADAPTING OUR REMUNERATION POLICIES

ING aims to appropriately match compensation schemes against a variety of factors, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders, which is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. ING has operations in over 40 countries and over 97,000 employees of whom around 71,000 are based outside the Netherlands (over 54% of senior management is non-Dutch).

Clearly, society's changing expectations have an impact on our approach towards responsible remuneration. We are very keen that our remuneration policies should not be a subject of public debate. Therefore, in response to the Dutch public debate on this issue

in March 2011, the Executive Board members decided to not accept the variable pay for 2010, and to abstain from any kind of variable remuneration as long as the capital support received from the Dutch state has not been fully repaid.

Since 2008, ING has been continually reviewing and amending its remuneration policies in response to the ongoing review of the financial system and related public debate, as well as in line with applicable regulatory developments. In 2010, the European Commission issued the Capital Requirements Directive III (CRD III), which contained specific requirements in relation to the remuneration of those who have a material impact on the company's risk profile, the so-called Identified Staff. From 1 January 2011, the directive had to be implemented into national law. In 2011, ING's remuneration policies for the Executive Board and Identified Staff were amended in line with the CRD

III requirements. The amended policy for the Executive Board was adopted by the annual General Meeting of Shareholders in May 2011.

As the financial health of our company continues to be of vital importance, financial targets remain a key element in our performance management. At the same time, however, we continue to have an increased focus on long-term value creation, risk and non-financial performance measures to improve sustainable business practices, reflecting our core values and our responsibility to be a steward to society. This translates into non-financial targets related to customers, sustainability, operational excellence, managing risk and leading people. We believe that these should be pursued with equal rigour as our financial goals.

ING supports its senior managers along this transition in a variety of ways. For example, we help them translate sustainability goals into personal,

measurable targets. We also bring external perspectives in our target setting, e.g. through the introduction of NPS, making sure that our values are part of our people's behaviour. In addition, we use a 360-degree tool called 'multi-rater', which increases managers' self-awareness and ensures key management behaviour criteria are met within the organisation.

**LIVING THE BUSINESS PRINCIPLES: RAISING FRAUD AWARENESS**

ING actively promotes its management and employees to embrace the ING Business Principles and to act accordingly.

A concrete example of this was the development in 2009 of a company-wide programme to promote integrity. As part of this programme, staff was asked in 2010 and 2011 to participate in e-modules on for instance customer trust and fraud awareness, which included an in-depth explanation of the ING Business Principles. The e-module on customer trust helped employees to understand the grey area between the prescriptive language of the letter of the law and the implicit intentions within the spirit of the law.

The e-module on fraud awareness was followed by dialogue sessions led by the team manager. Both aimed at training staff in detecting potential fraud and fraudulent behaviour. Employees also learned what to do if they are confronted with such a situation in their daily work.

**EMPLOYEE ENGAGEMENT**

We realise that maintaining employee engagement is more critical today now that our company is fundamentally changing and the market continues to be full of uncertainty. ING conducts an annual employee engagement survey called the Winning Performance Culture scan (WPC) in order to better understand the issues important to ING employees and to measure their state of mind. Held for the first time in 2005, the WPC survey covers topics such as management quality, integrity, compliance, diversity, employee pride, brand perception and community investment.

In 2011, the overall engagement of our global staff decreased from 69% to 66%. The reasons behind this lower score seem to be related to uncertainty about the future of ING and the future of the financial industry in general. In particular the separation of our Banking and Insurance/Investment Management businesses continued to be an important theme for our employees in 2011.

We also see positive outcomes of the survey. Most key engagement drivers remained stable, including employee pride. Managers are taking action as a result of last year's WPC results, which are perceived positively by our staff. In addition, the high scores on questions about compliance and integrity show that our global awareness and training programmes in these areas are paying off.

In 2012, we will work hard to bring employee engagement back to previous levels. First, we will invest additional resources in clearly communicating ING's strategy, opportunities for career development, and work processes. We will devote special attention to senior management, early career talents, individual contributors and first-line managers. And, as in 2011, young talents joining ING will receive two days of training on our values and our sustainability programmes.

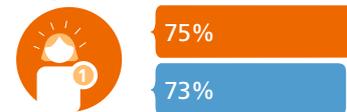
**OUTCOMES OF THE WINNING PERFORMANCE SURVEY 2011**

In percentage **Bank** Insurance/IM

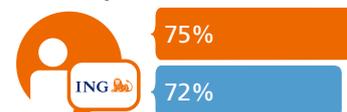
**Overall Employee Engagement**



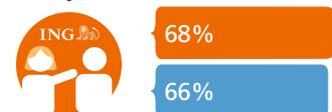
**I'm proud to work for ING**



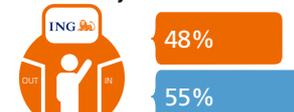
**Extremely satisfied with ING**



**I would refer a friend or family member to work at ING**

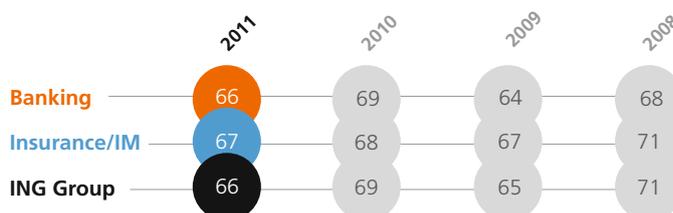


**I rarely think about looking for a new job**



**EMPLOYEE ENGAGEMENT SCORES**

In percentage



## Viewing the business through a woman's lens at ING US

ING US Insurance has diversity goals specifically tied to increasing the number of women in senior management roles. To aid those efforts, ING in the US conducted a 'Women's Leadership Exploration' (Women's LEADX). This is a leadership development programme that challenged female talent at ING to develop recommendations to increase profitable sales of all US product lines. The recommendations should specifically target the women's market, in line with ING's American multicultural growth strategy.

Research shows that women face different hurdles as they work to build their careers than those faced by their male counterparts. The Women's LEADX initiative was designed to address two of the biggest hurdles: limited experience and lack of exposure to decision makers. Unlike leadership experiences that use case studies to simulate a business challenge, the Women's LEADX programme presented participants with the real challenge of finding ways to incorporate a focus on women into the organisation's strategic business plans.

According to Lael Bellamy, Chief Counsel and Chief Privacy Officer at ING US, the programme was a unique opportunity to collaborate with mentors and women leaders throughout ING Americas. "We developed a keen understanding of the opportunities and challenges faced by our peers and their

businesses and identified specific projects in key areas of the business. We discovered that viewing marketing programmes through a woman's lens benefits all of our customers, our employees and ING."

Today, women are the chief financial decision makers in 65% of American households. This made it important for the programme to not only respond to women's professional development needs, but to also explore the opportunities offered by this fast-growing segment of the American consumer population.

In addition to the professional development afforded by this initiative, participants were able to strengthen their network of ING peers across the different business lines. Women from various departments (insurance, investments, customer service, distribution, legal, marketing, operations, and talent development) could strategise on a business challenge. Participants worked together towards expanding and improving the outreach to female customers, while interacting with senior management programme sponsors.

The recommendations by the Women's LEADX participants received the full approval and support of the US Executive Management team. Efforts stemming from this initiative will begin in the US Individual Retirement business in 2012.

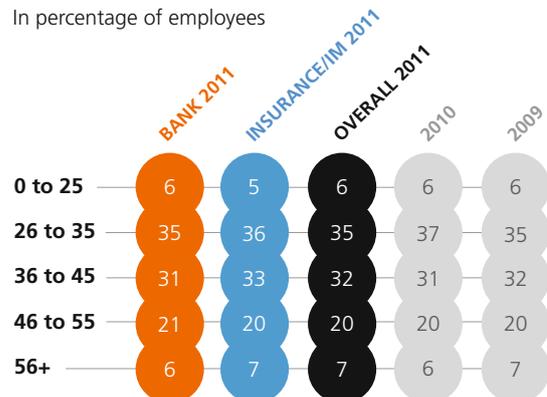
### GEOGRAPHICAL BREAKDOWN OF EMPLOYEES\*

In percentage of employees



### BREAKDOWN OF WORKFORCE BY AGE\*

In percentage of employees



### BREAKDOWN OF WORKFORCE FULL-TIME/PART-TIME\*

In percentage



### BREAKDOWN OF WORKFORCE BY TYPE OF CONTRACT\*

In percentage



\* The data in the preceding tables was collated and analysed by Workforce Analytics, ING Group HR.

\*\* Businesses divested in 2011



# BETTER COMMUNITIES



# BETTER COMMUNITIES

We consider it our responsibility to make a positive contribution to the many communities in which we operate. This is why we are committed to investing in our communities and why we work hard to strengthen them from the inside out. We facilitate and encourage our employees to join this mission as they are the cornerstone of the programmes we develop and support.

We have chosen to prioritise our global initiatives around the core themes children & education and financial & business literacy. These two themes align with the goal of our business to invest in tomorrow's economy by supporting people to plan for and achieve a financially secure future. We do this by offering mentoring projects for underprivileged children, raising funds through a variety of activities for our global partner UNICEF, coaching starting entrepreneurs in developing countries, and holding lectures on how to manage money.

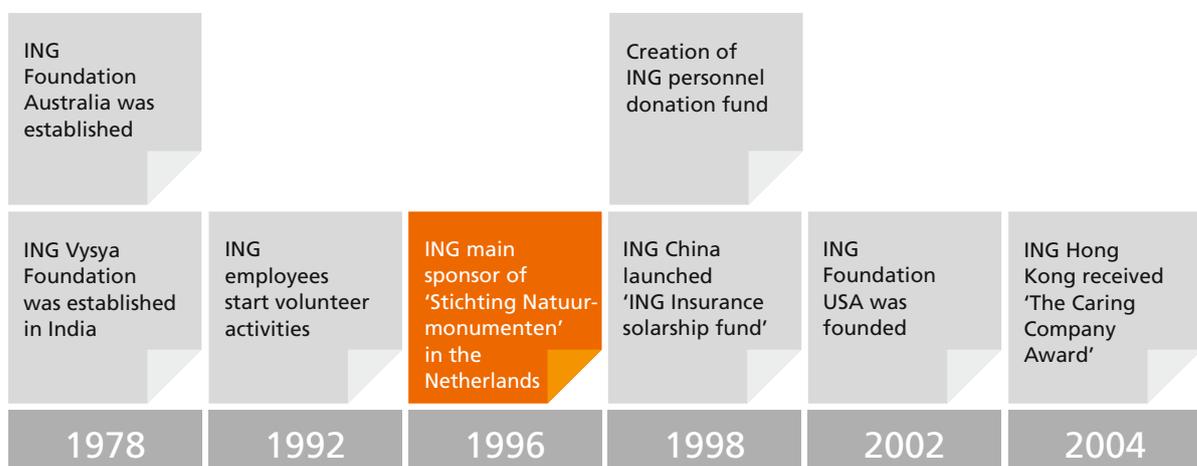
Our businesses also support specific local causes that respond to the needs, expectations and employee

preferences in their home markets. We work with global and local partners, customers and employees to strengthen local communities through financial aid, volunteering and the sharing of our knowledge and skills.

Moreover, we take action within 72 hours of a disaster by supporting the Netherlands Red Cross to provide emergency relief. However, we also work closely with organisations like UNICEF and the Happy Hearts Foundation to provide disaster stricken communities with the resources they need to rebuild themselves.

In this chapter, we will further illustrate these activities based on concrete examples. In addition to the information in this report, we have also published the 'Creating Chances for Children' Report, which describes in greater detail the activities we have initiated since 2005 to support children worldwide. The report can be found on our website [www.ingforsomethingbetter.com](http://www.ingforsomethingbetter.com).

## HIGHLIGHTS

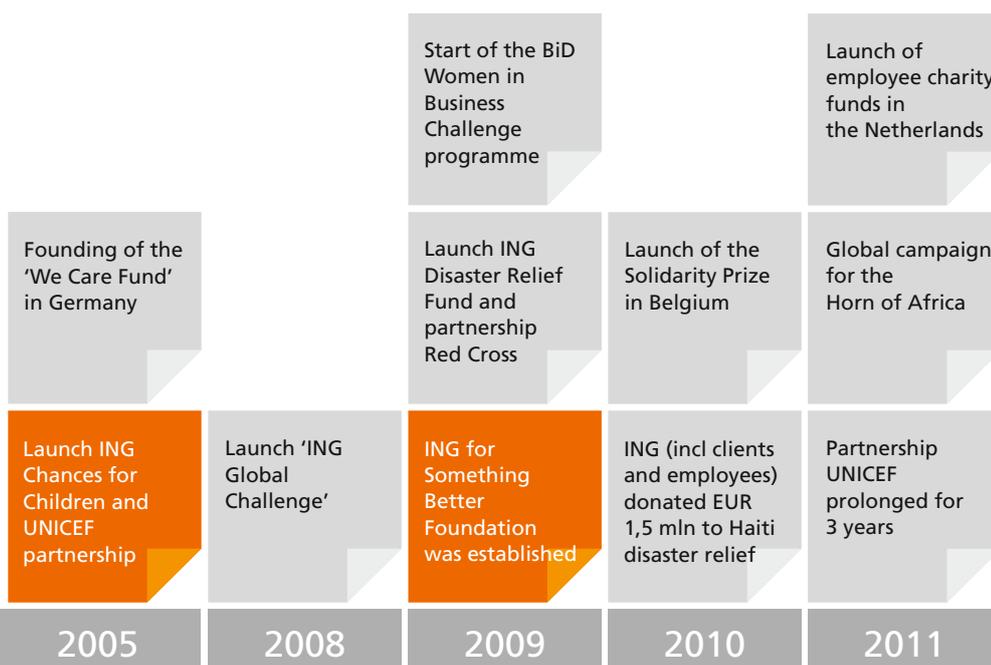


## ING Direct Italy lights up Ethiopia's future

ING Direct Italy commemorated its 10th anniversary with a unique 'Light the future' celebratory event. It included a series of activities, coordinated with UNICEF, to help raise awareness and funds for disadvantaged children in Ethiopia. The goal is to build 50 schools for 7,500 children.

The campaign combined social media with an innovative 'ambient' approach to marketing: a prototype of an Ethiopian school was set up in the centre of Milan, opposite the Sforzesco Castle. Visitors were invited to walk into the 'school' and get a feel for it. Meanwhile, to encourage the public to participate in the campaign, visitors of the

dedicated website [www.accendiifuturo.it](http://www.accendiifuturo.it) could click on a special banner, which resulted in switching on one million LED lights on the tower of Filarete at the castle. In the space of just two weeks, the website was visited by 44,000 people, while the campaign's Facebook page received 10,000 posts and shares. Visitors were not asked for money, but demonstrated support for ING's donations.



**CHILDREN AND EDUCATION**

Children’s education is the bedrock of opportunities in life and better communities. Good education helps children to realise their full potential and become productive, caring adults able to raise the next generation. Lack of education, by contrast, makes children more vulnerable. For this reason, we have made children’s education the central theme of our community investment programmes. In 2005, we set up the ING Chances for Children programme, which on the one hand focuses on children in far-away countries that live in the most disadvantaged circumstances, and on the other hand supports children nearby in the areas where our employees live and work.

**SUPPORTING CHILDREN GLOBALLY**

To achieve a truly meaningful impact on the world’s most underprivileged children, ING partners with UNICEF.

Together, we strive to realise the UN’s Second Millennium Development Goal, which is to achieve universal primary education for all. ING strongly believes in the value and efficacy of UNICEF’s way of working, which involves a holistic approach to community challenges and the use of integrated and sustainable educational solutions, in close cooperation with governments. As one of UNICEF’s biggest international corporate partners, we support educational projects in Brazil, India, Ethiopia and Zambia. This commitment is for the long term: our partnership, which began in 2005, was last year extended to 1 January 2015.

The longevity of our partnership and the impact we have created for children prove that such an approach is both sustainable and effective. Unfortunately, there is still a lot of work to be done to achieve the

Second Millennium Development Goal. To date an estimated 68 million children of primary school age are not in school. Especially girls miss out on access to education.

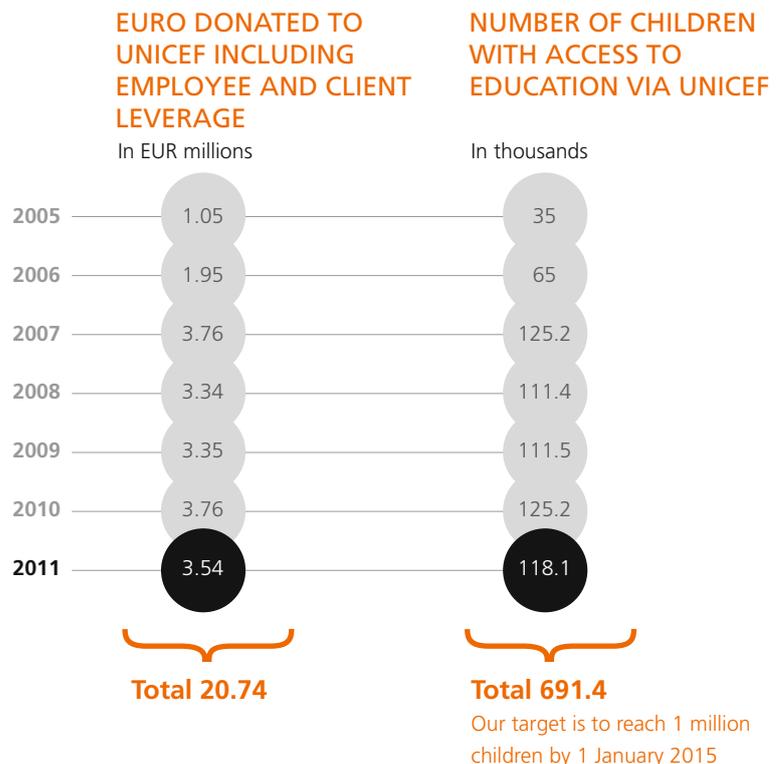
Our ambition is that by the first of January of 2015 our selected UNICEF projects globally will have positively impacted the lives of at least one million children in need, providing them with access to school, better quality education and safer and healthier living conditions.

**RAISING FUNDS**

Instead of just writing a cheque, our collaboration is one of active participation, equal partnership and the broad involvement of all layers of the organisation. ING employees are encouraged throughout the year to initiate and participate in fundraising activities of their choice. To stimulate the involvement of our employees, ING matches all employee funds raised and donations towards UNICEF. On a business unit level, we

organise events such as auctions and raffles.

To fully leverage our global scope for the benefit of our supported UNICEF projects, we also give our customers the opportunity to donate money, particularly during times of disaster and annual Christmas campaigns. While such large campaigns are very effective, we also encourage more local and small-scale events. For example, each year our Operations & IT department in the Netherlands organises a charity dinner where their suppliers are invited to take part in an auction and raise money for a specific UNICEF - ING Chances for Children project.



CUSTOMERS

EMPLOYEES

BUSINESS  
(INCLUDING MATCHING  
PROGRAMME)

IN KIND  
DONATIONS

TIME  
DONATED

# DONATIONS

This chart illustrates how our charitable contributions are sourced and how they are distributed across different themes and causes.

## BREAKDOWN OF CHARITABLE AND COMMUNITY CONTRIBUTIONS BY CATEGORY

in EUR thousands

	2011	2010	2009	2008
Children and Education	10.308	10.805	9.489	9.906
Financial education	1.936	2.936	1.296	1.156
Environment	894	881	291	452
Welfare & Health	3.937	3.225	2.363	2.914
Arts & Culture	3.080	5.591	3.816	4.909
Disaster Relief	954	750	439	2.250
Other	4.452	2.898	2.947	3.533
<b>TOTAL</b>	<b>25.563</b>	<b>27.086</b>	<b>20.641</b>	<b>25.120</b>

## Christmas Campaigns: a virtual mission for UNICEF

In 2011, ING customers and employees in the Netherlands and Spain supported Christmas campaigns for UNICEF. In the Netherlands, the "Santa Claus on the road" (de Kerstman op pad) campaign was organised by ING Bank Netherlands. Santa was sent on a virtual fundraising journey for UNICEF to deliver Christmas e-cards with personal holiday messages. After the campaign went viral, EUR 121,936 was raised for UNICEF. The money will be used to send thousands of children in Zambia to school this year.

In Spain, the ING-UNICEF partnership resulted in the "Take Them to School campaign" during the Christmas period.

The campaign invited people to download an app from a dedicated site ([www.llevalosalaescuela.com](http://www.llevalosalaescuela.com)). "The microsite's technology enables a smartphone to synchronise with a computer screen. People can literally see how a child enters a school as it 'jumps' from the computer screen into their mobile phone. It's fantastic," enthuses Consuelo Crespo, chairman of UNICEF Spain. The EUR 0,79 app fee was donated to the UNICEF children's education programmes supported by ING. By early 2012, the campaign had received 35,736 visits and EUR 305,947 in donations, which excluded the EUR 10,000 donated by ING Direct Spain.



## Nichole Brown

Chief Corporate and Foundation  
Partnerships, UNICEF

In 2011, the partnership between UNICEF and ING was renewed for another three years. Nichole Brown, UNICEF's Chief Corporate and Foundation Partnerships, sees businesses like ING as a natural partner with whom to pursue a shared value: to help build a world in which the rights of every child are realised.

UNICEF's broad mandate includes immunisation, nutrition, girls' education, HIV/AIDS prevention and other areas that impact children's rights. "It may sound cliché, but if you don't invest in the younger generation, then there really is no future. We see children as the backbone of society and vital to the functioning of the economy."

**"If you don't invest in the younger generation, then there really is no future."**

Brown argues that private sector partners can help UNICEF achieve its goal of providing children with access to basic services. The private sector not only adds financial clout, but also provides marketing power and fresh ways of thinking. Brown recognises that business have legitimate commercial and brand goals, and argues that the challenge is to find ways to balance them with UNICEF's programmatic priorities.

ING and UNICEF started their global partnership in 2005 and have built a solid relationship based on deep, personal commitment. "I had the opportunity to travel with the ING team last year on a field trip; everyone was moved by what they had experienced and felt it was a privilege to come and see the work that is being done in the field to help to improve the lives of children."

Renewing the partnership with ING was significant to UNICEF. "We don't have many banking partners globally and to be able to rely on a consistent partnership with ING throughout the financial crisis was very important for us." Brown adds that UNICEF and ING now plan to jointly develop initiatives in such areas as entrepreneurial skills and financial literacy for young people.

This would complement UNICEF's work on the 'Children's Rights and Business Principles'. Developed together with the UN Global Compact and Save the Children, these principles provide businesses with guidance on how to incorporate child rights into their business operations. "Companies wonder how to deal with child labour, for example. It's a complex issue that requires very comprehensive and multi-faceted solutions." The principles have now been finalised and released. ING provided input on the principles in order to make them actionable for private businesses.

**SUPPORTING CHILDREN IN OUR LOCAL COMMUNITIES**

ING Chances for Children complements its global partnership with UNICEF with local activities aimed at supporting children in underprivileged communities in areas where our employees and customers live and work. The local programmes have seen thousands of ING employees involved as volunteers and as donors for local children's related charitable partners.

We believe partnerships offer great opportunities to create positive social change by delivering programmes that help to realise the potential of young people in our communities. This is why, for example, ING Direct Australia started a two-year cooperation with the National Centre of Indigenous Excellence that focuses on cultivating talent and creating opportunities to develop brighter futures for young Aboriginal and Torres Strait Islander Australians.

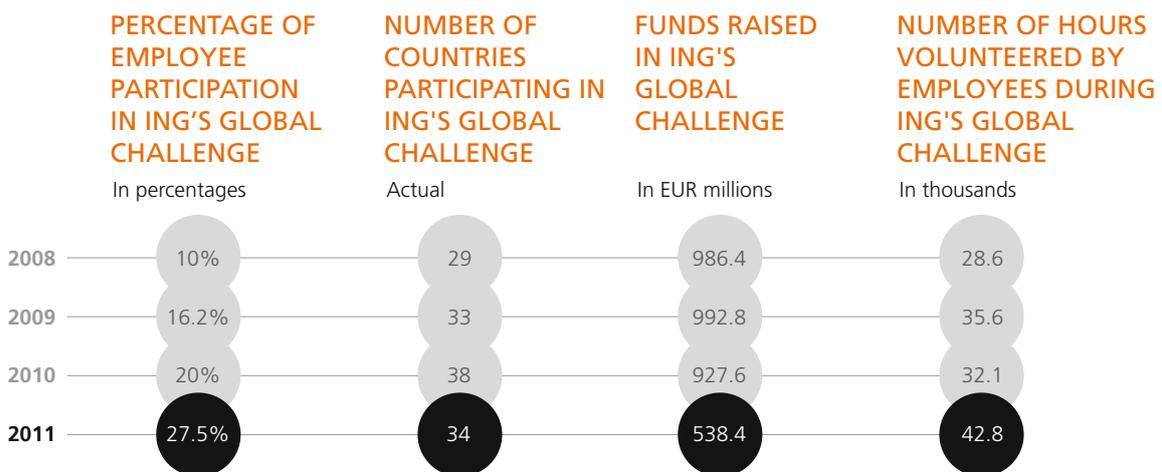
In the Netherlands, Nationale-Nederlanden (NN) became the main sponsor of the 'Make-A-Wish' Foundation. Make-A-Wish fulfils the favourite wishes of 3-to-18-year-olds with life-threatening diseases. NN supports Make-A-Wish in many different ways, not only through financial support but also by contributing to realising childrens' dreams through employees' skills, time and networks.

Each year, ING organises a company-wide campaign called the 'ING Chances for Children Global Challenge', which sees employees from around the world raise funds and volunteer for disadvantaged children. The Global Challenge activities have been as diverse as our own workforce, ranging from a charity bazar in Korea to promoting reading at local schools in Peru, and from collecting books for a children's book bank in Hungary to selling wine and chocolates in Belgium. Other

activities included a lunch session for 1,000 children in the Philippines and setting up a library at an orphanage in Romania.

In 2011, 24,433 employees across 34 countries participated in the Global Challenge, meaning more than a quarter of our total global workforce was simultaneously connected through a common purpose. They contributed a total of 42,757 hours of their time in support of children and raised EUR 538,350 for UNICEF and various local charities.

A more extensive overview of ING's community investment initiatives in the area of basic education are highlighted in our Community Investment Report 'Creating Chances for Children' ([www.ingforsomethingbetter.com](http://www.ingforsomethingbetter.com)).



The decrease in number of countries participating in the November 2011 ING Chances for Children Global Challenge was due to several divestments in 2011, including ING's insurance and investment management activities in Latin America and ING's real estate business.

**FINANCIAL & BUSINESS LITERACY**

We believe promoting financial and business literacy is a good way to support our customers in achieving financial independence. It is a natural way for us to support communities by sharing our core knowledge, expertise and skills.

Promoting financial literacy for all supports our aim to further enhance our customers' financial capability so they can make better financial decisions. We believe good financial habits should be developed at an early age. Children that do not know how to manage money can miss out on opportunities later in life. Or worse, they make mistakes that take a long time to undo. This is why we put special emphasis on educating youth about financial issues.

We stimulate business literacy and entrepreneurship as they empower individuals and their families, expand their economic opportunities and

contribute to building stronger communities. We focus in particular on supporting children and adolescents, micro-entrepreneurs and start-ups in both developing and developed markets. Our initiatives align with our commitment to promote financial inclusion and business initiatives in the area of microfinance.

In 2011, ING sponsored a new interactive experience called 'Baas gezocht'; ontdek de ondernemer in jezelf' (Looking for a boss; discover the entrepreneur in you) in the Money Museum in Utrecht, the Netherlands. The purpose is to encourage entrepreneurship among youngsters receiving secondary vocational education. This initiative fits perfectly with our objective to increase the social and financial self-sufficiency of this group of young people ([www.baas-gezocht.nl](http://www.baas-gezocht.nl)).

In New York, ING worked with the Museum of American Finance to provide free visits for 402 local students. These students come from Title 1 schools, which generally are not able to pay for such visits themselves. The students participated in the classroom programmes of the Museum's Center for Financial Education. These 45-60 minute sessions were taught by the museum's educators and industry professionals. Lessons revolved around topics like analysing a stock, financial markets and banking in America.

The ING Vysya Foundation in India piloted an innovative new programme to provide financial education to both parents and children who are under the care of NGOs supported by ING Vysya. Having witnessed a high rate of school dropouts among children from low-income families (often below the poverty line), the ING Vysya Foundation realised that financially

**Women in Business Challenge**

*The Women in Business Challenge is an online competition that invites female entrepreneurs based in Africa, Asia, the Middle East and Latin America to submit their business plans. Organised by ING and Business in Development (BiD), the aim of the competition is to help women achieve their business goals. ING employees volunteer to act as business coaches for these women, by guiding and mentoring them in the process of developing their business plan.*

*Dan Huang, junior portfolio manager in emerging market equities at ING IM, was one of the coaches who joined the programme in 2011. She coached 26-year-old Sharon Againe from Uganda. Sharon's business plan involved developing internet marketing for small and medium enterprises in Africa.*

*Dan: "Becoming a coach in this programme strongly appealed to me because I always wanted to become an entrepreneur myself. Additionally, helping other people to achieve their dreams is something I am proud to be a part of. I thought it was an excellent opportunity to apply my expertise and to hopefully add value to someone else's future."*

*She continues: "Coaching turned out to be a great learning experience for me. It was an eye-opener, as I got to know more about another culture and different business disciplines. I also envisaged myself doing what Sharon was doing one day in the future. She inspired me tremendously and her persistence during her project was very impressive."*

supporting NGO-run education programmes does not guarantee that children will stay in school. In order to come up with a long-term solution, research was conducted to better understand financial patterns of these families that can be crucial to whether a child remains within the education system or not.

Our ambition is that, by 2015, all of our larger business units will be involved in our initiatives to enhance the financial and business literacy of tens of thousands of children, women and small entrepreneurs.

#### **GLOBAL APPROACH COMPLEMENTED WITH LOCAL INITIATIVES**

Our global initiatives are complemented with local community investment activities. We encourage our local businesses to set up tailor-made initiatives and programmes in their local community.

#### **ORANGE GOES GREEN**

Our ING goes Green programme aims to help employees make their own working environment greener. Staff are also invited to get involved in the preservation of biodiversity and the promotion of a cleaner environment. In 2011, for example, 150 Dutch employees and their relatives planted trees in one of the Netherlands' most cherished national parks. This was organised together with 'Stichting Natuurmonumenten', a renowned Dutch organisation for environmental protection.

#### **SUPPORTING THE ARTS**

ING's art collection spans seven countries and more than 15,000 works of art, many of which are being enjoyed by our employees across 1,300 offices. However, we also want to share this richness with the world beyond ING, and so in 2011 we decided to hand over part of our collection to 60 healthcare institutions that bank with us in the Netherlands. Each institution will receive between 20 and 60 works of art from well-known Dutch graphic artists so these pieces can be enjoyed by patients and staff alike.

### **DiBaDu und dein Verein: EUR 1,000 for 1,000 non-profit associations in Germany**

*This year, ING-DiBa set up a programme called DiBaDu und Dein Verein (DiBaDu and your club) to support the volunteer work of their fellow citizens. Through the programme, DiBa sponsored 1,000 non-profit associations with EUR 1,000 each. The initiative was supported by the German Ministry of Family Affairs. Non-profit associations in Germany were invited to register on the DiBaDu homepage. Subsequently the public could vote on which association they thought deserved the money; the 1,000 associations with the*

*most votes received a donation. The topics participating associations are involved with are quite diverse, but most of the associations are active in the field of sports and children/young people.*

*The response was overwhelming: more than 19,000 associations registered within six weeks, and more than 17.5 million people voted for the association of their choice.*

**SUPPORTING EMPLOYEE CHOICE**

In addition to the initiatives taken by ING, we facilitate and encourage our employees' commitment for charitable causes, sports, and the arts in various ways. In several countries, ING's local business matches the donations of employees to charitable causes, or we support the favourite causes selected and voted for by our staff. In Belgium, ING has a 'Solidarity Prize' since 2010 to financially support the causes employees are active volunteers for, and a similar fund was introduced in Luxembourg in 2011. In Germany, we celebrated the seventh anniversary of the 'We Care' fund, which is also aimed at providing funds for the charitable organisations where our employees are active volunteers.

In 2011, new employee charity funds were set up in the Netherlands as well, both for the Bank and for the ING Insurance/IM. Dutch employees can apply for a EUR 1,000 donation for the charity they are personally involved in through either the Bank's 'Echt Goed Doen' fund or the 'Wij & de maatschappij' fund of ING Insurance/IM. Additional funding for special projects in the areas of sports and leisure, nature, healthcare, arts and culture, education, emergency relief and other volunteering initiatives can also be obtained. The employee projects are screened and approved by a special committee of trained employees, and then highlighted online so colleagues can vote for their favourite projects. In 2011, 641 different foundations and other non-profit organisations received donations and more than 10% of employees in the Netherlands voted for a project. A total of EUR 1,370,000 was donated.

**DISASTER RELIEF**

When disaster strikes, ING works together with partners to deliver immediate disaster response in the short run, and disaster recovery in the long run. From malnutrition to natural disasters, our partners advise us on our disaster relief activities and how we can efficiently support them in their efforts.

In 2009, we launched the ING Disaster Relief Fund and joined forces with the Netherlands Red Cross. It is our aim to financially respond to severe disasters anywhere in the world within 72 hours, and to align the response initiatives taken by our businesses around the world. In 2011, for example, we organised a global fundraising activity for the nuclear disaster in Japan. Together with our employees and clients, we were able to raise a total of EUR 322,876, of which EUR 50,000 came directly from the ING Disaster Relief Fund.

We also support emergency relief activities in the case of disasters with our global partner UNICEF. To alleviate ongoing famine in the Horn of Africa, a nationwide fundraising campaign was started in the Netherlands. We used our online banking facilities to guide 18,000 of our customers to the national campaign's website. In total, we raised EUR 443,285 for UNICEF's relief work in the Horn of Africa, which was used to deliver aid to refugee camps, reunite families and provide 350 'schools in a box' so children could continue their education.

## OVERVIEW ING FOUNDATIONS

### ING GROUP (THE NETHERLANDS)

AUSTRALIA

BELGIUM

INDIA

POLAND

ROMANIA

USA

### THE NETHERLANDS

ING for Something Better Foundation

ING Foundation

ING Mecenaatfonds

ING Vysya Foundation

Fundacja ING Dzieciom

ING Foundation "O Lume Mai Buna"

ING Foundation

ING Direct Kids Foundation

ING Foundation "Medewerkers Goede Doelenfonds ING Bank"

ING Foundation "Wij en de maatschappij"



# PERFORMANCE



# ING'S PERFORMANCE ON SUSTAINABILITY BENCHMARKS

Our approach to sustainability is shaped by our specific skill sets and expertise as a financial company, by our vision on the future, and by the expectations of our internal and external stakeholders. Reviews of our work by independent sustainability research and rating agencies allow us to further improve our strategy and policies to generate more impact.

## DOW JONES SUSTAINABILITY INDEX

ING (historically rated as an insurance company) was again included in the 2011 DJSI World Index, which identifies the top 10% of Dow Jones Index companies in terms of their economic, ecological and social performance. Our score was the same as in 2010, which puts us at the top of the global insurance industry. ING was removed from the DJSI Europe Index, which looks at the leading 20% of Europe's 600 largest companies. Although we had the same score as in the previous year, we were outperformed by our European peers in the insurance sector.

## FTSE4GOOD

ING Group has been included in the FTSE4Good Index since its inception in 2001 and retained this position in 2011. This is a significant indicator of ING's sustainability performance, as institutional investors are increasingly focusing on the environmental, social and governance (ESG) practices of companies. The index is a valuable tool for consultants, asset owners, fund managers, investment banks, stock exchanges and brokers when assessing or creating responsible investment products and portfolios.

## SUSTAINALYTICS

For the second year running, Sustainalytics, a global provider of environmental, social and governance (ESG) research and analysis, ranked ING 1st among 135 financial peers. Sustainalytics stated that ING's sustainable business practices resulted in high performance and risk mitigation in the medium and long term, but that there was room to improve environmental management systems.

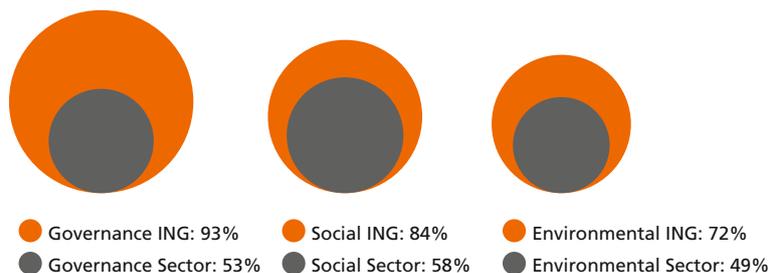
## TRANSPARENCY BENCHMARK

We were ranked 16th among 500 of the largest Dutch companies on the 'Transparency Benchmark', which is published by the Dutch Ministry of Economic Affairs, Agriculture and Innovation. We were 4th among 28 banking and insurance companies based on our transparent reporting on vision and strategy, our proactive approach towards stakeholders and our general candour on the subject of sustainability.

## SUSTAINALYTICS ANALYSIS

Sustainability performance relative to sector

**ING: 81.9%**  
**Sector: 52.5%**



## TWO TOMORROWS

The international rating agency Two Tomorrows gave us an AA rating in its 2011 Value Rating, which is well above the financial industry average. Two Tomorrows notes that companies with high ratings are more likely to deliver long-term investment value as a result of their sustainable practices.

## NEWSWEEK

ING was ranked 64th out of 500 in the Newsweek Green Rankings based on our environmental footprint, the way we manage our footprint, and the transparency of our communications. Last year we ranked 15th, but according to the ranking agencies, the two years cannot be compared because the underlying methodology had fundamentally changed. We scored relatively high on disclosure, but there is upward potential with regard to our direct environmental impact management.

## CDP

ING is signatory partner of the Carbon Disclosure Project, an initiative to tackle climate change by engaging with world's largest companies to measure and disclose their greenhouse gas emissions, exposure to climate change risk, and strategy on water use. This information is provided to the global investment community to analyse risk, capitalise on opportunities and make investment decisions. ING Investment Management also makes use of data on GHG emissions information in its investment decisions.

### ING PARTNERS WITH, AMONGST OTHER

- UNICEF
- Netherlands Red Cross
- Carbon Disclosure Project (CDP)
- Nudge

### ING ENDORSES

- The Universal Declaration of Human Rights
- The Core Conventions of the International Labour Organisation (ILO)
- United Nations Principles for Responsible Investment (UNPRI)
- The Equator Principles
- The Global Reporting Initiative (GRI)
- The Principles for Investors in Inclusive Finance (PIIF)

### ING IS A MEMBER OF, OR PARTICIPANT IN

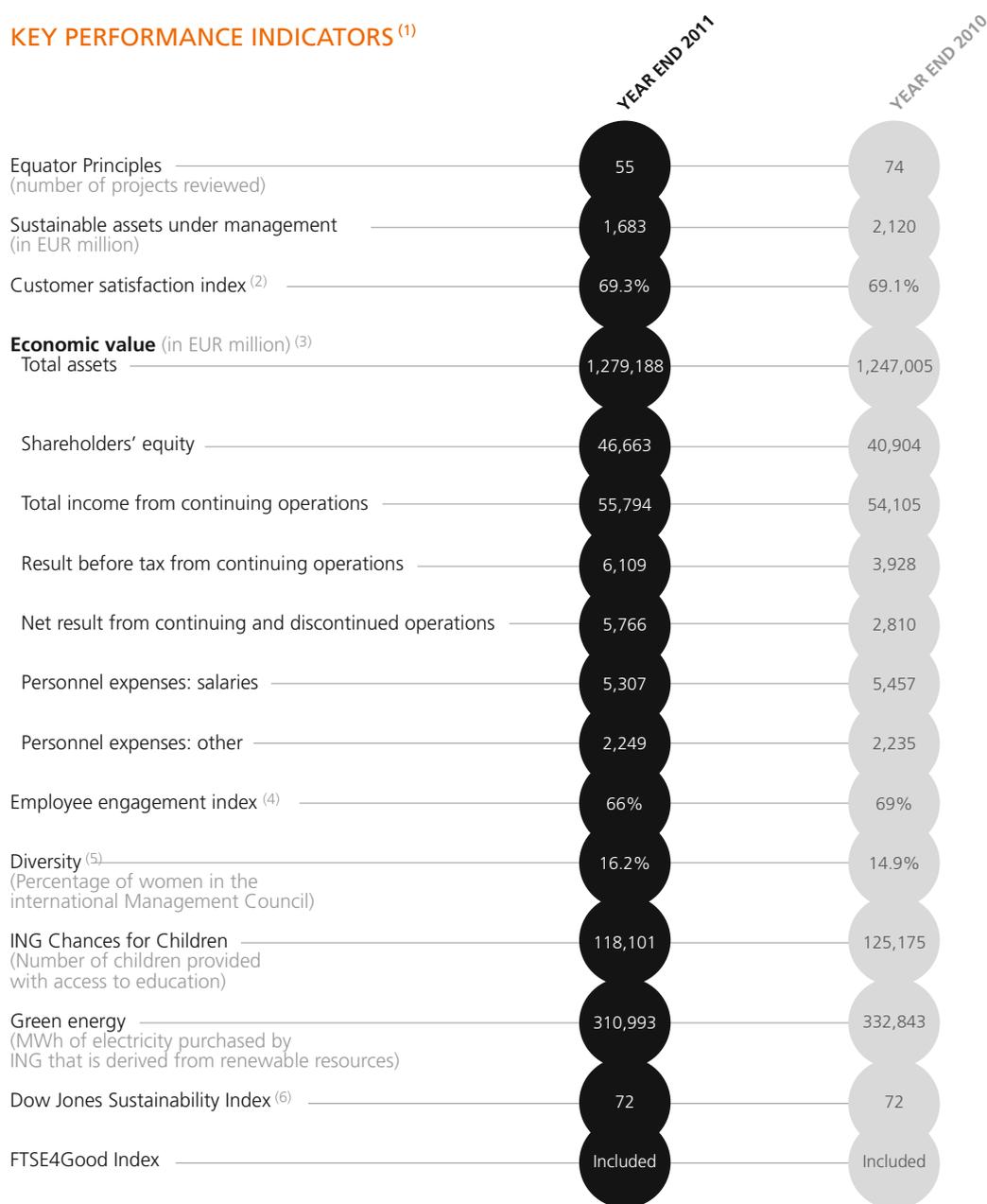
- United Nations Environmental Programme Finance Initiative (UNEP FI)
- United Nations Environmental Programme Finance Initiative Principles for Sustainable Insurance Team (UNEP FI PSI)
- UNEP Finance Initiative Climate Change Working Group (UNEP FICCWG)
- United Nations Global Compact
- The European Academy of Business in Society (EABIS)

### ING IS A MEMBER OF, SIGNATORY TO OR ADHERING TO

- The International Petroleum Industry Environmental Conservation Association
- Extractive Industries Transparency Initiative
- Voluntary Principles on Security and Human Rights
- Global Gas Flaring and Venting Reduction Voluntary Standard
- The International Association of Oil and Gas Producers
- International Marine Organisation
- International Convention for the Prevention of Pollution from Ships, MARPOL 73/78
- The International Hydropower Association
- The World Commission on Dams
- GHG Protocol facilitated by the World Business Council on Climate Change
- The World Resources Institute
- The World Coal Institute
- IFC's EHS Guideline on Thermal Power
- The metals and mining institute; ICMM International Council on Mining & Metals

# KEY PERFORMANCE INDICATORS (KPIs)

## KEY PERFORMANCE INDICATORS <sup>(1)</sup>



(1) The audit firm Ernst & Young has audited the KPIs for reasonable assurance.

(2) For the Bank business (excluding ING Direct), satisfaction scores are based on the American Customer Satisfaction Index (ACSI), which is adapted for the financial market and is based on a combination of questions related to overall satisfaction, customer delight and being an ideal provider. This score is not weighted by market. In 2011 the survey was carried out within Retail Banking in the Netherlands, Belgium, Poland, Romania, Turkey and India. In 2011, the Insurance business replaced the customer satisfaction index with the Net Promoter Score system. No ACSI survey was carried out for ING Insurance/IM and therefore no comparative figures are available."

(3) The 2010 figures have been restated to reflect the change in accounting policy, i.e., the move towards fair value accounting for Guaranteed Minimum Withdrawal Benefits for life in the US Closed Block VA as of 1 January 2011.

(4) In 2011 we are reporting on the percentage of 'overall employee engagement scores'. The 2010 score does not reconcile with the score mentioned in the 2010 Corporate Responsibility Report because it was based on one of the four questions of employee engagement: 'I am proud to work for ING'. The 2010 percentage in this report is based on the 'overall employee engagement score'. This research was carried out by Kenexa.

(5) We have calculated the diversity figures in 2011 as a weighted average relating to the total members of the Management Council (Insurance US Management Council, Insurance EurAsia Management Council and Bank Management Council).

(6) The ING company score is the underlying SAM's Research Institute corporate sustainability assessment (1-100).

**EQUATOR PRINCIPLES**

The Environmental and Social Risk department reviewed 55 project finance deals in 2011. For more information please refer to pages 50.

**SUSTAINABLE ASSETS UNDER MANAGEMENT**

Our sustainable assets under management decreased 20% in 2011. The main reason for this decrease is that one of the funds in IM, a large mandate, has ceased to be included. To read more about our portfolio, please turn to page 104. The portfolio of Groenbank also decreased in 2011. This was due to the Dutch government's decision to reduce tax breaks for investments in 'green' funds. For further information please see page 54.

**CUSTOMER SATISFACTION INDEX**

For the Bank business (excluding ING Direct), satisfaction scores are based on the American Customer Satisfaction Index (ACSI), which is adapted for the financial market and is based on a combination of questions related to overall satisfaction, customer delight and being an ideal provider. This score is not weighted by market. In 2011, the survey was carried out within ING Retail Banking in the Netherlands, Belgium, Poland, Romania, Turkey and India. In 2011, the Insurance business replaced the customer satisfaction index with the Net Promoter Score system. No ACSI survey was carried out for ING Insurance/IM and therefore no comparative figures are available.

**ECONOMIC VALUE**

For further information on economic value please refer to ING's Annual Report 2011.

**EMPLOYEE ENGAGEMENT INDEX**

For 2011, we have reported on the percentage of 'overall employee engagement scores'. For this reason, the 2011 score does not reconcile with the score mentioned in the 2010 ING in Society report. Employee engagement is based on four subcriteria: 'I am proud to work for ING', 'I am extremely satisfied with ING', 'I would refer a friend or family member to work at ING' and 'I rarely think about looking for a new job'. In 2010, we only reported on the question 'I am proud to work for ING'. In 2011, we saw a 3% decrease in the overall employee engagement score, from 69% to 66%. For further information please see page 84.

**DIVERSITY**

The percentage of women in the ING Management Council increased by 1.3% in 2011. For further information please refer to page 82.

**ING CHANCES FOR CHILDREN**

The number of children provided with access to primary education decreased by 5.6% in 2011. However the target that for every employee one child is sent to school (EUR 30 per child per year) was hugely exceeded. For further information please see page 90.

**GREEN ENERGY**

The proportion of energy that ING derived from renewable sources in 2011 increased by 1%, and now accounts for 63% of our total electricity portfolio.

**DOW JONES SUSTAINABILITY INDEX**

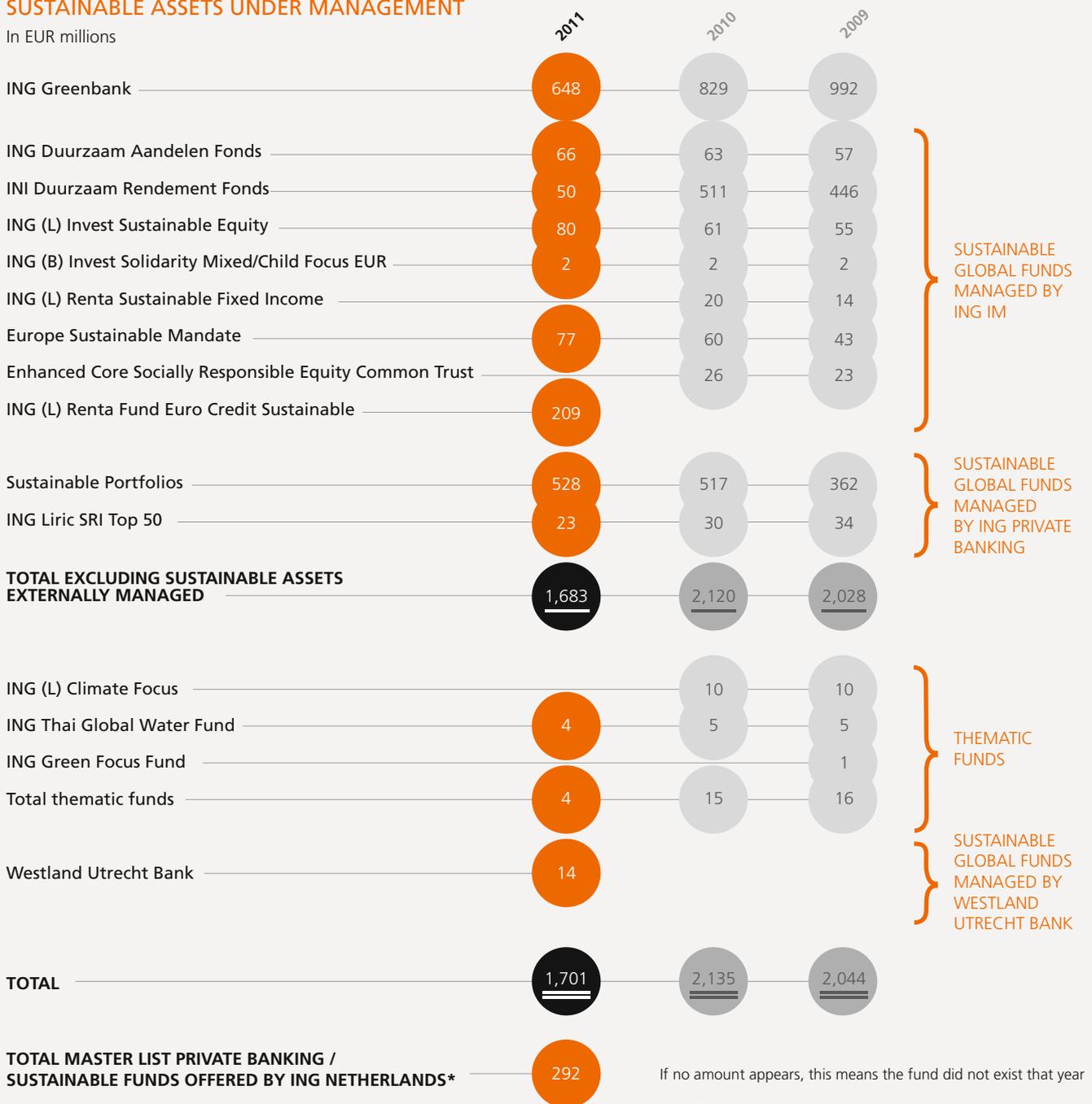
The Dow Jones Sustainability World Indexes track the performance of the global sustainability leaders. The top 10% of the 2,500 largest companies in the Dow Jones Global Indexes are selected as components of DJSI World. The ING company score (72) is the underlying SAM's Research Institute corporate sustainability assessment (1-100).

**FTSE4GOOD INDEX**

FTSE4Good is a sustainability Index that ING has been included in since 2001. For further information on the indices please see page 100.

## SUSTAINABLE ASSETS UNDER MANAGEMENT

In EUR millions



If no amount appears, this means the fund did not exist that year

\*The figure represents the total amount invested by private clients at ING Netherlands in dedicated sustainable investment funds (both ING and third-party funds)

In total our sustainable assets under management decreased by 20% in 2011.

### ING Groenbank:

Again we saw a decrease in the portfolio of ING Groenbank. This was due to the Dutch government's decision to reduce tax breaks for dedicated green investments. For further information, please turn to page 54.

### Funds managed by IM:

The decrease is due to a large mandate that changed its sustainable investment strategy and, as a result, ceased to invest in the 'INI Duurzaam Rendement Fonds'. The ING (L) Renta Sustainable Fixed Income Fund was renamed ING (L) Renta Fund Euro Credit Sustainable Fund. The investment policy, as well as the sustainable criteria applied, also changed.

### Thematic Funds:

The risks and opportunities arising from global challenges such as climate change are part of the general investment process of the ING SRI fund range. For this reason the ING Climate Focus Fund is no longer separately offered to clients. The fund was incorporated in the ING (L) Invest Sustainable Equity Fund in 2011.

## To: the management of ING Groep N.V.

### Introduction

Management of ING Groep N.V. has engaged us to issue an assurance report with respect to the Sustainability Report 2011 of ING Groep N.V. .The engagement consists of a reasonable assurance conclusion with respect to the Key Performance Indicators and the reporting processes and a limited assurance conclusion with respect to the progress report.

### Management's responsibility

Management is responsible for the preparation of the Sustainability Report 2011 of ING and the information therein in accordance with the GRI principles and the documented reporting policy of ING. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of a Sustainability Report that is free of material misstatements, selecting and applying appropriate reporting policies that include the GRI reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by management, the scope of this report and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out on page 6 and 7 of the report.

### Inherent limitations of our assurance engagement

The Sustainability Report contains forward-looking information in the form of ambitions, strategy, plans, forecasts and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide any assurance relating to that forward-looking information.

Next to that we have not examined and do not express any conclusion with respect to:

- the reliability of the information in the Sustainability Report 2011 other than mentioned in the section 'Engagement and criteria applied'.
- the completeness of the number of projects of the Equator principles.

The references in the report (e.g to the website of ING or to other external websites and documents) are not part of our assurance engagement.

### Engagement and criteria applied

We have performed an assurance engagement aimed to:

- provide reasonable assurance that in the Sustainability Report 2011 of ING Groep N.V.:
  - the ten Key Performance Indicators ("KPIs") as defined on page 102 are, in all material respects, reliable; and
  - the description in the chapter "about this report" on pages 6 and 7 accurately reflects the reporting processes within ING Groep N.V. ("ING") in accordance with the reporting principles in the G3.1 Sustainability Reporting Guidelines of Global Reporting Initiative ("GRI") and the documented reporting policy of ING.
- provide limited assurance that the progress report on pages 30 until 33 disclosed in the ING Sustainability Report 2011 accurately reflects the progress made in 2011 for the goals set for 2011.

We believe that these criteria are suitable in the view of our assurance engagement.

**Auditor's responsibility**

We performed our procedures in accordance with Dutch law, including Standard 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This law requires, among other things, that we comply with ethical requirements, including requirements relating to independence.

Our responsibility is to express conclusions on the items described above in the section 'Engagement and criteria applied'.

We have performed the procedures deemed necessary to provide a basis for our conclusions. Our main procedures were:

- determining the method used by ING in its reporting process to address the reporting principles in the G3.1 Sustainability Reporting Guidelines of GRI;
- evaluating the acceptability and consistent application of the reporting principles used in preparing the Sustainability Report 2011;
- evaluating the reliability of the ten KPIs and the reported progress by:
- obtaining an understanding of the design and operation of the systems and methods used to collect and process the reported KPIs and progress, including the consolidation process;
- identifying inherent risks relating to the reliability of the KPIs and investigating the extent to which these risks are mitigated by internal controls to a limited level;
- assessing the related internal controls for their operating effectiveness, relevant for our assurance engagement;
- based on a risk analysis performing additional procedures related to the KPIs and progress report, by a combination of:
  - interviews with relevant staff at corporate and business unit level to substantiate the related descriptive information in the report;
  - quantitative analyses at corporate and business unit level to assess the quantitative data;
  - reconciliations with audited financial statements;
  - detailed review of the data on a test basis at the Group and business unit level, using internal and external sources of information to substantiate the reliability of the information provided.

The procedures performed in order to obtain a limited assurance aim to verify the plausibility of information and probe less deeply than those performed for assurance engagements aimed at obtaining reasonable assurance. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

**Conclusions**

Based on the procedures performed and considering the choices made by ING Groep N.V. as reflected in the reporting policy, we conclude that:

- the ten KPIs as defined on page 102 in the Sustainability Report 2011 of ING Group N.V are in all material respects reliable;
- the description on page 6 and 7 in the Sustainability Report 2011 of ING Groep N.V accurately reflects the reporting processes within ING in accordance with the reporting principles in the G3.1 Sustainability Reporting Guidelines of Global Reporting Initiative and the documented reporting policy of ING;
- nothing came to our attention that causes us to believe that the progress made in 2011 reported on pages 30 until 33 in the Sustainability Report 2011 of ING Groep N.V, does not accurately reflects the progress in 2011 for the goals set for 2011.

Amsterdam, April 26, 2012

for Ernst & Young Accountants LLP

D.A. de Waard

**EUROPE****THE NETHERLANDS**

- ING Bank NL
- Bank Mendes Gans
- Westland Utrecht Bank

**BELGIUM**

- ING Bank Belgium
- ING Belgium - Record Bank

**BULGARIA**

- ING Bank Bulgaria

**CZECH REPUBLIC'**

- ING Bank Czech Republic

**FRANCE**

- ING Bank France
- ING Direct France

**GERMANY**

- ING Bank Germany - Interhyp AG
- ING-DiBa Germany

**GREECE**

- ING Greece

**HUNGARY**

- ING Bank Hungary

**ITALY**

- ING Direct Italy

**LUXEMBOURG**

- ING Luxembourg

**POLAND**

- ING Bank Śląski

**ROMANIA**

- ING Bank Romania

**RUSSIA**

- ING Bank Russia

**SLOVAKIA**

- ING Bank Slovakia

**SPAIN**

- ING Direct Spain

**TURKEY**

- ING Bank Turkey

**UK**

- ING Bank UK
- ING Direct UK

**UKRAINE**

- ING Bank Ukraine

**THE AMERICAS****CANADA**

- ING Direct Canada

**CHILE**

- ING Chile

**USA**

- ING Bank USA
- ING Direct USA

(On 16 June 2011, ING announced it had reached an agreement to sell ING Direct USA, subject to regulatory consent)

**ASIA / PACIFIC****AUSTRALIA**

- ING Direct Australia

**CHINA**

- ING Bank Shanghai

**HONG KONG**

- ING Bank Hong Kong

**INDIA**

- ING Vysya Bank

**JAPAN**

- ING Bank Japan

**KOREA**

- ING Bank N.V., Seoul Branch

**PHILIPPINES**

- ING Bank Philippines

**SINGAPORE**

- ING Bank Singapore

**THAILAND**

- TMB

**EUROPE****THE NETHERLANDS**

- Nationale-Nederlanden
- ING Investment Management NL

**BELGIUM**

- ING Insurance /IM Belgium

**BULGARIA**

- ING Insurance Bulgaria

**CZECH REPUBLIC**

- ING Insurance /IM Czech Republic

**GREECE**

- ING Life Insurance /IM Greece

**HUNGARY**

- ING Insurance Hungary - Pensions/IM

**LUXEMBOURG**

- ING Life /IM Luxembourg

**POLAND**

- ING Life/IM Poland

**ROMANIA**

- ING Insurance /IM Romania

**SLOVAKIA**

- ING Insurance Slovakia

**SPAIN**

- ING Insurance /IM Spain

**TURKEY**

- Turkey Life

**THE AMERICAS**

On 29 December 2011, ING announced it had completed the divestment of its Latin American pensions, life insurance and investment management operations in Chile, Columbia, Mexico, Uruguay and Peru.

**USA**

- ING Insurance /IM USA

**ASIA / PACIFIC****CHINA**

- ING BoB Life Insurance

**HONG KONG**

- ING Insurance /IM Hong Kong

**INDIA**

- ING Life/IM India

**JAPAN**

- ING Life Insurance Japan

**KOREA**

- ING Life /IM Korea

**MALAYSIA**

- ING Malaysia - Berhad

**SINGAPORE**

- ING IM Singapore

**TAIWAN**

- ING Insurance Taiwan

**THAILAND**

- ING Insurance /IM Thailand

■ BANK

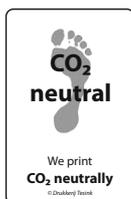
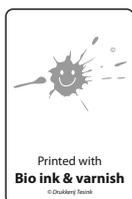
■ INSURANCE / IM

<b>CARBON FOOTPRINT</b>	The total amount of greenhouse gasses emitted directly or indirectly through an activity, or from a product, company or person, typically expressed in equivalent tonnes of carbon dioxide
<b>CARBON NEUTRAL</b>	This term effectively means net zero carbon emissions to the atmosphere. Achieving carbon neutrality means measuring the carbon emissions for an identified product, service or company, and then balancing those emissions with carbon reductions or carbon offsets to reach net zero carbon emissions
<b>CARBON OFFSETTING</b>	A way of compensating for emissions of CO <sub>2</sub> by participating in, or funding, efforts to take CO <sub>2</sub> out of the atmosphere. Offsetting often involves paying another party, somewhere else, to save emissions equivalent to those produced by your activity
<b>CARBON DISCLOSURE PROJECT</b>	The Carbon Disclosure Project is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by businesses and cities
<b>CLIMATE CHANGE</b>	Changes in the concentration of the greenhouse gases, which trap infrared radiation from the Earth's surface and thus cause the greenhouse effect
<b>COMMERCIAL MORTGAGE BACKED SECURITIES (CMBS)</b>	A type of bond or note that is based on pools of commercial mortgages, or collateralised by the cash flows from a specified pool of underlying commercial mortgages
<b>COMMUNITY INVESTMENT</b>	Investment activities that promote economic development efforts in distressed communities or for disadvantaged populations through community-based institutions
<b>CRF INSTITUTE</b>	Corporate Research Foundation Institute identifies frontrunners in the area of HR, leadership and strategy.
<b>DISASTER RELIEF</b>	Intervention aimed at meeting the immediate needs of the victims of a disastrous event
<b>DIVERSITY MANAGEMENT</b>	The active and conscious development of a corporate culture that accepts certain differences and similarities
<b>ESG</b>	Environmental, Social and Governance. This term is used to describe the investment process where we gather and analyze companies' environmental, social and governance characteristics, complementing the traditional financial analysis to enable better long-term investment decisions.
<b>ESR</b>	The Environmental and Social Risk policy framework translates the ING Business Principles and our sustainability approach into practical rules and guidelines governing our daily business conduct.
<b>EQUATOR PRINCIPLES</b>	A credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions
<b>FINANCIAL INCLUSION</b>	Financial inclusion, also called 'inclusive financing' is the delivery of financial services at affordable costs to disadvantaged and low-income segments of society
<b>FINANCIAL LITERACY</b>	Knowledge and understanding of financial matters
<b>GLOBAL REPORTING INITIATIVE (GRI)</b>	An independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. GRI is a network-based organisation that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide

<b>GIIPS</b>	Greece, Italy, Ireland and Spain
<b>GHG</b>	Greenhouse Gasses
<b>ILO</b>	International Labour Organisation
<b>INDEX TRACKER</b>	An index tracker is an investment vehicle that is designed to passively replicate the performance of a particular market index.
<b>IPO</b>	An initial public offering (IPO), or stock market launch, is the first time a stock is offered to the public
<b>NAICS</b>	North American Industry Classification System, a system used worldwide to classify business activities of companies and other commercial activities
<b>NET PROMOTER SCORE (NPS)</b>	A management tool that can be used to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RESIDENTIAL MORTGAGE BACKED SECURITIES (RMBS)</b>	A type of bond or note that is based on pools of residential mortgages, or collateralised by the cash flows from a specified pool of underlying residential mortgages
<b>ROW</b>	Rest of the World
<b>SAUM</b>	Sustainable Assets under Management
<b>STAKEHOLDERS</b>	Individuals or groups potentially affected by our activities; in sustainable business models the term includes financial shareholders as well as those affected by environmental or social factors. These include stakeholders such as our business relations and suppliers, customers, employees, shareholders and society at large
<b>SRI</b>	Socially Responsible Investment strategies add an ESG long term holistic perspective and specific sustainability criteria to ING's internal ESR policy framework.
<b>SIPRI</b>	The Stockholm International Peace Research Institute Top 100 lists the world's 100 largest arms-producing and military services companies (excluding Chinese companies), ranked by their arms sales in 2010.
<b>STAKEHOLDER ENGAGEMENT</b>	A formal process of relationship management through which companies or industries engage with a set of their stakeholders in an effort to align their mutual interests, to reduce risk and advance the triple bottom line - i.e., the company's financial, social, and environmental performance
<b>TRADING BOOK</b>	The assets that are stated in the Annual Report's consolidated annual accounts as Financial liabilities at fair value through P&L
<b>UN PRI</b>	United Nations the Principles for Responsible Investments
<b>UNEP FI</b>	United Nations Environmental Programme Finance Initiative
<b>UNEP FICCWG</b>	UNEP Finance Initiative Climate Change Working Group
<b>UNGC</b>	United Nations Global Compact
<b>VCU'S</b>	Voluntary Carbon Units

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Printed in The Netherlands, April 2012  
Version 1.0

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#### **TEXT & PRODUCTION**

ING Sustainability, Amsterdam  
Ilja van Roon, Lucid Communication  
Diane Baumann, Editorial contributions, Corporate Communications

#### **CONCEPT, DESIGN & PRODUCTION**

Terralemon | [www.terralemon.nl](http://www.terralemon.nl)

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#### **PRINTING**

Drukkerij Tesink B.V., Zutphen

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