

# 2004

## ING GROUP CORPORATE RESPONSIBILITY REPORT



### ING IN SOCIETY



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### FRONT COVER PHOTO:

Huib ter Haar (centre), Group Compliance Officer, with his colleagues Michael Pot and Samantha Bruyn-Boel from the Corporate Legal, Compliance & Security Department of ING Group, Amsterdam, the Netherlands.

### ADDITIONAL INFORMATION

For additional information regarding Corporate Responsibility visit our website: [www.ing.com/CorporateResponsibility](http://www.ing.com/CorporateResponsibility)



**Also look out for quick links within this report**

This symbol is used throughout this report to show that more information is available on our website.

	2004	2003	2002
<b>ECONOMIC</b>			
<b>BALANCE SHEET</b> (in millions of euros)			
Total assets	866,201	778,771	716,370
Shareholders' equity	25,866	21,331	18,254
<b>RESULTS</b> (in millions of euros)			
Total operating income	67,814	64,746	70,633
Operating profit before tax	7,419	5,857	4,638
<b>SUSTAINABLE PRODUCTS</b> (in millions of euros)			
Sustainable assets under management	1,823	1,538	1,200
<b>SOCIAL</b>			
<b>TOTAL EMPLOYEES</b> (in FTEs, year-end)	112,196	114,344	115,815
Personnel expenses (in millions of euros)	7,744	7,429	7,551
<b>GENDER DIVERSITY (Male ♂, Female ♀)</b>	♂      ♀	♂      ♀	♂      ♀
All levels <sup>(1)</sup>	52%      48%	53%      47%	52%      48%
International Management Council	92%      8%	94%      6%	94%      6%
<b>BREAKDOWN OF WORKFORCE BY EMPLOYMENT TYPE</b> <b>(Full-time<sup>(2)</sup> – Part-time)</b>	Full-time      Part-time	Full-time      Part-time	Full-time      Part-time
	86%      14%	87%      13%	88%      12%
<b>BUDGET FOR TRAINING AND PERSONAL DEVELOPMENT<sup>(3)</sup></b> (in millions of euros)	96	89	66
Budget for training and personal development per FTE (in euros)	912	860	740
<b>COMMUNITY</b>			
<b>CHARITABLE DONATIONS<sup>(4)</sup></b> (in millions of euros)	12.5	15.0	11.2
<b>ENVIRONMENT</b>			
<b>ELECTRICITY CONSUMPTION<sup>(5)</sup></b> (in millions)	530 kWh	540 kWh	470 kWh
Electricity consumption per FTE	5,800 kWh	5,900 kWh	4,700 kWh
<b>WATER USE<sup>(6)</sup></b> (in thousands)	780 m³	850 m³	–
Water use per FTE	13.0 m³	14.3 m³	–
<b>PAPER CONSUMPTION<sup>(7)</sup></b> (in millions)	17.1 kg	12.8 kg	–
Paper consumption per FTE	178 kg	158 kg	–
<b>WASTE<sup>(8)</sup></b> (in millions)	16.3 kg	17.8 kg	16.4 kg
<b>BUSINESS TRAVEL BY CAR<sup>(9)</sup></b> (in millions)	70 km	75 km	–
Business travel by car per FTE	1,000 km	1,100 km	–
<b>CO<sub>2</sub> EMISSION<sup>(10)</sup></b> (in millions)	293 kg	300 kg	280 kg
CO <sub>2</sub> emission per FTE	3.3 kg	3.4 kg	2.8 kg

(1) Based on internal CSR survey in 2004, 2003 and 2002, covering respectively 93%, 92% and 82% of FTEs

(2) Full-time is defined as a working week of 35 hours or more. Based on internal CSR survey in 2004, 2003 and 2002, covering respectively 110,000 persons, 103,800 FTEs and 81,400 FTEs

(3) Based on internal CSR survey in 2004, 2003 and 2002, covering respectively 105,400 FTEs, 103,700 FTEs and 89,000 FTEs

(4) We redefined 'charitable donations' by excluding commercial sponsoring for sports and culture in the figures from 2004. The decline in charitable donations this year is the result of this redefinition.

(5) Based on internal CSR survey in 2004 and 2003, covering respectively 91,400 FTEs and 91,400 FTEs. Data is reported for an extrapolated 99,000 FTEs for 2002

(6) Based on internal CSR survey in 2004 and 2003, covering respectively 60,000 FTEs and 59,300 FTEs in Europe

(7) To get more insight in our paper use, a distinction was made in the data collection process between office paper, organisational printed matter and commercial printed matter. Because of the distinction by type of paper, it is not possible to compare the 2004 figures with the 2003 figures. Based on internal CSR survey in 2004 and 2003, covering respectively 95,800 FTEs and 81,100 FTEs

(8) Based on internal CSR survey covering for 17,100 to 71,300 FTEs depending on the type of waste in 2004, for 43,700 to 75,600 FTEs depending on the type of waste in 2003. Data is reported for an extrapolated 99,000 FTEs for 2002

(9) Based on internal CSR survey in 2004 and 2003, covering respectively 69,000 FTEs and 64,900 FTEs

(10) Based on internal CSR survey covering 65,400 to 91,400 FTEs depending on the source of CO<sub>2</sub> emission in 2004, and 62,600 to 91,400 FTEs depending on the source of CO<sub>2</sub> emission in 2003. Data is reported for an extrapolated 99,000 FTEs for 2002 and for energy usage only

### MISSION

We strive to deliver our financial products and services in the way our customers expect: with exemplary service, maximum convenience and at competitive rates. This is reflected in our mission statement: To set the standard in helping our customers manage their financial future.

### PROFILE

ING Group is a global financial services company of Dutch origin with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 113,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions

and governments. Based on market capitalisation, ING is one of the 20 largest financial institutions worldwide and in the top-10 in Europe.

## ING GROUP

In 2004, ING introduced a new structure of six business lines. A clear client focus and strong business logic are the key elements in this structure.

### INSURANCE

#### OPERATING PROFIT BEFORE TAX INSURANCE EUROPE



#### INSURANCE EUROPE

Operates the insurance activities in the Netherlands, Belgium, Spain, Greece and Central Europe and asset-management activities in Europe. In these countries we offer life insurance with special attention for pensions. In the Netherlands and Belgium we also offer non-life insurance.

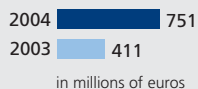
#### OPERATING PROFIT BEFORE TAX INSURANCE AMERICAS



#### INSURANCE AMERICAS

Holds insurance operations and asset-management activities in the Americas. It is well established in the United States with retirement services, annuities and life insurances and has leading positions in non-life insurance in Canada and Mexico. Furthermore, we are active in Chile, Brazil and Peru.

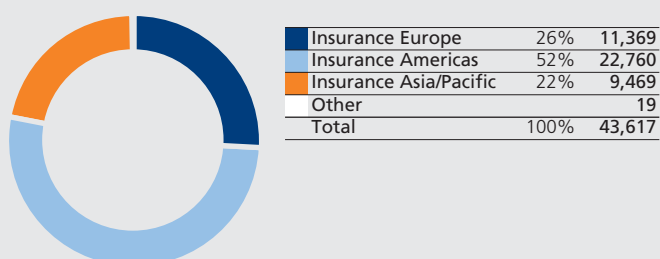
#### OPERATING PROFIT BEFORE TAX INSURANCE ASIA/PACIFIC



#### INSURANCE ASIA/PACIFIC

Holds the life insurance operations and asset/wealth management activities in Asia/Pacific. It has well established positions in Australia, Hong Kong, Japan, Korea, Malaysia and Taiwan. The activities in China, India and Thailand are future growth engines for ING.

#### DISTRIBUTION OF PREMIUM INCOME PER BUSINESS LINE in millions of euros



## MORE INFORMATION

For further information visit:  
[www.ing.com](http://www.ing.com)

## BUSINESS

ING is the number one financial services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking, insurance and asset management products. In our wholesale banking activities we operate worldwide, but also with a primary focus on the Benelux countries. In the United States, ING is a top-5 provider of retirement services

and life insurance. In Canada, we are the top property and casualty insurer. ING Direct is a leading direct bank with over 11 million customers in nine large countries. In the growth markets of Asia, Central Europe and South America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 500 billion.

## STAKEHOLDERS

ING conducts its business on the basis of clearly defined business principles. In all our activities we carefully weigh the interests of our stakeholders: customers, shareholders, employees, business partners and society at large. ING strives to be a good corporate citizen.

## BANKING

### WHOLESALE BANKING

Takes care of the global wholesale banking operations. It has five divisions: Clients, Network, Products, Corporate Finance and Equity Markets, and Financial Markets. It offers a full range of products to corporates and institutions in the home markets in the Benelux countries and elsewhere it operates a more selective and focused client and product approach.

#### OPERATING PROFIT BEFORE TAX WHOLESALE BANKING

2004 1,932  
2003 1,272

in millions of euros

### RETAIL BANKING

Holds retail banking activities in the Netherlands, Belgium, Poland, Romania and India. Retail Banking also offers private banking in selected markets; for instance in the Netherlands, Belgium, Luxembourg, Switzerland and several countries in Asia.

#### OPERATING PROFIT BEFORE TAX RETAIL BANKING

2004 1,170  
2003 1,058

in millions of euros

### ING DIRECT

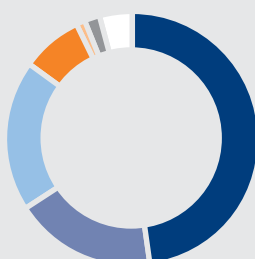
Operates direct retail-banking activities for individual clients in Australia, Canada, France, Germany, Austria, Italy, Spain, United Kingdom and the United States. Main products offered are savings and mortgages. A separate activity is ING Card, which manages a credit-card portfolio within the Benelux.

#### OPERATING PROFIT BEFORE TAX ING DIRECT

2004 432  
2003 151

in millions of euros

#### DISTRIBUTION OF BANK LENDING in billions of euros



Netherlands	48%	152.4
Belgium	18%	55.8
Rest of Europe	19%	61.9
North America	8%	26.9
Latin America	1%	1.9
Asia	2%	6.8
Australia	4%	11.8
Total	100%	317.5

A COMPANY THAT IS GOING TO BE **SUCCESSFUL IN THE LONG-TERM**  
MUST CONSIDER ALL ITS STAKEHOLDER GROUPS AND HOW TO  
**CREATE VALUE** FOR EACH OF THEM



**MICHEL TILMANT**

Chairman Executive Board

A handwritten signature in black ink, appearing to read 'M. Tilmant', with a long, sweeping underline.

**DEAR STAKEHOLDER,**

Respect and trust are fundamental ingredients for sustainable growth in the financial services industry. For this reason ING wants to pursue solid growth on the basis of sound business principles. It goes without saying that the new Executive Board wants to continue building a culture within ING in which behaving according to sound business ethics is simply the right thing to do. A clear code of conduct, the ING Business Principles, has for years been providing us with guidance in our daily work. In 2004, the Business Principles were updated reflecting the changes

in our business environment. They now include a reference to human rights and to sustainable development. The updated Business Principles were communicated to all employees worldwide. This is supported by a training programme to be rolled out in the course of 2005.

Our strategic focus on creating long-term value is consistent with the general responsibilities ING has towards our stakeholders, in particular our customers, shareholders, employees, business partners and society at large. In forming stable relations with them, it is essential to gain and retain respect and trust. We do this by interacting with them and by responding to their concerns, wherever possible. In this edition of ING in Society, we aim at informing all stakeholders on how we take account of their interests.

Our customers put a significant part of their financial future in our hands. It is our ambition to deliver on the

confidence they put in us. We want to provide quality products at fair prices supported by good execution, exemplary service and proper accessibility. During 2004, we measured an upward trend in customer satisfaction compared to 2003 and we want to continue this.

Customers seem increasingly inclined to make choices that go beyond pure financial considerations about the products they buy and from what company. In 2004, we made progress in embedding social and environmental criteria into our core business. One of the things we did was to review our policy with regard to the defence industry. The Executive Board decided to limit investments and other business with companies that are directly involved in controversial weapons. We further implemented the Equator Principles; a framework for determining, assessing and managing social and environmental risks in project finance transactions.

A growing number of our shareholders is looking more closely at the non-financial performance of the companies they invest in because of the impact it has on a company's ability to create value for its owners. In this report, you can read about the steps we have taken to further strengthen our corporate governance. We have implemented the Dutch Corporate Governance Code ('Tabaksblat Code') and renewed the ING external auditor independence policy in order to be fully in line with the US Sarbanes-Oxley Act. In 2004, we maintained our position in the most prominent Sustainability Indices, such as the Dow Jones Sustainability and the FTSE4Good Indices.

In 2004, external research showed that a vast majority of our employees prefers to work for a socially responsible company. For years, we have made an effort at offering a stimulating and attractive working environment. We believe that satisfied and motivated employees



## ECONOMIC CONTRIBUTION TO OUR STAKEHOLDERS

deliver better customer service and drive our success as a business. To underline the importance of the workforce, direct responsibility for Human Resources has, as of 2004, been attached to the chairman's office.

We want to be a reliable counterpart for our business partners and we want to ensure that our cooperation, and the activities that result from this cooperation, do not conflict with our ethical standards. That is why we updated our General Terms & Conditions for Procurement and communicated them to all our suppliers. They now include clauses related to environment, health and safety and child labour.

To society at large we are committed to being a good corporate citizen in the countries where we do business. Active involvement in community development will in turn strengthen the ING brand and reputation. We developed a new community development policy in 2004 named 'ING Chances for Children', which focuses on making education better accessible to children.

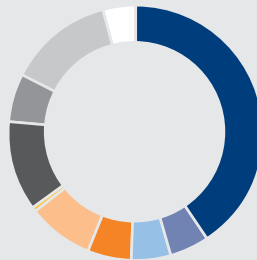
In realising the importance of corporate responsibility, carefully weighing the interests of our stakeholders and by making sure that ING's activities are conducted in a responsible way, we believe that we have a healthy company that creates good value for shareholders and other stakeholder groups.

For the years ahead we will continue to engage you in the challenges our company faces. We will continue to develop our thinking about our role and responsibilities in today's society. This can only be done in an open dialogue with our stakeholders. We invite you to send your reactions, comments and suggestions through our corporate responsibility web pages on [www.ing.com](http://www.ing.com).

**Michel Tilmant**  
Chairman Executive Board

The Economic Contribution model below illustrates the economic role of ING in society and it indicates how our contribution is spread out among our stakeholder groups. It is more than the traditional Added Value model which focuses on the value that is added for shareholders, employees and the authorities. Banks and insurance companies fulfil an important role in meeting the demand and supply for capital. The chart below illustrates the economic contribution and demonstrates how ING's revenue is distributed to the various stakeholder groups.

**ECONOMIC CONTRIBUTION ING GROUP 2004**  
in billions of euros



Lenders and bank customers	41%	17.8
Policyholders	4%	1.8
Insurance Intermediaries	5%	2.2
Shareholders: dividends paid	6%	2.4
Shareholders: retained earnings	8%	3.6
Shareholders: third-party interests	1%	0.3
Employees: salaries	12%	5.0
Employees: social charges and other	6%	2.7
Suppliers	13%	5.8
Authorities (statutory income tax)	4%	1.8
	100%	43.4

All amounts are derived from the profit and loss account and the related specifications of ING Group as published in the ING Group annual report for 2004

### LENDERS AND BANK CUSTOMERS

The distribution to our lenders and bank customers largely consists of the interest on deposits by banks, on funds entrusted, on debt securities, on subordinated loans and other interest expenses.

### POLICYHOLDERS

The distribution to our insurance customers is based on underwriting expenditure, net of insurance premiums paid. The spreading of risks between policyholders, which is an important contribution of ING Insurance to society, is not reflected in this amount.

### INSURANCE INTERMEDIARIES

The distribution to intermediaries amounted to EUR 2.2 billion in 2004 and consists mainly of commissions.

### SHAREHOLDERS

In 2004, ING's net profit was EUR 6.0 billion. Of this amount EUR 2.4 billion was allocated to our shareholders by means of dividend and EUR 3.6 billion was retained. In 2004, EUR 272 million was allocated to third-party interests.

### EMPLOYEES

At year-end 2004 ING employed 112,196 FTEs worldwide. A considerable part of ING's revenues is distributed to them by way of salaries, pension and social security costs, amounting to EUR 7.7 billion in 2004.

### SUPPLIERS

In 2004, EUR 5.8 billion of ING's costs were attributed to suppliers. This will help them to create jobs and new economic activity.

### AUTHORITIES

Governments collect a number of taxes, the most important being statutory income taxes. These revenues are used for education, infrastructure and many other investments that benefit society. For 2004, the statutory income taxes reported by ING amounted to EUR 1.8 billion.

## IN EVERYTHING WE DO, WE HAVE TO MAINTAIN HIGH ETHICAL STANDARDS

As a global financial institution, ING occupies a special role in the economy. Our customers represent all sections of society. Our banking, insurance and asset management activities, as well as our own investments, can have a significant impact on local capital markets.

ING has specific responsibilities that go hand-in-hand with its status. We must comply with a wide range of regulations designed to organise financial markets and to safeguard customer information and the integrity, security and continuity of our business processes.

Being a listed company also brings obligations. One of them is disclosure: providing high-quality and timely financial data to the market. Another is good corporate governance. ING strives to have a corporate governance structure in place that does justice to the interests of all its stakeholders.

### RESPONSIBILITIES TOWARDS OUR STAKEHOLDERS

Many of the responsibilities towards our stakeholders are defined by regulators. But many are set by ourselves. An ongoing dialogue with our stakeholders helps us to stay in touch with their expectations and concerns.

For our *customers*, we want to offer good service and products. During 2004, we introduced a new structure and strategy that will help ING to become a more customer-centric company. This is reflected in our revised mission statement: "To set the standard in helping our customers manage their financial future."

Our customers put a significant part of their financial future in our hands and it is our ambition to deliver on the confidence they have in us. We therefore want to provide quality products at fair prices, supported by good execution, exemplary service and accessibility.

In other words: good value for money.

Our *shareholders* provide us with the capital we need to operate and grow. We want to deliver an attractive return on their investment that is higher than that of the average of our peers, but without compromising our Business Principles or taking on risks that could come back to haunt us in the future.

Our business success is directly linked to the motivation and performance of our *employees*. We aim to be a good employer, a great place for employees to work and a company they can be proud of. We have a duty to provide our employees with good terms of employment, safe working conditions and ample opportunities for professional and personal development.

Towards our *business partners*, we have a responsibility to be a reliable counterpart. We want to ensure that our cooperation with them, and the activities that originate from this cooperation, do not conflict with our values and ethical standards, as stated in our business principles.

Through our close financial relations with individual and corporate customers, business partners, governments and regulators, we are by definition embedded in local *communities*. We want to be a good corporate citizen, which is why we are involved in numerous programmes that contribute to community development. Investing in community development will in turn strengthen the ING brand and reputation and will help us attract, retain and motivate talented employees.

### Diverging stakeholder interests

Many stakeholder interests overlap. For example, measures to improve customer service can also benefit shareholder return. But stakeholder interests can also clash. For example, efficiency gains from outsourcing a certain business function could enhance shareholder return, but also adversely

affect employees. It is an everyday challenge to balance our stakeholders' interests, and in this report you will learn about some of the dilemmas we faced during the last year and how we handled them. We believe that taking the expectations of our stakeholders into account contributes to our long-term success and makes us a respected and trustworthy partner.

### Conflicts of interest

Sometimes different parts of ING interact with customers in different roles. For example, the possibility exists that an insurance unit is an investor in a company (and thus part-owner) that ING also serves as an advisor via its wholesale banking unit. Conflicts of interest can arise in such cases. We have a long-standing tradition in keeping these matters separated. To increase the transparency of ING as an investor we codified the way ING deals with such issues in the ING Global Voting Policy, adopted in 2004.

### ING BUSINESS PRINCIPLES

The ING Business Principles serve as the main ethical compass for our business activities and guide us in managing our duties towards others. They describe our commitments towards each stakeholder and they create a single standard of ethical behaviour for everyone at ING.

The Business Principles were first drawn up in 1999. They were updated in 2004 to reflect regulatory requirements and the changing business environment. We added a business principle that explicitly endorses the Universal Declaration of Human Rights. ING's top managers have received a management guide to help them define their role and responsibilities concerning human rights. In 2005 they will carry out a self-assessment on human rights within their own business unit.

The Business Principles also refer to the new ING Whistleblower Procedure introduced in 2004 as a result of regulatory requirements connected with the US Sarbanes-Oxley Act.

Simply articulating our Business Principles is not enough. They create obligations we have to live up to. Through their individual behaviour



## FINANCIAL AND ECONOMIC CRIME

each day, our employees determine whether we live up to our obligations or not. One of our objectives is to make sure everyone at ING is trained in the new Business Principles. They have been incorporated in 'Live ING', a learning programme for all ING employees worldwide to give them a better shared focus on our strategic priorities and corporate culture. 'Live ING' will be rolled out worldwide in 2005. Through such training, we are working to build a company in which ethical behaviour is well-ingrained.

### MONITORING HOW WE MANAGE OUR RESPONSIBILITIES

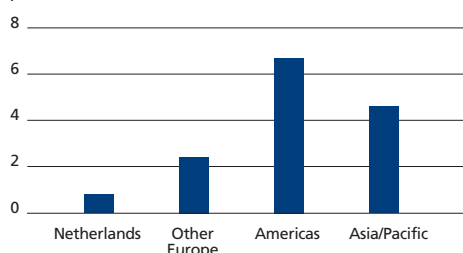
The degree to which ING fulfils its obligations is monitored both internally and externally. Internally, compliance officers try to reduce the probability of integrity risks and mitigate their impact. Externally, ING is subject to the scrutiny of many regulators around the world.

#### Compliance

For decades already, ING has had its internal rules which its business entities must comply with. We continuously update these rules and develop and introduce new ones. For example, making sure the ING Business Principles are adhered to is an important part of our internal monitoring programmes.

Compliance is the responsibility of the managers of the business units, and the Executive Board has overall collective responsibility. ING has a Group Compliance Department which monitors risks in the area of reputation and integrity. In addition, around 375 local compliance officers are embedded in all levels of the organisation worldwide.

NUMBER OF COMPLIANCE OFFICERS  
per 1,000 FTEs



ING's compliance function is far more prominent in the US than in the home market of the Netherlands, for example. Group Compliance intends gradually to correct that imbalance and give compliance greater prominence in other regions.

We have an obligation to prevent our banking, insurance and asset management infrastructure from criminal activity. In 2004, we implemented a new corporate policy on financial economic crime (FEC policy) that complies with international laws and regulations on money laundering, fraud and terrorist financing. In countries where ING's FEC policy is stricter than local rules, ING's policy is followed. The FEC policy, which replaced ING Group's existing

policy on anti-money laundering, enhances procedures and processes on customer acceptance, business partner acceptance (like correspondent banks), pre- and post-trade screening and monitoring and incident management. Local ING management is responsible for implementing and complying with the FEC policy. By the end of 2004 the new policy had been implemented throughout the organisation, except in some IT areas that are still being addressed.

They periodically monitor the integrity rules as part of the business process. They also report on whether, among other things, the local Codes of Conduct and the ING Business Principles are being respected and whether ING complies with all the applicable regulations and laws.

In the United States, ING dealt with a number of regulatory developments, including inquiries by several federal and state governmental and self-regulatory agencies in connection with investigations relating to fund trading, compensation, conflicts of interest and sales practices. ING is cooperating fully and providing all information requested. In addition, ING in the United States implemented new compliance rules, streamlined its compliance organisation and updated its Code of Conduct.

#### Operational Risk Management

In addition to Group Compliance, ING has an Operational Risk Management (ORM) department that monitors how well we manage operational risk. The department helps us understand any activities that went wrong in the company and helps to adjust the quality of our processes in such a way that mitigates the risks identified.

The operational risk categories monitored and measured by ING are defined by the Basel Committee on Banking Supervision at the Bank for International Settlements. Examples are process failure, control failure, internal crime and fraud, external crime and fraud, unauthorised activities, employment practices and workplace malpractice. ING's reporting systems are in line with the requirements of the most recent regulations.

Over 200 dedicated operational risk management officers are active throughout ING. They collect and analyse incident reports each quarter. In addition, they monitor Key Risk Indicators and carry out regular risk assessment sessions with management.

These are not questionnaires that managers must fill in, but interactive group discussions that provide valuable qualitative information and help to identify where potential risks might be 'hiding' in a business unit.

About 90% of the business units in banking are currently covered by ORM incident reporting. In 2004, incident reporting was introduced in the insurance operations, and at year-end around 70% of insurance activities was covered. For 2005 ING aims to extend its incident reporting to 98% of its banking business units and to 90% of its insurance business units.

#### Regulators

In addition to regulators like the Basel Committee, the United States Securities and Exchange Commission (SEC) and the Dutch Central Bank (DNB), each country has its own (and sometimes more than one) financial regulator. These regulators determine, among other things, the capital adequacy ratios our insurance and banking subsidiaries must meet. They supervise that we have solid governance structures in place and that we adequately inform our customers about our products. We have to comply with legislation and regulations designed to prevent insider trading and other forms of market abuse. Regulators have an impact on how we select certain business partners when outsourcing by requiring that certain minimum governance standards be met. Regulators also supervise if the managers we appoint to certain positions have the right expertise or background to do the job properly.

Being a regulated company builds in extra safeguards that ensure that we manage our duties well. In addition, we comply with many industry codes that are not required by law. The failure to comply with regulations and important industry codes could damage our brand and reputation.

ACTION PLAN	
FOCUS AREA	2004 GOALS AND INTENTIONS
BUSINESS PRINCIPLES	<ul style="list-style-type: none"> <li>• Rephrase our Business Principles to reflect regulatory requirements and the changing business environment.</li> <li>• Introduce a Business Principle with reference to Human Rights.</li> <li>• Intensify training in the Business Principles.</li> </ul>
MONITORING CORPORATE RESPONSIBILITY	<ul style="list-style-type: none"> <li>• Increase coverage of Operational Risk Management (ORM) reporting system to 80% of ING's operations.</li> <li>• Improve quality and coverage of performance data related to corporate responsibility.</li> <li>• Two-year period for implementation Equator Principles.</li> </ul>
CUSTOMERS	<ul style="list-style-type: none"> <li>• Structure local stakeholder dialogue with local management involvement.</li> </ul>
SHAREHOLDERS	<ul style="list-style-type: none"> <li>• Further intensify shareholder communication and extend proxy voting to depositary-receipt holders and shareholders in the United Kingdom and the United States.</li> </ul>
EMPLOYEES	<ul style="list-style-type: none"> <li>• Structure local stakeholder dialogue with local management involvement.</li> <li>• Incorporate performance in developing employees in the appraisal system of senior management.</li> </ul>
BUSINESS PARTNERS	
SOCIETY	<ul style="list-style-type: none"> <li>• Seek partnerships with international organisations in field of pensions and financial sector development.</li> <li>• Develop corporate guidelines on sponsoring, donations and volunteering.</li> </ul>

2004 ACHIEVEMENTS	2005 GOALS AND INTENTIONS
<ul style="list-style-type: none"> <li>• The ING Business Principles refer to the new ING Whistleblower Procedure.</li> <li>• Introduction of a business principle that explicitly endorses the Universal Declaration of Human Rights.</li> <li>• Development of a management guide to help senior managers to define their roles and responsibilities concerning human rights.</li> <li>• Development of 'Live ING', an interactive, two-hour learning programme designed for all staff about our strategy, structure, Business Principles and brand.</li> </ul>	<ul style="list-style-type: none"> <li>• Self-assessment human rights by top management.</li> <li>• Launch of 'Live ING' and mandatory training for all ING staff.</li> </ul>
<ul style="list-style-type: none"> <li>• About 90% of all business units in banking and 70% of insurance activities were covered by ORM incident reporting.</li> <li>• Reporting entities covered in our internal CSR survey increased from 28 countries in 2003 to 33 in 2004, including ING joint ventures in India and China.</li> <li>• A special team within Corporate Credit Risk Management was designated to implement the Equator Principles and employees worldwide were trained.</li> <li>• ING reviewed its policy for the defence industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase coverage of ORM reporting system to 98% of all business units in banking and 90% in insurance.</li> <li>• Conduct a target group research to investigate stakeholder expectations, with regard to corporate responsibility reporting.</li> <li>• Equator Principles fully implemented before June 2005.</li> <li>• Intensify reporting on the Equator Principles.</li> <li>• Implement new policy for the defence industry.</li> </ul>
<ul style="list-style-type: none"> <li>• Of our business units 48% measured an upward trend in customer satisfaction, compared to 27% in 2003.</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritise customer satisfaction.</li> </ul>
<ul style="list-style-type: none"> <li>• The proxy-voting system was extended to the United States, the United Kingdom and international institutional investors, raising the proportion of votes cast through proxy voting from 8% in 2003 to 21% in 2004.</li> <li>• ING published an additional financial report about its United States operations, the US Statistical Supplement.</li> </ul>	<ul style="list-style-type: none"> <li>• Further encourage depositary-receipt holders to use proxy voting.</li> </ul>
<ul style="list-style-type: none"> <li>• 95% of business units has defined policies on employee motivation against 83% in 2003.</li> <li>• The Female Development Programme (FDP) was expanded to the rest of Europe under the name Leadership by Example.</li> </ul>	<ul style="list-style-type: none"> <li>• Customised plans per business line to create diverse teams.</li> </ul>
<ul style="list-style-type: none"> <li>• New general terms and conditions with ethical clauses.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase number of supplier-performance surveys.</li> </ul>
<ul style="list-style-type: none"> <li>• ING together with the Dutch government and a number of banks in the Netherlands, combined their expertise in the Netherlands Financial Sector Development Exchange.</li> <li>• ING joined the 'Global Pensions statistics Project' of the OECD, set up to ensure the availability and comparability of global pension data.</li> <li>• ING Netherlands announced its alliance with Oikocredit, one of the world's largest non-commercial financial institutions engaged in microcredits.</li> <li>• New policy developed for community development activities and sponsoring.</li> <li>• ING strengthened the ties with a number of NGOs to enhance mutual understanding.</li> </ul>	<ul style="list-style-type: none"> <li>• Main sponsorship of the 2005 United Nations Year of Microcredit.</li> <li>• Seek global partnership for 'Chances for Children' and start roll-out.</li> </ul>

### EARNING THE **TRUST AND LOYALTY** OF OUR CUSTOMERS IS ESSENTIAL TO OUR BUSINESS SUCCESS

ING offers a wide range of banking, insurance and investment products to over 60 million customers worldwide. Our customers reflect all sections of society: individuals, families, corporate customers, municipalities and national governments. We strive to meet the needs of each of them. In 2004, ING set out on a new strategic direction that puts more emphasis on service execution and personal accountability, the ultimate goal being the improvement of customer satisfaction.

#### OUR COMMITMENTS

##### Customer focus

We aim to provide our customers with the best possible service, which in turn we hope will contribute to long-term relationships and a regular stream of business and profits. Early 2004, ING created a new mission statement: to set the standard in helping our customers manage their financial future. Customers put a large part of their financial future in our hands, and we want to repay this trust by standing out from other financial services providers.

Keeping customers happy means being easily accessible, fulfilling our promises

– regardless of how large or small those promises are – and delivering value for money. It means doing everything to the highest standard throughout each transaction and every relationship. ING distributes its products and services through a variety of channels – from face-to-face service at a branch office to digital service via the internet – with varying levels of convenience and personal advice. To do this effectively and profitably requires good execution at every stage of the process.

#### RESPONSIBILITIES WITH REGARD TO OUR PRODUCTS AND SERVICES

##### Meeting regulatory requirements

From the time a product idea is born to the end of its life – which in the case of a life insurance policy can last several decades – ING has a wide range of obligations. One of these is ensuring that new products meet regulatory requirements. We sell our products through a variety of distribution channels, and as marketing and sales practices are subject to local legislation they are the responsibility of local management. It is also the responsibility of local managers to train agents and monitor feedback from

end-customers about the different distribution channels.

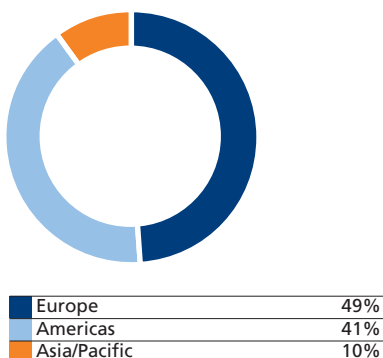
##### Transparency in pricing and conditions

In addition to careful product development, we have a responsibility to provide our customers with clear prices and conditions of purchase. Customers should be well-informed about the financial choices they make. This is why we have to provide transparent sales instructions and have to ensure clear communication towards our customers. This commitment to transparency is anchored in our Business Principles.

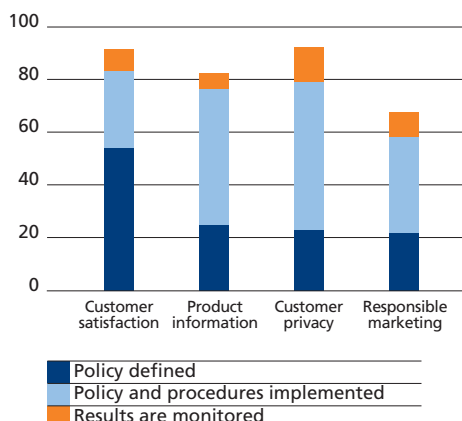
Whenever product responsibilities are at stake, ING accepts responsibility appropriately. One recent example of this was the public controversy that Postbank (ING's direct banking unit in the Netherlands) faced with one of its mortgage products, the 'MeerWaardehypotheek'. The product was designed to allow customers to purchase a larger home. The excess home equity was invested in a bond fund and the returns from the fund were to be used to complement customers' monthly incomes over the next 20-30 years. The fund did not perform well, and customers became concerned about their ability to meet their monthly mortgage payments. To compensate the customers for the disappointing return on investment related to the mortgage product, Postbank took a significant loss. This illustrates that ING is prepared to incur a short-term financial disadvantage in order to strengthen long-term customer loyalty and to retain its good reputation.

In another case, ING acted following inquiries by several federal and state governmental and self-regulatory agencies regarding market timing and late trading of some of the mutual funds offered by ING in the United States.

REGIONAL DISTRIBUTION OF  
ING CUSTOMERS  
in percentages, year-end 2004



IMPLEMENTATION STATUS CUSTOMER  
RELATED POLICIES AND PROCEDURES  
based on internal CSR survey  
(100% = 68 business units, representing 94,520 FTEs)





## DIVERGING STAKEHOLDER INTERESTS: PERSONAL CONTACT WITH CUSTOMERS

Telephone and internet banking have become very popular in developed countries. ING has invested considerable resources to be available 24 hours a day through these means of communication. Yet many customers still prefer face-to-face contact, even for the simplest transactions. Several years ago, ING Bank Netherlands established a centralised call centre to streamline telephone banking services, but also made it more difficult for customers to

telephone or carry out cash transactions at their local branch. ING Bank lost much valuable contact with customers as a result. So, in 2004, ING Bank re-established direct telephone contact with branches for customers. In addition, ING Bank has started to re-establish the cashier function in most branches and will complete this process by the end 2005. This case illustrated the tension that can exist between different stakeholder demands: the dilemma facing

the bank here was the need to operate more efficiently versus the need to provide personal service for customers.

After conducting a thorough internal review ING provided information to United States regulators. ING took additional measures beyond the public filings to inform its customers directly of the findings of its internal review and promised to reimburse any ING Fund (United States) shareholder affected by inappropriate trading for which ING was responsible. ING in the United States also updated its Code of Conduct and reorganised its compliance functions.

### Customer privacy

We are committed to safeguarding the security and confidentiality of our customers' personal data. In most countries, customer privacy is governed by local laws and regulations including specific banking secrecy laws. In the United States, employees working with customers take a special mandatory course which explains federal, state and ING's requirements for handling customer data. The independent intermediaries who distribute ING's products in the United States also have a mandatory customer privacy course built into their training.

### Accessibility of financial services

Another important responsibility is making sure our products and services are easily accessible to everyone. Integrating peripheral social groups into the mainstream financial system is part of this aim. Accessibility of financial services is an issue in both developing and mature markets. In India, for example, ING Vysya Life began marketing insurance products to farmers by teaming up with Madras Fertilizers Ltd (MFL). Particularly in hard-to-reach rural areas, non-traditional distribution strategies like these are needed to reach potential customers.

Within our Retail Banking and ING Direct business line, most business units provide special services to people in backward areas, the elderly, non-native speakers

and disabled persons. So do many of our insurance business units in the United States, Belgium and Central and Eastern Europe. In Belgium a policy is implemented for insuring young drivers, as a result of a gentlemen's agreement between the government and the insurance industry. When young people meet certain conditions, price maxima are guaranteed.

## MONITORING WHETHER WE MEET OUR PROMISES



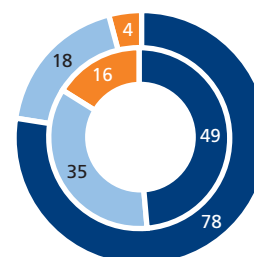
### Customer satisfaction

Monitoring whether ING's financial products and services fulfil the objectives they were meant to, is vital for our business success. That is why ING business units regularly monitor customer satisfaction. Another way we learn whether we are living up to our promises to customers is by collecting and analysing data on customer complaints.

According to the internal Corporate Social Responsibility (CSR) survey conducted for 2004, 90% of the business units with external customers measure customer satisfaction. The majority of the business units measure this themselves as well as through external parties. Issues covered in the satisfaction surveys include time of response, accessibility, claim handling, clearness in presentation of information, friendliness of staff and pricing. Business units that do not measure customer satisfaction are largely from within our wholesale banking business line. This is due to the fact that institutional clients have direct and frequent contact with relationship managers, to whom they give personal feedback.

As the chart indicates, a vast majority of our business units reported to measure customer satisfaction more than once a year. Overall, the frequency with which business units measure satisfaction has increased substantially compared to

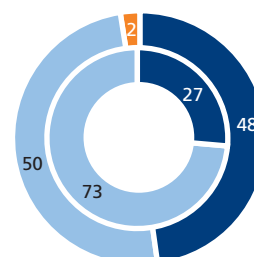
### FREQUENCY OF MEASURING CUSTOMER SATISFACTION in percentages



Outer circle: 2004  
Inner circle: 2003

More than once a year
Once a year
Less than once a year

### TRENDS IN CUSTOMER SATISFACTION REPORTED BY BUSINESS UNITS in percentages



Outer circle: 2004  
Inner circle: 2003

Upward trend
Stable trend
Downward trend

2003. In 2004, the results of testing customer satisfaction showed an ongoing upward trend compared to the average stable trend that was measured by the business units during 2003. Also, of the 40 business units that set targets to improve client satisfaction, 36 indicated that they met their targets, while four did not.

At ING Direct, which is active in nine countries and has 11 million customers, customer satisfaction has been high for





### THE 'FIRST-CALL RESOLUTION CAMPAIGN'

Through training, Customer Service Representatives become more knowledgeable about our products and are able to answer questions directly, rather than refer to someone else. Innovations such as document imaging and improved workstations give them quick access to the customer information they need to resolve the issue. As measured by our customers, ING increased its first-call resolution rate from 66% in 2003 to 69% in 2004.

**"OUR CUSTOMERS HAVE CONSISTENTLY TOLD US THAT THEY VALUE A COMPANY THAT RESPONDS QUICKLY TO THEIR REQUESTS. THAT'S WHY ONE OF OUR HIGHEST PRIORITIES IS FIRST-CALL RESOLUTION."**

**MARIE AUGSBERGER (RIGHT), HEAD OF UNITED STATES FINANCIAL SERVICES (USFS) CUSTOMER CONTACT CENTRES AND ANGELA KAHRMANN (LEFT), DIRECTOR USFS CUSTOMER CONTACT CENTRES, HARTFORD**

several years: in 2004, 78% of the customers surveyed said they were more satisfied with ING Direct than any other financial institution.

Postbank in the Netherlands, with over 7 million customers, introduced the monthly customer satisfaction tracking in 2004. Through computer assisted telephonic interviews customers are surveyed about their general satisfaction, their loyalty and their concerns. Postbank's score improved from 7.4 in 2003 to 7.5 on a ten-point scale in 2004. External research showed that Postbank customers are more satisfied with their bank than are those of other major banks in the Netherlands.

In the United States, ING's insurance companies offer life insurance, annuities and retirement services products. They measure annually the satisfaction levels among customers and independent intermediaries. During 2004, initiatives were taken to focus on the primary drivers of satisfaction for both end-customers and distributors. For example, customer research revealed that the ability to resolve a problem during the first time a customer calls – known as first-call resolution – is one of the most important drivers of distributor and customer satisfaction. All of ING's contact centre service employees in the United States are trained in customer service skills.

In 2003, ING Canada, the largest provider of non-life insurance in the country, promised customers that when they call ING with an emergency claim, they will be able to reach a claims representative within 30 minutes or their annual premium will be refunded, up to a maximum of 1,000 Canadian dollars. Of the 254,000 of such claims received since November 2003, ING Canada failed to meet that promise only 25 times.

For Nationale-Nederlanden (NN), one of the largest insurance companies in the Netherlands, the more than 10,000 insurance intermediaries who distribute NN's products are the company's main



## ING BANK IN THE NETHERLANDS STIMULATES RESPONSIBLE ENTREPRENEURSHIP



ING Bank Netherlands encourages business customers to embed CSR into their activities. The underlying principle is that companies that engage in sustainable activities become healthier in the long term, perform better in a wide range of areas and have better financial results.

To promote this belief, ING Bank launched the Care and Profit Prize in 2004 in cooperation with Het Financieele Dagblad and Good Company. This contest recognises small- to medium-sized companies that demonstrate responsible entrepreneurship. 56 companies entered in the first year.

customers. Keeping the intermediaries satisfied is vital so that they can better serve end-customers. In 2004, NN made substantial progress in improving satisfaction levels among the independent intermediaries. Backlogs, the main cause of dissatisfaction for several years, were reduced from 270,000 in early 2003 to 60,000 at the end of 2004. In the 2004 Insurance Performance Survey, conducted by the leading Dutch organisation of insurance intermediaries, NN's score improved from 2.78 in 2003 to 3.22 on a five-point scale in 2004.

### Complaint management

Another way to know whether or not we are fulfilling our promises to our clients is to collect and analyse complaints. Customer satisfaction depends on our ability to minimise the number of mistakes and to take complaints seriously when mistakes do occur. ING considers every complaint as a business opportunity because customer feedback can help us avoid future errors. We want to create value for customers by understanding what triggers their grievances. In the Netherlands, for example, the heads of the customer complaint departments of ING Bank, Nationale-Nederlanden and Postbank – ING's three largest business units in the country – meet every six weeks to exchange experiences on complaints received, find out where they originate and what triggers them.

ING does not have a global policy for complaint management, but data on customer criticism is gathered by the business units. In some countries there are regulations stipulating how quickly complaints must be handled. Of the surveyed business units 97% indicated to have a customer complaint registration system in place. 81% of the business units that set targets to decrease customer complaints reported that they met their targets, while 19% did not.

### Operational risk management

Understanding the things that went wrong, or can go wrong, in our interactions with customers is another way we make sure we are meeting our promises to customers and fulfilling our responsibilities. Within our operational risk management we identify two risk categories that are directly related to our product responsibilities and our customer interaction: clients, products and business malpractice; and processing failure. Regular incident reporting of these risks (and others) allows ING to better understand why certain incident occur in the first place and to take appropriate actions to prevent them from happening again. Knowing our operational risks and mitigating them helps us to create value in the future.

### SOCIAL, ETHICAL AND ENVIRONMENTAL STANDARDS IN OUR CORE BUSINESS

We have a responsibility to conduct our corporate activities in a way that is socially and environmentally sustainable. ING's Business Principles state that while respecting the wishes of our customers, we take into account a range of social, ethical and environmental considerations.

### Credit lending and financing

ING has policies governing lending to companies involved in areas that may be incompatible with ING's environmental, social or ethical values. Areas covered by these policies include amongst others tropical rainforests, palm oil, defence, human rights, gambling and fur.

ING's policy on oil palm and pulp and paper, for example, is aimed at preventing illegal logging in High Conservation Value Forests (HCVF) and primary rainforests. As a result, ING will not finance companies involved, directly or indirectly, in the degradation or destruction of these forests. Another example is ING's defence policy. ING began a review of its statement for the defence industry following

questions received from various stakeholders. ING has since clarified its position about investments in and the financing of companies that are involved in controversial weapons. ING has engaged an independent research provider to investigate on an annual basis whether companies are involved in controversial weapons or not.

### Project Financing

In June 2003, ING endorsed the Equator Principles (EP). By adopting these principles, ING has committed itself to apply certain policies and standards set by the World Bank (WB) and the International Finance Corporation (IFC) to project finance transactions. These principles form a framework for determining, assessing and managing social and environmental risks in project finance transactions. The full text of the Principles can be found at [www.equator-principles.com](http://www.equator-principles.com).

At the end of 2004, more than 25 banks and financial institutions that provide more than 75% of the total amount of project finance loans were committed to the EP. ING plays an active role in the group of EP banks and other financial institutions by discussing recent developments such as the update of the IFC Safeguard policies, and by communicating the importance of the principles to its clients and other stakeholders.

ING applies the EP to project finance transactions where the total project cost is USD 50 million or more in the industry sectors metals and mining, oil and gas, utilities and power, pulp and paper, and infrastructure. All proposed project finance transactions in these sectors undergo a risk assessment on the possible social and environmental impacts. In doing so, ING has included non-financial risks into its overall risk analysis. Addressing these risks enables ING to lower the credit risk of its own

"THROUGH APPLYING THE EQUATOR PRINCIPLES WE ENFORCE OUR COMMITMENT TO ADDRESSING **SOCIAL AND ENVIRONMENTAL CRITERIA** IN OUR PROJECT FINANCE DEALS."

ERWIN MASPOLIM, ING UTILITIES FINANCE ASIA, AND COLLEAGUES, SINGAPORE



### ASSESSING THE SUSTAINABILITY OF OUR CLIENT'S PROJECTS

In Singapore ING Wholesale has a regional structured finance team that is involved in financing of various projects in the Asian region. The Equator Principles apply to a number of their activities, for example the financing of power companies. To help this project team get acquainted with the Equator Principles and how to apply these in practice, ING organised a training for all project finance and risk management colleagues from the Asian region. Our front office employees and risk managers are also assisted by the special Equator Desk within Corporate Credit Risk Management in Amsterdam.

portfolio and to help its clients design more socially and environmentally responsible projects.

A team within Corporate Credit Risk Management is responsible for implementing the Equator Principles. This EP team operates separately from ING's commercial departments, which enables it to play an independent role in the approval of project finance deals. It has developed an EP policy which guides the commercial banking departments towards EP compliance. This policy describes the internal processes for EP transactions. It includes a categorisation guide and a checklist that determines the potential issues that might have environmental and/or social impacts. The EP team advises the deal team on EP compliance throughout the life of ING's involvement in any given transaction. Requests for approvals for all project finance transactions subject to the EP are submitted to ING Group's highest Credit Committee.

### PROJECTS GOVERNED BY THE EQUATOR PRINCIPLES

	Number of projects by region				Total
	Asia	Eastern Europe	Latin America	Middle East	
A Projects	3	1	–	1	5
B Projects	–	2	2	1	5
C Projects	–	–	–	–	–
Total Projects	3	3	2	2	10

This overview provides details on the application of the Equator Principles (EP) within ING's project financing portfolio from 1 June until 31 December 2004. It covers all project finance transactions that strictly fall under the EP scope, including annual reviews. All project finance transactions are categorised in High risk (A), Medium risk (B) and, Low risk (C) reflecting the environmental and social risks involved in the project. ING applies the EP to all project finance transactions whether or not they proceed to financial close. There were no declinations in ING's transaction approval process solely due to EP. ING performed

## GENDER-BASED PRICING IN PENSIONS

In 2004, the European Commission considered a proposal to force insurers to introduce uniform pricing for pension contracts for men and women (known as unisex premiums). The proposal was based on the premise that men and women should be treated equally in pensions as in other walks of life and that it was therefore unethical for women, who on average live longer than men, to pay higher premiums than men for the same pension

product (such as an annuity). ING actuaries provided testimony to the European Commission on the feasibility of unisex premiums. ING, along with the rest of the industry, concluded that pension premiums based on unisex mortality tables would pose an extra risk for an insurer's portfolio and would end up costing both men and women more than premiums based on traditional mortality tables.

In late 2004, the European Council of Ministers decided that pension providers could be exempted from the ban on differentiating between men and women if they can demonstrate that gender is necessary to determine the risk.

a leading role in assessing and advising on the environmental/social due diligence on behalf of the Lenders' Group in two out of the ten projects.

By implementing the policies and procedures within ING's commercial banking units and the Corporate Credit Risk Management department, the EP are embedded in ING's Credit Approval Process. Worldwide, more than 80% of ING employees involved in project finance, working in commercial and risk functions, have been trained to assess projects and minimise the negative impacts on the environment and the local community.

### Insurance

Taking social issues into account is relatively new ground for many life insurers. The pricing of life insurance is traditionally driven by the risk profile of the policyholder, not social factors. It is not ING's policy to accept all risks in its portfolio, demonstrating again the tension between different stakeholder interests. ING has to obey the law and has an obligation towards regulators, current policyholders, and shareholders to maintain a portfolio based on prudent risk management. This requires ING to reject certain risks, even if accepting them might, on the face of it, appear to benefit specific social groups or society as a whole.

### Investment management

ING is a large asset manager with a significant number of 5% and more interests in – mainly Dutch – companies. ING manages third-party funds as well as its proprietary assets. Its total assets under management amounted to around EUR 500 billion at the end of 2004.

In 2004, a non-governmental organization (NGO) contacted ING Investment Management (ING IM) to discuss the activities of one of the companies in its investment portfolio.

This company was alleged to be complicit in violating indigenous peoples' rights. ING said that it was not responsible for the impact of this company's business activities, but nevertheless regarded it to be within its sphere of influence to encourage the company to engage in a dialogue with the NGO.

ING Investment Management, together with a large number of other institutional investors, participates in the Carbon Disclosure project. This project aims to improve investors' understanding of the potential risks and opportunities relating to climate change that are faced by companies in which they invest.

### Real Estate

ING Real Estate is one of the world's largest real-estate companies, with EUR 51 billion in assets under management, and is involved in investment management, development and finance in more than 15 countries. In the area of Corporate Responsibility, ING Real Estate is focussed on close cooperation with local governments and communities, on environmental aspects and the selection of business partners.

## SUSTAINABLE PRODUCTS AND SERVICES

ING business units in Australia, Belgium, France, India, Luxembourg, Mexico, the Netherlands and the United Kingdom offer customers a variety of products and services that are more environmentally or socially sustainable than its traditional offerings. Our Real Estate entities in the Netherlands and the United Kingdom offer social and affordable housing, but this is less than 1% of total investments.

### Green Finance

Postbank Green, a separate bank within ING Netherlands, invests the savings of retail customers in environmentally-friendly projects. In addition to the interest payable of Postbank Green, customers get a tax break of up to

2.5%. At the end of 2004, Postbank Green's portfolio totalled EUR 720 million. In 2004, EUR 109 million was invested in 55 projects concerning renewable energy, district heating, Green Label Greenhouses, sustainable building and organic agriculture. By financing these types of projects, Postbank Green contributed to a reduction of CO<sub>2</sub> emission of 330 kilotons, compared to 277 in 2003.

Under the tax regulations Postbank Green is allowed to extend its investments beyond environmentally-friendly projects. As a new goal in 2005 Postbank Green aims to invest EUR 15 million in microfinance. This involves small loans aimed at helping approximately 150,000 small enterprises in developing countries.

### Sustainable investments

ING offers a range of sustainable investment opportunities, among others the global sustainable equity funds managed by ING IM. The biggest is the ING Sustainable Return Fund at EUR 405 million, with institutional investors accounting for 85% of the total assets under management. This amounted to 6.5% of the total global equity portfolio of EUR 6.2 billion at the end of 2004.

The funds are marketed through ING's business units in Europe and Australia under various names. Although 2004 again was a difficult year for active investment managers, ING's sustainable funds performed better than many traditional global investment funds and the major Sustainability Indices of Dow Jones and FTSE. With a 6.15% gross return in 2004, ING IM sustainable funds lagged slightly behind the 6.95% total gross return of their official benchmark, the Morgan Stanley Capital Index (MSCI).

### Loans to vulnerable groups

Banks in India are required by law to earmark a certain percentage of loans for agricultural and social banking. Therefore the Agri and Social Banking Department of ING Vysya Bank offers products that help to improve the income of the poor. The microcredits are growing rapidly, especially the Differential Rate of Interest Advances Scheme designed to help families living below the subsistence level of less than EUR 115 per annum. Another example are the loans to the rural poor women that are organised in Self Help Groups. These vary from USD 25 to 2,500 and most loans are around USD 200-300. A sustained level of income is assured through the process of social mobilisation, training, capacity building and provide of income generating assets.

### Mortgages for youngsters

In Belgium, ING Belgium and Record Group provides 'prêts jeunes' to help people younger than 35 years to finance their housing. These mortgages are guaranteed by the Walloon government and amounted to EUR 166 million in 2004.

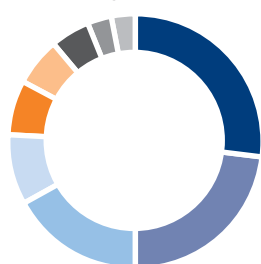
### SUSTAINABLE AND SOCIALLY RESPONSIBLE PRODUCTS & SERVICES

In millions of euros, year-end	Country	2004	2003
<b>SUSTAINABLE ASSETS UNDER MANAGEMENT</b>			
Postbank Green total portfolio	Netherlands	720	604
Sustainable global equity funds managed by ING IM	Europe and Australia	447	398
ING (L) Selectis Sustainable Distri	Belgium	32	30
ING Australia Sustainable Wholesale Share Trust	Australia	25	22
ING (B) Invest Solidarity Mixed Euro	Belgium	2	2
Sustainable discretionary Portfolio Management	Netherlands	277	251
Socially responsible investment funds managed by third parties	United States	320	231
<b>Total</b>		<b>1,823</b>	<b>1,538</b>
<b>SUSTAINABLE AND SOCIALLY RESPONSIBLE LOANS</b>			
Microcredits (direct)	India	8.4	5.7
Loans to Micro Finance Institutions (indirect)	India	3.1	—
Prêts jeunes (Mortgages for youngsters)	Belgium	166	131
<b>PREMIUM INCOME SUSTAINABLE INSURANCES</b>			
Vida Creciente (Life-insurance)	Mexico	6	—
Environmental (Risk Insurance)	Mexico	1	—

## WE ARE COMMITTED TO DELIVERING A GOOD RETURN ON INVESTMENT FOR OUR CAPITAL PROVIDERS AND AIM TO DO SO IN A RESPONSIBLE WAY

ING wants to offer shareholders a higher return on equity than its peers through a clear focus on long-term value creation, a target set in 2004 when ING renewed its overall strategic direction.

**GEOGRAPHICAL DISTRIBUTION OF ING SHARES**  
in percentages



United Kingdom	27%
United States and Canada	23%
Netherlands	17%
Belgium	9%
Luxembourg	7%
Switzerland	6%
France	5%
Germany	3%
Other	3%

### LONG-TERM SHAREHOLDER VALUE

It has always been a priority for ING to provide a good return for shareholders in terms of capital gains and re-invested dividend, a measure known as 'total shareholder return' (TSR).



### Annual results

ING achieved strong results in 2004 with a rise in operating net profit of 33% to EUR 5,389 million. Operating net profit from banking rose 55.6% led by ING Direct and Wholesale Banking. Operating net profit from insurance increased 19%, lifted by higher results in Asia/Pacific and the Americas.

In 2004, important steps were taken to streamline the portfolio of businesses. Managing the portfolio is crucial in the value creation process because, together with good execution, it frees up capital to invest in future growth. The Asian cash equities business was sold as well as the Australian non-life insurance joint venture, the Dutch health insurance business and CenE Bankiers in the Netherlands. Agreements were reached to sell the life insurance operations in Argentina, to sell Baring Asset Management and Life of Georgia,

and to exit the individual life reinsurance business in the United States. In Germany, most parts of ING BHF-Bank were sold. In Canada, a public offering of shares was completed. After the offering, ING held 70% of the shares of ING Canada.

Some of the proceeds of the sales were used to strengthen the capital position, leading to a sharp improvement of the debt/equity ratio to 9.9% in line with the 10% target. The balance of proceeds were invested in our growth engines such as ING Direct, the insurance activities in Asia and Central Europe and the retirement services business in the United States.

Underlying profit developments of the core businesses continued to be strong in 2004. Top-line growth was seen in both banking and insurance. ING will continue to focus on controlling operating expenses.

On 31 December 2004, ING's shareholders' equity amounted to EUR 25.9 billion, an increase of EUR 4.6 billion (21.2%) compared with year-end 2003. Listening to the vast majority of our shareholders, we decided to pay future dividends fully in cash.

### ENGAGING SHAREHOLDERS

Type of engagement	Target Group	Frequency 2004
Annual General Meeting	Private & institutional shareholders	1
Investor Relations symposia	Analysts	2
Conferences	Investors, analysts	13
Road shows	Investors	17
One-on-one meetings	Investors, analysts	184
Group meetings	Investors, analysts	42
Conference calls	Analysts	5
Results meetings	Analysts	6
Meeting with raters	Credit rating agencies	6



### AWARD FOR INVESTOR RELATIONS

ING won first place in the AEX stocks category of the 2004 Rematch Investor Relations Award. Rematch is an independent Dutch research and consultancy agency.

It was the third time in the Rematch survey's 15-year history that ING came first, having also won in 1997 and 2000.

As in previous years, Rematch asked investors, portfolio managers, analysts and financial journalists to rate the IR policy of the 25 largest companies in the AEX index.

### INVESTOR RELATIONS

ING Investor relations (IR) aims to communicate the strategy and the results of ING Group to the investor community so that private and institutional investors can properly value the Group's shares and other capital instruments. We also aim to gain their support for the strategy and tactics of the Group.

During the year, IR is in constant dialogue with analysts, rating agencies and private and institutional investors, offering opportunities for meetings with IR staff or Executive Board members. While the Executive Board is responsible for creating shareholder value, Investor Relations is responsible for having it recognised in the Group valuation.

#### US Statistical Supplement

In response to requests from analysts and investors, and increased disclosure expectations, ING published additional financial information in 2004 about its United States operations, the US Statistical Supplement. This unaudited supplement provides information and figures that are not regularly published in the quarterly figures or annual report. It is in line with the strategy to provide more openness and transparency for ING's stakeholders.

#### Sustainability/CSR Ratings

Analysts and investors continued to express an interest in ING's sustainable/CSR performance in 2004. Several specialised research agencies provide information on ING for sustainability indices and sustainable-asset managers. The assessments provide valuable information on the strengths and weaknesses of the company and its position vis-à-vis its peers. Many institutional investors depend on the assessments for their portfolio

management. As in previous years, ING is included in the most prominent Sustainability Indices such as the Dow Jones Sustainability World and STOXX Indices, FTSE4Good Global 100 and Europe 50. ING was also included in the Ethibel Sustainability Index, the Ethical Index Euro and Global and the ASPI Eurozone Index. According to a study into the sustainable entrepreneurship of companies listed on the AEX by Dutch Sustainability Research (DSR), ING ranked third in 2004.

Sustainable-fund managers increasingly perform their own assessments of companies and prefer a more personal approach. In 2004, ING conducted several conference calls and presentations on corporate responsibility, at the request of institutional investors.

In September 2004, ING asked the Sustainable Business Institute at the European Business School to perform an evaluation of the share of equities of ING held by European sustainable investors to get more insight in the sustainable investment market. The Institute estimated that the total volume of sustainable investments in Europe was EUR 182 billion in 2003 including retail funds (15%) and institutional investments (85%). The analysis showed that ING was held by approximately 40% of the sustainable retail funds in Europe (107 of 254 analysed funds). The proportion of ING shares held by sustainable investors in Europe (including institutional investments) was estimated by the Institute to be 1.45% at the year-end 2003. The institute also concluded that ING was the most popular Dutch company and among the top five European companies for sustainable investors in Europe.

### CORPORATE GOVERNANCE

ING believes that good corporate governance – the proper management and supervision of companies – entails a careful balance between the short-term and long-term interests of the company. ING's aim is to have a governance structure in place that is transparent and does justice to the interests of all its stakeholders: customers, shareholders, employees, business partners and society as a whole. ING has a two-tier management structure with an Executive Board and an independent Supervisory Board to create the proper checks and balances.

In 2004, the Dutch Corporate Governance Code, the Tabaksblat Code, was implemented. ING adapted its practices, its Articles of Association and the Charters of the Executive Board and the Supervisory Board to comply with the Tabaksblat Code.

The Annual General Meeting of Shareholders (AGM) on 27 April 2004 included discussions on corporate governance and the remuneration of the Executive Board. The new corporate governance structure, introduced in 2003, had a visible effect on the AGM. Shareholders stated they were satisfied with ING's financial results in 2003 and the prospects for the future. There was considerable commitment from shareholders and depositary-receipt holders. The proxy-voting system – voting without physically attending the AGM – which was introduced in 2003, was extended to the United States, the United Kingdom and international institutional investors in 2004. This raised the proportion of the votes cast by proxy from 8% in 2003 to 21% in 2004. Including the votes cast during the shareholders meeting, shareholder participation showed a record high of 27%.





For shareholders we have more in-depth information available on:

- [Annual results](#)
- [Investor Relations](#)
- [Corporate governance](#)



“WE EDUCATE OUR TOP MANAGERS AROUND THE WORLD IN ORDER TO **CREATE AND INCREASE** LONG-TERM SHAREHOLDER VALUE.”

MARINA ELOY, ING GROUP HEAD OF HUMAN RESOURCES, AND TEAM, AMSTERDAM

For 2005 and beyond ING aims to further encourage depositary-receipt holders to use proxy voting and thus increase participation in decision-making. As of 2005 proxy voting via internet will be possible for our Dutch shareholders via the Shareholders Communication Channel.

#### **Sarbanes-Oxley Act**

This United States law, dating from 2002, is intended to restore investor confidence in the capital markets after a number of bookkeeping scandals. It contains comprehensive guidelines for both financial reporting and auditing and communication of the figures. Section 404 requires the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to sign not only for the accuracy of the figures but also for the quality of internal controls for the financial reporting. ING's CEO and CFO are expected to sign their first Section 404 declaration as of 31 December 2006. The managers of ING's divisions and business

units will sign for the quality of internal control for the financial reporting within their areas.

#### **Auditor independence**

On 1 April 2004, the renewed ING external auditor independence policy became effective, fully in line with Sarbanes-Oxley. ING's external auditor independence policy defines audit services, audit-related services and non-audit-related services and the approval procedure for each type of service. ING's policy requires that the external audit firm inform the Audit Committee of the Supervisory Board of situations that may be thought to bear upon its independence. The policy also specifies which activities are prohibited to be performed by external auditors.

#### **TOOLS FOR TOP MANAGERS TO FOCUS ON TSR**

Through our Business School we educate our top managers around the world. In 2004 we introduced a special course that explains the concept of Total Shareholder Return. Top managers need to be given the tools in order to develop and execute the concept of increasing long-term shareholder value. It is their responsibility to manage the company in the future.



#### CREATING VALUE FOR OUR EMPLOYEES

Within a call-centre environment it is a challenge to keep employees motivated. The ING Belgium call centre in Brussels has found a successful way of maintaining call centre employees. How? Thanks to intensive coaching on commercial, language and interactive skills, the call/mail advisors prepare themselves for other jobs within ING Belgium. During their careers within ING they take with them the valuable experience of knowing the customers and the company. During 2004, well over 80% of the call-centre leavers have moved on to commercial and advisory functions in the network.

“OUR HUMAN RESOURCE POLICIES OFFER AMPLE OPPORTUNITIES FOR **PERSONAL DEVELOPMENT** AND HELP US ATTRACT AND RETAIN MOTIVATED AND TALENTED EMPLOYEES.”

FRANÇOISE PAQUET, HEAD HUMAN RESOURCES ING BELGIUM CALL CENTRE, WITH COLLEAGUES, BRUSSELS

## SATISFIED AND MOTIVATED PEOPLE DELIVER BETTER CUSTOMER SERVICE AND **MAKE US A SUCCESSFUL BUSINESS**, WHICH, IN TURN, CONTRIBUTES TO SHAREHOLDER VALUE

Managing for value is at the centre of ING's strategy, and our people are essential for value creation. The satisfaction of our customers is to a large extent dependent on the knowledge and professionalism of our workforce. In 2004, ING introduced a new organisational structure and strategic direction which, among other things, was aimed at building more strength, depth and diversity in the workforce and strengthening the performance culture. Top management regularly communicates to employees their crucial role in creating value for the company.

#### OUR PEOPLE AND OUR POLICIES

##### Workforce reductions and job creation

At the end of December 2004, the total number of employees in full-time equivalents (FTEs) at ING worldwide amounted to 112,196. This is a decrease of 2,148 FTEs compared to the 114,344 FTEs at year-end 2003, resulting in an overall workforce reduction of nearly 2%.

The average number of staff at Insurance Europe declined 3.6%, due in part to the sale of the Italian life insurance business. The number of staff at Insurance Americas declined 3.4% mainly as a result of staff reductions in Argentina and the outsourcing of IT functions in the United States. The decline in staff was partially offset by the purchase of Allianz in Canada. Within Wholesale Banking, staff

numbers were 9.2% lower, mainly due to the sale of CenE Bankiers, the Asian cash equities business and parts of ING BHF-Bank. Retail staff decreased 3.6% mainly due to the sale of ING BHF-Bank activities and lower staff numbers in Belgium, India and the Netherlands. The main job creator was ING Direct: the average number of FTEs increased by 1,300 to 5,300 in 2004, as a result of expansion in Germany, the United States and the United Kingdom.

##### HR policy

During the year, the Human Resources (HR) function was restructured to better support ING's strategy. A new central Group HR function was created to serve the six new business lines and support them in creating a more performance-driven corporate culture.



For employees we have more in-depth information available on:

- [Employee benefits](#)
- [Personal development and education](#)
- [Diversity management](#)
- [Health and safety](#)
- [Employee satisfaction](#)

To emphasise that human resources is a top management priority, the CEO Michel Tilmant assumed direct responsibility for HR.

ING's policy is to attract, develop, train and reward its employees based on merit. ING wants to offer payment and benefits that are up to market standards as well as opportunities for personal and professional development. ING is committed to equal opportunities and the avoidance of harassment and discrimination. We want to foster an environment in which our people trust their colleagues and management. ING wants to maintain good labour relations and provide safe working conditions. These goals and commitments are anchored in ING's Business Principles.



### Employee benefits

For many years, ING has striven to distinguish itself as a good employer by providing excellent benefits. Employee benefits take the form of primary and secondary benefits. Primary benefits include base salary and performance-related salary (e.g. bonuses and stock options). Secondary benefits include pension rights, reduced prices on financial products (for example insurance and residential mortgages), compensation for disability, childcare, sabbatical leave, parental and emergency leave and psychological counselling. The scope of these benefits varies from country to country.

Offering attractive benefits creates value for ING because they give us an additional competitive edge in the job market. Excellent benefits also motivate employees and help to retain dedicated and talented employees.

### Performance management

In 2004, personal accountability, execution and value-based management became more explicitly embedded in ING's corporate culture and strategy. Execution and personal initiative lie at the heart of performance management, which applies throughout ING and for which each country has its own system. Employees and their direct manager jointly set the employee's targets for the year as well as the extra training that is needed to reach those targets. Performance targets are in line with the objectives of one's own department and the company's overall strategy.



### PERSONAL DEVELOPMENT AND EDUCATION

#### Training

Another way ING contributes to creating value is by investing in the personal and professional development of its staff. Career development is encouraged for everyone at ING. Employees are expected to take the initiative in shaping their career and development, and ING supports them where possible.

Training and education not only give our people new skills and capabilities that benefit the company; they also facilitate employability by making our staff more competitive in the job market, creating a win-win situation. Most business units have formal policies and procedures to stimulate the personal development and education of their employees. The budget for training and personal development reported by ING's business units amounted to EUR 96 million in 2004, an average of EUR 912 per FTE.

### One culture

The value we create for customers, shareholders and communities is directly linked to our employees' behaviour. Our people are continually reminded of ING's brand promises to its customers and how their own behaviour can contribute to fulfilling that promise. What does ING stand for? And what sort of behaviour is expected from each employee? In order to give our people a shared focus on the company's priorities and corporate culture, a new internal programme called 'Live ING' was developed during 2004. 'Live ING' is about communicating ING's strategy, structure, Business Principles and brand. 'Live ING' will be rolled out for all employees in 2005.

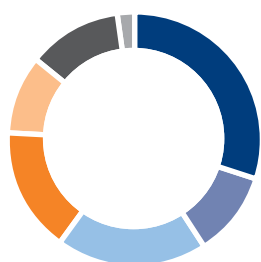
### Talent management and succession planning

Talent management and succession planning contribute to value creation for both customers and shareholders. Both functions occupy an important place in ING's overall HR policy.

Talent management is about having the right people in the right place at the right time, and recruiting, developing and retaining them. ING distinguishes three categories of talent: 'International Management talent', 'talent' and 'junior talent'. ING attracts talent by recruiting externally and managing high-value specialists and high potentials within the company.

### GEOGRAPHICAL DISTRIBUTION OF FTEs

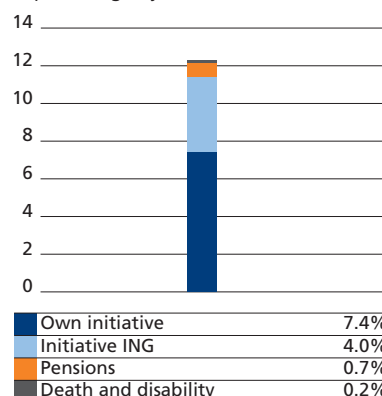
in percentages, year-end 2004



Netherlands	30%
Belgium	11%
Rest of Europe	19%
North America	16%
Latin America	10%
Asia	12%
Australia	2%

### REASONS WHY EMPLOYEES LEFT ING

in percentages, year-end 2004



Based on internal CSR survey covering 104,152 FTEs, where staff turnover was 12.3% in 2004.





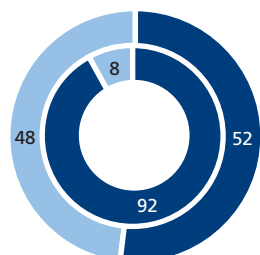
### CREATING VALUE THROUGH DIVERSITY

ING Direct's business in Australia was growing rapidly and it needed to staff the collections area. This is considered a difficult area to work in, as it involves calling up people who are behind in their mortgage repayments. In recruiting extra staff for this department, ING Direct wanted to operate the collections department in a more sympathetic way by demonstrating that it wanted to help people in difficult circumstances as much as possible. ING Direct hired veteran individuals who were released by other banks in order to take advantage of their experience. These employees have been effective in their new jobs and the success rate of collections increased. As a result, mortgages arrears are significantly better than average.

**"EMPLOYEES WITH EXPERIENCE AND EMPATHY  
LEAD TO COMPLIMENTS FROM CUSTOMERS  
WHO ARE IN ARREARS."**

**BILL RICHARDS, COLLECTIONS OFFICER AT ING DIRECT AUSTRALIA,  
WITH COLLEAGUES, SYDNEY**

### GENDER DIVERSITY AT ING WORLDWIDE in percentages, year-end 2004



Outer circle: All levels (based on data covering 110,000 employees)

Inner circle: International Management Council

Male
Female

The aim of succession planning is to identify and develop ING's current and future generation of senior executives. One of ING Group's key strategic objectives is to build a more performance-driven culture. ING's leaders are expected to have – or to learn – the ability to guide individuals, teams and organisations toward this desired goal.

### ING Business School

The ING Business School (IBS) plays an important role in communicating ING's strategy and teaching value-based management to its most talented employees. In 2004, the IBS delivered 48 programmes and workshops, with a total number of 1,040 participants. It also organised the ING Dialogue Series, which aims to familiarise talented people with key executives in the company.

People in the first managerial position are the most critical level of the company. For most employees and customers, they are the 'face' of the company and the last in line in management to translate ING's values, strategy and mission into the individual behaviour of other employees. For this reason, ING Business School offers courses specifically tailored for this group.

### DIVERSITY MANAGEMENT

Diversity management has been on the agenda at ING since 2000. In that year, a Diversity Council was formed to advise the Executive Board on diversity issues. When the Diversity Council was first established, its focus was to move more women into senior management positions. Since 2001, when 4% of the International Management Council was female, the percentage of women has almost doubled to 8% in 2004.

Today, the focus is much broader. The starting point is that ING needs to attract the best people and tap the largest possible talent pool – which means recruiting from a variety of backgrounds. ING understands diversity as the need to form diverse teams throughout the organisation and to attract people regardless of their ethnic, cultural, family or other backgrounds. By hiring and retaining people of diverse backgrounds, better business decisions can be made because different points of view are considered, thus adding value for all our stakeholders.

#### **New initiatives 2004**

Several new initiatives were introduced to make the organisation more diverse. In the United Kingdom, almost all current employees in the Wholesale Banking division participated in a new three-hour diversity awareness training session. Several ING business units in Latin America began comparing their own country demographics with the demographics of the local ING workforce to make sure the make-up of the workforce reflects local society. The Female Development Programme (FDP) was expanded in the rest of Europe under the name Leadership by Example.

#### **Employee networks**

Another part of our diversity commitment is to facilitate the creation of networks for specific groups of employees. It is all part of ING's commitment to foster an open corporate culture where people feel welcomed. To date, ING has eight employee networks worldwide, including women and young professional networks in various countries and networks for African-American, Latino and Asian employees in the United States. A new gay and lesbian staff network called GALA was established in 2004. The objective of GALA is to promote inclusiveness, increase awareness of gay and lesbian issues within the organisation and act as a point of reference.

### **HEALTH AND SAFETY**

ING is a strong advocate of physical and mental well-being and fitness. People perform better on the job if they work in a safe environment and live healthy lifestyles. ING aims to provide its employees with safe conditions of work, and this is explicitly stated in the Business Principles. ING adheres to relevant local health and safety regulations. For practically all of our employees, policies and procedures have been implemented with regard to safety, sexual harassment and other forms of harassment, employee grievance and non-smoking. Many business units have adopted their own health and safety regulation policies on a number of issues. In the Netherlands, the introduction of a number of preventive measures has helped to substantially reduce the sickness and disability rate in Postbank's call centre from 10.5% in 2002 to 5.6% in 2004.

ING encourages its employees to live healthy lifestyles. Many teambuilding events involve sports. ING sponsors worldwide marathon events and encourages its employees to train for and take part in running events. In the United States, ING sponsors an eight-week walking programme called '10K per day' that encourages its employees to exercise regularly. ING promotes healthy living by imposing non-smoking policies, facilitating membership in fitness clubs, and providing advice on ergonomics.

### **MONITORING OUR HR PROMISES**

#### **Employee satisfaction**

ING wants to be a place where people enjoy working and feel challenged. According to the internal CSR survey, 95% of the ING business units have implemented policies and procedures for employee commitment and motivation, an increase against the 83% in 2003. To make sure we are on track in fulfilling our commitments, ING regularly holds employee satisfaction surveys to determine how our people feel about their job, management, work/life balance issues,

salary and benefits, working conditions, motivation, and opportunities for personal and professional development. 74% of our business units, representing 78,000 employees, indicated to measure their employees' satisfaction.

The results of these surveys provide information on ING's strong and weak points in its HR policies. Twice as many business units indicated to have sufficient data to draw conclusions with respect to trends in employee satisfaction compared to 2003. For 10% of the surveyed staff a negative trend was reported in 2004.

#### **Motivation survey**

In the Netherlands, 32,000 employees were invited to take part in the 2004 Motivation Survey. Fifty-four percent of employees responded to the survey, a 25% higher response rate than 2003; 79% of management responded. Employee satisfaction continues to be high at ING. Employees rated overall job satisfaction with a score of 3.9 (out of a scale of 1 to 5), unchanged compared to 2003. Only 3.7% of our employees in the Netherlands said they were unhappy in their current job (score 1-2), a decrease over 2003 when 5% said they were dissatisfied.

#### **External surveys**

Various external parties gauge the satisfaction of ING's employees. In the Netherlands, ING has consistently been rated as a top employer for many years. In the 2004 survey of the 25 best employers in the Netherlands by *Intermediair*, a magazine for academics, ING was rated second. ING Chile was voted one of the top 15 places to work, according to a study conducted by the Great Place to Work Institute on Chilean companies with more than 500 employees.

### DIVERGING STAKEHOLDER INTERESTS: EXECUTIVE BOARD REMUNERATION

The announcement in the spring of 2004 about the compensation package of members of the Executive Board is a good example of the tension between different stakeholders' interests and the challenge in managing competing interests.

Employees, labour unions and employee representatives argued that the increases in Executive Board compensation were

disproportionate and set a poor example to the rest of the workforce, especially since the Dutch unions had already agreed to refrain from structural wage increases in 2004.

The Supervisory Board explained that the increases were necessary in order to keep ING competitive in the international arena and to attract and retain future generations of leaders.

The issue spawned much criticism in Dutch society. ING explained the background behind the increases in an open dialogue to media, shareholders, labour unions and employees. The increase in Executive Board compensation was approved by the Annual General Meeting of Shareholders in April 2004.

#### Corporate culture

During 2004, several studies were conducted by external agencies in the United States, Chile and the Netherlands to determine how employees feel about ING's brand and corporate culture. The surveys included questions on corporate responsibility, diversity and environmental care. The studies showed that most of the nearly 2,400 ING employees surveyed agreed that ING takes its social responsibility seriously. The vast majority of respondents also agreed to the statement "I prefer an employer who encourages socially responsible behaviour." The studies further indicated that a large percentage of employees think that personal respect and non-discrimination are taken seriously by ING. In all three countries, around 75% of the respondents acknowledged that the working environment is pleasant for all people and that ING provides a good work/private life balance.

#### Labour relations

In addition to holding regular employee surveys, ING wants to maintain good labour relations through a regular dialogue with its employees.

Dialogue with employee representatives helps ING to stay in touch with the concerns of its employees and is an important form of stakeholder engagement. Dialogue contributes to ING's success when new strategies or difficult restructuring measures need to be implemented.

The internal CSR survey indicated that 61,500 employees were represented by independent trade union organisations or were covered by collective bargaining agreements in 2004. Of our business units, 97% gives information to employees, 79% consults employees and 65% negotiates with employees regarding operational changes. ING has a European Works Council (EWC) consisting of 35 members. Russia and Bulgaria joined the EWC in 2004, bringing the total number of countries represented from 15 to 17. The full EWC meets on a bi-annual basis. In 2004, the EWC aligned its structure with the ING's new lines-of-business structure. The EWC established six committees: a Banking Committee, an Insurance Committee, an Operations and IT Committee, a Social Committee, a Financial Committee and a Public Relations Committee.

In 2004, each Committee has met with the responsible managers to discuss issues of interest and concern. Among the subjects discussed during 2004 were the new organisational structure, ING Group's portfolio management and the quarterly results.

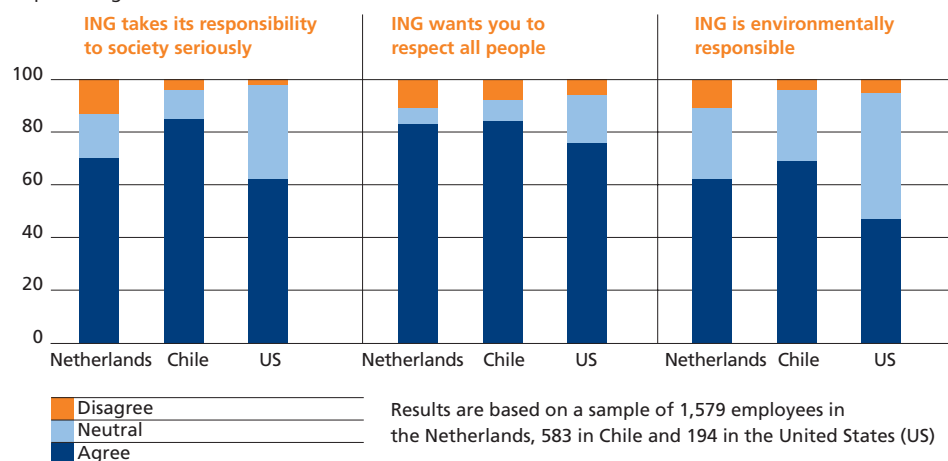
In the Netherlands, where a third of the workforce is based, the Central Works Council (COR) is the main dialogue partner for employee consultation.

#### Incident reporting

Not only does ING make promises to its employees which are regularly monitored, it also expects its employees to keep their promises to the company and to uphold the highest standards of integrity. A lack of integrity or lapses of judgment can create considerable damage to ING. This too, is monitored within ING's operational risk management and compliance framework. Some risk categories are directly related to our responsibility towards employees and employee behaviour. Examples are employment malpractice and workplace safety failure. Other risk categories are related to the employees' responsibilities towards the company, such as internal criminal activity and unauthorised activity.

Regular incident analyses regarding these risks allow ING to better understand why certain 'accidents' happened in the first place and to incite the responsible management to take appropriate actions to prevent them from happening again.

#### EMPLOYEE OPINIONS ON SOCIETAL ISSUES in percentages







“THE SUSTAINABLE SCORE CARD SERVES TWO PURPOSES. IT HELPS US TO ASSESS THE ENVIRONMENTAL EFFECTS OF THE SOFT FURNISHINGS IN OUR OFFICES THOROUGHLY. BUT THE CARD IS ALSO USEFUL TO TELL OUR SUPPLIERS WHAT WE EXPECT FROM THEM.”

PHILIP DRONTMANN, CSR MANAGER ING BANK NETHERLANDS, LODEWIJK HENDRIKS AND GERARD DEKKERS, ING FACILITY MANAGEMENT IN THE NETHERLANDS, AMSTERDAM

### MORE INSIGHT INTO ENVIRONMENTAL IMPACTS

In the Netherlands, ING Facility Management focuses on the optimal use of furnishings and furniture. The interior design of the offices should be based on durable and environmentally friendly materials. In 2004, ING hired the Dutch consultancy firm DHV to publish a report on the environmental performance of the new furniture in offices adopting the ING housing concept. ING now has a thorough insight into the environmental impact of certain raw materials used in its furnishings and the end of life recycling possibilities. As a result we can tell our suppliers what our preferences are and which improvements we expect. We are better able to manage our disposal costs (supply-chain management). In addition we think our customers appreciate our environmental responsibility.

WE WANT TO BUILD PROFESSIONAL RELATIONSHIPS WITH OUR BUSINESS PARTNERS BY USING STANDARD PROCUREMENT TOOLS, PRINCIPLES, TERMS AND CONDITIONS ACROSS THE WORLD

Worldwide, ING is involved with many different business partners, including our suppliers. Together, they form an important stakeholder group. As the company has grown in the past decade, so too has the need to coordinate procurement activities centrally. This led to the establishment in 2000 of the Corporate Procurement department which is responsible for the global coordination of this function.

### STANDARDISATION IN PROCUREMENT

The ING Procurement strategy is to execute all procurement activities through a professional organisation that is centrally led with standardised processes but which operates through decentralised procurement units.

ING deals with its business partners according to a set of high ethical standards and has strict procurement policies on human rights, child labour, environmental issues, health and safety regulations and supplier diversity.

### DIVERGENT STAKEHOLDER INTERESTS: SOURCING

The way business processes are sourced, affects various stakeholders. It affects customers, since they expect the same quality standards, regardless of whether ING or a third party handles the process. It affects business partners: in making decisions about suppliers, ING will not only consider whether company A can do it cheaper than company B, but whether they share our proposed approach and can guarantee the same quality standards for our

customers, since ING retains ultimate responsibility for the quality of the service. It affects our employees, because by transferring processes to outside providers/partners, staff may have to work elsewhere in ING or lose their job.

It also affects our relationship with regulators. They are primarily interested in the governance models we choose when outsourcing because they want to

make sure that the partners we choose will be able to do the job and match other standards, such as guaranteeing the same integrity of data as if ING were to perform the process itself. And how we source these processes affects shareholders, since one of the main objectives of outsourcing and offshoring is to increase efficiency and improve the cost/income ratio.

As part of a worldwide improvement programme, all procurement units were assessed in 2004 with the objective of each achieving certain minimum standards by the first quarter of 2005. The programme covers all main procurement areas including IT infrastructure, business application software, facility management, human resources and market data services.

#### Requirements of staff and suppliers

Procurement staff has to comply with the ING Procurement Code of Conduct as well as the Business Principles that all staff follow. This code prohibits the acceptance of personal benefits in any form, requires confidentiality with respect to quotations and proposals from suppliers and sets strict boundaries for contacts and relations with suppliers. Procurement staff must sign the code every year to remind them of its importance. Furthermore, the code is an integral part of ING's General Terms & Conditions for Procurement with which business partners are required to comply. The current version, released in 2004, includes ethical clauses related to the environment, health and safety and child labour and applies to all new contracts and contract renewals, while existing contracts will be modified as soon as the first legal opportunity occurs.

#### Global reciprocity policy

Many of ING's suppliers are also clients of ING. Our reciprocity policy states that when a customer or potential customer wants to become a supplier, this company will be assessed only on the basis of price and quality and not on its customer status.

#### Screening

In addition to its suppliers, ING is frequently involved with other business partners. ING Real Estate, for example, deals with many types of business partners when developing new projects,

including local municipalities, architects and construction companies.

Regarding its partner selection ING Real Estate acts in accordance with the ING Financial and Economic Crime Policy, the Business Principles of ING and applicable laws and regulations. Screening of potential business partners is part of the selection process. The selection of all partners, joint-venture partners in particular, takes place after an investigation by a screening department of ING Real Estate. Important issues are a partner's reputation, financial soundness, capacity and knowledge.

### SUPPLIER RELATIONSHIP MANAGEMENT

ING maintains close, value-adding relations with a limited number of strategic global suppliers. Our size, scale and expertise means they derive significant benefits from working with us. In 2004, we streamlined our communications with this key group and in 2005 we plan to conduct more supplier performance surveys.

#### Better payment performance

As part of our supplier management programme, we have continued to improve our payment performance by streamlining administrative processes and undertaking more electronic invoicing. Our payment performance in the Netherlands improved substantially in 2004. In 2004, 70% of the invoices were paid in time, compared to 60% in 2003 and 50% in 2002. This can mainly be attributed to the roll-out of the system that allows ING employees to issue electronic purchase orders to suppliers and streamlines the electronic approval of corresponding invoices. The number of employees using this system in the Netherlands increased from 499 in 2002 to 738 in 2003 and to 1,050 in 2004. During 2004, ING Unites States Financial Services (USFS) maintained an average

invoice payment time of 36 days, well within the scope of the average supplier's expectations. In 2004, ING USFS implemented the ARIBA Invoicing module which allows suppliers to submit their invoices electronically instead of on paper. At the same time, USFS has centralised invoicing which should significantly reduce invoice payment turnaround time in 2005.

#### Sourcing

Several years ago, ING established service centres for a number of business processes across the organisation, such as payments and cash management, securities clearing, retail mortgages and claims processing. These centres concentrate business processes in one place which previously had been carried out in different departments. Their introduction has contributed to better economies of scale and efficiency. Outside the Benelux, ING's banking operations, for example, have centralised back-offices in Singapore and Budapest. In the Netherlands, ING set up service and competence centres for all banking products, application development and infrastructure. Around 10,000 people are employed by the service centres in 2004.

Now that the service centres are well-established, the next step is to consider whether they should be operated in-house by ING or outsourced. We are looking at three broad possibilities: near-sourcing (creating dedicated hubs within ING to carry out the process), outsourcing (hiring an external partner in the Netherlands or another developed country to carry out the process) and offshoring (using an external partner in a low-wage country to carry out the process). For OPS&IT Banking, the objective in 2005 is to explore the various possibilities and continue to outsource applications development and infrastructure.



“VOLUNTEERING IS CREATING VALUE FOR SOCIETY WHILE GAINING INSIGHT IN OTHER WORLDS.”

PETER KOEN KONING, SENIOR PROJECT & CHANGE MANAGER, ING RETAIL BANKING THE NETHERLANDS, WITH EMPLOYEES OF OIKOCREDIT, UTRECHT

### SHARING KNOWLEDGE THROUGH VOLUNTEERING

Peter Koen Koning from ING Retail Banking volunteered to help improve the internet website for Oikocredit the Netherlands – an association which raises funds for microfinancing projects. His background in project management and mediation between IT and business situations could be put to valuable use. Designing the new website also helped Oikocredit staff to reassess their own processes. Peter is one of the many ING employees involved in many volunteering projects around the world providing an invaluable contribution to society.

## WE HAVE CREATED FIRM FOUNDATIONS FOR CONTRIBUTING TO SOCIETY IN ALL THE COUNTRIES WHERE WE OPERATE

Maintaining good relations with society is important for any company. At the most basic level, businesses make their contribution to the greater good by providing essential services and products for customers, and by creating wealth – wealth for the shareholders who invest in them, the people they employ and the governments they pay taxes to. But it is possible to do more, and that can be defined as responsible corporate citizenship.

### STRENGTHENING THE FINANCIAL SECTOR

ING makes an economic difference in the countries where it operates. Many countries do not have the same advanced financial systems and business processes that are taken for

granted in developed countries. But, by sharing its knowledge with and providing advice to governments and businesses in those countries, ING helps in their economic development.

### Advise to authorities

ING Institutional and Government Advisory (ING IGA) advises governments and financial institutions on how to develop and restructure banks and insurance companies.

Based on Postbank expertise, ING has worked in more than 40 countries to assist governments and private banks to reform the concept of delivery of basic financial services through post offices and to build stronger private-public sector relationships.

## ING TSUNAMI SUPPORT

ING has a large presence in both India and Thailand, two of the countries that were severely hit by the tsunami which on 26 December 2004 destroyed entire communities. ING immediately created a special ING Tsunami Support Account. The Executive Board committed the first USD 1,000,000 to the ING Tsunami Support Account. In addition, more than USD 400,000 has been transferred to the account by our employees. Starting from the first two weeks

after the disaster, staff at the Insurance Asia/Pacific headquarters has been working with local business units and ING representatives in the worst affected countries (Indonesia, Sri Lanka, India and Thailand) to identify projects that need our support. ING created a special intranet website to keep employees informed about status and allocation of their donation.

In Brazil, more than 19 million inhabitants had no financial service infrastructure at all, until recently. Postbank experts helped design and implement the Banco Postal system to provide basic financial services in a partnership with one of the main banks in Brazil, Bradesco. The programme started in 2002 and since September 2004, all 5,300 post offices are involved. The programme has resulted in a positive spin-off for the postal services as well as for the local rural economy and trade.

Pensions provision is another example. Many countries are struggling to pay the pensions of their ageing populations. Pay-as-you-go pension systems cannot survive in many demographic circumstances, and inadequate pension systems create enormous problems. ING advises several governments on pension reform, including the Indian government. In September 2004, ING Global Pensions published *Indian Pension System: Issues and Concerns*, an extensive study of the problem and potential solutions.

### Partnerships

In 2004, ING joined a pensions research project set up by the Organisation for Economic Cooperation and Development (OECD). Its objective is to ensure that, out of the vast amount of pension data available, the most important data is extracted, analysed and made available to countries that need it. ING also became involved in other pensions research projects designed to share and enhance international expertise, for example the European Financial Services Round Table (EFR) which is discussing how a Pan-European pension can be set up to tackle Europe's pensions problems.

In addition, ING has signed the Covenant for establishing the Netherlands Financial sector development Exchange (NFX). This public-private initiative between the Dutch government and the financial

sector aims to combine the knowledge and expertise of its partners to stimulate financial sector development in developing, emerging and transition countries. The activities will include assistance to countries in identifying shortcomings in their financial sector and advising on possible solutions, performing studies, organising seminars and conferences and executing missions to target countries.

### Microfinance support

Microfinancing aims to fight poverty by helping people help themselves. In developing countries, countless small entrepreneurs are hampered in their ambitions because they cannot raise bank finance. Microfinancing provides access to finance with loans of sometimes no more than 50 dollars.

In October 2004, ING Netherlands announced an alliance with Oikocredit, one of the world's largest non-commercial financial institutions engaged in microcredits. ING will also sponsor the 2005 United Nations Year of Microcredit. ING employees in the Netherlands can invest in the 'Oikocredit Nederland Fonds' or put their know-how to work in Oikocredit projects as ambassadors and publicists for the microfinance concept. ING staff can provide technical expertise to microfinance assignments for up to several weeks.

## COMMUNITY DEVELOPMENT AND SPONSORING

### Global policy

In 2004, after a comprehensive review of community development and sponsoring activities, a new policy was developed for the next three years. The thrust of this new policy is to focus on specific events or good causes. It offers several benefits including the possibility to share relevant best practices and experiences and facilitating closer relations with the recipient organisations. Three broad

categories of activity have been identified under the new policy: community development, sports and the arts.

### Community development

ING wants to be a good corporate citizen. That is why ING is involved in many programmes that contribute to community development and help vulnerable groups. Most business units provide charitable contributions to the community, civil society and other groups. In 2004, their total charitable contributions together with the donations of the corporate centre amounted to EUR 12.5 million.

### Chances for Children

Children and education are universal themes for community development. Children are the future. With its Chances for Children programme, ING aims to improve the physical and mental well-being of disadvantaged children from the ages 4 to 12 by improving their access to education. The programme encompasses local and global initiatives and includes all business units. In 2004, ING contributed to many projects for children around the world. In 2005, ING will study the possibilities for a global partnership for Chances for Children.

## BREAKDOWN OF CHARITABLE CONTRIBUTION BY CATEGORY

in thousands of euros, year-end 2004

Culture / Arts	1,400
Sports	400
Education	1,800
Health	1,000
Conservation and Nature	700
Children	1,800
Disaster relieve	1,000
Poverty/hunger	200
Entrepreneurship	200
Social Environment	600
Other/unknown	3,400
Total	12,500





For society we have more in-depth information available on:

- Partnerships
- Microfinance support

- Community development
- Sponsoring
- Social and environmental issues
- Environmental performance data

"WE HOPE OUR SMALL CONTRIBUTION TO THE EDUCATION OF THESE CHILDREN WILL HELP THEM BUILD A BETTER LIFE."

FRANK KOSTER, CEO, ING VYSYA LIFE , BANGALORE



#### Water management

At the opening of ING House in 2002, our Group headquarters in Amsterdam, we pledged to make a donation to support international water management projects. In 2004, the money began to be used on projects in India and China.

Together with Plan International, an organisation that works in partnership with children, families and communities to develop ways of ending the cycle of poverty, ING is sponsoring a water management and early childhood programme in Rajasthan, India. The project aims to improve food and water safety by raising groundwater levels by building rainwater tanks and implementing better forestry practices. ING has donated EUR 50,000 to this project through the ING Vysya Foundation.

In China, ING teamed up with the Red Cross to help build a large water system for two villages. ING Asia/Pacific and

ING Group donated EUR 180,000 to the project.



#### Sponsoring

ING sponsors a wide range of global, national and local events. The benefits for ING include publicity, marketing opportunities and relationship building. This sponsorship can take place at group or local subsidiary level. In many cases employees volunteer for the sponsored activities, which helps cultivate company pride.

#### Sports

ING sponsors a broad variety of sports virtually everywhere it has operations. Involvement in sports is essential for health, fitness and a sense of well-being – positive attributes with which ING wants to be associated. ING sponsors sports that match our brand associations and comply with our Business Principles; for example, low barrier sports, 'clean' sports that are not associated with doping or aggression, and sports that

#### ADDING VALUE FOR LOCAL COMMUNITIES

In India, the ING Vysya Foundation in cooperation with the Crystal House helps fund primary schools in Bangalore and encourages ING staff to volunteer and get involved. Many children in India do not get a proper education because there are so few schools. Even if there are schools, parents cannot afford to pay for their children's education.

have a high profile and contribute to national self-esteem. An example is the sponsoring of marathons and running events as part of the ING Globerunners programme.

### Culture and the arts

The other focus of ING's sponsoring policy is culture and the arts. With the aim of taking culture to a wider audience, our support reflects the inclusive and democratic nature of the ING brand, builds relations and strengthens our position within the community.

In the Netherlands, ING has sponsored the Royal Concertgebouw Orchestra since 1989. In Poland, ING Bank Slaski sponsors the National Polish Radio Symphony Orchestra and, together with ING NN, the Warsaw Philharmonic. In the Netherlands, Belgium and the United Kingdom, ING has substantial art collections, and is considered a patron to national artists.

### ENGAGING THE COMMUNITIES

#### Community relations

Relations with communities include consulting with national and local governments, non-governmental organisations, charities and regulators on the issues that concern them. These stakeholder consultations take place throughout all levels of the organisation, throughout all business units and at Group level.

Approximately 55% of ING's business units have implemented formal policies for community relations and stakeholder dialogue. Many of the units that have no such policies do, nevertheless, conduct community relations on a case-by-case basis or follow the regional or group framework.

ING Real Estate seeks close cooperation with local governments and communities because of the impact of its activities. This is especially applicable to the public-private partnerships with local authorities

in which ING Real Estate participates. Project Melbourne Waterfront City in Australia is an example of this. ING Real Estate also develops projects selected by local citizens in close cooperation with the local government, as is the case with projects Zuidas Amsterdam and Plein 44 in Nijmegen.

#### NGO contacts

A large number of non-governmental organisations (NGOs) around the world are involved in environmental, social and ethical issues. ING maintains regular contact with several of these organisations and gets involved with many others on a case-by-case basis. For example during 2004, ING met with SOMO, a Dutch NGO that wants to increase the understanding of corporate strategy and their consequences for societies and the environment. ING provided input and feedback to assist their research report *The ING Group: CSR Policy and Practices*. The report can be found on [www.somo.nl](http://www.somo.nl).

In 2004, ING engaged with NGOs dealing with issues relating to ING's role as a financial services provider. NGOs were invited to discuss ING's activities and policies in more depth to assess any negative environmental or social impacts they may have. The discussions will continue in 2005 to help build a relationship of mutual understanding. NGOs can help a company understand the impact it has on society which then enables that company to make responsible business decisions.

### Social and environmental issues

#### Defence industry

With reference to a report published by a Belgium NGO (Netwerk Vlaanderen), ING was asked to provide information on its investments in a Singapore-based company that allegedly produces anti-personnel landmines. Anti-personnel landmines are a controversial type of weapon and illegal in most parts of the world. ING immediately stated that it

does not wish to be involved in anti-personnel landmines. However, should this be the case, ING would end any involvement based on its Business Principles.

Internal research indeed confirmed that said company most likely produces anti-personnel landmines. Therefore, ING decided to sell its – albeit limited – stake in this company. This applies to both ING proprietary assets and third-party assets invested in actively managed ING mutual funds.

The issue prompted our Executive Board to review ING's defence policy for 2005, both in the field of financing and investments. Based on this decision, ING established the following policy with regard to the defence industry: "With respect to the financing of, and direct investment in, companies that are directly involved in manufacturing, maintenance and/or trade of weapons, ING abides by the applicable (international) laws and regulations. In addition, ING applies strict criteria for companies directly involved in the manufacturing, maintenance and/or trade of anti-personnel landmines, cluster bombs, depleted uranium ammunition and biological, chemical or nuclear weapons. Trade finance in military equipment and supplies must comply with NATO regulations and is permitted only when there is an export license from a European Union, United States or Canadian government as well."

From now on, ING will make an explicit distinction between standard military equipment and controversial weapons, like anti-personnel landmines and cluster bombs. ING will abstain from financing controversial weapons.

Companies which are directly involved in manufacturing, maintaining or trading these types of weapons will be excluded from new financing. Following the above, an exception will be made for companies with limited involvement in



## ENVIRONMENTAL IMPACTS OF REAL ESTATE PROJECTS

ING Real Estate uses its own list of preferred materials in all projects (DUBO list). It has projects in which special attention is paid to environmental aspects such as Ecoflex residences in IJsselstein, the Netherlands. The guiding principle during the development of these residences is the realisation of a low 'EPN-value' (a measure for energy consumption). A glass core, facing south, is incorporated in the residences in which solar heat

is collected. This heat is used for the heating system and to heat the tap water. The residences have a natural ventilation system which creates a healthy indoor climate. The houses contribute to a healthy water balance in the surrounding area as rainwater off the rooftops is collected and used for irrigation.

controversial weapons and mainly involved in non-controversial activities such as civil aircrafts. If so, we may provide financing for the non-controversial activities only.

In line with this financing policy, ING has also drawn up restrictions for asset management. We will not invest our proprietary assets in weapons-oriented companies that are directly involved in controversial weapons. ING offers sustainable mutual funds and portfolio screening for customers who wish to exclude defence industry securities from their portfolio.

Another issue concerning defence in 2004 was about ING's financing of the Indonesian navy's purchase of two corvettes. The ships will be used to prevent piracy, drug traffic and illegal fishing in Indonesia's territorial waters. The Dutch government supports the purchase and will issue an export license if there are no reasons to deny such license because of human-rights abuses. Several NGOs oppose the sale, arguing that the vessels will be a financial burden for a poor country like Indonesia and that they might be used to suppress local people. ING takes a different view.

### BTC pipeline

The BTC pipeline is an oil pipeline from Azerbaijan to the Mediterranean Sea in Turkey. It was financed by a banking syndicate, of which ING is a member. In 2004, environmental groups drew attention to cracks that had appeared in the coating used to protect the pipeline from corrosion. This problem was resolved by BTC Co. ING is confident that BTC Co. has and continues to address the matter of the pipeline coating

materials appropriately. It will be reviewed on an ongoing basis under the pipeline inspection and monitoring plan, which also comprises site visits by an independent engineering consultant on behalf of the lenders.

### Participation in international dialogue

ING Group participates in CSR and sustainability issues at a global level. In 2004, we continued our membership of the World Business Council for Sustainable Development and we participated in HRH Prince of Wales' Business and the Environment programme. ING continued to be an active member of the International Chamber of Commerce's (ICC) commission on Business in Society.

The Round Table discussions between Amnesty International and a number of Dutch multinational companies, including ING, continued in 2004. A new Round Table initiative was launched, *The Business and Human Rights Pages*, which is a practical and informative introduction to the relevance of human-rights issues for business practices.

On a local level, 59% of our business units are represented in national organisations, committees and/or working groups that focus on the role of businesses in society, the community and sustainable development.

## CARE FOR THE ENVIRONMENT

### Environmental policy

ING recognises that certain natural resources are finite and must be used responsibly, and this is stated in our Business Principles. We therefore pursue a two-pronged approach, external and internal, to promote environmental protection. The external policy is aimed at anticipating developments in the environmental field related to commercial services, and we aim to manage the environmental risks resulting from these activities. For information on how we manage these issues in our business operations see pages 13 to 16 of the chapter Customers.

### Direct environmental impact

With our internal environmental policy, we endeavour to control any environmental burdens caused by ING. ING's policy is to comply with all relevant environmental protection laws and regulations. As a financial services provider, ING is mainly an office organisation. Consequently, we aim at reducing our environmental impacts in a cost-efficient way, for example by using less paper and energy.



### Environmental performance data

Environmental management is the responsibility of individual business units and that is why monitoring practices vary per country. In the Netherlands Facility Management measures energy usage by means of a Energy Monitoring System. During 2004, this system improved significantly and now includes the water usage as well.

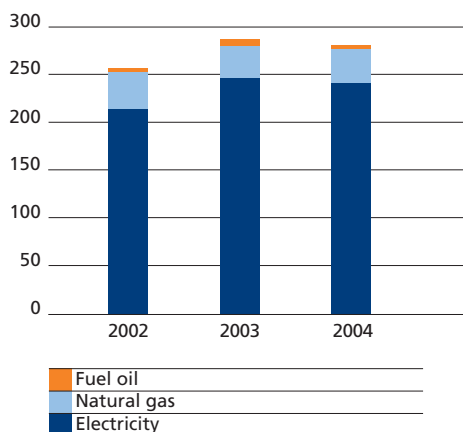
## Energy consumption

ING's most direct impact on the environment is energy use. The majority of business units have established energy-efficiency programmes or are developing these. We also invest considerable amounts in technical applications that save energy.

An example of our efforts to reduce energy is ING Real Estate that uses groundwater for the storage of warmth and cold to reduce the energy impact and CO<sub>2</sub> emissions. Employees can also contribute to energy saving measures, which is what ING stimulated in the campaign 'Werk groen, gewoon doen' (Work green, just do it) aimed at more than 30,000 employees.

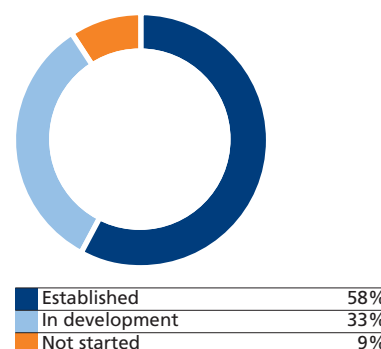
Compared to 2003, CO<sub>2</sub> emissions due to energy use slightly decreased in 2004. This was mainly caused by the reduction of 122 KWh per FTE resulting in an average electricity use of 5,800 kWh per FTE in 2004.

## ENERGY CONSUMPTION IN CO<sub>2</sub> in million kilograms



## IMPLEMENTATION STATUS OF ENERGY EFFICIENCY PROGRAMMES

data based on CSR survey covering 96,000 FTEs



## ENERGY CONSUMPTION IN 2004

	Total	Per FTE	Total	Per FTE
Electricity	530 mln kWh	5,800 kWh	240 mln kg CO <sub>2</sub>	2,628 kg CO <sub>2</sub>
Natural gas	19.8 mln m <sup>3</sup>	239 m <sup>3</sup>	35 mln kg CO <sub>2</sub>	426 kg CO <sub>2</sub>
Fuel oil	1.8 mln litres	28 litres	5 mln kg CO <sub>2</sub>	75 kg CO <sub>2</sub>
District heating	166,000 GJ	3.8GJ		
Total			280 mln kg CO <sub>2</sub>	3,129 kg CO <sub>2</sub>

Based on partly estimated data from CSR survey covering 65,400 to 91,400 FTEs, depending on the energy source. For the calculation of CO<sub>2</sub> we have used emission factors that are applicable to the average Dutch situation.

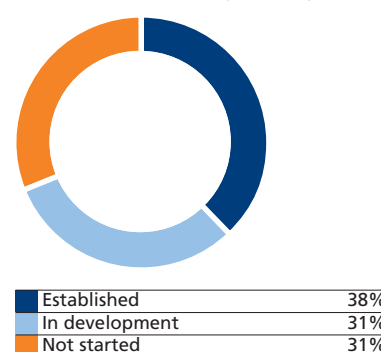
## Water usage

Water usage refers to the amount of water purchased from local water suppliers or extracted from ground water or other local sources. Most of the water used by ING is discharged untreated to sewer and municipal treatment plants. Almost one third

of the business units not yet started a water consumption efficiency programme. The quality of monitoring also varies significantly among the business units. The performance data has been restricted to business units operating in Europe to warrant reliability.

## IMPLEMENTATION STATUS OF WATER CONSUMPTION EFFICIENCY PROGRAMMES

data based on CSR survey covering 96,000 FTEs



## WATER USAGE

In m <sup>3</sup>	Total	2004 Per FTE	Total	2003 Per FTE
Netherlands	347,836	10.3	424,153	12.2
Other Europe	434,347	16.5	424,816	17.3
Total Europe	782,183	13.0	848,969	14.3

## Paper purchase

As a large consumer of paper ING has a direct impact on the environment. Business units representing 95,791 FTEs estimated that they had purchased a

total of 17 million kilogrammes of paper in 2004. The vast majority of the paper used in office is collected for recycling.

### PAPER PURCHASE

In kilogrammes

	Total	2004 Per FTE	Total	2003 Per FTE
Office paper	8,566,000	89		
Organisational printed matters	3,993,000	42		
Commercial printed matters	4,528,000	47		
<b>Total</b>	<b>17,087,000</b>	<b>178</b>	12,840,000	158

To get more insight in our paper consumption, a distinction between different types of paper was made in the data collection process: office paper, which is described as multifunctional paper for copying and printing; organisational printed matters for example letterheads, pre-printed forms, envelopes, continuous paper forms such as account statements for customers; and commercial printed matters such as marketing material and publications for internal and external distribution. Because of this distinction the 2004 figures cannot be compared to the 2003 figures.

## IMPLEMENTATION STATUS OF PAPER REDUCTION PROGRAMMES

data based on CSR survey covering 96,000 FTEs



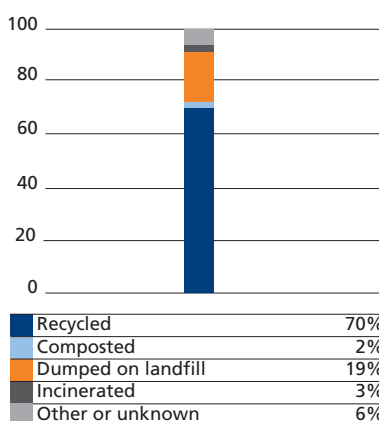
Established	62%
In development	28%
Not started	10%

## Waste disposal

The total amount of waste discarded by ING in 2004 is estimated at 16.3 million kg. Only 0.3% of ING's total estimated waste is considered hazardous. ING's waste largely consists of paper and cardboard, accounting for 50% of the total, and residual or domestic waste, which accounts for 43% of the total waste.

Waste is composted, reused, recycled, recovered, incinerated or used for land-filling. We prefer to recycle waste as this has the least impact on the environment. Currently, an estimated 70% of ING's total waste is recycled.

### DESTINATION OF THE WASTE in percentages



## IMPLEMENTATION STATUS OF WASTE MANAGEMENT PROGRAMMES

data based on CSR survey covering 96,000 FTEs



Established	47%
In development	38%
Not started	15%

## Transportation

Not many business units have implemented transport management programmes. Registration of travelled kilometres for business purposes is not a common practice within ING.

Transport is one of the causes of greenhouse gas emissions such as carbon dioxide (CO<sub>2</sub>). The CO<sub>2</sub> emissions from business travel by car have been reduced compared to 2003. Airtravel is not included in this report.

### BUSINESS TRAVEL BY CAR

	No. FTE	km	km/FTE	kgCO <sub>2</sub>
2003	65,000	74,500,000	1,100	14,145,000
<b>2004</b>	<b>69,000</b>	<b>70,000,000</b>	<b>1,000</b>	<b>13,369,000</b>

CO<sub>2</sub> emission caused by car-travel is calculated by a conversion tool on the internet: [www.TreesForTravel.nl](http://www.TreesForTravel.nl)

## IMPLEMENTATION STATUS OF TRANSPORTATION MANAGEMENT PROGRAMMES

data based on CSR survey covering 96,000 FTEs



Established	44%
In development	13%
Not started	43%



For reporting principles we have more in-depth information available on:

- [GRI contents index](#)
- [Boundaries of the report](#)

### SCOPE OF THE REPORT

In this year's edition of ING in Society, ING reports on its global activities and performance in the field of corporate responsibility. The report includes qualitative and quantitative information about the 2004 calendar year. It is structured around ING's main stakeholder groups: customers, shareholders, employees, business partners and society at large. The chapter Society includes separate sections on our community relations and in-house environmental care. The report is supported by [www.ing.com/CorporateResponsibility](http://www.ing.com/CorporateResponsibility), which provides additional information on policies, performance data and local practices.

### Topics in the report

Issues reported upon were selected based on topics identified as relevant in ING's relations with its stakeholders, as described in ING's Business Principles of November 2004 (see inside back cover), and on the sustainability reporting guidelines 2002 of the Global Reporting Initiative (GRI) and its supplement for the financial services sector.



### GRI contents index

On the internet there is a GRI Contents Index, which links all GRI topics to the related text, graphics or tables. If GRI core indicators are not applicable to ING, according to SPI-Finance or according to us, this will be stated explicitly.



### Boundaries of the report

There is no global management information system for corporate responsibility comparable to the system used for obtaining financial information for the annual report. Consequently, the information in this report was gathered at different levels within the organisation. As a result, the coverage and quality of the report may differ for each specific reporting element or performance indicator.

The descriptions of corporate policies, procedures and monitoring systems with global coverage were taken from internal policy papers, internal reports and interviews with heads of the corporate departments responsible for specific corporate-responsibility-related issues. This applies mainly to compliance, credit-risk management, operational risk management, corporate procurement and human resources. Performance data collected via corporate systems is also included in the report. Almost all financial information is based on the consolidated figures of the annual report 2004.

The information on the implementation corporate-responsibility-related policies and the performance data from our business units worldwide were obtained from an internal Corporate Social Responsibility (CSR) survey. A total of 70 business units completed the CSR survey. Together these respondents represent 104,152 FTEs out of the total number of 112,196 FTEs working for ING year-end 2004. The reference boundary for ING in Society 2004 is therefore set at 93%. Reporting entities covered in the internal CSR survey extended from 28 countries in 2003 to 33 in 2004, including ING joint ventures in India and China.

The pie chart illustrates that the coverage is a fair geographical representation of ING as a company. A list of participating entities and countries of operation can be found on our website.

Additional information was traced through the international communications network, personal interviews and publicly available information on ING, such as press releases and news articles on ING internet sites.

Ernst & Young Accountants has reviewed the reliability of the information in this report. Its assurance report can be found on page 35.

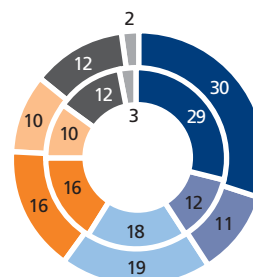
### Consistency in reporting process

In 2004, there were no significant restatements and there have been no significant changes in the measurement methods applied to key economic, environmental and social data.

Although we are confident in the overall reliability of the data reported, we recognise that some of these data were subject to a degree of uncertainty that relates to the limitations associated with measuring, calculating or estimating data.

Compared to 2003, we have been able to enlarge the share of information gathered at corporate level. The internal CSR questionnaire used to gather the local data, has been reviewed, tested and improved.

**COVERAGE CSR SURVEY COMPARED AGAINST TOTAL ING**  
in percentages of FTEs



Outer circle: Total ING, representing 112,196 FTEs  
Inner circle: CSR survey representing 104,152 FTEs (93% of ING)

Netherlands
Belgium
Rest of Europe
North America
Latin America
Asia
Australia

### ENGAGEMENT AND RESPONSIBILITIES

We have received the assurance engagement to review the 'Corporate Responsibility Report 2004' of ING Groep N.V. (ING). The scope of this report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out on page 34 of the report. This report is the responsibility of the management of ING. Our responsibility is to express an independent opinion on the accuracy and adequacy of this report. A review is aimed at obtaining a moderate level of assurance for our conclusions. The extent of evidence gathering procedures is less than that for an audit and therefore a review provides less assurance than an audit.

### SCOPE OF WORK PERFORMED

We conducted our review in accordance with the standard for assurance engagements generally accepted in the Netherlands, as issued by the International Federation of Accountants and the Royal Netherlands Institute of Register accountants (Royal NIVRA), the Exposure Draft of Royal NIVRA's Assurance Standard 'Assurance engagements relating to sustainability reports' and the Dutch Code of Professional Conduct for Accountants (GBR-1994).

Our principal review procedures were:

- Obtaining an understanding of the sector and its relevant social responsibility issues;
- Assessing the acceptability of the reporting principles used and significant estimates and calculations made in preparing the 'Corporate Responsibility Report 2004' of ING;
- Performing analytical procedures at both Group and Business Unit level to assess the quantitative data;
- Examining, on a test basis, evidence supporting the descriptive and quantitative data provided, and studying relevant company documents;
- Conducting interviews with responsible company officers, mainly for the purpose of assessing the plausibility of the descriptive and quantitative data in the 'Corporate Responsibility Report 2004' of ING;
- Evaluating the overall view of the 'Corporate Responsibility Report 2004' of ING, in part by testing its contents against the reporting guidelines set out in the Sustainability Reporting Guideline issued by the Council for Annual Reporting in the Netherlands and the guidelines issued by the Global Reporting Initiative.

### CONCLUSIONS

Based on the procedures performed, nothing came to our attention that leads us not to believe that:

- the description of policy and measures in the 'Corporate Responsibility Report 2004' of ING properly reflects the efforts made in 2004;
- the quantitative data included in the 'Corporate Responsibility Report 2004' of ING are free of material misstatement.

**Amsterdam, 18 April 2005**

**for Ernst & Young Accountants**

**Rob Lelieveld**

**Jan Nooitgedagt**



## ING PUBLICATIONS

- Annual Review, in Dutch and English;
- Annual Report, in Dutch and English;
- Corporate Responsibility Report, in Dutch and English;
- Annual Report on Form 20-F, in English (in accordance with SEC guidelines);
- ING's implementation of the Dutch Corporate Governance Code, in Dutch and English.

These publications are available on [www.ing.com](http://www.ing.com).  
The publications can be ordered on the internet:  
[www.ing.com/group](http://www.ing.com/group), Order ING Publications button,  
by fax: +31 411 652 125, or  
by mail: P.O. Box 258, 5280 AG Boxtel, the Netherlands.

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PlantijnCasparie Capelle a/d IJssel

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## WE ARE COMMITTED TO OUR INTEGRITY

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

### An ING employee...

Respects the rule of law and abides by all applicable laws and regulations.

Avoids doing business with any individual, company or institution if that business is connected with activities which are illegal or which could be regarded as unethical.

Handles information with care. In particular, the security and confidentiality of all proprietary information and dataprocessing, including customers' personal confidential information, must be safeguarded in accordance with applicable laws and regulations. Proper and complete records must be made of all transactions on behalf of ING.

Does not accept gifts or personal benefits in connection with a business relationship as a result of which he/she might appear to be under an obligation.

Does not accept or solicit personal offers or payments, nor does he/she makes such offers or payments to third parties. Bribery of any form is unacceptable.

Avoids any contacts that might lead to, suggest or create an appearance of conflict of interest between personal activities and the business of the Group.

May not enter into – and must avoid the appearance of engaging in – securities transactions based on inside information or misuse of confidential information.

## WE AIM FOR AN ABOVE AVERAGE RETURN

As a commercial organisation, we believe that we must provide an above average return for our shareholders. We support the market economy as the most effective means to achieve the best returns for our customers, investors and employees, as well as for the countries and territories where we operate.

However, the best markets flourish only within an ethical framework. No one at ING may disparage a competitor, or use unethical means to obtain any advantage for ING.

## WE ARE OPEN AND CLEAR

Within the bounds of commercial confidentiality, we attach great importance to open and transparent communications with all our stakeholders.

ING makes every effort to ensure full, complete, fair, accurate, timely and understandable disclosures in reports and documents we file with or submit to our regulators, as well as in other public communications we make.

For our customers we endeavour to provide clarity in prices and conditions of our products and services.

## WE PROMOTE SUSTAINABLE DEVELOPMENT AND RESPECT HUMAN RIGHTS

In doing business, we accept our responsibility for the sustainable development of society. The conditions we set for our core activities are first of all economic. While respecting the wishes of our clients, we also take into account a range of social, ethical and environmental considerations.

ING supports the aims of the United Nations Universal Declaration of Human Rights and endeavours to apply its principles throughout its operations world-wide.

We recognise that certain natural resources are finite and must therefore be used responsibly. We have a two-pronged approach. In our external business dealings we aim to anticipate developments in the environmental field related to commercial services, and we aim to manage the environmental risks resulting from these activities. Internally, we endeavour to control any environmental burdens caused by ING itself.

## WE RESPECT EACH OTHER

Respect for the individual is the basis for all contacts between ING and its stakeholders.

ING encourages diversity by creating an environment where everyone has the opportunity to fully participate in achieving business and personal success, and is valued for his or her distinctiveness.

We feel that our management and staff should reflect our customer base and the local communities where we are active. That is why our personnel policy is based on equal opportunities and a non-discriminatory policy.

Personal career development for everyone at ING is encouraged through progressive personnel and training arrangements. ING aims to provide all its employees with safe conditions of work and competitive terms of employment.

## WE ARE INVOLVED IN THE COMMUNITIES WE OPERATE IN

Good relations with local communities are fundamental to ING's long-term success. Our community relations are based on mutual trust, respect and active partnership. We demonstrate our commitment by making donations, sponsoring and supporting numerous social activities. All ING employees are encouraged to play a positive role in community activities.

ING is a commercial organisation and our activities are business oriented. Therefore ING does not intervene in political matters, nor do ING companies make gifts or donations to political parties or candidates for political office. However, within the legitimate role of business, through all available, legitimate means and after careful consideration, ING reserves the right to speak out on matters that affect our businesses, employees, shareholders, and/or customers. In countries where there is a legal framework to do so, ING reserves the right to facilitate employee contributions to political parties or candidates for political office.

