ING Group Compliance Policy

Corporate Compliance

Version 1.0

INFORMATION SHEET

Target audience:
All majority owned ING businesses (or business units), businesses under ING's management control and staff departments.

Issued by:
ING Corporate Compliance

Replaces:
Compliance Charter, Aug 1997
Compliance Guide, Nov 2001

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CONTENTS

1. ING Group Compliance Policy Principles

The ING Group Compliance Policy is based on the following principles.

Integrity and reputation are ING's key assets

The Executive Board of ING Group is proud of the integrity of its organization and the reputation for professional and ethical conduct that ING's businesses enjoy around the world. It is deeply committed to the preservation of its integrity and reputation, and thus requires of all businesses:

1. good understanding of and strict compliance with applicable laws, regulations and standards in each of the markets and jurisdictions in which ING operates;
2. the on-going implementation of and adherence to this Policy.

Management is the owner of Compliance

Management is the owner of Compliance and holds ultimate responsibility for the implementation of and adherence to this Compliance Policy, supported and advised by its Compliance Officers. Management at all levels (i.e. executive, general and senior management) is responsible for adequate staffing and resourcing of their Compliance departments to implement the requirements of this Policy.

Management must set a good example

Management must set a good example and shall at the same time take all appropriate measures to ensure that all employees will conduct their business activities in an ethical manner, consistent with fiduciary and legal/regulatory obligations and with ING's Business Principles and (local) Code of Conduct.

Compliance is a responsibility that every employee shares

Compliance is a responsibility that individual employees share, regardless of their position within the company. This implies a strong compliance commitment, good corporate citizenship and responsible corporate behaviour on a global basis. Each is expected to play his or her part, under the guidance of their management and Compliance Officer.

Effective Compliance organization is required at all levels

Management is responsible for appointing a Compliance Officer and establishing an effective Compliance function within the unit it is responsible for.

Effective monitoring of compliance risks is required

Each Compliance Officer shall ensure the effectiveness and integrity of the compliance process of their business with appropriate and detailed monitoring of the adherence to the Compliance Policy and its minimum standards and applicable legal and regulatory standards. The Compliance framework is the set of compliance risk management processes and tools which shall be used by ING's businesses, Management and Compliance Officers for managing its compliance risks.

Quarterly Compliance report shall be provided

A quarterly compliance report shall be provided to Management and next Compliance Officer level in which key risks, major developments and issues and compliance incidents are brought to attention, including recommendations for follow-up.

All ING's businesses shall comply with this Policy

The content of this Policy is mandatory and represents minimum standards which apply throughout ING, to all majority owned ING businesses (or business units), businesses under ING's management control and staff departments.

2. Compliance Risk

2.1 Compliance risk

Compliance risk is defined as the risk of impairment of ING Group's integrity, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) to comply with applicable laws, regulations and standards.

> Integrity risk and reputation risk
>
> Compliance risk is also often referred to as integrity risk, as integrity is the key focus of Compliance. And also as reputation risk. However, it shall be noted that reputation damage is only one of the possible effects of compliance risk, in addition to sanctions and financial loss. Compliance risk is therefore a broader concept than just reputation risk. Reputation damage or risk is a second order effect or consequence of compliance risk.
>
> Reputation damage can however be much more costly than (direct) financial loss as it also includes loss of new/future business, of existing clients and/or of trust in ING's integrity as a whole.

2.2 Scope of Compliance function

The scope of the Compliance function relates to compliance risk related laws, regulations and standards which are specific to the financial services industry and which are issued by legislative and regulatory bodies that are relevant to ING's businesses, or by ING Group Compliance. It does not extend itself to all laws, regulations or standards.

> ING Business Principles
>
> The scope of the Compliance function includes the educating, reinforcing and monitoring for adherence to ING Business Principles, as a substantial part of the Business Principles directly relates to or is highly correlated with compliance risk. For example, the Integrity Business Principle has obvious compliance implications. For the other Business Principles it can be said that materially breaching these Principles may often be at serious odds with integrity as well. As ING Business Principles relate to general values which sometimes are difficult to measure operationally or can be interpreted in various ways, it is the role of Compliance and Corporate Responsibility & Sustainable Development department (i.e. CC&A/Public Affairs[1]) to give guidance to ING's businesses, which in their turn are responsible for adherence to and monitoring of the Business Principles and for asking guidance in specific cases.

<u>Inside the scope of Compliance</u>
In scope are the following integrity risk- and financial services-oriented compliance risk areas:

1. Client related integrity risk ('financial economic crime')
    a. money laundering
    b. terrorist financing
    c. other external crime and fraud[2]
    d. customer due diligence
2. Personal conduct related integrity risk
    a. market abuse and personal insider trading
    b. Business Principles and (local) code of conduct
    c. outside positions by ING officers
    d. inducements (incl. gifts)

[1] CC&A/PA is responsible for the development, maintenance and general guidance of the ING Business Principles, where the Compliance function is responsible for the day-to-day or specific monitoring.
[2] In this area of risk the Compliance function often makes use of the expertise of the Security, CAS and SIU function(s).

e. Whistleblower

3. Financial services conduct related integrity risk
   a. marketing, sales and trading conduct
   b. conduct of advisory business
   c. transparency of product offerings
   d. customer interest and protection
   e. complaint handling processes
   f. data protection/privacy[3]
4. Organisational conduct related integrity risk
   a. conflicts of interest - market abuse and organisational insider trading (incl. Chinese Walls)
      - management and supervisory functions at clients
      - multiple relations with or interests in clients (incl. disclosure, voting)
      - servicing competing clients
   b. anti-trust[4]
   c. internal standards with respect to new product approval and product review process[5]
   d. sector/industry (acceptance) standards
   e. regulatory registration requirements
   f. oversight of intermediaries

The scope of the Compliance function extends to outsourced activities:
1. only as far as these activities are (performed as) an inherent part of ING's business activities and directly affect or relate to ING's integrity (risk)
2. to the same extent that Compliance would pay attention to it if the activities would be performed by ING itself[6]

Outside the scope of Compliance
Below examples are given of laws, regulations and standards which are outside the scope of Compliance and the primary responsibility of other ING functions[7]:

1. Credit-, market- and insurance risks
   The compliance with laws, regulations and standards in relation to pure credit-, market- or insurance-risks are the primary terrain of Corporate Credit Risk Management, Corporate Market Risk Management and Corporate Insurance Risk Management, and not Compliance. Corporate Credit Risk Management is for example responsible for issuing Risk Appetite/Corporate Social Responsibility Statements, which specify the extent to which certain financing activities are or are not allowed or subject to restrictions or further procedures (e.g related to genetic engineering, pornography).
2. Employment-, accounting-, tax- or information technology risks
   The compliance with laws, regulations and standards in relation to employment, accounting, tax and information technology are the primary terrain of Human Resource Management, Corporate Control & Finance, Corporate Tax Affairs, Corporate IT/IRM respectively, and not Compliance, which concern themselves with the specific compliance of for example workplace laws and regulations (e.g. anti-smoking law, employee workspace regulations), international accounting standards (e.g. Sarbanes-Oxley 404), (inter)national tax law and treaties or ISO 17799.

Where these functions are involved in authorisation of activities, transactions or products with material integrity or reputation risks (e.g. certain financial services based accounting arbitrage, specific hiring or termination activities, certain forms of accounting/tax arbitrage potentially against the spirit or letter of the law, personal use of IT-infrastructure), it shall inform Compliance and advice from Compliance shall be requested.

[3] Dataprotection/privacy and anti-trust are risk areas which require specific definition of division of tasks between the Legal, Compliance and IRM functions given the specific local circumstances, requirements and capabilities of/within a business unit.
[4] Refer to previous footnote.
[5] Compliance has a key advisory role in the new product approval and product review processes of ING's business lines, i.e. in providing compliance specific risk assessment and advice, enabling Management to take balanced and informed (new) product (review) decisions.
[6] In case of outsourcing part of compliance risk mitigation might be taken care of by including contractual compliance requirements.
[7] Whenever laws, regulations and standards are deemed out of scope of compliance, the governance of the relevant corporate departments (CCRM, CMRM, CIRM, CHR & MD, CC&F, CTA, CIT) determines how breaches need to be reported and dealt with. In case of doubt, the breach can be either referred to the compliance department, or to the regular contact person in (or head of) the relevant corporate department.

3. Executive Board and Management

3.1 Executive Board

The Executive Board of ING Group retains ultimate responsibility for compliance by ING business units with applicable laws, regulations and ethical standards, thereby having oversight-responsibility for the management of ING's compliance risks. It established this Policy and reviews its implementation throughout the Group, thereby assessing the extent to which ING is managing its compliance risk effectively.

3.2 Management

ING's executive, general and senior management ('Management') is responsible for implementation of and adherence to the Compliance Policy and its minimum standards. Each Management level is also responsible for reporting to the next higher level of Management on its ongoing implementation and adherence. The appropriate Compliance Officer supports and assists with the execution of the compliance responsibilities of its Management.

Management of an ING business (unit), regardless of its legal or organizational form, is therefore responsible for implementing the business (unit) management systems, policies and procedures and for providing reasonable assurance that breaches of applicable legal and/or regulatory standards and obligations are prevented, and for safeguarding that business is conducted in accordance with ING's Compliance Policy and applicable Group or regional guidelines and policies.

3.3 Management duties

In order to manage compliance risks, Management shall:

1. promote and enforce high standards of integrity (e.g. ING Business Principles) by setting a good example
2. ensure that the Compliance Policy is implemented and adhered to, that its minimum standards are enforced, and that the Compliance framework is implemented
3. ensure that managers and/or employees are aware of, understand and adhere to compliance standards relevant to them, and are trained periodically on usage of these standards
4. react promptly and effectively to compliance issues that arise
5. encourage and facilitate active co-operation and feedback from all employees, without reprisal, down to the most local level, by creating open lines of communication (as set forth in the ING Business Principles), both to report compliance concerns and to ask questions about compliance issues
6. create an open and receptive attitude towards compliance
7. not merely evaluate managers and/or employees on production measures, but also reward their ability to proactively manage compliance risks
8. provide compliance staff with sufficient resources, management support and access they need to detect compliance risks, and ensure that all employees and managers respect the work they do
9. involve its Compliance Officer as soon as possible whenever a potential compliance issue is detected or suspected
10. deal with compliance risks quickly and appropriately. Deal with violators in a way that emphasizes the importance that ING attaches to compliance with its Compliance Policy and minimum standards, even with respect to big (revenue) producers
11. make enough on-going inspection or audit capacity (in- or outside Compliance) available to inspect or audit compliance risks
12. actively follow-up on recommendations from Compliance so as to ensure that all issues are promptly and effectively resolved
13. include in the employee's job description and employment letter that each employee is responsible for compliance in his/her area of responsibility

4. Compliance function and organisation

4.1 Compliance function

The responsibility of the Compliance function is to proactively:

1. identify, assess and monitor the compliance risks (as defined in chapter 2) faced by ING
2. assist, support and advise Management in fulfilling its compliance responsibilities
3. advise any employee or officer with respect to their (personal) compliance obligations

thereby helping ING to carry on business successfully and in conformity with external and internal standards.

Whenever a situation arises requiring Compliance input, the task of the Compliance Officer is not limited to analyzing the situation, identifying a solution and giving advice to management. The Compliance Officer must continue to pursue the matter until a satisfactory solution has been fully implemented. If necessary the actions taken should include escalating the issue to a higher level.

The Compliance activities include:

1. Laws, regulations and standards
   - Development of a Compliance Chart which describes and analyses in terms of compliance risk those laws, regulations and standards which are material and relevant to the business and fall within the generic scope of the Compliance function
   - In cooperation with the Legal department, to translate its inventory and analysis of new and proposed compliance risk related rules into internal Compliance standards, procedures and guidelines and to ensure that new regulatory requirements are duly incorporated into the procedures followed by the business unit

2. Risk identification and assessment
   - Identification and prioritization of potential areas of compliance risk, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss

3. Risk mitigation incl. standards, procedures and guidelines
   - Development and implementation of (or advise and assist with) risk mitigating measures, including clear standards, procedures and guidelines, to prevent, mitigate or minimize (important) compliance risks and to detect, report and respond to compliance violations

4. Risk monitoring
   - On-going monitoring of the adherence to the Compliance Policy and its minimum standards, and applicable legal and regulatory standards, and assisting in enforcement as needed

5. Incidents management
   - Reporting of and responding to compliance incidents, i.e. initiate or drive appropriate (Management) action; develop Lessons Learned

6. Training and education
   - Development, maintenance and conducting of an on-going Compliance training and education programme, appropriate to the specific business (unit), to promote an appropriate compliance culture, awareness and understanding of compliance standards, procedures and guidelines and of compliance-relevant issues

7. Action-tracking
   - Action-tracking of the resolution of all compliance-related audit or regulatory findings and related actions, management initiated actions, and actions coming from Compliance Framework activities (e.g. Charts, Risk Assessment, etc)

8. Advisory
   - Proactive advisor of Management, next higher Compliance level, committees and employees with respect to any compliance risks

9. Implementation of the Compliance Policy and minimum standards
   - Proactive assistance and support of Management with driving the day-to-day implementation of the compliance program

10. Liaison
   - Leading the relationship with the regulators with respect to compliance risk matters
   - Liaison with relevant regulators and provision to regulators of non-financial reports required by regulators [financial reports are the responsibility of Finance departments]
   - Inform the next higher Compliance level about significant information requests comments and findings received from regulators

It will be clear that the Compliance function has important responsibilities and duties, requiring the direct and full support from Management and the allocation of proportional and qualified resources. Careful periodic activity planning (incl. prioritisation), with consultation of Management and next higher level Compliance Officer, will assist in an effective realisation of improvements to the compliance process of a business.

4.2 Local Compliance Officer

Each ING business (unit) shall have/appoint a Compliance Officer ("Local Compliance Officer") who has the responsibility to assist local Management in handling compliance risk within that business (unit). To avoid potential conflicts of interests, the Local Compliance Officer shall be sufficiently independent from the commercial activities to be able to perform their duties objectively, as appropriate, and report directly to general management of the business (unit) and functionally to the next higher level Compliance Officer.

4.3 Regional/Division Compliance Officer

ING Regions and Divisions shall have a Compliance Officer ("Regional or Division Compliance Officer") who supervises compliance assistance and support to Management, and supervises and manages all functional activities of the Compliance Officers within their respective Region or Division. Supervision is provided in the context of systematic and consistent implementation of compliance policy and minimum standards and framework within the Region or Division, leadership and overall direction from the next Compliance Officer level ("Business Line Compliance Officer"). To avoid potential conflicts of interests, the Regional/Division Compliance Officer shall be independent of the business activities of the region or division, report directly to general management of the region/division and functionally to the next higher level Compliance Officer.

4.4 Business Line Compliance Officer

ING Business Lines shall have a Compliance Officer ("Business Line Compliance Officer") who supervises compliance assistance and support to Management, and supervises and manages all functional activities of the Compliance Officers within their respective Business Line. Supervision is provided in the context of systematic and consistent implementation of the Compliance Policy and its minimum standards and the Compliance Framework within the Business Line, leadership and overall direction from the next Compliance Officer level ("Group Compliance Officer"). To avoid potential conflicts of interests, the Business Line Compliance Officer shall be independent of the business activities of the business line, report directly to general management of the business line and functionally to the Group Compliance Officer.

4.5 Group Compliance Officer

At ING Group level, the "Group Compliance Officer" assists and supports the Executive Board in looking after its duties pertaining to the responsibility to manage ING's compliance risks. The Group Compliance Officer is responsible for the development and establishment of the Compliance Policy within ING Group and he/she establishes and approves the Compliance minimum standards. The Group Compliance Officer co-ordinates compliance assistance and support to Management and Compliance Officers, manages and supervises ING Group's compliance framework and Compliance Officer network as a whole, and advises on specific compliance issues with Group-wide relevance. He/she reports to the ING Group General Counsel and Head of Corporate Legal Compliance & Security. ING Group General Counsel reports to the Chief Financial Officer of ING Group who has specific responsibility for Compliance (refer to the Executive Board charter of ING Group).

4.6 Organisational position of Compliance Officers

Independence
To avoid potential conflicts of interests, the Compliance Officer shall be independent of the business activities of its business (unit), region, division or business line and report directly to general management of its unit and functionally to the next higher level Compliance Officer. A direct reporting line to general management shall be a direct reporting line to the CEO, CRO or CFO, therefore to a general manager at first echelon level of the unit.

Functional reporting line
The Compliance Officer reports functionally to the next higher level Compliance Officer, has the authority as well as the obligation to operate independently and has free access at all times to the next level Compliance Officer. Significant compliance information shall be reported to both hierarchical and functional line. A Compliance Officer shall consult upwards whenever in doubt. The Compliance Officer ensures that lower-level Compliance Officers produce their periodic reports, plans and other submissions timely and consistent with Corporate standards, procedures and guidelines.

Quarterly report
A quarterly compliance report is provided to Management and next Compliance Officer level in which key risks, major developments and issues and compliance incidents are brought to attention, including recommendations for follow-up. This will include, but not be limited to, the appropriate review and analysis of the respective business (unit) Monitoring Plan and other relevant information or reports.

Authority to request a CAS-audit or –special investigation
The Compliance Officer is authorised to request CAS, via Management, to perform a specific audit or special investigation of a specific business activity as well as to make recommendations to CAS with respect to business activities which to the opinion of the Compliance Officer and Management should be assessed by CAS to be included in the yearly audit planning of CAS.

Appointment, appraisal and remuneration
Appointment, appraisal and remuneration of the Compliance Officer is the joint responsibility of next higher level Compliance Officer and Management of the unit. They jointly set the performance requirements for their Compliance Officers and ensure that they:

1. have the required skills, experience and authority
2. have the required resources
3. allocate sufficient time and commitment to the function
4. meet their duties and responsibilities

They jointly determine the yearly targets and evaluate the realisation of these targets during the appraisal process. The next higher level Compliance Officer can veto a planned appointment, appraisal or remuneration of or by the next lower Compliance Officer. A Compliance Officer can neither be hired nor fired without prior approval by the next higher level Compliance Officer.

4.7 Capabilities and authorities of Compliance Officers

Staff exercising compliance responsibilities shall have the necessary qualifications, experience and professional and personal skills to enable them to carry out their duties effectively. Accordingly, every Compliance Officer shall have an overall understanding of the organisation and commercial operation of the business, which he or she advises. To be effective, Compliance Officers shall therefore have/be:

1. the status, authority and personality to challenge anyone about any action in an appropriate and balanced manner. They shall also be able to follow-up on any concern
2. direct access to all operations within their jurisdiction, which includes access to all documents if the Compliance Officer believes such is relevant for an effective execution of his or her compliance responsibilities
3. the authority to visit units under his/her responsibility to perform review when it is considered necessary
4. enabled to attend any meeting (incl. committees) if the Compliance Officer believes such is relevant for an effective execution of his or her compliance responsibilities
5. direct and unfettered access to all levels of Management in the units for which they carry responsibility
6. independent from the commercial activities to be able to perform their duties objectively, as appropriate
7. provided with adequate financial and human resources to meet the compliance requirements
8. the capability and (procedural) authority to escalate material issues to appropriate Management level

If a Compliance Officer reasonably believes that he or she does not have sufficient expertise, time or resources to carry out compliance duties properly – whether on a specific matter, or generally – the issue must be raised with general management and with the next Compliance Officer level, and if such inadequacies persist, with the Business Line or Group Compliance Officer.

4.8 International perspective of Compliance function

ING's global operations include business activities throughout the world, with subsidiaries and branches in a large number of countries or jurisdictions. Compliance activities in ING's businesses consequently embrace or relate to various legal and regulatory requirements, as well as a variety of business and commercial needs.

Specific and detailed rules and procedures must be created at the Local Compliance Officer/business (unit) level to meet those differing local requirements, to the extent that they impose additional obligations. In case of differences the more stringent requirement precedes.

4.9 Local requirements and adaptations to job function

Compliance work and priorities – but not responsibilities – may differ at a local level, depending on local laws, regulations and/or business activities. Where local laws or regulations impose additional duties on the Compliance Officer, such requirements may supersede provisions of this Policy.

The ING Group Compliance Policy and its minimum standards and local laws and regulations provide direction and guidance for local standards, procedures and guidelines.

In some instances, officers other than the appointed Compliance Officer may also perform certain compliance duties, but the Compliance Officer remains integrally responsible for these duties as if they were performed by him- or herself. Where this is the case, procedures must be in place to ensure that such officer(s) and the Compliance Officer communicate and cooperate fully with each other on compliance issues at all times, such that the requirements and responsibilities set forth in this Policy are complied with.

For certain ING businesses or operations, it may be appropriate to control compliance risks without a full-time or on-site Compliance Officer, but this always requires the prior approval of or waiver from the Business Line Compliance Officer, who will always specify the related conditions and requirements in writing. Management remains fully responsible for all compliance risks and all its consequences, and shall ensure that periodic independent inspection of adherence to the Compliance Policy and its minimum standards takes place. Such inspection may be undertaken by a

higher-level Compliance Officer or by an independent inspection or audit function.

4.10 Cross-organisational communication and mutual support

Each Compliance Officer shall also duly support the activities and duties of other ING Compliance Officers and of other employees engaged in promoting legal, regulatory and ethical compliance in line roles.

Where activities of more than one Business Line affect compliance risks of the business (unit) concerned, the responsible Compliance Officer(s) shall promptly consult with the appropriate Business Line Compliance Officers (and the Group Compliance Officer, if required) to address the compliance issues raised.

All Compliance Officers shall generally cooperate and consult with their counterparts (both in their own, and, where appropriate, other regions, divisions or business lines) to share expertise and achieve a practical level of consistency of approach, and with other officers handling risk management issues (e.g. Operational Risk Managers, Legal Officers, CAS officers) at all levels, as required, so as to ensure consistency of risk management and loss prevention throughout ING.

5. Compliance framework

The Compliance framework is the set of compliance risk management processes and tools which shall be used by ING's businesses, Management and Compliance Officers for managing its compliance risks. It consists of the following components:

1. Compliance Chart
2. Compliance Risk Identification and Assessment
3. Compliance Risk Mitigation, incl. Standards, Procedures and Guidelines
4. Compliance Risk Monitoring
5. Incidents Management
6. Training and Education
7. Action-tracking
8. Advisor
9. Scorecard

5.1 Compliance Chart

Each Local Compliance Officer must develop and maintain a Compliance Chart for its business. A Compliance Chart defines the specific or local scope of compliance in terms of laws, regulations and standards applicable to the relevant business. It provides the general Compliance landscape of a business. It describes and analyses in terms of compliance risk those laws, regulations and standards which are material and relevant to the business and fall within the generic scope of the Compliance function (refer to chapter 2 of this Policy).

The Compliance Officer is responsible for the development and maintenance of the Chart, in coordination with the business activities as set out in the approved (annual) MTP of the business. Material changes shall be reported to Management and functional line. The Local Compliance Officer shall be able to demonstrate that risks identified in their Chart are appropriately addressed.

Key characteristics of Compliance Chart

1. Provides a management overview of key laws, regulations and standards
2. Does not duplicate those rules and is not a paragraph-by-paragraph description of the rules
3. Allocates clear priority-levels to the various rules, preferably based on forced ranking
4. Has substance over form as startingpoint
5. Is as concise and brief as possible and proportional to the underlying compliance risks
6. Specifies key compliance activities if and where implied or (mandatory) required

5.2 Compliance Risk Identification and Assessment

Each business is required to perform a yearly compliance risk identification and assessment ('compliance risk assessment') which shall aim to:

1. review, identify and prioritise potential areas of compliance risk, and advise on appropriate standards, procedures and solutions

Compliance and Legal

The Compliance Officer works closely with the relevant Legal department to translate their inventory and analysis of new and proposed financial services compliance-related rules from legislative or regulatory bodies which are relevant to the business, into internal Compliance standards, procedures and guidelines. The Legal department will generally have the primary role in analysing and considering the impact of new laws and regulations, where the Compliance department generally has the primary role to translate (or ensure translation of) these external rules into clear and workable internal rules. Both departments shall have a close working relationship and agree their specific roles for each of the relevant rules.

2. review and/or identify violations by clients (or related third parties) of laws, regulations or standards applicable to such third parties by reason of, or otherwise employing or selling or distributing, products or services we offer
3. review and/or identify fraudulent, criminal or other unlawful conduct, as well as other conduct inconsistent with ING's internal standards and guidelines

The compliance risk assessment shall focus on both ongoing risks endemic to the business of the unit and anticipation of new risks, arising by virtue of new laws or regulations, new interpretations of existing laws or regulations, new theories of liability, a new activity of the business (unit) or changing standards in society or business environment.

Drive the compliance risk assessment process
The Compliance Officer is responsible to drive the compliance risk assessment process on behalf of Management. This process shall be aligned with the overall (operational) risk assessment process of (local) Operational Risk Management, to ensure efficiency and effectivity (and to avoid uncoordinated risk assessment initiatives by individual functions). The Compliance Officer shall make use of existing risk assessment processes if and when possible, but remains fully responsible for:

1. (satisfying) the compliance risk requirements of these processes
2. the appropriate incorporation of compliance focus and content
3. (active) participation of relevant business and support officers and of Compliance itself
4. appropriate reflection of compliance risks and required mitigating measures in the report

Focus on identifying and assessing key risks
The compliance risk assessments shall take place with appropriate business participation and sufficient intensity and interaction to ensure that the key risks are identified and assessed. Mechanic 'box-ticking' shall be avoided. The compliance risk assessments are a crucial part of the Compliance framework. The overall compliance risk assessment report shall be discussed within the Management Committee and/or Operational Risk Committee (if chaired by the CEO), and signed off by Management. The report shall contain a listing of the key risks and the approved actions to be taken to appropriately mitigate the key risks.

Combination of techniques

The compliance risk assessments (or overall risk assessments) shall consist of an appropriate mix or combination of the following risk and control self-assessment techniques (refer also to ING ORM website):

1. Expert-based, i.e. compliance risk assessment by the Compliance Officer him- or herself, based on self-assessment questionnaires, checklists, deskresearch, reports, etc.
2. Interview-based, i.e. compliance risk assessment through interactive risk and control self-assessment interviews by the Compliance Officer with carefully selected key participants from the business (unit). A (initial) compliance risk assessment as described under point 1 can be input for the participants as preparation to the interview(s).
3. Workshop-based, i.e. compliance risk assessment through interactive risk and control self-assessment workshops with carefully selected key business and support function participants. A (initial) compliance risk assessment as described under point 1 or 2 can be input for the participants as preparation to the workshop. Further, anonymous (electronic) voting tools (e.g. Option Finder) can be used to facilitate complex or culture-related group discussions and to increase the depth of the compliance risk assessment. The workshop(s) will normally be facilitated by the Compliance Officer (advisor and participant) and ORM (process facilitator).

Management and the Compliance Officer jointly determine the appropriate mix given the business context. Pure questionnaire-based approaches are normally not sufficient to adequately identify and assess key risks.

5.3 Compliance Risk Mitigation incl. Standards, Procedures and Guidelines

Based on the risk identification and assessment, each Compliance Officer shall:

1. establish appropriate risk mitigating measures for key risks, including clear standards, procedures and guidelines
2. advise, improve or assist with improving or implementing standards, procedures and guidelines, also by asking the business participants for their input and requirements
3. prepare and maintain a local Compliance Manual or Code and a local Compliance department Procedures Manual (using as much as possible already centrally available ING standards, procedures, guidelines)
4. develop timetables for the current year of training, monitoring, regulatory reporting etc.
5. incorporate specific requirements of the local legislator or regulator which are not already covered by corporate requirements.

Whenever a situation arises requiring Compliance input, the task of the Compliance Officer is not limited to analyzing the situation, identifying a solution and giving advice to management. The Compliance Officer must continue to pursue the matter until a satisfactory solution has been fully implemented.

Compliance Manual or Code (of Conduct)

Distinction shall be made between:
1. the local Compliance Manual or Code (of Conduct) which sets out rules to be followed by all staff in the business unit (e.g. Personal Account dealing rules, reporting suspicious transactions to the Money Laundering Reporting Officer, no insider trading, etc); and
2. the Compliance department Procedures Manual (department organogram and responsibilities, training programmes, monitoring programmes, local compliance procedures, etc)

While both types of Manual are important, the audiences are very different.

The Compliance Manual or Code (of Conduct) is a key and mandatory tool for communicating and documenting all applicable compliance rules to all employees.

5.4 Compliance Risk Monitoring

Each Compliance Officer shall ensure the effectiveness and integrity of the compliance process of its business with appropriate and detailed monitoring of the adherence to Compliance Policy and its minimum standards and applicable legal and regulatory standards.

Each Compliance Officer is responsible for establishing an appropriate Monitoring Plan addressing (key) compliance risks within his/her business. Local regulators will often also influence the nature of the monitoring activity. The Monitoring Plan for the business (unit) shall be submitted to the higher level Compliance Officer for approval.

The outcome of the monitoring activities shall be reported quarterly (more often if appropriate or required) to Management and next higher level Compliance Officer. This report shall inform its audience about whether the key risks are acceptable and highlight important compliance developments or events.

Types of monitoring

The following monitoring activities are included:
1. key risks monitoring:
    a. review the operations to ensure that significant compliance risk areas have strong, effective internal controls, by making monitoring visits or spot checks of key activities
    b. KRI-monitoring: monitoring of Compliance Key Risk Indicators (KRI), by setting and periodically assessing or measuring qualitative or quantitative, pre-defined and approved KRI tolerances
2. key controls monitoring:
    a. review the adherence to relevant regulatory requirements including conduct of business rules and record-keeping requirements
    b. review the adherence to compliance standards, procedures and guidelines regularly
    c. ask business participants for input on whether standards, procedures and guidelines can be improved
    d. advise Management on improvements, improve (or assist with improving) standards and procedures
3. transaction monitoring:
    a. process of pre- or post-transaction search for suspicious transactions by customers or others
    b. use of automated monitoring systems which use patterns of behaviour or predefined listings (e.g. Freeze-list, Publicly Exposed Persons listing) to identify potentially suspicious transactions for detailed review
    c. proactive review of business activities to determine which strands of activities shall be target for detailed examination

5.5 Incidents Management

Material compliance incidents

Material compliance incidents are defined as events which have impaired ING's integrity, leading to material damage to ING's reputation, legal or regulatory sanctions, or financial loss, as a result of a failure (or perceived failure) to comply with all applicable laws, regulations and standards.

Periodic reporting

Material compliance incidents must be periodically reported if they meet any of the following criteria:

a. criminal or fraudulent event (all events to be reported irrespective of loss amount)
b. material breach of ING's Business Principles
c. material breach of applicable laws, regulations and standards
d. material reputation damage
e. regulatory sanctions (all events to be reported irrespective of amount)
f. exceed the ORM-incident-amount-thresholds (refer to www.orm.intranet for details)
g. Whistleblower event
h. material near-miss[8]

Immediate reporting

Compliance incidents which

1. exceed a Euro 1 million actual loss amount
2. can lead/could have led to a (potential) loss of Euro 5 million (incl. near-misses)
3. have senior management involvement
4. have material adverse reputation damage
5. are reported under the Whistleblower-procedure and after initial investigation require the attention of Management
6. are reported to and/or (potentially) leading to investigation by external authorities

shall be immediately reported to Management, ORM and next higher levels Compliance Officers, incl. Corporate Compliance.

Incident event types

Compliance incidents can take place in the following event type categories:

1. Internal Crime and Fraud (e.g. internal fraud by employee)
2. External Crime and Fraud (e.g. money laundering by client)
3. Client Business Product Malpractice (e.g. misselling to client)
4. Employment Malpractice (e.g. harassment by ING employee)
5. Unauthorised activities (e.g. activities adverse to ING's Business Principles)
6. Control failure (e.g. incorrect or late filing of regulatory report)

Cross-border compliance incidents

In some cases, compliance incidents will cross reporting lines. They may involve several business units, with different Local Compliance Officers, or more than one region, division or business line. In such cases the relevant Local Compliance Officer shall include in the report reference to the "cross border" elements. The Local Compliance Officer shall also communicate and coordinate with his or her counterparts (e.g. ORM, Security, IRM, Finance) to facilitate coordinated and consistent response and complete entry into the (Operational Risk) Incidents Database.

Remedial action and Lessons Learned

The Local Compliance Officer shall:

1. (immediately) report any material compliance incident to his or her Management and next higher level Compliance Officer (and to his or her ORM-officer)
2. initiate and support appropriate remedial action is taken by responsible parties

[8] Near-miss is an adverse event without or only with limited damage, but where the control breaks were such that material damage was equally likely.

3. ensure, in case of suspected misconduct, that investigation takes place, and, where and when appropriate, recommend corrective or disciplinary action to Management
4. development of Lessons Learned to ensure that the business can learn from what happened and is able to implement the controls which are necessary to avoid such type of event from happening again
5. appropriate discussion of material compliance incidents in the Operational Risk Committee
6. encourage reporting of compliance breaches or violations

The Compliance Officer shall make use of existing incident reporting processes (i.e. ORM incident reporting process) as much as possible, but remains fully responsible for the quality of the compliance incident reporting (sub)process.

Record-keeping
The requirements of local regulators as to record keeping must also be followed. Where the compliance matter (i.e. compliance incidents or compliance events which may develop into an incident) is ongoing, the responsible Compliance Officer shall maintain a complete file along with legal, in accordance with ING's retention policy.

Clients complaints register
The Compliance Officer shall have access to and monitor the clients complaints (register) and ensure that they are dealt with properly[9]. Some, but not all, complaints might develop into a reportable incident. Information with respect to the other complaints shall be part of the Compliance Key Risk Indicator (KRI) information.

Whistleblower
The Compliance Officer is the Reporting Officer for the Whistleblower procedure, unless another officer has been appointed to perform this duty.

5.6 Training and Education

With the assistance of the Legal and/or Training department, the Local Compliance Officer shall develop, maintain and conduct an on-going compliance training and education program, appropriate to his or her business (unit), to promote an appropriate compliance culture, awareness and understanding of:

1. compliance standards, procedures and guidelines
2. compliance risk related laws and regulations
3. ING Business Principles and local Code of Conduct
4. staff member's role in the compliance process
5. key compliance risks that could affect the business (unit) and/or the Group
6. how, when, from whom to seek advice on compliance issues and to report compliance concerns
7. consequences of failing to follow applicable compliance rules
8. available compliance documentation and where to find/obtain hard/electronic copies of it

while using available resources and expertise of relevant staff departments (e.g. Legal department, HR- and/or Training department).

This program shall have a standard training and education element for all employees, which may include (e.g. yearly) refreshercourses (for example through E-Learning module). More sophisticated, detailed training may be necessary for employees who operate in more risk sensitive or complex functions. The Compliance Officer shall ensure that guidance on proper conduct is available to all employees at all times.

5.7 Action-tracking

The Compliance Officer is responsible for the action-tracking of the resolution of all compliance-related:

1. internal/external audit or regulatory findings and related actions (must be recorded in AO Scan)
2. Management initiated actions
3. actions coming from Compliance Framework activities (e.g. Charts, Risk Assessment, etc)

[9] In many jurisdictions it is required by regulation to have a designated Complaints Officer.

The action-tracking process of category 1 can be delegated to ORM to have an integral (and efficient) audit and regulatory action-tracking process, but the Compliance Officer remains responsible for the oversight with respect to the quality of resolution of compliance-related actions. It is recommended (although not mandatory) that the actions under category 2 and 3 are recorded in AO Scan as well.

5.8 Advisor

The Compliance Officer is advisor of Management, Committees and Employees, and participates in relevant Committees, with respect to any compliance risk management responsibilities, obligations, concerns or issues. This can take the following forms:

1. Respond to requests for guidance and reports of compliance concerns from managers and employees at all levels.
2. Participate to the extent appropriate in determinations as to whether particular conduct or activities are compliant with applicable standards.
3. Act as advisor to officers or committees responsible for approval of conduct or activities (e.g. Management Committees, Credit/Market/Insurance/Operational Risk Committees, Investment Committees, Product or Transaction or New Business Approval Committees), as contemplated by internal guidelines.
4. Take appropriate initiative where compliance concerns are evident.

It is essential that the Compliance Officer consistently comes up with appropriate solutions to problems, taking into account the commercial issues involved while fully respecting the regulatory constraints.

New-Product Approval or Product Review Process
The Compliance Officer shall play a proactive and key role in the New-Product Approval or Product Review Process of its business by providing advice with respect to the risks and possible remedial actions of planned product introductions or modifications.

The business, planning to introduce a new product or materially modify an existing product, shall seek advice from its Compliance Officer, to address compliance risks. Management is responsible for the final (dis)approval of new/modified product proposals. We refer to the formal New Product Approval or Product Review Process procedures of the Business Lines of ING.

Negative Advice
For significant compliance risks the Compliance Officer is authorised to apply the Negative Advice policy, i.e. he or she issues a negative advice to Management on a planned activity or decision, after which it is required to seek approval at the next higher Management level. The next higher Compliance Officer must be informed if a Compliance Officer plans to issue negative advice.

Advice

For the proper conduct of ING's business, the Compliance Officer can provide advice in respect of, for example:

1. where and to which type of clients ING's products are offered
2. what type of products can be offered
3. under what conditions and other restrictions ING's products are offered
4. the documentation required for any particular product
5. the approval processes and other standards to be observed before products are marketed or provided
6. the processes after products are offered (e.g. monitoring of ongoing obligations and claims settlement)

5.9 Scorecard

The Compliance Scorecard scores the extent of implementation of the Compliance framework and translates into a red/amber/green trafficlight-indicator which informs about whether further actions are required or need to be implemented.