

Intangible Value Assessment

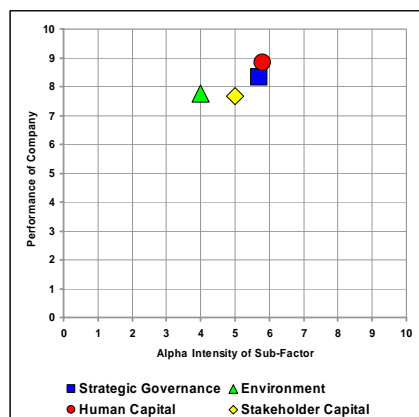
Sep-05

ING Groep NV

Country:	Netherlands
Ticker Symbol:	INGA-AE
Industrial Sector:	Diversified Financials - Europe
Combined IVA Rating:	AAA
Sub-Factors:	
Strategic Governance:	8.3
Human Capital:	8.8
Environment:	7.8
Stakeholder Capital:	7.7
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Intangible value comprises a growing percentage of companies' market capitalization. Innovest's IVA™ ratings analyze relative corporate performance on intangible value drivers related to the strength and sustainability of companies' competitive advantage. By assessing differentials typically not identified by traditional securities analysis, IVA™ ratings uncover hidden risks and value potential for investors. Ratings range from AAA (best) to CCC (worst). Scores on sub-factors range from 10 (best) to 0 (worst).

PERFORMANCE / ALPHA INTENSITY MATRIX



This matrix situates the four key intangible value drivers along 2 dimensions: 1. How well or poorly the company performs on each of the 4 key factors. 2. How much impact that particular factor has on financial performance in that industry sector; its "alpha intensity".

RATING OUTLOOK: Positive

ING has integrated its CSR policy into its core businesses and it has signed the Equator Principles. The group has also improved measures to assess its social and environmental performance. It remains ahead of the sector.

AREAS OF POTENTIAL RISK

Outsourcing: ING has already outsourced some back office functions and is investigating the same process with others. Sustainability issues related to outsourcing include reputational risks, potential service disruptions and reduced customer service satisfaction, or loss of key confidential data, a risk that has been highlighted in the press. Failure to manage these issues proactively can lead to image problems and reduced sales. ING has already re-instated to some extent direct lines to branches and face-to-face branch banking, bowing to customer demands for these.

AREAS OF COMPETITIVE ADVANTAGE

Integration of CSR with Core Business: ING signed the Equator Principles and commits thereby to apply social and environmental criteria when financing projects in emerging markets. This mitigates the risks of financing projects in those markets and contributes to improving the group's corporate image. ING has also developed lending principles for specific sectors to reduce reputational risks. See Strategic Governance for more information.

Worldwide Introduction of CSR Key Performance Indicators: ING has developed and implemented key performance indicators (KPIs) to provide a solid and uniform baseline for data collecting and external reporting. Such an initiative appears to be a leading practice in the sector and gives a competitive advantage to the group. See Strategic Governance for more information.

Pioneer Attitude in Emerging Markets: ING monitors economic, and sustainability direct and indirect risks in emerging markets and displays financial activism in countries in need. For instance, ING provides advisory services to governments, regulatory authorities and public and private financial institutions. It also works to increase access to financial services among the population. This policy reduces the risks of having operations in emerging markets. See Emerging Markets for more information.

STRATEGIC PROFIT OPPORTUNITIES

ING faces strong demographic change that may alter the whole system of pensions in most Western countries. In Europe, the development of what is called the third pillar (voluntary contributions by the employee to a pension fund, in order to complete the pay-as-you-go first pillar and the collective compulsory second pillar) might lead the way to substantial changes in the insurance industry (interest rates and flows), but also opens new markets and provides good commercial opportunities to financial services companies.

ING is expanding its range of sustainable products, which include a significant base of SRI assets under management, green financing as well as microfinance. Carbon trading is a new area that it could now exploit.

COMPANY OVERVIEW

ING is one of the top ten financial institutions in Europe by market capitalization, delivering banking, insurance and asset management services to retail, corporate and institutional clients via a multi-distribution approach in three insurance and three banking divisions. The core markets in Western Europe are the Netherlands, Belgium, Luxembourg, Germany, France and the United Kingdom. The United States is the company's largest international market, but the group has operations in 50 countries and counts more than 65 million private and corporate customers. Overall, the workforce numbers have shown a rising trend, although the total number of FTE employees dropped from 115,200 in 2003 to 113,000 in 2004. More than two thirds work outside the domestic market. ING mostly distributes its products and services under the ING brand, which means a greater exposure to reputation risk than some competitors. In 2004, the group's operating income was split €55,398m from insurance operations and €12,537m from banking operations, while it has €192bn in assets under management.

INDUSTRY DRIVING FORCES

Pressure to Reduce Costs: Financial companies have been faced with strong pressure to reduce administrative and staff expenses partly through lay-offs or offshoring and there have been reduced budgets for IT and corporate level functions.

Governance and Ethics: The recent spate of egregious corporate accounting scandals coupled with a perceived decline in general business standards has damaged

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the reputation of many leading financial institutions. Several large financial institutions have settled with regulators for significant sums over conflicts of interest in research provision. There have been ongoing allegations and litigation over financial institutions' roles in various large-scale company frauds, e.g., Parmalat. The revelations have encouraged a push towards transparency, and good governance is clearly higher up the corporate agenda, with many new or updated governance codes in the EU, as well as the Sarbanes-Oxley Act in the US.

Combating Financial Crime and Money Laundering: The current global focus on terrorist-financing has led to increased ethical scrutiny of the practices of many financial services companies. A host of principles encouraging finance sector collaboration have emerged since the Wolfsberg Principles, a voluntary code adopted by 12 international banks in 2000. Financial companies have been urged to improve systems of internal controls at all management levels, particularly those relating to customer identification. This imposes additional costs both in money and time on the diversified financials sector. Different tools, some automated, have been implemented within the risk management systems of proactive institutions. These tools are designed to help monitor account names, irregular financial flows and general financing of suspicious activities.

E-banking and 'click & mortar' Strategies: After an upsurge in interest in E-banking in the late 1990s, the dream of banking and financial services with a very low cost/efficiency ratio has been hard to maintain in the face of significant marketing and support costs and consumers' preference for the more personalized level of service provided by a bricks and mortar institution. Interactive financial service has to be regarded as just one of the range of access points now expected (Internet, telephone, advisors and counselors, ATMs, local branches). However, those companies focused on credit and loans are able to offer good deals to consumers due to lower overheads.

SRI and Asset Management: 'Intangible' factors are beginning to creep into stock valuations above and beyond conventional financial metrics. This trend is stimulating interest in other socially responsible investment (SRI) concepts and the process of their inclusion into mainstream investment processes and financiers' decision-making appears to have begun. SRI funds have been established for some years in

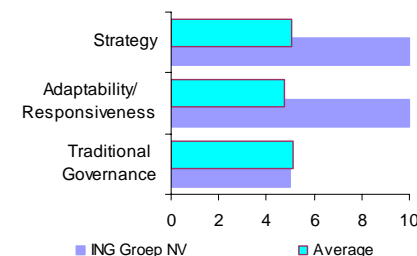
Europe and the US; there is a growing expectation for large asset management firms to offer SRI options, both retail and institutional. Companies that recognize the potential of offering investors SRI options or sustainable energy funds for example, place themselves in a position of competitive advantage. Other leading practices include some form of social and environmental overlay or investment screening.

Major Project Finance and Non-Governmental Organization Activism:

The demand for investment in infrastructure – water supply, transportation, energy and telecommunications – has grown rapidly in emerging markets, especially Eastern Europe and Asia. Campaign organizations have been quite vociferous in highlighting significant environmental risks and human rights violations associated with some of these projects. A significant initiative was taken in May 2003 when a handful of international banks adopted a set of guidelines known as the Equator Principles to mitigate environmental and social risks associated with project finance of over \$50m. The list of signatories continues to grow; as of August 2005 there are 33.

STRATEGIC GOVERNANCE: 8.3

Trend: Up



Strategy: ING claims that corporate responsibility is a fundamental part of its strategy. The main focus during the past few years has been on defining and implementing sustainable policies, harmonizing and improving the group's reporting and information systems and continuing dialogue with stakeholders. The company is still ahead of sector competitors, although it is clear that rivals are making moves to catch up with CSR performance, viewing the CSR approach as a now essential package of reputation-building activities.

With its CSR strategy in place, the group considers that the intangible benefits of CSR include building corporate credibility, social acceptance and employee retention. However, ING is also aware of sustainability-related risks faced by financial institu-

tions and aims for its awareness of ethical, social, and environmental aspects of business transactions to minimize risks at an early stage in lending, insurance and investment activities. ING endorsed the Equator Principles in 2003, demonstrating its commitment to mitigating risk in project finance and promoting sustainable development in developing countries. Although ING has not signed the UNEP-FI statement, it has become a member of the World Business Council for Sustainable Development (WBCSD). ING's business strategy is now focused on efficiency and organic growth, rather than large acquisitions. Some businesses had been underperforming and some drifting away from ING's core so they were sold in 2004. On the other hand, the life insurance business in developing markets, especially in the Asia-Pacific region, is a particular area of growth. The company's new strategy is founded firmly on customer service as a value-creator, but ING is also considering its activities in relation to all the main constituencies of stakeholders, business partners, employees, shareholders and society at large. The company must keep upgrading its work in sustainability and CSR to remain sector leader.

Adaptability/Responsiveness: ING has established business principles and a code of conduct to ensure business ethics are well rooted in its operational activities. The code covers personal conduct, employee relations, environment, international operations, communication, economic policy, community relations, and competition. The group reviewed its business principles in 2004 to comply with the US Sarbanes-Oxley act and to reflect the latest developments in corporate governance and human rights. For example, a violation of the business principles should be reported to ING's new whistleblower procedure. Any ING employee may report a violation anonymously to the line manager or compliance officer. ING has a Group Compliance Department which monitors risks in the area of reputation and integrity. There are 375 local compliance officers, operating in all levels of the organization worldwide, although currently much more concentrated in the US and Asia-Pacific regions than Europe. Through the global Live ING learning program, new employees learn about the business principles and all employees are offered regular refresher training. Intensifying the training in the business principles was a special focus area in 2004.

During 2004, risk management was strengthened at the ING Group level. The

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executive board has been given more direct involvement in, and accountability for, the risk management decision-making process, and the number of risk committees in the Group Risk Function has been substantially reduced. Direct reporting lines raise the speed of decision-making and ensure personal empowerment and greater accountability. In 2004, a new global corporate policy on financial economic crime (FEC policy) was implemented that complies with international laws and regulations on money laundering, fraud and terrorist financing. This policy enhances procedures and processes on customer acceptance, business partner acceptance (like correspondent banks), pre- and post-trade screening and monitoring and incident management. For 2005 ING also aims to extend its operational risk management incident reporting to 98% of its banking business units and to 90% of its insurance business units.

In 2003, ING had introduced worldwide CSR Key Performance Indicators (KPI) to provide a solid and uniform baseline for data collecting and external reporting. This has helped the group to better assess its global CSR performance.

Traditional Governance: ING shareholding is becoming more and more international, with more than 80% of ING's shares held by investors outside the Netherlands. The Sarbanes-Oxley act as well as the 2003 Dutch Tabaksblat code required the group to quickly improve certain measures within its corporate governance and its level of transparency. For example, charters for the boards were both updated in late 2004, along with articles of association and certain practices. In accordance with the Tabaksblat Code, ING announced a more active role as an institutional investor and published its global voting policy on its website. ING still deviates from the Dutch code in a few places, and explains these differences.

The supervisory board counts 11 members, while the executive committee only seven so as to facilitate the decision-making process. There is only one female director on the supervisory board. There are various controls to ensure independence of board members, and all but one member of the board are deemed independent. Non-audit fees form 18% of the total fees to auditors, which is below levels of concern. The Audit Committee, the Remuneration and Nomination Committee and the Corporate Governance Committee aid the supervisory board. The supervisory board met eight times in 2004 of which seven times were in

the presence of the executive board, and the final time alone, for reviewing its own performance. A description of the subjects of the meetings is provided, demonstrating a higher level of transparency than usual amongst peers or indeed companies in other sectors. One of the meetings in fact involved a trip to Shanghai, so that directors could gain first-hand experience of the Chinese market, where the company expects to grow strongly over the next few years.

A new remuneration policy was introduced for the executive board and remuneration including shares/option rights is published in the annual report. Although base salary for 2004 was frozen, performance-related components of remuneration increased in 2004. This generated criticism from unions and wider society, as the Dutch unions had already agreed to refrain from structural wage increases in 2004. ING stated that it increased the compensation to ensure the company remained competitive internationally to attract leaders. Financial targets had also been significantly exceeded. In 2005, the percentage of the performance-related aspects of the overall remuneration will be increased.

Negative governance issues include a probe of the company's governance and compliance launched several months ago by the Authority for Financial Markets, the Dutch stock market regulator. In August, the Dutch securities regulator asked the public prosecutor to investigate alleged insider trading by between five to ten staff at ING Bank, in relation to a bond marketed to Dutch and Belgian retail customers in 2004. Despite ING's own inquiry in 2004 and its reprimands to 20 staff for breaches to protocol rather than insider trading as such, the AFM has now uncovered new information leading to further concerns.

PRODUCTS & SERVICES

Intellectual Capital: ING Group manages various sustainability funds. In 2004, total SRI assets under management were €1,823m, up from €1,538m in 2003. In addition, if any of the companies in which ING invests is involved in unacceptable practices, the group takes action, ranging from direct or indirect 'shareholder engagement' to divestment. ING Netherlands also has an alliance with Oikocredit, one of the world's largest non-commercial financial institutions engaged in microcredits. In 2004, €3.4m was directly lent as microcredits in India, along with €3.1m in loans to microfinance institutions. ING aims to play a more active role as intermediary in

the growing field of philanthropic money flows and it has a dedicated charity manager within ING IM. For example, ING Life Korea launched a charity insurance product that allows customers to donate the entire amount of their insurance policy to a charity of their choice (so far, the figures are c. 800 donors, €13 million and over 50 sponsored charities). In 2002, ING Investment Management played a leading role in the establishment of a transparency code by the Association of Investors for Sustainable Investments in the Netherlands (VBDO). The guidelines went into effect in 2003 and are one of the first of their kind in continental Europe.

ING has articulated its own criteria to 'test' transactions for their social acceptance - the CSR statements. These CSR statements are based on ING general business principles and they provide guidelines on how to deal with the financial and non-financial risks the group runs in its lending. As other leading financial groups, ING signed the Equator Principles in 2003 and is committed to integrate social and environmental criteria when engaging in project finance in emerging markets. In 2004, ING made progress in embedding social and environmental criteria into its core businesses, for example in implementing the Equator Principles, which were endorsed in 2003. An Equator Desk has been established within Corporate Credit Risk Management and over 80% of employees working in project finance in commercial and risk functions have been trained on the issues. ING has been communicating the importance of the principles to its clients and other stakeholders. ING applies the EP to project finance transactions of over \$50m in metals and mining, oil and gas, utilities and power, pulp and paper, and infrastructure sectors. In 2004, it states that no projects were declined strictly on the basis of non-compliance with the Principles. 10 transactions, 5 Category A and 5 Category B, were carried out. ING also has policies governing lending to areas such as tropical rainforests, palm oil industry, defense, human rights, gambling and fur. ING's policy on oil palm and pulp and paper is aimed at preventing illegal logging in High Conservation Value Forests (HCVF) and primary rainforests. ING states that it will not finance companies involved, directly or indirectly, in the degradation or destruction of these forests. It also reviewed its 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

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weapons, following its sale of a limited stake in a company that it transpired was producing anti-personnel landmines, illegal in most parts of the world.

Postbank Groen and RVS business units offer green financing to fund environmentally-friendly projects. At the end of 2004, Postbank Green's portfolio totaled €720m. In 2004, €109m was invested in 55 projects concerning renewable energy, district heating, Green Label Greenhouses, sustainable building and organic agriculture. As a new goal in 2005 Postbank Green aims to invest €1.5m in microfinance. ING also developed a small and medium-sized enterprises (SME) environmental plan, and a package of financing, insurance and consultancy for entrepreneurs' assets.

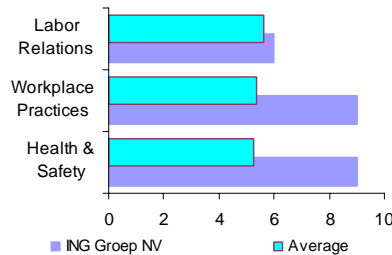
The company also flags the issue of accessibility of financial services. It has reacted to customer demand for face-to-face personalized transactions by re-establishing the cashier function and direct lines to branches, rather than having only centralized call centers. In the retail banking operation, special services are provided to marginalized customers. For elderly and disabled people who no longer have access to a cashier service, ING Bank (in the Netherlands) offers supervision to learn how to use PIN services. A pilot project has also been set up with ING Bank Bestelservice (order service). Clients have their money delivered at home by mailing service. This service is experienced and specifically aimed at people who are unable to use electronic cash points. In addition, ING Bank is committed that its branches remain easily accessible for elderly and disabled people. There is a package of primary payment services for private individuals who do not yet have a bank account, such as homeless and socially disadvantaged people. ING recognizes the importance of offering as many people as possible access to low-cost basic financial services. In Belgium, a similar basic banking service has been available for some time. BBL applies the existing charter of the Belgian Association of Banks (BVB). Belgium was the first to introduce basic banking services into its legislation. France followed in 2002. In Belgium, ING Belgium and Record Group provide mortgages to those aged under 35 years, guaranteed by the Walloon government. These amounted to €166m in 2004. In India, the insurance unit there partnered with a fertiliser company to reach farmers in rural areas. To aid the more than 19 million inhabitants in Brazil, with no financial service infrastructure at all, Postbank staff 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 program started in 2002 and since September 2004, all 5,300 post offices are involved. The program has resulted in a positive spin-off for the postal services as well as for the local rural economy and trade.

Product Safety: The issue is not relevant for the sector.

HUMAN CAPITAL: 8.8

Trend: Up



Labor Relations: Labor factors that vary depending upon country of operation are compensation arrangements, types of employee benefits, working hours, hiring and firing practices, and the role of labor unions. Despite these differences, ING's policy is to maintain overall general principles with respect to labor management, regardless of where it is active. In spite of the group's efforts to improve transparency, unionization is patchy and relationships therefore more difficult to assess. For instance, in the United States, Canada and Peru, none of ING's employees are unionized, whereas the unionization of a certain number of employees is a legal requirement in Mexico, Argentina, Chile and Brazil. In Europe, ING complies with the law and has established a central works council of 35 members gathering union representatives of 17 countries, which meets in plenary bi-annually. Works Council committees have been set up along the same lines as the business lines. There is also a separate Advisory Council. 61,500 employees were represented by independent trade union organizations or were covered by collective bargaining agreements in 2004. Of the business units, 97% give information to employees, 79% consult employees and 65% negotiate with employees regarding operational changes.

A significant positive step in industrial relations took place in 2002, when the executive board and the European workers council agreed on principles to be applied in the case of integration and restructuring.

This initiative was decided after the layoffs of 2001 and 2002. In America, ING recently set up an ombudsman program to provide dispute resolution in cases where issues cannot be resolved between an employee and his or her manager. This measure was implemented after many financial companies were caught by whistleblowing procedures. Staff reductions between 2003 and 2004 were mainly due to the divestiture of certain business units, as well as staff reductions in Argentina and some IT outsourcing. Outsourcing seems to be an ongoing trend within ING due to economies of scale and reduced costs associated with back-office processing service centers. Most job cuts took place at underperforming branches and businesses in the US, Asia, UK and Germany. At the end of 2002, the total US workforce had decreased by 16.4% since the third quarter of 2001. In 2004, overall staff turnover was 12.3%, of which 4% was due to retrenchment or unit sell-off and 7.4% were active leavers.

Workplace Practices: ING is aware that the financial services industry is about people, and that the group's success is clearly linked to the well being, motivation and performance of individual employees. ING is generally rated as one of the top places to work. ING currently employs approximately 113,000 people in 50 countries. The group has already achieved its international diversification regarding human resources, with Dutch employees representing less than one third of the total workforce.

ING's new structure focusing on value creation has required new initiatives in HR. The priority is to build more strength, depth and diversity in the workforce, and strengthen the performance culture. ING wants there to be a shared focus on business objectives amongst staff and management. HR has been reorganized, creating a central Group HR. This function is focused on servicing the six business lines. The chairman has assumed responsibility for HR to stress the importance of the workforce all being linked to customer service quality. The ING Business School curriculum now includes a workshop on the principles of value-based management. Performance management is also necessary to establish a performance culture. The new executive incentive plan incorporates total shareholder return. Training is provided to employees to help with change. Executive coaching and online toolkits are available to help managers develop team performance. The commitment and communications from the top-down will be key in

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ensuring this new strategy continues to bear fruit.

74% of the business units, representing 78,000 employees, measure employee satisfaction. Surveys covered satisfaction regarding a wide range of issues such as management, working conditions, cooperation and communication, working atmosphere, personal development, equal opportunities, job security, work-life balance, identification with values and culture, and remuneration benefits. In the Netherlands, 54% of the 32,000 employees invited (79% of management) took part in the 2004 Motivation Survey. 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 the Dutch employees said they were unhappy in their current job. Measures to increase motivation and commitment have been implemented at almost all business units.

Regarding training and development, career development is encouraged for everyone and employees are expected to take the initiative in shaping their career and development. All employees benefit from training and €12 per employee was dedicated to training in 2004, against €70 and €740 in 2003 and 2002 respectively. Total amounts were €6m, €9m and €66m corresponding to the same date order. As many major financial institutions, ING has its own internal business school (IBS), based in Europe, America, Asia Pacific as well as an executive center for asset management staff. In 2004, the IBS delivered 48 programs and workshops, with a total number of 1,040 participants. ING signed an agreement with Dutch labor unions in 2002, stipulating that employees in the Netherlands have the right to a 'career check' once every five years with one of the four ING career service centers. Although the number of visitors to the career centers in the Netherlands has somewhat decreased in the last few years, the percentage of visitors receiving some form of career counseling has significantly increased; from 4.3% in 2001 to 40% in 2003. This illustrates that ING employees are aware of the importance of being and staying 'updated'. An interesting method that ING has implemented to motivate call-center employees is to provide intensive training on commercial and language skills so that employees move on to other roles within ING; over 80% of call center leavers in Belgium in 2004 went on to commercial and advisory roles, taking with them direct knowledge of the company's customers. Talent management and succession plan-

ning are other areas of value creation. Mentoring, coaching, job rotation and Personal Action Development Plans are used to develop new leaders.

As for benefits provided to employees, ING aims to be an attractive employer and the group goes far beyond legal requirements, in particular for health and safety, disability compensation, psychological counseling, child care, education, retirement/pension plans, reduced prices on financial products such as insurance and mortgages, and sabbatical leave. In the past year, management have also been encouraged to facilitate work/life balance as this helps to motivate and retain people. Satisfied and motivated employees deliver better customer service. The scope of these benefits varies from country to country.

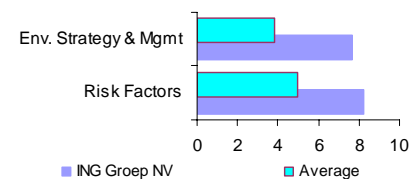
Gender diversity is low, compared to others in the sector and though the group is now focused on the promotion of equal opportunities, there is still room for major improvement regarding the situation of female executives. Although the overall gender split is about equal, 52% men, 48% women, the gender composition of the International Management Council is very skewed towards men, with only 8% female members, although this does represent an increase of 2% from last year, and of 4% since 2001. ING's diversity approach is tailored to local priorities with regional diversity councils. The group diversity council, established in 2000, acts in conjunction with the regional councils to advise, develop and implement the vision of the executive board on diversity. All business units are required to include concrete diversity objectives in their own medium-term planning reports (MTPs). When the Diversity Council was first established, its focus was to move more women into senior management positions, now this has broadened out into ethnic diversity of the workforce. There is also an expanded Female Development Program and eight networks designed for specific groups of employees. Monitoring and training has been carried out in several business units.

Health & Safety: ING is a strong advocate of physical and mental well-being and fitness, as it believes a healthy lifestyle leads to better work performance. The provision of safe working conditions is included in the corporate business principles and ING adheres to relevant local health and safety regulations. Policies and procedures have been implemented with regard to safety, sexual harassment and other forms of harassment, employee grievance and non-smoking. Advice is also provided

on ergonomics. Many business units have adopted their own health and safety regulation policies on a number of issues. For example, 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. Many teambuilding events involve sports and ING encourages employees to take part in running events and facilitates membership in fitness clubs.

ENVIRONMENTAL PERFORMANCE: 7.8

Trend: Steady



Environmental Strategy & Management:

ING takes strong initiatives both in the improvement of in-house eco-efficiency and development of financial products with environmental considerations. The bank's environmental policy covers banking activities, asset management and insurance activities.

The executive board of the group is responsible for the environmental policy. Environmental programs are initiated and coordinated by the public affairs and central environmental coordination department.

ING has a sophisticated internal system and the group has been improving its environmental and sustainability reporting. While reporting environmental performance is mandatory for Dutch companies, ING also discloses consolidated data such as energy use or CO2 emissions, including units outside the Netherlands. Such extended environmental reporting is rare in the sector and places the company at a competitive advantage.

Risk Factors: Direct environmental risks for ING are relatively low, due to its office-based operations. The bank has been rolling out a global environmental policy and building a common framework.

As for the credit policy, the bank is aware that the environment has become an increasingly important criterion in determining credit risks. ING includes an environmental sub-clause in the credit risk analysis. Depending on the nature of the expected risks, the bank's environmental ac-

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countant and/or external expert conducts an environmental risk inventory (ERI). ING has an 'environmental checklist' to assess environmental risks in credit application. The portfolio of ING Real Estate increased by €7.9 billion to €50.1 billion in 2004. ING is strongly scrutinized by stakeholders and NGOs and was criticized in 2001 for co-financing palm-oil plantations accused of illegal deforestation. The group is now an Equator Principles signatory which adds an extra layer of protection to reputations of both itself and clients.

Eco-efficiency Initiatives: Although eco-efficiency data is reported against several indicators, and data for 2004 appear to show some slight improvements, data comprehensiveness and accuracy is not strong in some areas such as paper use.

Water use has dropped from 850,000 cubic meters in 2003, to 780,000 in 2004 from 14.3 cubic meters per FTE employee to 13 cubic meters per employee (data only seems to cover 60,000 employees in Europe however). Paper use looks to have increased significantly from 12.8 million kg in 2003 to 17.1 million kg in 2004. Normalized per employee, it has gone up from 158kg to 178 kg (but data differences make a true comparison impossible). Waste has dropped from 17.8 million kg in 2003 to 16.3 million kg in 2004 (but data/coverage errors may have influenced this apparent drop). Currently, an estimated 70% of ING's total waste is recycled. Only 0.3% is considered hazardous.

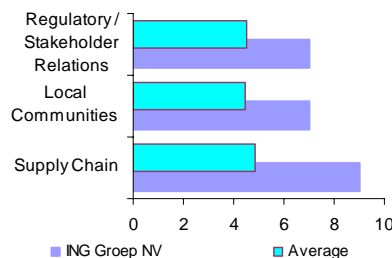
2004 data shows a drop from 540 million kWh electricity use in 2003 to 530 million kWh in 2004, and a normalized drop from 5,900 to 5,800kWh per FTE employee. 2002 data shows significantly lower electricity use, presumably due to acquisitions occurring in 2003. Business travel by car has dropped from 75 million km to 70 million km, or by FTE employee from 1,100km to 1,000km. CO2 emissions have dropped from 300 million kg to 293 million kg. Per FTE employee, the level has dropped from 3.4kg to 3.3kg. Data coverage ranges from 65,000 to 99,000 FTEs, depending on the source of CO2. The company provides data indicating that out of 96,000 FTEs, 58% are covered by energy efficiency programs, for 33% energy efficiency programs are in development, and for 9%, they are not started.

Compared to peers however, ING's performance does not seem outstanding. Although the group appears to be on the right track, its efforts must continue and will have to be screened by investors in the mid-term.

The supply chain is also subject to environmental requirements and ING also uses sustainability principles in the construction and renovation of offices. In 2004, ING hired the Dutch consultancy firm DHV to publish a report on the environmental performance of the new furniture in offices, so that it could establish sustainable sourcing for furniture.

STAKEHOLDER CAPITAL: 7.7

Trend: Up



Regulatory/Stakeholder Relations:

One of the group's main priorities is to improve its CSR performance through more partnerships. ING has long-standing local partnerships with several universities such as the universities of Amsterdam and Louvain to accumulate knowledge in the field of the measurement of sustainability performance. ING together with the Dutch government and a number of banks in the Netherlands, combined their expertise in the Netherlands Financial Sector Development Exchange. ING joined the 'Global Pensions statistics Project' of the OECD, set up to ensure the availability and comparability of global pension data. ING strengthened the ties with a number of NGOs to enhance mutual understanding. ING also participates in the Carbon Disclosure Project, the IBLF and the WBCSD and is part of the ICC's Commission on Business in Society. On a local level, ING states that 59% of its business units are represented in national organizations, committees and/or working groups that focus on the role of businesses in society, the community and sustainable development. ING includes its advisory role with business and governments in less-developed countries as an example of corporate citizenship, as it aims to build capacity for economic development. Approximately 55% of ING's business units have implemented formal policies for community relations and stakeholder dialogue, although those that do not tend to conduct community relations on a case-by-case basis or follow the regional or group framework.

The company states that it maintains regular contact with several NGOs and engages with others on a case-by-case basis. Yet the group remains very exposed to potential NGO criticism, at home and abroad. In April 2004, for example, the Netwerk Vlaanderen and its partners released a report revealing that the five largest banks in Belgium, including ING, had combined investment of \$1.5 billion in eleven international weapon producing companies, including producers of cluster munitions. Since the release of the report and campaigning activities, there has been significant movement on this topic in the Belgian bank sector. For this reason, ING decided at the end of March 2005 to implement strict criteria for defense-oriented companies involved in the production, maintenance, or sale of cluster munitions. First, ING will no longer finance these companies, second, it will no longer make its own direct investments in these companies. However, indirect investments remain permitted. As at other Dutch financial institutions, credit risk policy and project financing at ING Group are carefully scrutinized by NGOs. Financing of Indonesian palm oil plantations triggered an informal vigilance mechanism in Dutch society.

The company is currently involved in several regulatory investigations which has produced negative publicity. The CEO is involved in the damage control, and the company is accelerating moves to strengthen compliance after incidents at its domestic operations, including an error in commercial software at Nationale-Nederlanden, the domestic insurance unit, and alleged insider trading involving sales of shares in three listed firms. One of the issues came to light following the use of whistle-blowing procedures, implemented to comply with Sarbanes-Oxley. In early August, ING was also forced to set aside €81m (\$100m) to cover a hole in the accounts of Williams de Broe, its UK stockbroking arm. In mid-August, the CEO had already stated that the burden on ING and other financial institutions was high due to the many regulatory changes that have come in as well as Basel II implementation and that the departments involved were under a great deal of pressure. In the past decade, ING has grown from a predominantly Dutch business into a global group with a substantial presence in North America, continental Europe and Asia, so inevitably compliance requirements are more complex. In late July 2005, ING settled with the SEC over violations in the sale of securities between June 2002 and January

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2004, apparently due to differences in regulations between the US and Europe. The SEC did not impose civil penalties, as ING voluntarily disclosed the violations and has now implemented new trading policies.

Customer satisfaction has been placed as a key indicator of business performance in all markets. Customers are split 49% in Europe, 41% Americas and 10% Asia-Pacific. The company monitors its policy implementation on responsible marketing and also its transparency in pricing and conditions. Customer satisfaction surveys are carried out by 90% of business units with external customers. In 2004, 78% of these business units measured satisfaction more than once. 18% measured it once and 4% are less than once per year. This is a marked increase from the previous year. In 2004, 48% showed an upward trend, compared to 27% in 2003 and 50% were stable, compared to 73% in 2003, but 2% showed a downward trend. 36 of 40 units that set targets to improve, met those targets. 'First-call resolution' has been made a priority as it is such a big factor in a positive customer experience. The heads of the complaints departments in the three largest business units in the Netherlands meet every six weeks to exchange experiences. In 2002, the main insurance intermediary organizations in the Netherlands conducted a survey among the members to gauge their satisfaction with the performance of the main insurance companies they work with. Nationale-Nederlanden (NN), ING's leading insurance subsidiary in the country, received poor marks in the survey. From the ING standpoint, the low rating stemmed primarily from dissatisfaction with administrative backlogs. Customer satisfaction rose substantially in Nationale-Nederlanden in 2004, up 17% on last year, due to improved processes and a reduced backlog.

Local Communities: Taking both a community-oriented and strategic position, ING aims to contribute to the socio-economic development of the communities where it does business. ING implemented a new community policy in 2004, aiming to focus on specific events or good causes within community development, sports and the arts. Benefits include facilitating closer relations with the recipient organizations. Under community development, children and education are universal themes. With its 'Chances for Children' program, ING aims to improve the physical and mental wellbeing of disadvantaged children from the ages 4 to 12 by improving their access to education. The program encompasses local and global initiatives and includes all

business units. In 2005, ING will study the possibilities for a global partnership for Chances for Children. Water management projects have also been undertaken in India and China. Sponsorship involves a wide range of global, national and local events. However, total charitable donations dropped from €15m in 2003 to €12.5m, equivalent to only 0.17% of the group's pre-tax operating profit, which is below the 1% of standard best practice amongst leading companies.

Supply Chain: A corporate procurement function was established in 2000. In 2004, the company added business partners to its list of stakeholder groups, wishing to be a reliable partner itself and also looking to ensure that activities with partners do not conflict with its values. The company has updated its general terms and conditions for procurement and communicated them all to suppliers. Procurement policies now cover human rights, child labor, environmental issues, health and safety regulations and supplier diversity. As part of a worldwide improvement program, all procurement units were assessed in 2004 with the objective of each achieving certain minimum standards by the first quarter of 2005. The program covers all main procurement areas including IT infrastructure, business application software, facility management, HR and market data services. In 2005, the company aimed to increase the number of supplier performance surveys. On its part, the company has improved payment times. As part of the enhanced strategic procurement process, the goal of ING USA is to have 5% supplier diversity in five years, through business with women and/or minority-owned entities.

EMERGING MARKETS:

Strategy: ING is active in moving into new markets. India, China and Japan are the three markets where the company is particularly focusing on expanding growth. ING is one of the top-ranked foreign insurance companies in China and activities in the country were further expanded in 2004. ING Institutional and Governmental and Advisory services (IGA) provides advisory services to governments, regulatory authorities and public and private financial institutions. For example, it has been assisting in the reconstruction of the Afghan financial system. ING has a large presence in both India and Thailand, two of the countries that were severely hit by the tsunami on the 26th December 2004. As well as significant direct donations through the ING Tsunami Support Account, staff at the Insurance Asia/Pacific headquarters have

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 support. As discussed earlier, ING is involved in extending financial services to those in emerging markets with currently no access, and in community development work.

Human Rights/Child and Forced Labor: After discussion with internal and external parties, ING decided in 2002 to integrate human rights as one of its business principles, a priority established in 1999, and now explicitly endorses the Universal Declaration of Human Rights. The move was welcome as one of the few steps undertaken by leading financial companies in this area. In 2002, two ING subsidiaries paid a \$50 million settlement for charging black customers more than white customers for the same insurance policies in years past. In addition to the settlement, the companies were fined \$4 million. This case does not point to any ongoing breaches of human rights. There have been some instances of concerns with its financing in emerging markets, e.g. the use of Corvette boats for patrolling against drug-smugglers in Indonesia that NGOs are concerned will lead to human rights abuses and the BTC pipeline. ING's top 200 managers have received a management guide to help them define their role and responsibilities concerning human rights and during 2005, are carrying out a self-assessment of their business units.

Oppressive Regimes: ING has operations in several countries considered 'non-free' or 'partly-free' by Freedom House, including China. Operations in the Asia-Pacific region are also increasing. However, ING closed its Burma representative office in 1997 and since then, has had no presence in this country, although the group seems to have had frequent contact with several stakeholders, including NGOs, about developments in Burma and any indirect financing activities. ING's increasing use of sustainable credit policies and its implementation of human rights measures will help to mitigate risks somewhat. Labor risks in financial services are low, due to the nature of the work.

SRI NEGATIVE SCREENING INFORMATION

The following information is provided for investors who for various ethical or social reasons may wish to avoid investments in companies involved in the following business areas. Innovest's IVA product uses a positive screening approach to identify

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superior management. Beyond assessing potential market risks, involvement in the following businesses does not impact IVA ratings.

SCREEN

Weapons Production: In April 2004, the Network Vlaanderen and its partners released a report revealing that the five largest banks in Belgium, including ING, had combined investment of \$1.5 billion in eleven international weapon producing companies, including producers of cluster munitions. Since the release of the report and campaigning activities, there has been significant movement on this topic in the Belgian bank sector. For this reason, ING decided at the end of March 2005 to implement strict criteria for defense-oriented companies involved in the production, maintenance, or sale of cluster munitions and other controversial weapons. First, ING will no longer finance these companies, second, it will no longer make its own direct investments in these companies. However, indirect investments remain permitted.

Tobacco: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

Nuclear Power: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

GMO: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

Animal Testing: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

Alcohol: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

Pornography: ING Group had to revise its lending policy to the sex industry in the Netherlands, since the industry was legalized there in 2000. ING Bank can now no longer exclude those companies from credit. The amount of turnover generated through this category of client has not been disclosed but is likely to be very low, under 0.1% of the total turnover.

Gambling: Although not directly involved in this activity, the company is likely to engage in financing activities with other companies involved in this.

Burma: ING closed its Burma representative office in 1997 and since then, has had no presence in this country. However, the group has had frequent contact with several stakeholders, including NGOs, about developments in Burma and any indirect financing activities

Other: N/A

COMPETITIVE SET

Diversified Financials - Europe

Banca Fideuram

Banque National Belgique

Corp. Finance Alba

Deutsche Boerse

Eurazeo

Euronext

Finecogroup

Fortis

GBL

Hypo Real Estate Holding

ING Groep NV

Investor AB

Mediobanca

Mediolanum

MLP

OM Hex AB

Pargesa