

Our Response to Material Issues

Scope and boundaries

Through our materiality analysis we ensure that all material economic, social and environmental topics are addressed in this report. The report covers the period 1 January to 31 December 2016. The data and content in our GRI G4 Reporting and associated links aim to provide a concise, accurate and balanced account of ING's economic, social and environmental performance in 2016. Depending on the topic, our approach and performance are explained either in text, by referring to our policies or by providing data and progress on targets.

Confidence & trust earned through fair price for products & services

This Aspect is material for all entities within the organisation. It is also material for Regulatory Authorities, ING DIRECT's customers, Broker network, clients and suppliers.

A fair price for our products and services increases accessibility for our customers and is important for our competitiveness in the marketplace. ING DIRECT is Australia's most recommended bank and as such customer advocacy is integral to the growth of our business. Our customers and other stakeholders trust ING DIRECT to offer fair, straightforward and good value products and we must continue to earn this trust.

As a bank, we are subject to a regulatory framework that focuses on structural measures to reduce systemic risk. This stricter regulation constrains our ability to allocate capital. We have increased the strength of our capital base to protect customers and contribute to a sustainable financial environment.



At the same time, innovative business developments are also important to stakeholders. This is in line with our Customer Promise to “keep getting better”. We aim to be a leader in transforming banking, staying at the forefront of digital developments. These activities require capital. We can increase profitability by raising prices or lowering interest rates paid on savings accounts, but reasonable pricing of our products and services is also very important both to us and our clients, as we know we must remain competitive. Balancing and reconciling these competing interests is an ongoing challenge.

ING DIRECT monitors our Net Promoter Score monthly to better understand how we are tracking against this indicator. In 2016 our December NPS score was 16 – 33 points ahead of the closest Big 4 Bank. We actively respond to the monthly NPS results to ensure we are delivering for our customers. For example, when customers displayed frustration with service levels for our Mortgage product, the business placed a higher priority on addressing processing times.

Responsible lending & debt prevention

This Aspect is material for all entities within the organisation. It is also material for Regulatory Authorities, ING DIRECT's customers, Broker network, clients and suppliers.

Having responsible lending activities and preventing customers from going into financial distress by for example helping customers to remain financially fit. We believe that financially empowered people make smarter financial decisions that positively influence their day-to-day finances. This drives social progress and contributes to a healthy economy.

We strive to empower people to make better financial decisions by providing the right information and tools at the right time, supported by clear and easy products and services that are available anytime, anywhere. When it comes to lending, ING DIRECT takes a very strong position in how it provides credit to customers. This is apparent in the performance of ING DIRECT's portfolio (ING is at the more conservative spectrum of lending with a lower risk appetite). Our approach is that customers should not have debt that they feel uncomfortable with paying back. If customers do default on loans, ING DIRECT works with them to repay in instalments and/or refers customers to financial counsellors who can help them resolve their financial situation.

There are 11,000 Brokers in the network and the 3,000 Brokers that provide business to ING DIRECT consistently. We educate all Brokers about ING's responsible lending policies to help ensure that all ING DIRECT customers receive supported to take on appropriate debt levels.

We also track arrears data and our Credit Risk Intelligence team is monitors arrears levels. Overall, we aim to have our default rates below industry benchmark and we track this via RFI Roundtable Reports. This information is regularly reviewed by a Local Credit Committee who recommends actions that may be required to be taken by the business in response to data changes.

System availability, data security and digital innovation



As a digital bank, our customers are reliant on our digital systems to have access to their money. We cannot deliver on our customer promise without stable and secure systems.

Operational excellence for system availability requires continuous focus to ensure that ING's operations deliver a seamless and flawless customer experience.

Our operational excellence vision concentrates on delivering the Customer Promise. That means we need to upgrade and streamline our processes and IT systems, transforming ING into a next generation digital bank. We aim to bring best-in-class service to customers every day and at the right price.

At the same time that we pursue our digital bank ambition, we are also making significant investments to provide stable IT systems and platforms to ensure we are there for our customers when they need us and to provide them with the highest standards of data security. Service Level Agreements require 99.9% availability of services to customers. ING DIRECT operates two data centres and has the ability to switch between the two at any time in order to maintain availability of services to customers. In addition, system availability performance indicators are embedded in all relevant supplier contracts.

Talent attraction and retention

Financial institutions face constant competition for skilled employees. The ability to attract and retain employees is increasingly important, particularly where innovation is critical to the business strategy. To respond to this, ING DIRECT provides opportunities for global mobility, professional development, an active wellbeing program, a global Innovation Bootcamp and has developed a specialist Human Resources team to ensure the business is attracting the right capabilities to deliver on its long term strategy. These strategies aim to position ING DIRECT as a top employer in order to attract the best talent to deliver the highest quality products and services for our customers. The effectiveness of our approach and strategy is assessed during the evaluation of our performance against pre-decided success measures.



Financial Empowerment

At ING DIRECT, our purpose is to empower customers to stay a step ahead in life and in business. By offering products, services and tools that help people make better financial decisions; we make it easier for them to take control of their finances now and in the future.

We believe that empowering customers to make the right financial decisions helps to improve long term financial wellbeing, contributes to a healthy economy and helps to drive social progress.

Our approach

We help to financially empower our customers in 3 ways:

1. Simple and straightforward products and services

At ING DIRECT we place emphasis on the quality rather than the quantity of our product range, and only launch new products and services that we believe will deliver fair value as well as an exceptional customer experience.



We are dedicated to offering simple and straightforward products and services that make it easy for our customers to manage their personal finances anytime, anywhere. For example, our fee-free Orange Everyday transaction account offers customers easy access to their money through free cash withdrawals at every ATM Australia wide, and our award winning mobile app allows users to

manage their money 'on the go' wherever and whenever they want to.

We're also committed to making our products and services accessible to all areas of society. In partnership with the National Relay Service (NRS), hearing or speech impaired customers can contact ING DIRECT (and vice versa) with the assistance of an NRS relay officer via their computer, phone or tablet. The relay officer acts as a conduit between both parties to aid communication.

ING Direct complies with the Web Content Accessibility Guidelines (WCAG). The WCAG documents explain how to make web content more accessible to people with disabilities. In 2016, we developed and launched our new online banking system in line with the WCAG guidelines to improve customer experience and maximise access to customers with a disability. For example a visually impaired customer is able to use screen reading technology to login to online banking and perform key tasks such as checking balance and transferring money.

2. Relevant information and tools

In line with the trend for growing digitalisation in society, we recognise the importance of offering customers digital tools that help them increase financial knowledge as well as aid decision making.

In 2016 we invested in the redesign of our digital platform to improve the way in which we communicate with our customers. Using sophisticated analytics and propensity modelling, we are now able to segment our customer base at the individual level, and tailor communications so they only receive information relevant to their personal circumstances. An integrated customer view means our message is consistent no matter how our customers choose to interact with us.

In 2016 ING Group partnered with Microsoft, EMC and the Institute for New Economic Research to launch [Think Forward](#) - an initiative designed to gain a deeper understanding of the behaviour behind financial decision making and then leverage this knowledge as a springboard to help customers get ahead. IN DIRECT Australia is participating in this 3 year initiative which brings together experts from the financial industry, policymakers, academics, consumer groups and technology companies in a series of gatherings and working groups.

In addition, as part of our effort to keep our customers informed, we conduct a quarterly Financial Wellbeing Index to gain insight into Australian consumer sentiment around personal finance management, including their views on spending, saving and investing. This research forms the foundation for executive thought leadership, blog articles and dialogue sessions which inform the way in which we create tools and content to deliver a valuable customer experience.

3. A positive impact



We aim to make a positive impact in the communities we operate in, and on society in general.

We believe social enterprise presents a sustainable alternative to traditional models of addressing social issues. We want to play our part in empowering these start-ups with access to the

funding and capacity building support they need to establish successful businesses that can continue to create positive change long into the future.

Our [Dreamstarter](#) initiative provides knowledge, support and funding to help a wide range of social businesses launch, grow and scale to affect real change in the communities we live in. To date, Dreamstarter has contributed over \$1million to over 60 social enterprises and social impact projects across Australia.

Approximately 20% of Australia's population has a disability, and for many this can be challenging for achieving financial independence. As a long-term supporter of the [Cerebral Palsy Alliance](#), ING DIRECT aims to empower young people with a disability with the skills and capabilities they need to become financially independent in the future. To this end, ING DIRECT supports the following programs specifically:



[Conductive Education:](#) Life skills, independence and hope for pre-school and school age children with cerebral palsy and their families. This early intervention sets young people on the course for improved physical outcomes and greater independence as they grow older.

[Ignition Mentoring:](#) This 10-month mentoring program matches ING DIRECT volunteer mentors with a teenager with a disability. Now in its 11th year, Ignition Mentoring continues to create empower teenagers with a disability to be self-confident, independent and plan for their future.

[Transition to Work:](#) In 2016, ING DIRECT and Cerebral Palsy Alliance piloted an 8-week mentoring program to complement the successful Transition to Work initiative. The [mentoring program](#) paired an ING DIRECT volunteer mentor with a young adult with a disability to help prepare them for and transition into employment.

Beyond our support of these programs, ING DIRECT is one of the top corporate fundraisers for the annual [September](#) campaign that raises funds to provide much-needed services, support, and care for so many kids and adults living with cerebral palsy and their families.

Globally, ING's ["Power for Youth"](#) partnership with [UNICEF](#) aims to reach 335,000 adolescents in less-developed countries – to help them develop the social and financial knowledge and skills they need to build brighter futures for themselves, their families and their communities.

How are we doing?

We want to be sure our efforts are really driving sustained improvements in the financial behaviour of our customers and society. We measure our performance to make sure we're helping more people to stay a step ahead each year.

In 2016, ING DIRECT had more than 8.1 million interactions with customers and non-customers through our financial empowerment initiatives. Related to our 2016 performance – which established our zero measurement - we aim to publish an ambition

on financial empowerment including stronger metrics regarding outcomes and impact of our interactions.

Global Aspiration

- Our global ambition: to make 25 million people feel financially empowered by 2020
- Our ambition: strive to achieve the highest Net Promoter Scores in all retail banking businesses compared to our peers
- Our performance in 2016: ING DIRECT achieved the highest NPS of any Australian Bank.