

Human rights

update 2020



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## ING at a glance

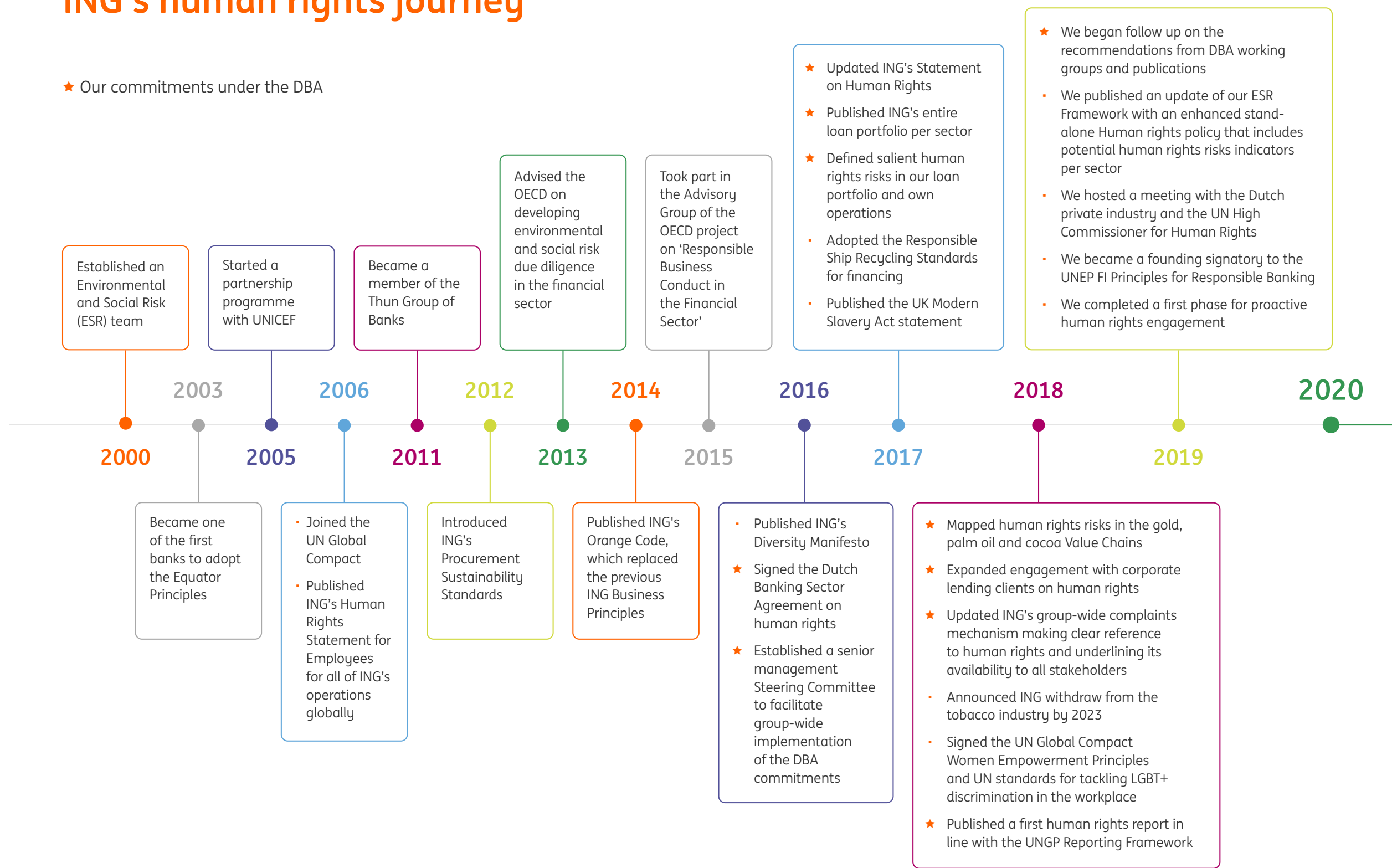
ING is a global bank with a strong European base. Our 55,000 employees serve over 39 million customers, corporate clients and financial institutions in over 40 countries. Our purpose is to empower people to stay a step ahead in life and in business. Our products include savings, payments, investments, loans and mortgages in most of our retail markets. For our Wholesale Banking clients we provide specialised lending, tailored corporate finance, debt and equity market solutions, payments & cash management and trade and treasury services.

'do your thing' is our new brand direction and our first global tagline. It articulates our purpose and our promise to make banking frictionless. It is about encouraging people to do more of the things that motivate them and their business. 'do your thing' is not about irresponsible behaviour but about people being free to live the life they want to live, knowing that they will make their world a little better for it.



# ING's human rights journey

★ Our commitments under the DBA



# Introduction



- Our human rights approach
- About this update

## Our human rights approach

As a global bank, ING and its clients have the potential to impact human rights through their operations across sectors and geographies. As reflected in other public statements and reports, we see that there is more and more accountability and opportunity for human rights and business. We see, for example, a rapidly shifting regulatory landscape, where human rights due diligence, including the supply chain, is coming to the forefront of discussions.

ING is using our leverage to promote ethics and human rights standards across our own value chain and the actors we are linked to via our client relationships. We continue our commitment to respect human rights through our policies, actions, projects, collective agreements, learning platforms and disclosures. We are transparent about our progress in order to encourage others to join. To remain a step ahead of our own work and broader societal expectations, ING is also involved in standard-setting platforms on the topic of human rights. We hope to lead as a responsible bank, but also want to contribute to meaningful, systemic change for the better.

In 2018, we published our first human rights report, using the UNGP Reporting Framework, outlining our policies, programmes and management of human rights risks. The [report](#) shows how we identified our biggest risks to people and how we conduct human rights due diligence. In our [2019 update](#), we highlighted a pilot on proactive client engagement which came about through an exploration of client leverage, salient human rights risk and an ambition to learn and improve.

As elaborated upon in our 2018 report and in our 2019 update, it is our ambition to use our leverage in our own operations and through our business relationships to assess, prevent and mitigate impacts and also enable our clients to provide remedy for human rights impacts. We remain committed to using the OECD guidelines for Responsible Business Conduct and UNGPs as standards, which apply the threshold of zero harm and remedy when impacts occur.

We know we can always do better. This disclosure is another platform for us to openly show the progress we have made, the dilemmas we face and our ambitions.



## About this update

As shown in our timeline, we have been on a long-term journey to respect human rights. The timeline above shows our progress and the steps we are proud of. In each of our human rights disclosures, our ambition has been to be transparent so that others can learn from our strengths. We also seek collaboration on the challenges we face so that our priorities are clear and so that our stakeholders have a platform to approach us for further discussion.

As in our 2019 update, this update covers actions and reflections over the past year. Our human rights disclosures take an honest approach to work that we are undertaking and where work is yet to be done. This year, we provide an update on select sub topics we have been pursuing for 2020 and beyond. And of course, the global pandemic has been a thread woven through many actions, and we touch on those reflections as well.

In the last section on our road ahead we discuss future disclosures, salience and the important work we have to do ahead of a more comprehensive 2021 disclosure on human rights.



# Highlighted reflections and actions

- A changing external landscape
- Client engagement
- The global pandemic: responses to Covid-19



## A changing external landscape

There have been some major actions in the banking sector over the past year, both on a global and local scale.

Globally:

- The Principles for Responsible Banking (PRB) have grown in membership and commitment. Now more than a third of the global banking industry has a shared framework and common language surrounding the SDGs and Paris goals.
- A new version of the Equator Principles (EP4) was launched this year after extensive consultation. Not only the scope was expanded, but also specific requirements on human rights and FPIC were introduced. ING played a leading role in the coordination of the new version of EP4, as well as through our participation in the Social Risk working group responsible for the changes on the social side.
- There has been enhanced discussion and action on the links between the climate crisis and human rights impacts. For example, just over a year ago we saw [the first ever global summit on human rights and climate change](#), organised by civil society organisations.
- The EU Taxonomy was introduced, which requires investments classified as 'environmentally sustainable' to meet minimum social and governance safeguards. The EU taxonomy regulation will be an essential reference in a number of other forthcoming sustainable finance regulations in the EU and an important means to harmonise actions and expectations in the industry.



## Key changes in EP 4

Equator Principles 4 expands the scope to a broader range of financial products. It also enhances the consistency between the Designated Countries (i.e. high-income OECD countries) and other jurisdictions while including new requirements touching on human rights, climate change, biodiversity and impacts on Indigenous Peoples. This is important to ING, as the Equator Principles continue to be an important risk framework we apply to our project-related finance transactions. This standard guides us and provides the framework for our assessment and helps us identify and manage environmental and social risks on the ground.

### **New:**

- The updated principles strengthen the language on human rights. An assessment of potential Human Rights impacts prepared with reference to the [UN Guiding Principles on Business and Human Rights](#) (UNGPs) must be included in the Environmental and Social due diligence reports.
- For all projects potentially impacting Indigenous Peoples, a process of informed consultation and participation is required, consistent with host country laws. The consultation process with Indigenous Peoples should be independently verified against applicable international standards (IFC Performance Standards), including the positive outcome of Free Prior Informed Consent (FPIC).

- EP 4 broadens this requirement so that when FPIC applies, even in Designated Countries, a qualified independent consultant should be engaged to evaluate the consultation process with Indigenous Peoples, and the outcomes of that process, against the requirements of host country laws and IFC Performance Standard 7.

An enhanced grievance mechanism and greater collaboration between sponsors and governments (in relation to Indigenous Peoples) are also among the changes. EP4 took effect in October 2020, and we look forward to applying this new version of EP together with signatory banks.

Closer to home in the Netherlands, the Dutch Banking Sector Agreement on Human Rights came to a formal close. This multi-year agreement was successful in completing all of the deliverables set out. During the term of the agreement ING updated its Human Rights policy to reflect its commitment to the United Nations Guiding Principles. We also started a pilot on proactive engagement with our clients to discuss salient human rights risks. We will discuss this in more detail below. What we take away from this is learning, concrete recommended actions and an ambition to continue our work to promote human rights. Dutch banks are currently working on a follow-up, multi-stakeholder initiative to explore ways of making a meaningful contribution to positive impacts for rightsholders. In addition to the multi-stakeholder platforms we are involved in, there is discussion around the world about a changing regulatory landscape. The European Commission announced earlier this year that it would present a legislative proposal on mandatory human rights and environmental due diligence in early 2021. In addition, we are seeing a variety of new regulations coming into effect, such as the Dutch Child Labour Due Diligence Law further focussing on respecting children's rights. We see EU legislation as an important step towards a combined impact in cross-sector supply chain due diligence.



Society rightfully expects companies to demonstrate that they are taking reasonable steps to prevent and address adverse human rights, climate and biodiversity impacts in their supply chains. A smart mix of both voluntary measures and mandatory due diligence requirements will do just that; ensuring reasonable steps taken by companies while providing clarity to business on who is to do what at the level of both EU government(s) as well as at the level of the various business entities within a specific supply chain.”

– Arnaud Cohen Stuart,  
head of Business Ethics

What this changing external landscape means for us is that we can learn from others more openly, for example through the Principles for Responsible Banking. In addition, this results in more common ground to work with other parties, such as other banks and our clients. We welcome the improved platforms for dialogue and support a common language for further cooperation and alignment across sectors.

A recap of our actions in response to the changing landscape:

- We updated our ESR policy framework in line with the Equator Principles.
- We will follow up on the learning and outputs from the close of the DBA. For example, by continuing to increase our leverage through client engagement (covered below). And through specific topical enhancements, such as new ways to leverage parties across supply chains to work on human rights proactively, for example through a coffee value chain initiative hosted by ING.
- We will continue project-level innovation for human rights impacts on the ground. Internally, we are piloting new initiatives to explore proactive interventions on the ground. We will also widen this approach in a subsequent initiative with the Dutch banking sector.
- We will follow closely and give input to the development of legislation on mandatory due diligence. We hope to see a smart mix of voluntary initiatives and hard law at EU level, creating harmonised standards for all businesses, increasing leverage along supply chains and increasing legal certainty for business.

### What we have learnt over the past year

Across sustainability topics, be it climate, human rights or biodiversity, clear objectives and joint leverage is how the financial services sector can move the needle. This is not new per se, but in the past year we have increasingly seen why this is important.

[The Dutch Banking Sector Agreement on Human Rights](#) came to a formal close and the final monitoring reflections touched on the observation that more work needs to be done in order to improve the situation for rightsholders on the ground. Banks work in an ecosystem of leverage, with clients across sectors. In order to show impact, we need to get not only clients, but international banks on board with our ambitions. We also need civil society and governments to collaborate with us. We need to better understand how our policy interventions may or may not trickle down the value chain to create positive outcomes for people. In parallel, we will not only focus on policy development and implementation, but seek to drive tangible results from the bottom up; co-developing solutions to on-the-ground dilemmas with our clients and relevant stakeholders.

## Client engagement

Our 2019 human rights disclosure focused on a new approach to proactive engagement, exploring a new type of involvement with our clients beyond any specific transaction or formal client review process. From our first pilot phase, we aimed to take the work forward in a data-driven approach to actual adverse human rights impacts affecting or involving our clients. We have taken this work on in the past year and are in the testing phase of a new tool for portfolio level analysis focussing on ING's salient human rights risks: forced labour, child labour and land-related issues. The data in the tool is compiled by using several external databases.

The objective of gathering this data on our clients is firstly to build an ever stronger non-financial risk portfolio. We can use data points to expand specific knowledge of human rights risks and have a better understanding of how our clients are performing on human rights. In addition, following the test phase of this tool, we will be able to analyse the added value and incorporate it into our way of working and potentially expand the tool to include other environmental and social risk topics. With the additional data points and portfolio view, it is possible to visualise which clients are lagging behind on different criteria and which clients are top of class. The information

in the tool can therefore be used as a reference point in our client engagements going forward. Incorporating data from several data providers also means that we gather factual information on actual impacts.

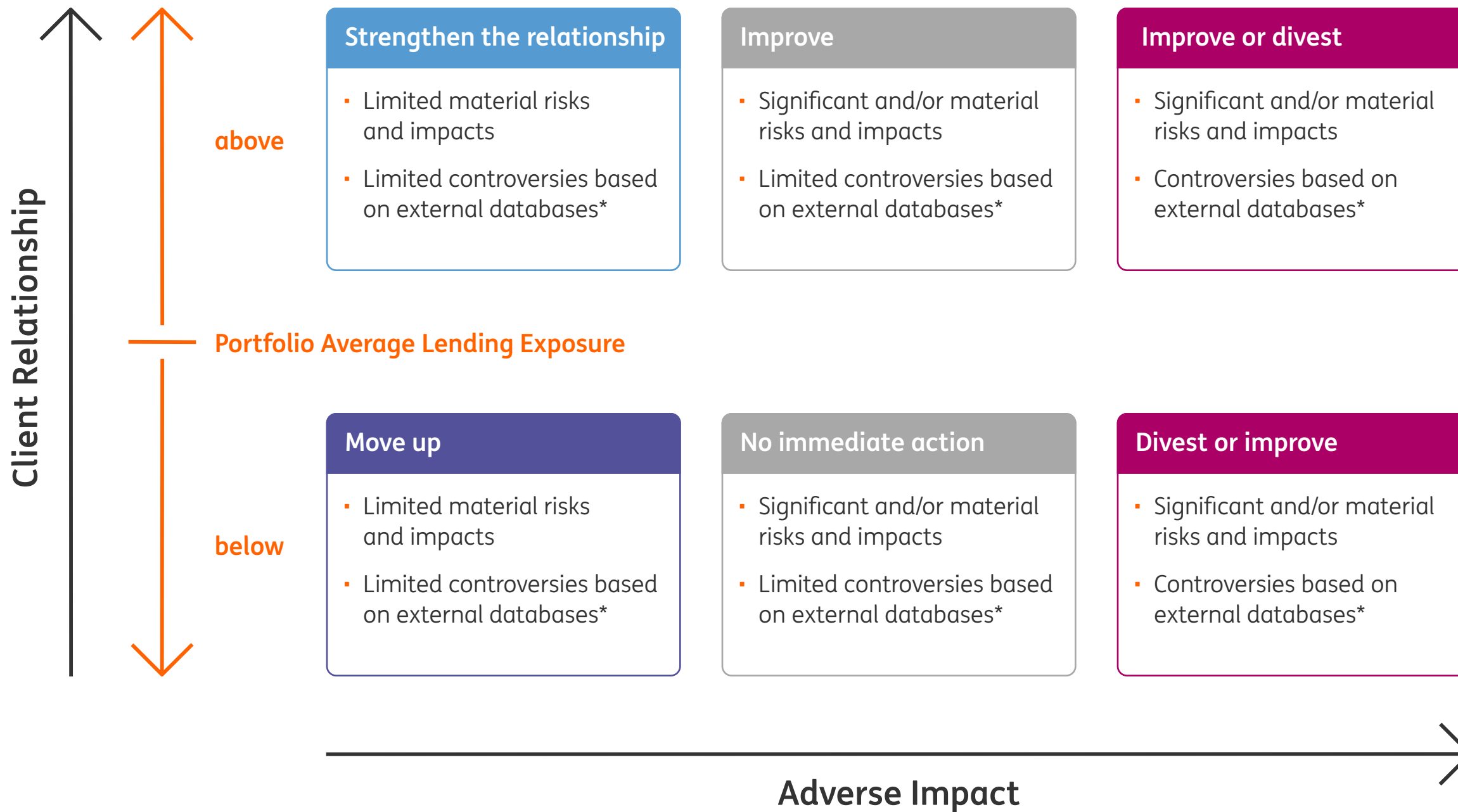
Building on what was disclosed in 2019, we have spent time refining our data sets and building a robust and usable tool. We have matched data from the three external databases of Sustainalytics, RepRisk and the Business and Human Rights Resource Centre (BHRRC) to our own client database. This has been a long and thoughtful process, as data sets differed in the databases we used. The matching process took care and time, making sure that the matching was done correctly and also that the client names are consistent across all databases. In addition, we tweaked and refined the methodology along the road for optimal usability.

The combined data points in our tool are:

- Average Exposure from our corporate lending portfolio
- Three external databases:
  - Business and Human Rights Resource Centre claims
  - Sustainalytics ESG Risk Rating Scores and Controversies
  - RepRisk Scores focused on ING's human rights salencies.

The outcomes have changed slightly since last year, as we expanded the tool to provide for granularity in the different risk profiles.

The methodology outcomes in the tool are as follows:



As elaborated on in our 2019 disclosure, this model gives a strategic view of how ING can act on the portfolio data. If clients are subject to the criteria of the ‘strengthen relationship’ area, the Front Office should primarily be involved as we would like to continue doing more business with these clients. According to the tool, they are performing well on human rights. If clients are subject to the criteria of the ‘divestment’ or ‘improvement area’, the dedicated Environmental and Social Risk team will be involved, meaning that a closer look and further engagement are required to decide on the best way forward. A decision could be made about whether or not to divest and off-board clients from our portfolio, or to engage and look into alternative ways of supporting a particular client to improve its business conduct.

Once different business lines have tested this tool and signed off on its added value in daily operations, we will consider governance of the data and a refinement of details about how to take this forward; and potentially how to expand data points, such as to topics beyond human rights.

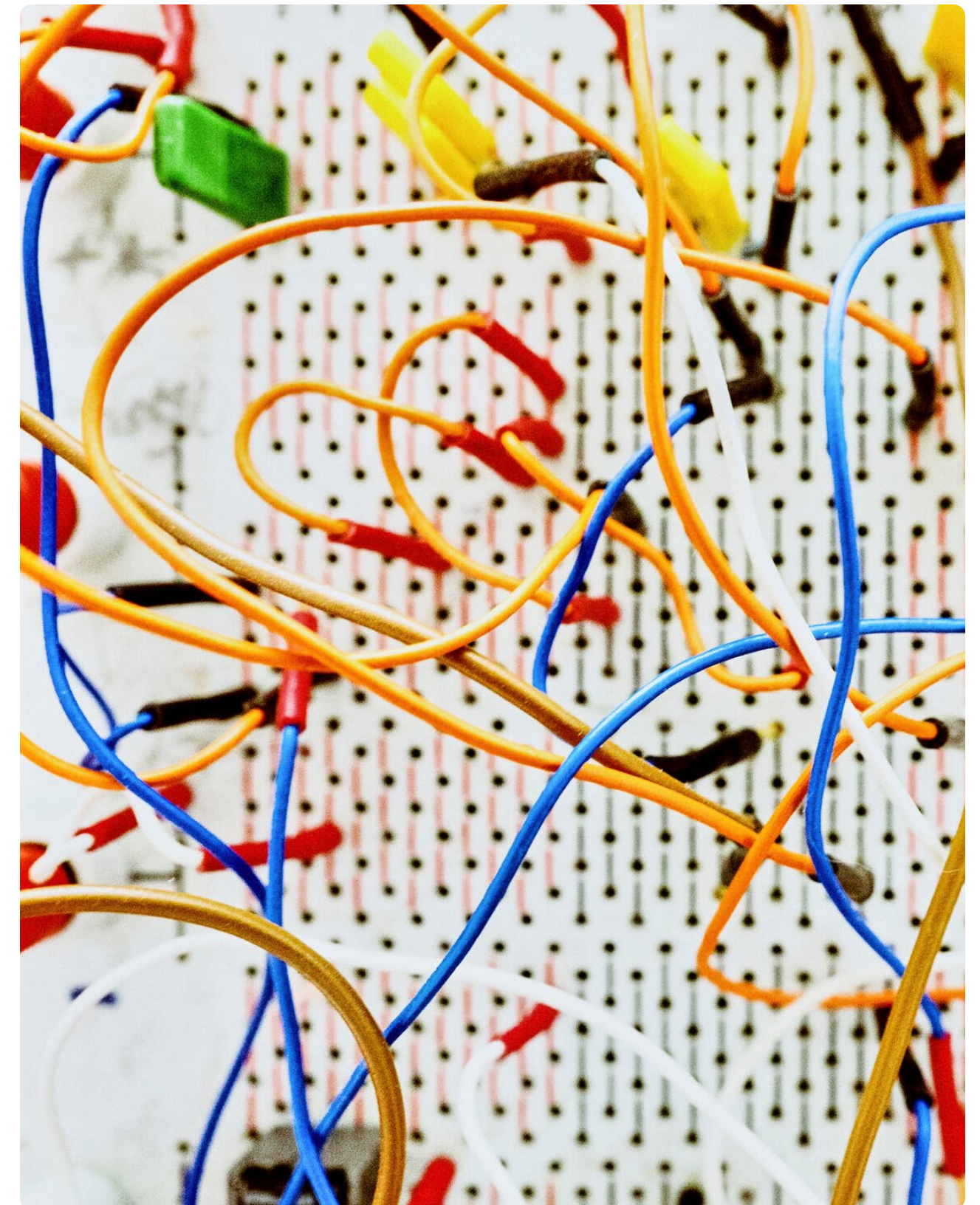
\* Databases used: Sustainalytics, RepRisk and Business and Human Rights Resource Centre



The process of getting to where we are now was lengthy and challenging as we are matching different external databases with different identifications. The alignment of these databases required a lot of work until we were in a comfortable position to test the tool. The expectation is that the tool can be used differently across the business. One means of application is for those with a focus on the opportunity and sales side being able to understand quickly if there are red flags. Where others will be able to see which clients or sectors are riskier to the bank – identifying the ones we should have a closer look at before deciding how to engage with them.

The advantage of the tool is that it allows us to adopt a data-driven approach in our decisions, having an impartial overview of our portfolio and assist with the decision-making process, knowing how to prioritise resources. I am looking forward to the next steps.”

– Amanda Zillig, Environment and Social Risk Advisor



## The global pandemic: responses to Covid-19

Covid-19 has disrupted societies and the unprecedented crisis we are facing because of the coronavirus pandemic exposes ING to new challenges. We need to be a forward-looking and attentive employer and we need to take steps to help clients in need. We also need to consider how the pandemic affects rightsholders on the ground; those to whom we are exposed through our lending to corporate value chains. The lens of understanding actual and potential adverse impacts based on severity and likelihood – operationalised as a salient view – is important in our actions.

### Our workforce

We have over 55,000 employees. Business continuity and our ability to keep serving our customers has meant that we have adapted as a workforce. Like other employers, we adapted quickly to get our workforce working from home. We have enhanced local wellbeing initiatives, moved our training online, have offered employees working from home equipment, encouraged employees to take leave, understood the challenges of balancing personal and family life and issued management messages encouraging employees to care for themselves and their families as a priority. We estimate that in

the future our workforce will work flexibly in ever greater numbers and we are adjusting our way of working strategy to be future-proof and offer our employees enhanced options for balance and flexibility, beyond the pandemic.



Our first priority through the crisis was supporting the health and wellbeing of our employees. Being able to innovate and adapt is part of our DNA, so we were able to draw on this strength to adapt our people approach, digitising our support to leaders and all of our staff though remote working very quickly. The role of our leaders will remain key in helping our people with the current challenge and the change that will bring.”

– Ruth McGill,  
Chief Human Resources Officer





In our 2018 human rights report we identified work stress as a salient human rights issue. Monitoring this topic in relation to how we respond to the effects of the pandemic on our workforce will be an ongoing effort. In our 2021 human rights report we hope to use the UNGP Reporting Framework again as a meaningful guide to disclosures on progress regarding the salient issues.

### **Our due diligence**

The Covid-19 pandemic is not only a threat to public health, but also has economic and social disruption which can affect the wellbeing and livelihoods of workers across supply chains. The repercussions of the pandemic are global and have also been shown to be uneven. For example, there is public focus on: the increased risks of child labour in mining supply chains, global textile brands having cancelled orders – leaving factory workers without wages, migrant workers living in shared dwellings being at increased risks of contracting the disease, etc. Also, independent consultants and monitoring at project level has become challenging at this time. These risks mean we need to take the current situation into consideration in our own due diligence process in lending transactions. Below, are examples of what we have seen and done.

For many new projects, a large part of most of the Environmental and Social due diligence was put on hold during the first months of the pandemic. Research and analyses of risks and impacts remain challenging even as movement has eased in many countries. Community engagement and consultation in relation to new developments are particularly challenging, and require a remote approach through video calling and online town halls. We are focussing on this in our own assessments of new projects at this time.

One of our international clients in the meat industry was confronted with a significant increase in Covid-19 infections on site. Due to the nature of the sector, the production line work and the limitations in terms of ventilation, some sectors, like this one, are more vulnerable to the virus and associated health and safety issues. Enhanced health and safety measures, more frequent reporting and both internal and external communication are some of the conditions ING raised with this client. At the same time, we also note that clients are taking a very proactive approach in scaling up safety measures themselves. Through client engagement we are using our leverage to ensure workers are kept safe.



Due to the Covid-19 pandemic and the associated travel restrictions, the current situation requires us to look at new and inventive ways of monitoring. For projects in the construction or operational phase, for example, monitoring now takes place through virtual site visits, using drones, photos, video footage and real-time communication. Where possible, verification of E&S matters on the ground is outsourced to local consultants.

## A proactive approach

First of all, companies are expected to properly manage risks to people in their operations and value chains. A step beyond risk mitigation can be to look at ways that maximise positive outcomes in relation to pandemic impacts. These actions can also support the Global Goals (SDGs).

In relation to Covid-19 we have taken steps to make sure for example that clients are relieved of immediate financial stress, examples include:

- We have granted customers who needed it a payment holiday from their loans or mortgages. This was done across all retail markets.
- We have made leaps in digital inclusion, as we sought to help customers move online with their banking. In Poland and the Netherlands, for example, we designed interventions to help primarily older customers get through the crisis by moving online.

We are continually working on a response to increase resilience in all aspects of financial health: income, spending, savings, borrowing and planning in response to the effects of Covid-19.

### Example of steps taken in the Netherlands

In the Netherlands, we took our partnership with Geldfit and the Schuldhulproute (Debt Assistance Route) to the next level. With Geldfit, we moved to strategically offer the services available for customers in need of support. Geldfit is a service to help people assess their financial situation which then refers them to other partners for services/support where needed, including Schuldhulproute.

We also continue looking for ways to support communities. There are many examples of generosity by our local businesses, employees and customers, amplified by a global ING fund that allows our local businesses to allocate funds to make the biggest impact. But support is needed in many other places in the world. We helped kick off #Reimagine, a global campaign launched by our partner UNICEF to prevent the pandemic from becoming a lasting crisis for children. We tailored our approach in three phases:

- Phase 1 centred on an emergency response in ING countries, for example, in Spain and Italy, the two hardest hit countries in the early weeks of the pandemic. The primary focus of these projects was to provide emergency support for hospitals and emergency health organisations, as well as those dealing with emergency food security for others impacted by the crisis.
- Phase 2 was focused on the UNICEF global response, which focused on protecting families and health systems around the world.
- And phase 3 is still ongoing and focuses on helping communities in ING countries with their long-term recovery and building resilience: Build Back Better. This includes projects that support people to recover their financial health, projects that support the development of social and green entrepreneurship and jobs and projects that support digital skills and employment in Digital and STEM careers.

### Example of Community Investment in Spain

#### ING in Spain working with Nantik Lum Foundation – Project on Financial Counselling for Social Workers

Spain has been hit hard by the coronavirus. The economic forecast has an anticipated long recovery as well as rising unemployment. The population group most affected is families with children. In Madrid, for example, 46% of families have already suffered a drop in income, although the prospect is that the crisis will end up affecting 64% of households. Above all, single parents, the majority of whom are women, are worst affected.

Nantik Lum works to reduce social, financial and labour exclusion through microfinance and inclusive entrepreneurship. Financial health was identified as an area for improvement in the services provided by social workers. In response, ING and Nantik Lum will train operators from social entities to counsel families in vulnerable situations about how to manage their financial health.

This public-private partnership aims to improve the skills of social workers when it comes to financial health, which in turn will complement and improve the socio-economic actions carried out in the most affected groups. The aim is to reach more than 25% of social service centres in Madrid, supporting social workers in 10 of the 36 locations, through training, field work and advice.



# The road ahead

The direction of the next year is hard to predict, as the global pandemic continues to unfold. What we know is that our human rights work will continue. The precarious nature of the pandemic shows that strong due diligence, worker as well as community health and safety and stakeholder consultation and openness are more important than ever.

In the next year we look forward to:

- Working toward a comprehensive 2021 report, using the UNGP Reporting Framework. We will continue to use Part C of the Framework as a guide to management and disclosure on salient issues and look forward to clearer outcomes and reflections in a next full 2021 report.
- Revising our ESR Policy framework in a comprehensive policy review process, adding human rights-specific topics and incorporating learning from engagement with stakeholders.
- Deciding on a specific way forward using the tooling for client engagement touched on in this update.
- Piloting projects, with clients and civil society actors in order to show tangible impacts for stakeholders on the ground, also taking into account our salient human rights risks.
- Further embedding learning and taking up action from the DBA, on topics such as human rights defenders, measuring performance, leverage, value chain risks and the ecosystem of remedy.





The real disclosure work is of course the behind-the-scenes work on topics such as governance, policy and practice. In the coming year, in preparation for a UNGP Reporting Framework report, we hope to incorporate the multiple sources of learning and action listed here into a set direction on the future for human rights work at ING. For example, incorporating value chain learnings from the DBA with our own salient issues. We also hope to loop back all of our proactive actions into due diligence. The pandemic has definitely painted 2020 in a new light, yet one thing for certain is that we remain assured of the need for careful and thoughtful actions in our human rights work.

We hope that our open approach will be replicated by our peers, as working together across the sector is more effective than acting as a single bank. We also welcome feedback from our stakeholders.

# Appendix

## The UN Guiding Principles Reporting Framework Index

While this update is not a full UNGP RF report, we have mapped some of our disclosures to the UNGP RF index. We hope this helps our stakeholders track some of the information included in this annual update.

A – Governance of Respect for Human Rights		Pages where addressed
<b>Policy Commitment</b>	<b>A1</b> What does the company say publicly about its commitment to respect human rights?	<a href="#">6</a> ; <a href="#">10</a>
<b>Embedding respect for Human Rights</b>	<b>A2</b> How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	<a href="#">4</a> ; <a href="#">10</a> ; <a href="#">11-12</a> ; <a href="#">18-19</a>
	<b>A2.4</b> How does the company make clear in its business relationships the importance it places on respect for human rights?	<a href="#">17-19</a>
	<b>A2.5</b> What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result	<a href="#">12</a> ; <a href="#">14</a> ; <a href="#">18-19</a> ; <a href="#">22-23</a>



# Contact

The use of all data provided in this report is restricted to ING Group and its subsidiaries, unless stated otherwise. Additional information about ING can be found on its website. If you would like to provide feedback on this report or find out more information about ING's stance on human rights, please visit our sustainability page at [www.ing.com/Sustainability.htm](http://www.ing.com/Sustainability.htm) or contact:

## **ING Group**

P.O. Box 1800  
1000 BV Amsterdam  
The Netherlands

[www.ing.com/Contact-us](http://www.ing.com/Contact-us)