

**VALUE
REPORTING
FOUNDATION**
INTEGRATED
THINKING
PRINCIPLES

Integrated thinking in action

A Spotlight on ING

Case study



Case studies from the

Value Reporting Foundation

The Integrated Thinking and Strategy Group (a special interest group of the Value Reporting Foundation Business Network) brings together some of the world's most innovative companies so that they can collaborate, learn from each other, challenge each other's thinking and share leading practices between themselves and those who follow them.

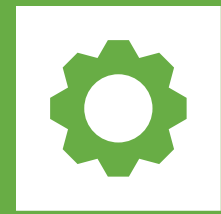
Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the Value Reporting Foundation refers to as 'capitals' in the International <IR> Framework – that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.





INTEGRATED THINKING PRINCIPLES

Overview

30-second snapshot into integrated thinking at ING

ING is a Dutch multinational banking and financial services corporation headquartered in Amsterdam. Founded in 1991, the bank has 53,000 employees and serves some 40 million customers, corporate clients and financial institutions in over 40 countries.

ING relies on a strong organizational culture which enables a shared holistic understanding of its value creation process within the organization. ING understands integrated thinking as a tool which supports the spread of its organizational culture among its employees. To this aim, integrated thinking has helped ING acknowledge one of its biggest assets which drives its strategy: its people. ING's performance management system is aligned to the organization's people-centric approach. One of the key performance management tools of the organization aligns individual performance objectives to the objectives of the organization's strategy.

Integrated thinking has supported ING in articulating their purpose: "Empowering people to stay a step ahead in life and in business". By focusing on social and economic factors via the integrated thinking mindset, ING has been able to meet the needs of their diverse stakeholders and deliver long-term value.



Deep dive into integrated thinking at ING

10 minute read



What led ING to embed integrated thinking?

Back in the summer of 2015, ING embarked on a transformational journey with integrated thinking in response to evolving stakeholder needs and the rapid acceleration of the digital landscape.

The bank was looking for practical steps to articulate its purpose: “Empowering people to stay a step ahead in life and in business”, which is also underlined with their new brand direction, “do your thing”. This is about people being free to live the life they want to live, supported by a bank which caters to their individual needs. For ING, this means supporting and promoting economic, social and environmental progress, and at the same time generating healthy returns for shareholders.

The transformation was a shift from a traditional hierarchical organization featuring functional departments to an agile and interconnected working environment and business model.



Figure 1 For a detailed view of the model please consult ING's Annual Report, page 23



How did ING approach integrated thinking?

Integrated thinking helped ING to break its purpose down into three actionable levels (Figure 1). The first level translates into four promises to its customers: make banking clear and easy, available anytime and anywhere, empowering their customers and to keep getting better. The four customer promises are anchored in the organization’s strategy through four strategic priorities: earning the primary relationship; using its advanced data capabilities to understand its customers better and meet their changing needs; innovating faster; thinking beyond traditional banking to develop new services and business models.

These four priorities are underpinned by four key enablers that operationalize the purpose and execution of the strategy: Simplify & Streamline, Operational Excellence, Performance Culture and Lending Capabilities.

The bank’s approach led to their renewed “Think Forward” strategy. The Think Forward strategy is aligned with the material topics identified by the organization’s stakeholders. To identify these topics, ING undergoes a materiality assessment annually. The strategy and its alignment to material topics is supported by the holistic understanding of the value creation process of the organization (Figure 2).

Value Creation Model

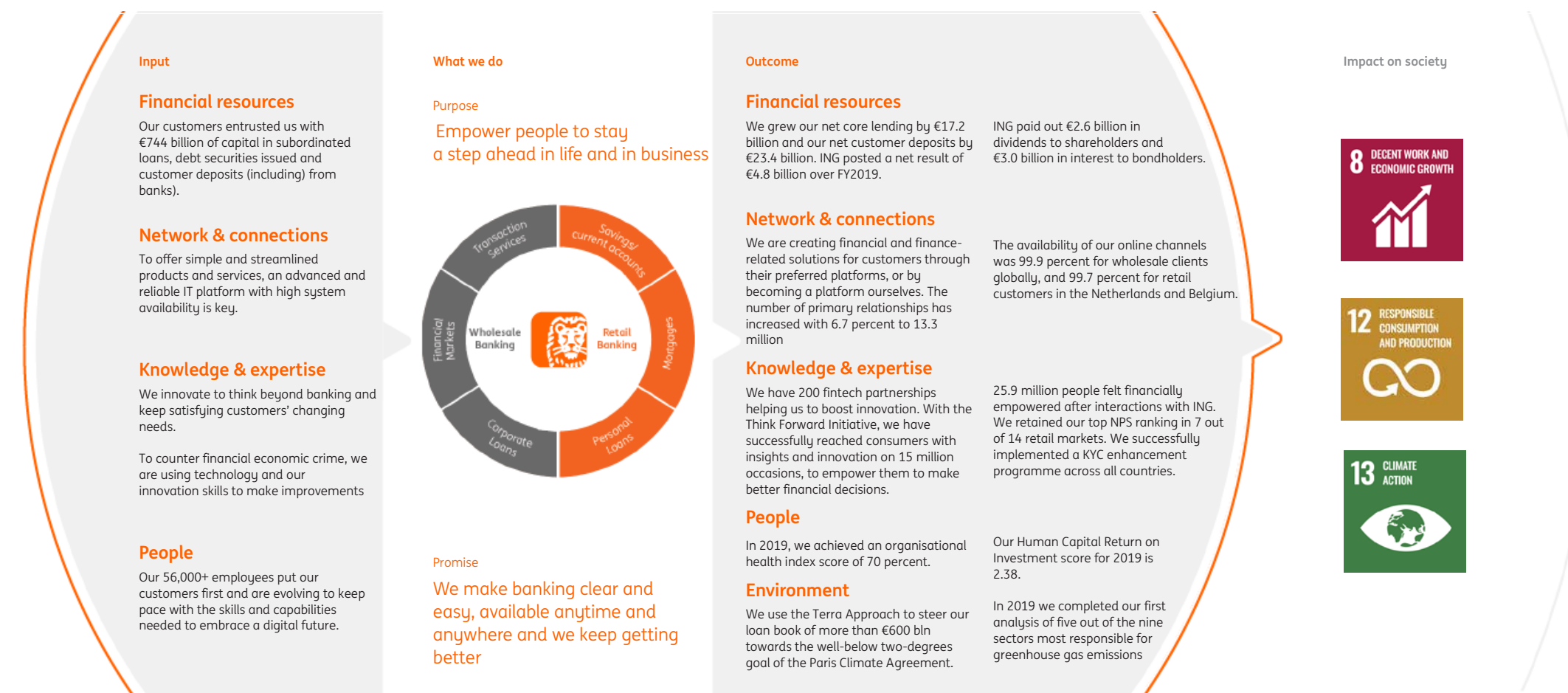


Figure 2 For a detailed view of the model please consult ING’s Annual Report, page 27





A third of the company's performance appraisals is focused on empowering people. A third of the business organization's performance appraisal is focused on stretch ambitions. These are aims that are ambitiously set and have to appear as aspirational. Their purpose is to link the company's success and our [employees'] personal growth."

Radoslav Georgiev
ESG Disclosure Lead

How has integrated thinking helped ING deploy its strategy?

Integrated thinking has helped ING acknowledge one of its biggest assets which drive its strategy: its people. By supporting ING's manifesto, Orange Code, which lays out the values and behaviours that define the organization, integrated thinking has enabled ING to stimulate its people, from the top down, to integrate the corporate purpose into their work and stakeholder engagement.

Integrated thinking laid the foundation for ING's performance management system that is people-focused. The organization's performance management enables the alignment of individual performance objectives to the objectives of the organization's strategy. Performance appraisals are a key tool to embed ING's purpose across the organization. All employees are also asked to set stretch ambitions for themselves, which are a key component of the performance appraisal. Empowering people and encouraging them to help one another to be successful is part of the Orange Code, which also represents one third of the performance appraisal.

ING has also established global educational programmes, which are focused on enhancing staff engagement and fostering the sustainable long-term growth of the organization. A number of employees from across the organization are put into small groups, known as "Squads", and are asked to suggest sustainability-related projects linked to the organization's strategy. Once a project has been chosen and discussed, participants are asked to implement it in their department to embed it in ING's DNA. The teams track progress in frequent meetings and collaborate to deliver the product/goal within the fixed duration cycle.



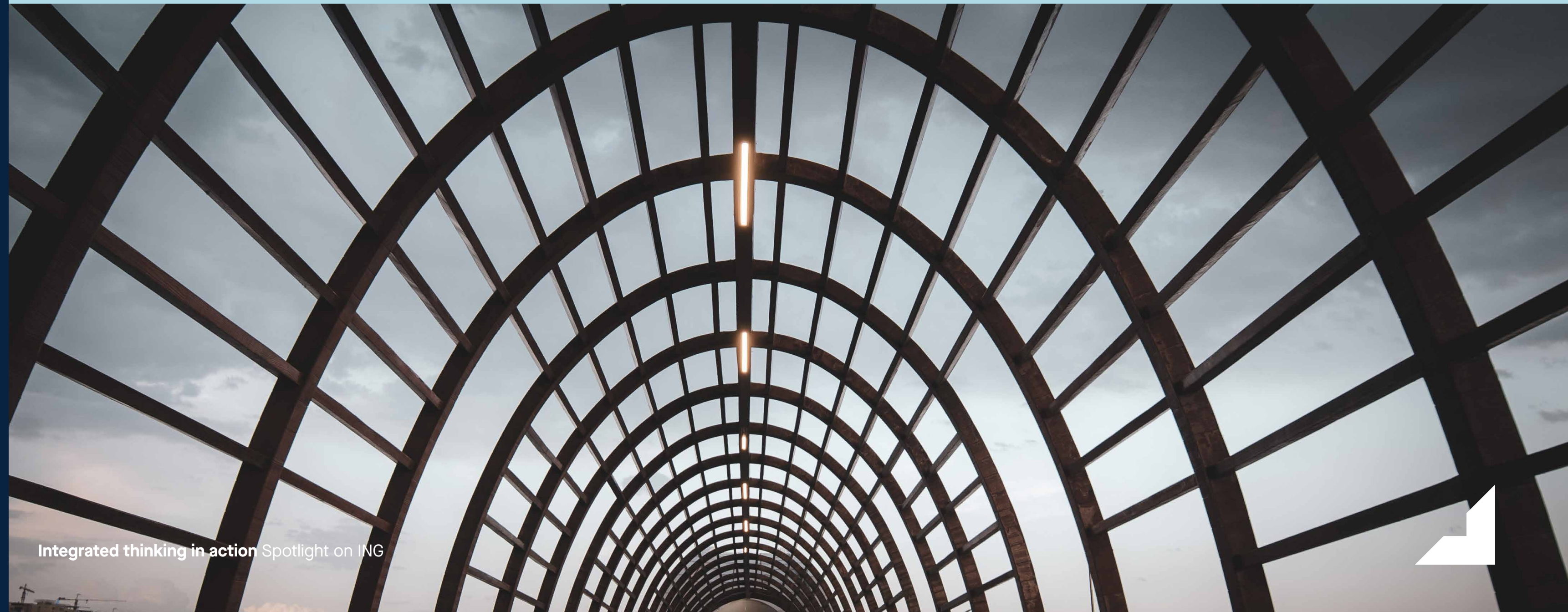


The sustainability team has created a sustainability education programme which is rolled out globally. We have asked people across the organization to set those stretch ambition goals but we have also asked all participants in the programme to come up with one sustainability-related project linked to our strategy. We are asking them to integrate it in their departments. They pitch their idea during the programme, they get the feedback and then they are asked to implement that project inside their department. This enables people to internalize the values of the organization and foster an integrated thinking approach to the value creation process they are part of.

Radoslav Georgiev
ESG Disclosure Lead

Embedding integrated thinking has also led to the transformation of other practices at ING. For example, the organization's health index, which is the level of enthusiasm and passion that employees have in relation to their work and reflects how embedded the Orange culture is.

Moreover, the agile model that characterizes ING's working environment has led to the creation of a specific measurement system. This is called the Agile Maturity Assessment Model and aims to assess how much employees feel equipped to carry out their job. This model provides an example of how the organization understands the value it creates via its capitals. It enables ING to assess its cultural transformation journey both internally and externally.





There is a lot of pressure on which external frameworks an organization should be adopting. For example, the SDGs have led many organizations to come up with specific KPIs. This was not our approach; a holistic understanding of our value creation process leads us to work on the SDGs internally. Indeed, contextualizing these frameworks to what is key to the value creation of the organization is a challenge. If you understand the value you, as a company, create in a holistic way, you are able to know also if it is aligned or not to those external frameworks.

Radoslav Georgiev
ESG Disclosure Lead





Another challenge is balancing the tradeoffs. Indeed, internally there may be the perception that some stakeholders are less important, yet that importance is reflected in the value you create and destroy. There are very subtle aspects of the value creation process that ought to be adequately managed and balanced.”

Matthijs Versteeg
Senior Sustainability Advisor

How has embedding integrated thinking benefitted ING?

The expectations of ING’s stakeholders are incredibly varied, but all equally important. In the past, the number of frameworks available has been overwhelming and has led to a lack of consistency and cohesion in how ING views the business. Embarking on an integrated thinking journey provided ING with a holistic overview and enabled them to show their stakeholders how they create value.

As a result, ING is ranked as a leader in the banks industry group by Sustainalytics and has an ‘AA’ rating in MSCI’s ratings universe. ING Group shares are included in major sustainability and Environmental, Social and Governance (ESG) index products of leading providers STOXX, Morningstar and FTSE Russell.



VALUE REPORTING FOUNDATION INTEGRATED THINKING PRINCIPLES

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value— how it is created, preserved or eroded over time. The resources — including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.

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