



# Linking pay and performance

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# Why a new performance management approach?

- Focus on performance and a strong shared direction for all ING's businesses
- The Executive Board is setting a new standard for ING's performance culture and MC performance management
- Clearer process, accountability and objectivity in setting and measuring individual's contribution
- Greater transparency to meet internal and external stakeholder requirements

# What are the new requirements on pay and performance?

- **External regulator requirements & agreements**
  - Balance individual, business unit and corporate performance
  - Include non-financial performance measures
  - Adjustment of performance measures for risk
  - Financials adjusted for cost of capital
  - Long-term focus
- **External reputational elements** (e.g. political pressure, media pressure, societal pressure)

# What are the key changes?



- **One policy**, a clear process and set timelines



- **From paper-based to an online** experience

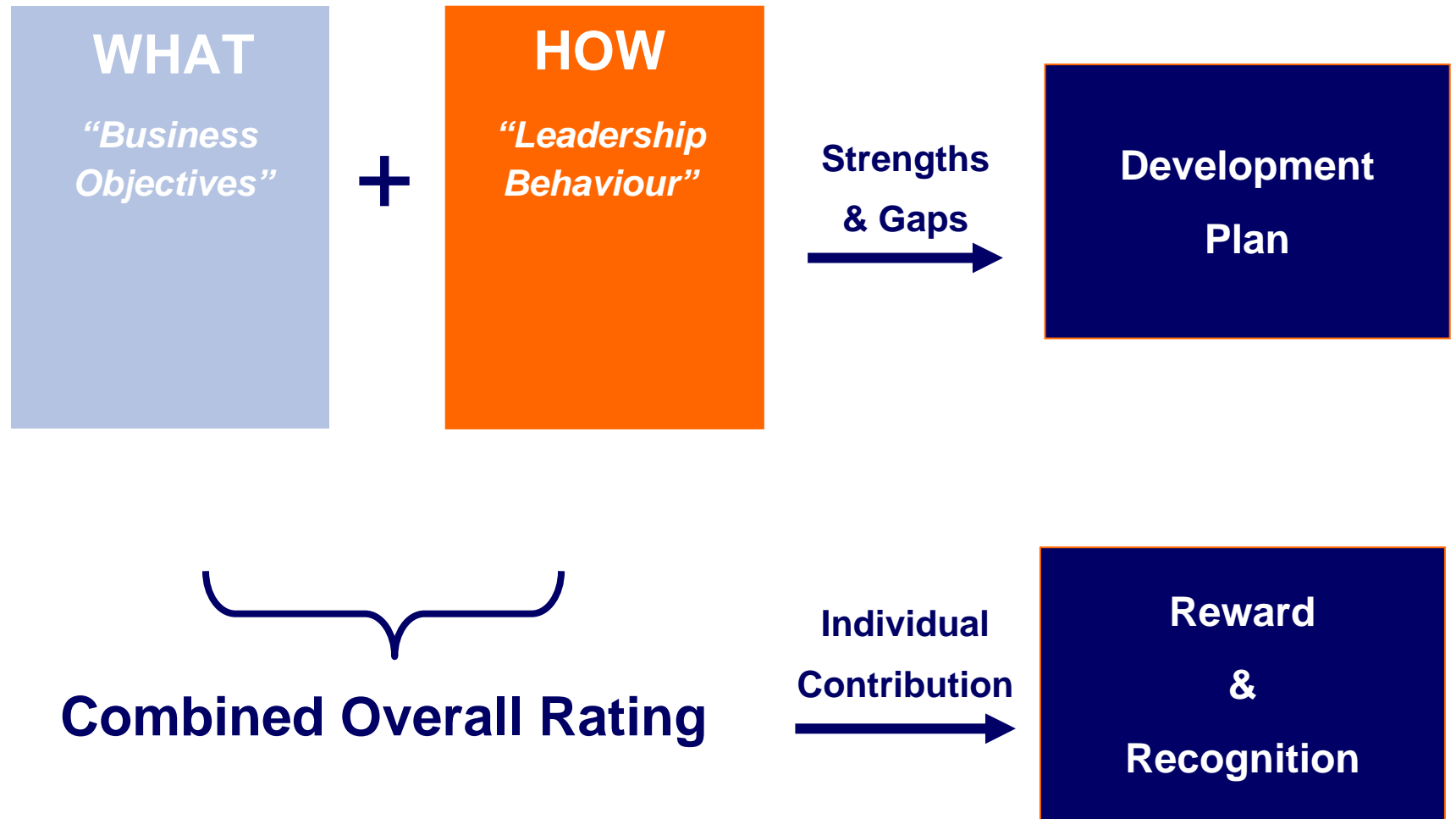


- **Aligned with international standards** and ING's emerging compensation policy



- **Performance measures 'What' and 'How': on an equal basis**
  - What: Based on balanced financial & non-financial objectives:  
Financial, Customer, Operation and People (including risk objectives)
  - How: Based on ING leadership behaviour:

# How does the new performance management approach work?



# The 'What' - performance dashboard

Summary of Strategy	
<b>Financial – 16 KPIs</b> <ul style="list-style-type: none"> <li>• Net profit before taxes</li> <li>• Cost Income Ratio</li> <li>• APE</li> <li>• Embedded Value (LT)</li> <li>• VNB (ST)</li> <li>• Operating Expense</li> <li>• RAROC</li> <li>• Cost/Assets</li> <li>• Direct Cost</li> <li>• Net lending assets</li> <li>• Risk weighted assets</li> <li>• Income growth</li> <li>• PBT/Income</li> <li>• Income</li> <li>• LLP/CRWA</li> <li>• Interest margin</li> </ul>	<b>Operations and Process – 12 KPIs</b> <ul style="list-style-type: none"> <li>• IT indicators</li> <li>• Risk</li> <li>• Process Efficiency</li> <li>• Overdue Reviews</li> <li>• Overdue audit items</li> <li>• Sox deficiencies</li> <li>• OPEX/cl. Balances</li> <li>• OIB cost/total cost</li> <li>• IT cost/total cost</li> <li>• Operational Lapses</li> <li>• Liquidity Risk</li> <li>• FTEs</li> </ul>
<b>Customer – 9 KPIs</b> <ul style="list-style-type: none"> <li>• Net Promoter Score</li> <li>• Satisfaction ratings</li> <li>• Market Share</li> <li>• Position</li> <li>• Brand awareness</li> <li>• Fee income</li> <li>• External deal awards</li> <li>• Competitive benchmarks (e.g. Greenwich)</li> <li>• Pipeline business</li> </ul>	<b>Organisation and People – 6 KPIs</b> <ul style="list-style-type: none"> <li>• Engagement Score</li> <li>• Turnover rates</li> <li>• Succession rates</li> <li>• Top performer retention</li> <li>• Diversity</li> <li>• Teamwork</li> </ul>

# General guidelines for objective setting

- Maximum of 8 -10 KPIs from 43 across all four categories adding to 100%
- BL/BU priorities should drive individual objective setting
- Assign individual objective weights according to Group guidance:
  - Business Lines/Units – 60% Financial/40% Non-Financial objectives
  - Staff Departments – 40% Financial/60% Non-Financial objectives
- Appropriate balance between long- and short-term objectives

# 5 mandatory shared KPIs for Leadership and Management Council

- **Underlying Net Profit before Tax**
- **Risk Weighted Assets**
- **Risk Quality KPI (overdue rates, FEC implementation)**
- **Net Promoter Score (cross sell rate, customer satisfaction index)**
- **Employee engagement (engagement score)**

## Shared KPIs

- cover key areas for attention for MC and their direct reports (non-MC members)
- form the foundation for new performance measurement
- maximize our combined potential
- enable to become more client-centric



# The 'How' - behaviour dashboard

## Leads the Way

Role Model	Capable and Effective	Needs Development
Creates, Decides on and builds Vision and Strategy. Energises key stakeholders around a long-term strategic direction.	...	...

## Builds New Opportunities

Role Model	Capable and Effective	Needs Development
Encourages and drives well-planned, multiple change initiatives. Is innovative, and pro-actively investigates and creates new opportunities.	...	...

## Gets Things Done the Right Way

Role Model	Capable and Effective	Needs Development
Acts decisively, holds self and others accountable, while inspiring to excellence. Executes the strategy with ethical and compliant behaviour.	...	...

## Focuses on the Customer

Role Model	Capable and Effective	Needs Development
Leads the customer relationship. Develops globally competitive customer solutions, drives ING's brand attributes.	...	...

## Builds High Performance Teams

Role Model	Capable and Effective	Needs Development
Drives collaboration and inclusion for business results. Empowers and engages wide range of people. Actively develops self, team and own successors.	...	...

# Determining the overall rating

Combining the business results and the leadership behaviour ratings on an equal basis provides an overall numeric rating

**Business Objectives (WHAT)**

## Leadership Behaviour (HOW)

	Needs Development (5)	Capable & Effective (3)	Role Model (1)
Outstanding (1)	<b>3</b>	<b>2</b>	<b>1</b>
Exceeds Expectations (2)	<b>3</b>	<b>2</b>	<b>1</b>
Meets Expectations (3)	<b>4</b>	<b>3</b>	<b>2</b>
Partially Meets Expectations (4)	<b>5</b>	<b>4</b>	<b>3</b>
Does Not Meet Expectations (5)	<b>5</b>	<b>4</b>	<b>3</b>

## How does it work?

1. An aggregate performance rating is suggested based on the grid
2. Manager determines the combined rating after incorporating employee input
3. **FINAL RATING is approved in a calibration committee and local and Group level**
4. Manager and employee 'sign-off' on final rating

Overall "What" + "How" → Overall Rating (1-5): \_\_\_\_\_

# Guidelines for determining the overall rating

Managers will receive the following instructions when determining the overall performance rating for an employee

## Leadership Behaviour

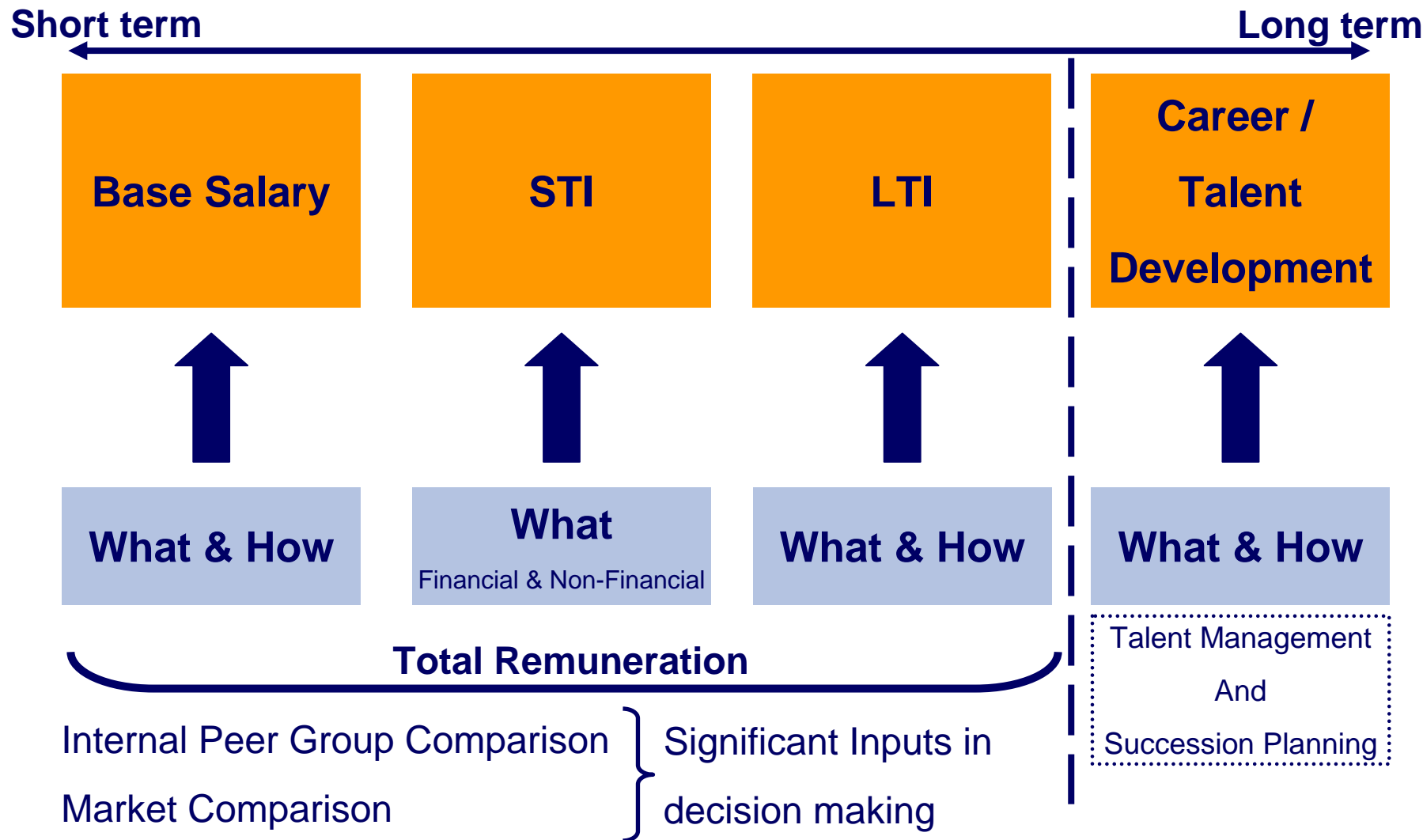
Business Results

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As a leader you are required to enter the **Overall Rating** for your employee. Please use the following guidelines in your determination:

- Adjust the calculated rating up or down based on the ING performance matrix.
- Achievement of Key Risk Objectives must be taken into consideration in the overall rating. A minimum rating of **3** on all Key Risk Objectives is required for an overall rating of **3** or higher.
- Behavior that is not in accordance with the ING Leadership Star and ING Business Principles may not be given an overall rating higher than a **4**.
- Please provide a brief explanation if the chosen overall rating increases or decreases by one rating or more.

# Performance management ratings will influence remuneration & talent decisions



# The performance management cycle overview

