

ING Bank N.V.

# Benchmark Administrator

Governance Framework

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**Document approvals**

*Document is approved by:*

BMR/IBOR Steering Committee

under the responsibility of the CFO of ING Bank N.V.

*Approval date:*

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## 1. Definitions and Conventions

### a. BMR

Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) 596/2014.

### b. RTS

Commission Delegated Regulation (EU) 2018/1637-1646 of 13 July 2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council.

### c. GF

The Governance Framework sets out the governance arrangements and control framework that is established by ING Bank N.V., in its role of administrator of the indices mentioned in Appendix II, for the provision of these benchmarks.

### d. ING

Where this GF refers to ING it refers to ING Bank N.V. in its role of administrator, unless explicitly stated otherwise.

### e. Reference to regulatory requirements

For reference purposes ING includes an explicit mention to the applicable BMR requirements per provision of the GF. Whenever referral is made to an Annex or a RTS this is explicitly mentioned.

## 2. Purpose

### a. Robust Governance

ING is administrator of non-significant benchmarks and has in its role of administrator the responsibility of ensuring that it has robust governance and control arrangements in place to ensure the integrity and reliability of the benchmarks administered by ING.

### b. Governance Framework

ING has adopted a GF to establish the requirements and principles related to the provision of the ING benchmarks. The GF should be read in conjunction with the agreements ING has in place with its calculation agent(s), and the Rulebooks for the ING Benchmarks. These agreements set out the obligations for the Calculation Agent, while the Rulebooks set out the Benchmark Determination Methodology. Where relevant this GF refers to these documents.

### c. Regulatory requirement

The GF is based on Chapter 1 of the EU BMR which provides for the Governance and control by administrators.

### d. Mandate

This GF has been adopted and/or amended on the date mentioned in the version control on page 2, following a recommendation/guidance by the BMR and IBOR Steering Committee which is installed by the Management Board Banking of ING under the responsibility of the CFO of ING. It shall be reviewed if and when appropriate and at least when ING becomes administrator of new benchmarks or when the administration of a benchmark ceases. Changes to this GF need to be approved by the CRO of ING WB who reports directly to the CRO of ING Bank N.V.

### e. Legislation, regulation and regulatory guidance

The standards set in the GF are additional to and do not supersede any relevant legislation, regulation or other regulatory guidance applicable to ING. ING and the competent supervisory authorities should be notified of any potential inconsistencies between the GF and such legislation or regulation.

### 3. Authorities and responsibilities

#### a. MBB

The MBB is the governing body of ING. It has mandated the BMR/IBOR Steering Committee to take the necessary measures regarding ING's role as administrator by installing a Global Administrator Committee and an Administrator Oversight Committee as being the Committees where all relevant stakeholders and lines of defense are represented and that deal with the (oversight of the) responsibilities of ING in its role as administrator.

Whenever required ALCO Bank will resolve escalated matters, thereby following the recommendations of the aforementioned Committees as much as possible.

#### b. ALCO Bank

ALCO Bank is the Asset and Liability Committee of ING Group N.V. It is the highest authority within ING Group N.V. for Asset and Liability Management and reports directly to the MBB. ALCO Bank consists of members of senior management of the 1<sup>st</sup> and 2<sup>nd</sup> line of defence of ING and is led by the 2<sup>nd</sup> line of defence. Members of the ALCO Bank are both MBB members and non-MBB senior management members. Changes in membership need to be approved by the MBB.

ALCO Bank has its own Terms of Reference and meets on a monthly basis, while additional meetings can take place if the Chairman deems this necessary.

ALCO Bank has a procedure in place to deal with conflicts of interest and compliance issues. Such matters are discussed with the compliance officer and dealt with by the Chairman of ALCO Bank. At all times all relevant internal ING procedures need to be respected.

#### c. ALCO N.V. Solo

ALCO N.V. Solo (hereafter ALCO Solo) is a first level ALCO and therefore derives its responsibilities directly from ALCO Bank. Whereas ALCO Bank covers the balance sheet of ING Group N.V., first level ALCO's are responsible for asset and liability management of their part of the balance sheet, containing the relevant base entities in scope. For ALCO Solo these are the following ING Bank N.V.'s branches and subsidiaries: FM Branch Brussels, Vienna Branch, Sydney Branch, WB NL, WB UK, ING Russia, WB Americas, BT & CM NL, WB Asia, ING Hungary, ING Ukraine, ING Bulgaria, Domestic Bank NL, ING France, ING Italy, ING Spain, ING Czech Republic, ING Romania, ING Slovakia, ING Belgium, ING Germany, ING Australia.

ALCO Solo is a first level ALCO and reports directly to ALCO Bank.

ALCO Solo has the following members from the MBB minus one management level: Head of Financial Risk (Chair), Head of GT Balance Sheet & Capital Management (Vice-Chairman), Head of GT Market Risks & Execution, Global Head of Retail, CRO The Netherlands, CFO the Netherlands, CRO Challengers & Growth Countries, CFO Challengers & Growth Countries, CRO WB/FM or Head of Financial Markets, CFO WB, Head of Lending, Global Head FM Balance Sheet Management, CFO Group Treasury, Head of Group Finance or Head of Management Accounting and Advice, Head of Global Market Research (Economic Department). Changes in membership need to be approved by the ALCO Bank.

ALCO Solo has its own Terms of Reference and meets on a monthly basis, while additional meetings can take place if the Chairman deems this necessary.

ALCO Solo has a procedure in place to deal with conflicts of interest and compliance issues. Such matters are discussed with the compliance officer and dealt with by the Chairman of ALCO Solo. At all times all relevant internal ING procedures need to be respected.

d. **Global Administrator Committee**

The Global Administrator Committee (hereafter: GAC or Global Administrator Committee) is an independent committee composed of a balanced representation of stakeholders, which deals with all aspects of the provision of ING benchmarks, including governance and methodological aspects. The Global Administrator Committee has its own Terms of Reference and meets on a monthly basis, while additional meetings can take place if the Chairman deems this necessary. The Global Administrator Committee functionally reports to the CRO of WB. The CRO of WB reports directly to the CRO of ING.

e. **Administrator Oversight Committee: ALCO Solo**

The Administrator Oversight Committee (hereafter Administrator Oversight Committee and/or ALCO Solo) exercises an independent oversight of all aspects of the ING indices (of which an up-to-date overview shall be maintained in Appendix II to this GF), including the oversight of its governance and methodology. The oversight function will be conducted by the ALCO Solo, as oversight of the benchmark administration falls within the duties and responsibilities of the ALCO Solo, and operates as indicated in the Terms of Reference of the ALCO Solo. It has a direct functional reporting line to the MBB. An overview of the duties and responsibilities is provided in a separate document.

Members of the Administrator Oversight Committee are not member of the MBB but operate at one level below the MBB.

f. **Corporate Audit Services**

Corporate Audit Services (CAS) is the third line of defense within ING's general Governance structure. CAS provides an independent assessment of the effectiveness of internal controls over the risks to ING's business processes and assets, including risk management activities performed in both the first (business and support functions) and second (risk, legal and compliance functions) lines of defense. CAS has an independent nature and decisions regarding the appointment, re-appointment or dismissal from office as well as the remuneration package require the approval of the Supervisory Board. CAS will not be part of the GAC, but will monitor the activities of the GAC via regular audits.

## 4. Governance and Control Framework

### 4.1 Governance and Conflicts of Interest

#### a. ING's General Governance

ING has in place robust governance arrangement that apply to all operations of ING. This Governance attributes the management of non-financial risks, such as the risk of regulatory non-compliance, to the Chief Risk Officer (CRO) and the Global and local Non-Financial Risk Committees. The day-to-day management of risks and controls relies on the three lines of defense model (3LOD). This model provides a sound governance framework for risk management by defining and implementing three risk management layers, with distinct roles, execution and oversight responsibilities.

#### b. Governance relating to new benchmarks

ING has a procedure in place that will have to be followed before it can start using and/or administrating new benchmarks. This procedure is the Product Approval and Review Process (PARP) and ensures that a process of comprehensive checks and balances is carried out that involves all relevant support functions. This procedure aims to reduce the non-financial and corporate operational risks, such as the risk of regulatory non-compliance, due to an insufficient examination before new benchmarks are used and/ administrated.

#### c. Conflicts of Interest

ING shall ensure that their employees and any other natural persons whose services are placed at their disposal or under their control and who are directly involved in the provision of a benchmark, in particular the members of the Global Administrator Committee, are not subject to undue influence or conflicts of interest and that the compensation and performance evaluation of those persons do not create conflicts of interest or otherwise impinge upon the integrity of the benchmark determination process.

ING has various conflicts of interest policies in place that are approved by the MBB. These procedures are applicable to the different ING parties involved in the benchmark provision process. The procedures record the identification of conflicts of interest, the reporting of conflicts of interest to compliance, the reporting of outside positions, the conditions under which a person has to decline to act or to accept an external mandate, the conditions that have to be fulfilled to enable the client to make an informed decision, the consents required from clients, and the creation of information barriers to manage conflicts of interest. ING ensures that whenever it outsources parts of the benchmark provision process to external parties these parties adhere to ING's conflicts of interest policy or to their own conflicts of interest policy that at least meets the standard of ING's conflicts of interest policy. The necessary controls should be documented in the agreement(s) between ING and the external party and should in any case include the recordkeeping of conflicts of interest.

### 4.2 Administrator Oversight Committee

#### a. Purpose

ING has established and maintains a permanent and effective oversight function for all asset and liability-related matters (the ALCO Bank and ALCO Solo). ALCO Solo will operate as the relevant Administrator Oversight Committee that exercises an independent oversight of all aspects of the ING indices (of which an up-to-date overview shall be maintained in Appendix II to this GF), including those concerning its governance and methodology.



The procedures and governance arrangements related to the composition, duties and functioning of the ALCO Solo are established in its Terms of Reference, and in a separate document containing the duties and responsibilities of the Administrator Oversight Committee.

### 4.3 Control Framework

#### a. Objective

ING has in place a control framework for the provision of ING Benchmarks, with the objective of ensuring its compliance with regulatory standards and maintaining the integrity and quality of the benchmarks. To ensure these objectives the control framework addresses operational risks, business continuity and disaster recovery plans and contingency procedures in the event of a disruption in the process of the provision of the ING benchmarks.

#### b. Proportionate

As ING is currently only administrator of non-significant benchmarks it has decided to implement a control framework that is proportionate to the level of conflicts of interest identified, the extent of discretion in the provision of the benchmarks, and the nature of the benchmark input data.

#### c. Risk management framework

The overall ING Benchmark control environment consists of several building blocks that have been designed to ensure prudent conduct and address potential market abuse and/or benchmark manipulation risks. Each ING business line has specific policies in place. However the generic building blocks are:

- **ING Benchmark Procedure**

Addition to the existing ING Market Abuse Policy and is specifically aimed at the prevention of manipulation of Benchmarks as defined in the Benchmarks Regulation, IOSCO Statement and the Market Abuse Regulation. The Benchmark procedure includes a set of yearly controls.

- **Global Benchmark Inventory and Yearly Risk Assessment on Global Benchmarks**

ING maintains a Global Benchmark Inventory. In addition, on a yearly basis, a Global Benchmark Risk Assessment is performed by the Global Administrator Committee and the Global Benchmark Committee (installed for use) and subsequently approved by the Administrator Oversight Committee (ALCO Solo) and ALCO Bank to which ALCO Solo reports. The purpose of this Global inventory and risk assessment is to create one comprehensive overview of all benchmarks where ING has a role as User, Administrator or Contributor to ensure that all benchmark associated risks have been adequately identified and addressed.

- **Key Control Testing**

ING Benchmark Procedure has a number of annexes which include controls for BMR and IOSCO. These controls have been rolled out throughout ING and for the relevant business units these controls must be tested on a yearly basis. Compliance, as second line of defence, has the role to challenge the first line on the execution and evidencing of these controls.

- **Training and awareness program**

Dialogue sessions were delivered by senior management and Compliance risk management on the subject of Market Abuse. Furthermore, senior managers from all FM CEE locations were trained during their annual CEE offsite in London. In addition a Q&A document was developed. This Q&A document sets out guidance on specific situations which FM staff may encounter when receiving or executing an order or a request for quote (RFQ). It informs employees of expected standards of best practice for order execution and other trade activities.

All employees of ING are trained via e-learning on the Benchmark Regulation.

In addition to this ING complies with the extensive MIFID competence and knowledge requirements to ensure sufficient knowledge and skills. These requirements have been implemented in the entire ING organisation. Regulatory aspects, including the functioning of financial markets, conflicts of interest, trading and benchmarks, are part of the training that ING staff needs to follow and is one of the key focus points of ING. All staff, and in particular senior management, has non-financial regulatory KPIs on an annual basis to ensure regulatory compliance. The score that is obtained on these non-financial KPIs is most important for the annual salary adjustment. If this score is insufficient the annual salary (of maximum 5 %) increase will not be granted, regardless of the performance on financial KPIs. Compliance actively monitors on competence and knowledge of ING staff.

#### d. Oversight of risk management

The Administrator Oversight Committee (ALCO Solo), as part of its function to enforce and oversee the implementation of this ING GF, oversees the management of risks related to the administration of the benchmarks, the calculation of the benchmarks, and the publication and implementation of associated mitigating actions. The Administrator Oversight Committee (ALCO Solo) can recommend risk management matters for consideration to the ALCO Bank which reports to the MBB.

#### e. Business continuity and disaster recovery

ING has a Business Continuity Plan to ensure that ING's services and operations can be maintained or recovered in a timely manner in the event of a disruption. As part of the management and mitigation of non-financial risks ING annually tests the ability to recover IT infrastructure and applications to ensure that in the event of an incident business continuity can be maintained.

#### f. Third parties

ING ensures that third parties involved in the process of the provision of benchmarks have business continuity and disaster recovery plans in place to avoid any disruptions in the calculations and disseminations of the benchmarks.

#### g. Fallback arrangements

ING ensures that it has fallback arrangements in place for contingency circumstances. These are described in the rulebooks of the individual benchmarks. In addition to this ING has a procedure that it will undertake in the event of a change to or a cessation of one of the benchmarks that is administrates.

#### h. Monitoring of the quality

The Administrator Oversight Committee (ALCO Solo) oversees that control measures to assess the quality of the benchmarks are undertaken.

i. **Oversight outsourced functions**

ING has policies and procedures in place regarding the effective oversight of outsourced functions, such as the calculation agent, and contracts and SLA's that deal with the outsourcing.

**4.4 Accountability Framework**

a. **Content**

ING has an accountability framework in place that covers the record-keeping, auditing and review, and complaints and whistleblowing processes, in compliance with the applicable regulatory requirements.

b. **Record-keeping**

ING as administrator will retain written records of the audit trail for audited ING benchmarks for at least five years, subject to the applicable national legal and/or regulatory requirements, to safeguard the necessary documents for audits.

ING ensures that third parties involved in the process of the provision of benchmarks have record-keeping policies in place as well.

c. **Audit and review**

ING has internal audit procedures in place. ING is responsible to comply with the GF and other relevant procedures, which can be challenged by Compliance as a second line function and the Administrator Oversight Committee (ALCO Solo). ING CAS is ING's independent audit service and can audit to see if all relevant procedures have been followed correctly. CAS will perform a separate audit on the administration of benchmarks on a regular basis.

d. **Complaints and whistleblowing policy**

ING has in place a Global Complaints Policy and procedure which define the procedures for receiving, investigating and retaining records concerning complaints made in relation to ING's benchmark provision process. The Policy is accessible on the website of ING.

ING also has in place a Whistleblowing Policy and has appointed Whistleblower Reporting Officers. The Whistleblowing Policy encourages managers, employees and other natural persons to report infringements and/or any misconduct, helps protecting the whistleblower, ensures a timely and thoroughly investigation with appropriate expertise and resources.

ING ensures that third parties to whom parts of the benchmark determination process is outsourced meet minimum standards as to complaints and whistleblower policies.

e. **Relevant documents**

Audit trails and other documents shall be made readily available by the relevant parties to the regulatory authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request. This is intended to facilitate a regulatory authority's ability to access information that might be needed to determine the reliability of a given benchmark determination or to access information that might be needed to investigate any misconduct. The regulator can obtain the documents only in accordance with the policies set by ING in this respect.

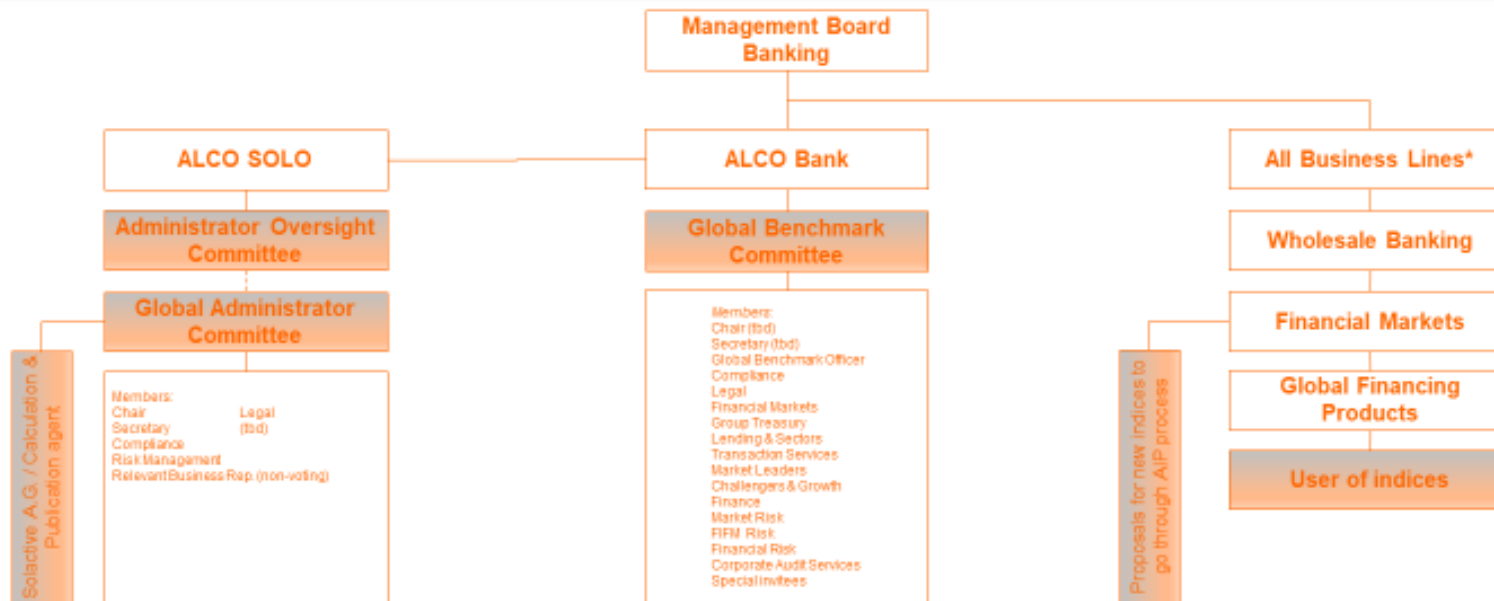
## 5. Transparency

ING seeks to publish as much as possible all relevant information relating to the Governance regarding the ING Benchmarks and the benchmark provisions processes. This includes:

- a. The ING Benchmark Administrator Governance Framework;
- b. The Global Administrator Committee Terms of Reference, composition and minutes of meetings held;
- c. The Global Benchmark Committee Terms of Reference, composition and minutes of meetings held;
- d. The decisions of the Administrator Oversight Committee regarding the benchmarks administrated;
- e. The rulebooks of the ING benchmarks;
- f. The procedures to be followed in case of a change in methodology, and changes to and cessation of a benchmark;
- g. To the extent possible, all other relevant policies which include the Conflicts of Interest Policy and the FM Global Complaints Policy.

# ING Bank N.V. Benchmark Administration Governance

November 2019



\*Market Leaders, Challengers & Growth Markets and Wholesale Banking

## Appendix II      Overview ING Benchmarks

The following benchmarks are currently being administered by ING. All of them originated in, and are used within Financial Markets:

- *ING Asian Emerging Companies VT 10% Index*
- *ING Emerging Asia VT 10% Index*
- *ING European Blue-Chip Companies VT 10% Index*
- *ING Phil-China Equity Index*
- *ING US Germany China Equities VT 10% Index*
- *ING Emerging Market Consumption VT 10% Index*
- *ING ASEAN Equities VT 10% Index*
- *ING Global Resources VT 12% Index*
- *ING Sustainable Europe Low Risk Equity Index*
- *ING Sustainable Europe Low Risk Equity Net Total Return Index*