

1. When do we use best execution for our customers' transactions?

The purpose of this document is to define the policy and describe the procedures used by ING Luxembourg (hereafter "ING" or "we") to ensure best execution of its retail and professional customers' financial instrument orders in accordance with MiFID II (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014) when:

- ING transmits orders resulting from internal management decisions for execution by brokers, on behalf of customers who have assigned it a management mandate;
- ING transmits orders resulting from its customers' own decisions to use it as an intermediary for trading financial instruments, for execution by brokers;
- ING uses its front office to execute orders directly on an organised market (MTF(1) or OTF(2)), on a regulated market (RM(3)) or, in exceptional circumstances, off market;
- ING uses its Portfolio Management service to transmit a combined order directly to a broker of its choosing before completing the standard operational processes for individual orders.

These four different situations cover the spectrum of **orders** for which we have an obligation of best execution.

Orders already transmitted by our customers or their agents to a broker for execution and for which our involvement is limited to accounting and liquidation are automatically excluded from the scope of this policy.

2. When does best execution not apply?

The best execution rules established by MiFID II do not apply to eligible counterparties(4). However, we act honestly, fairly and professionally in our transactions with eligible counterparties and our communication is objective, clear and unambiguous. In some situations, the MiFID II rules for best execution do not apply or may apply differently in respect of professional and retail customers. These specific situations are described in [section 6](#) of this Policy.

3. What is best execution?

Best execution consists of ensuring that we have taken all sufficient steps to obtain the most favourable terms possible for our customers in executing their orders, taking the following factors into account:

- **Price:** this is the final price of the financial instrument, excluding our own execution fees. Price is generally the most important factor when we are assessing how to obtain the

best possible result when executing customer orders.

- **Costs:** these pertain to commissions, costs and fees that are charged for executing the customer's order. If we charge a fixed-rate commission on their transactions, these costs will have a limited impact on the procedures for execution of their order. If the customer has entered into a commercial agreement whereby these costs impact on the fees that we charge them, we will agree with them the best way to factor these costs into our execution strategy.
- **Speed:** this is the speed with which we can execute an order. If the customer's instructions state or suggest how quickly we have to execute the order, we follow these instructions unless we see an immediate, significant conflict with the price. When the instruction makes no reference to speed, we execute the order at the speed which, in our view, ensures a balance between creating a market impact and timely handling in order to avoid execution risk.
- **Likelihood of execution:** this is the probability that we are able to execute the customer's order, or at least a significant proportion of the order. The importance of this factor increases when access to liquidity for the instrument in question is limited in some way.
- **Likelihood of settlement:** we expect the transactions that we execute for our customers to be settled in good time. As a general rule, the likelihood of settlement is not a significant factor in the equity markets. In some situations, however, the likelihood of settlement may be a more significant factor than price.
- **Size of the customer's order:** this is the size of the order relative to the average volume of trades in a specific financial instrument. The size of the customer's order may be a significant factor if the order exceeds the daily volume of trades in a specific financial instrument, e.g. in the case of combined order trades. Large-volume transactions may have a negative impact on the price of financial instruments when executed directly as one trade in a given execution venue. If a customer submits an order of this type, we will not necessarily consider price and speed as being the most important factors. When submitting a large order, it may be in the customer's interest to build up or unwind a substantial position in a specific financial instrument. In these circumstances, we may consider the likelihood of execution and the likelihood of settlement to be key execution factors.
- **Nature of the customer's order:** in some cases, the nature of the order leads conditions or restrictions as regards its execution. For example, if the customer submits a limit order, we may face restrictions when it comes to its execution, such as the fact that some execution venues do not accept limit orders. In such cases, we will consider the other execution factors to obtain the best result for the customer in the execution venues that accept your limit order.
- These may also include any other factor relevant to order execution.

4. How do we determine the relative importance of execution factors and the selection of the execution venue?

When we execute orders on our customers' behalf, we pursue best

execution in terms of the factors mentioned above and draw on our commercial experience and our judgement, based on the information available on the market and the liquidity of the financial instrument at the desired time, and taking into account the characteristics of:

- the customer, depending on whether they are a retail customer, a professional customer or an eligible counterparty;
- the order and the financial instrument;
- the execution venues to which the order can be routed.

For an individual or "retail" customer as defined in MiFID II, the price of the financial instrument and the costs of execution determine best execution (total consideration). However, the other factors cited above may take priority if they allow for the best possible result in terms of total price.

For a "professional" category customer according to MiFID II, price and costs are generally the most important factors in execution. However, we take all the other factors into consideration, in light of all the relevant information, including the question of whether there is scope for price improvement.

Regardless of the legal obligations of following this course of action, we adhere to the most stringent standards of integrity and equity in executing our customers' orders. What is more, we always take sufficient steps to obtain the best possible outcome when executing orders for our individual and professional customers.

Based on the application of these best execution factors and the criteria above, we select the most appropriate venue for executing an order. When it can only be executed in a single venue, we execute the order there.

In Appendix I to this Policy, we set out the relative importance of the different execution factors for each of the following product types: cash equities, fixed-income products and derivatives. Appendix II to this Policy lists the execution venues that we use. We can provide you on request with further details on the execution venues cited in Appendix II to this Policy.

Appendix III describes our best selection policy, which applies whenever we use a broker instead of going to any market ourselves.

5. Execution venues

We execute our customers' orders using one of the following methods:

- **Directly** via a multilateral trading facility (MTF), a regulated market (RM) or an organised trading facility (OTF) of which we are members or participants.
- **Indirectly** via an RM, MTF or an OTF if we are not direct members or participants of the trading venue in question. In this case we work with one or more members or participants of this trading venue with whom we have entered into an order trading contract for this particular trading venue.

If our front office cannot guarantee best execution of an order involving fixed-income products, the order will be routed to our transmission unit so it can be assigned for execution to an

intermediary of our choosing who has been selected as being best placed to execute the order under the best conditions in terms of price and costs.

When we select an execution venue, we take into account the factors and considerations referred to in this Policy and Appendix I hereto. To achieve best execution for our customers, we structure our commission and fees to prevent any unfair discrimination between execution venues.

Execution of customer orders falling outside the rules for RM(3), MTF(1) and OTF(2) is known as "off-market trading". At ING, only orders for bonds or derivatives may be executed in this way, on an exceptional basis; in this case, we use one of the following methods to execute a customer's order:

- outside an RM, MTF or OTF, we work with selected high-quality counterparties who trade against their own trading portfolio or act as a systematic internaliser (SI) within the meaning of MiFID II;
- outside an MR, MTF or OTF, we cross the customer's order with a corresponding order from another customer, to the extent that the law permits;
- against our own portfolio;
- against the portfolio of another broker or another investment company; or
- by means of an over-the-counter transaction (OTC(5)), where the broker makes special arrangements with a trading facility to execute the customer's order.

We are not permitted to execute orders OTC without the customer's specific consent.

Signing our general terms and conditions implies acceptance of this practice.

It should be noted that any off-market trading exposes the customer to counterparty risk. This means that if the counterparty (us or any other third party) becomes insolvent, it may be unable to fulfil its contractual obligations to the customer. These counterparty risks are reduced when trading on regulated markets, where the customer's counterparty is a central counterparty (CCP). CCPs are subject to financial supervision and to a number of risk mitigation measures, such as high capital buffers and the collateralisation rules that strengthen customer protection against counterparty risk. Additional information on the related risks can be provided at the customer's request.

6. Specific situations

In certain cases, we apply best execution in a specific way. The following particular situations can be identified:

a. Request for quote

When we provide a quote or negotiate a price with a customer on request (i.e. when we respond to a request for quote), be they a retail or a professional customer within the meaning of MiFID II, we determine on a case-by-case basis whether it can be considered that order execution has actually been completed on the customer's behalf. To address this question, it must be determined whether the customer is legitimately relying on us to protect their interests in terms of pricing and in relation to the other aspects of the transaction that may be influenced by the choices that we make when we execute an order.

To assess whether this Policy applies for the purposes of a request for quote, we consider the following four cumulative factors:

- a) the originator of the transaction: when we contact the customer and suggest a transaction, they are likely to trust us. If the customer takes the initiative in the transaction, they are less likely to be relying on us;
- b) the existence of a market practice whereby participants can compare prices. If this market practice suggests that the customer takes responsibility for determining the price and other aspects of the transaction and there is an option for them to obtain prices from other sources as well, then they are less likely to rely on us;
- c) the level of price transparency in a market, both for us and for the customer. If, unlike the customer, we have access to prices for the market in which we operate, then they will probably rely on us, while if we have the same or similar transparent access to prices as them, they are less likely to rely on us; and
- d) the existence of an agreement or an exchange of other information between ING and the customer whereby the parties have agreed whether best execution was to be provided by ING or not and if so, how ING will need to proceed.

If, having assessed the factors above, we reach the conclusion that the customer will not be relying on us to apply best execution when executing their order, we will consider that best execution does not apply.

b. Specific instructions

When the customer gives us specific instructions, including with regard to the characteristics of a bespoke product, that concern either an order or a particular aspect of an order, we make all reasonable efforts to execute it in accordance with the customer's instructions. We want to warn our customers that these specific instructions may prevent us from taking the steps that we have implemented to obtain the best possible result for the execution of their orders with regard to compliance with the elements covered by these specific instructions.

However, if the customer gives us a specific instruction that covers a part or an aspect of the order, we will not be exempt from our best execution obligations with regard to any other part or aspect of the order.

c. Over-the-counter transactions on bespoke derivatives

We execute an over-the-counter transaction on bespoke derivatives when we supply our client with an over-the-counter derivative that meets their requirements in a specific situation and for which there is no comparable alternative. The unique structure of the contract concluded between the parties for over-the-counter transactions on derivatives means that it may not be possible to apply best execution by comparing the applicable execution factors for other orders or instruments.

Best execution of bespoke derivatives traded over the counter is achieved in a different way. In this case, we check that the proposed price is fair by gathering the market data used to estimate the price of this type of financial instrument and, as far as possible, by comparing it with similar or analogous products.

We have implemented procedures and appropriate evaluation

systems to check regularly that the prices are fair.

d. Transactions on a single venue

If, by definition, by its nature or as a result of a specific instruction, the customer's order involves a single execution venue, speed of execution will be the most significant execution factor taken into account. In this case, comparable prices may not be available for consideration to obtain best execution for these customer orders.

e. Unwinding a position for the customer

When we have to unwind a position for the customer (including when it breaches a contractual obligation, for example, ING's general terms and conditions or any specific master or other contract agreed with us), the best execution obligation does not apply.

7. General terms and conditions of order management

a. General principles

In accordance with MiFID II, we have to execute our customers' orders fairly and diligently relative to other customer orders and our own commercial interests. As a consequence, we ensure that orders executed on the customer's behalf are logged and assigned promptly and accurately. When we execute comparable customer orders, we handle them promptly and sequentially, except in the following cases:

- the characteristics of the order or current market conditions make this procedure impossible; or
- it is not in the customer's interest.

For retail or professional customers within the meaning of MiFID II, we are required to inform them of any major difficulties that may potentially arise when we place their orders for execution. When we are responsible for supervising or arranging settlement of an executed order, we take all reasonable steps to ensure that the customer's financial instruments or funds are duly and promptly transferred to their account.

In addition, we take all reasonable measures to prevent any inappropriate use of the information relating to their pending orders.

b. Combination and allocation of customer orders

We only execute an order or a proprietary transaction by combining it with another customer's order if the following conditions are met:

- combining orders and transactions will not be detrimental overall to customers whose orders need to be combined; and
- we inform every customer that combination may be disadvantageous for them; and
- we use an order allocation policy guaranteeing fair allocation of the order or transaction that has been combined.

The order allocation policy allows combined orders and transactions to be allocated fairly, especially with regard to the way that order volume and price determine how partial executions are allocated and handled. When we combine an order and the combined order is partially executed, we allocate the associated operations in accordance with this Policy.

c. Combination and allocation of proprietary transactions

When we combine proprietary transactions (solely in our Financial Markets business), we allocate the associated operations in a way that does not adversely affect the customer's order. If we have combined the order with a proprietary transaction and the aggregated order is executed in part, we allocate the customer's order before our own, unless we cannot execute the order on similarly advantageous terms, or cannot execute it at all, without the aggregation. Under these circumstances, we may allocate the proprietary transaction proportionally to the customer's order.

8. Order transmission

When we receive and transmit orders, we act in the customer's interest when placing them or transmitting them for execution to brokers or external traders (who may be located outside the European Economic Area (EEA) and may include both affiliated entities and third-party brokers).

In this case, either we determine the final execution venue ourselves based on the considerations set out above and instruct the broker or trader accordingly, or we check that the broker or trader has measures in place so that we can ensure best execution of the customer's order.

9. Disclosure of the five main execution venues or other execution entities

Whether we place our orders on a market or transmit them to brokers or external traders for execution, we comply with the requirement to publish an annual report giving details of the top five execution venues to which customer orders were transmitted or with which they were placed directly during the previous year. (<https://www.ing.lu/mifid>)

We also publish an assessment of the quality of execution by all the entities that we use for transmission of our customers' orders. We publish separate best execution reports for each class of financial instrument and each relevant investment service so that the customer can assess the execution quality provided by these entities.

10. Monitoring and evaluation

We monitor compliance with this Policy and regularly evaluate its effectiveness. In particular, we monitor the quality of execution by the entities referred to in this Policy and, if applicable, address any issues.

We review this Policy at least once a year or if a major change is needed that has an impact on our ability to achieve the best possible result for our customers.

We notify our customers of any major change to this Policy by publishing an updated version on our website (<https://www.ing.lu/mifid>). By continuing to do business with us following the publication of an update, customers are deemed to have accepted the amendments to this Policy, unless they inform

us that they disagree with certain changes.

11. (Non) monetary inducements and incentives

In accordance with the recommendations of MiFID II for preventing conflicts of interest, we undertake not to receive any remuneration, discount or financial advantage that may affect our decision-making processes before our orders are routed via our different possible channels and to our different possible execution venues. Only the criteria and decision-making processes listed above have a bearing on how we direct our orders and obtain the best possible execution.

We will only accept third-party payments on the express condition that they are in line with what is acceptable under the MiFID II inducements regime. We will adhere to this same principle for the payments that we make to third-party entities.

Any MiFID-compliant benefits that might nonetheless be received are periodically disclosed to our customers.

12. Summary of the Execution Policy for customers' information

ING complies with the obligation to publish a clear, straightforward summary of its order execution policy on its website and to send this policy to customers on request (www.ing.lu/mifid) This clear yet detailed document provides customers with a simple explanation of the methods that ING uses to achieve best execution of orders.

The Execution Policy describes the different processing flows according to the nature of the products and the techniques used to achieve best execution, whether orders are placed directly on a market by us, transmitted to a third party (a broker) for execution or in exceptional cases, handled off-market.

This document covers the various criteria used to measure best execution (price, costs, speed, etc.) and explains how we optimise them depending on the situation. Customers are entitled to request proof that their orders were executed in accordance with this policy. It is reviewed annually or each time a review is warranted by a material change.

Appendix I

Overview of relevant financial instruments and execution factors

Fixed-income products and other derivatives

(Bonds, bank bonds, securitisation products/ING structured notes, derivatives traded on an organised or regulated market (futures and options), bespoke derivatives traded over the counter)

Evaluation by ING of relevant factors:

- i. **Price:** For fixed-income products, transactions are primarily conducted over the counter. This means that the prices are effectively defined by the market makers who enter into transactions on the basis of a request for quote. When the trade also takes place on an RM or an MTF, ING takes liquidity into account as a determining factor in best execution where relevant and appropriate. In most situations, ING records the transactions against its own portfolio.
- ii. **Cost/likelihood:** execution is performed on a best efforts basis and is tailored to the customer's requirements. If the liquidity of the market results in a reduced likelihood of execution or an increase in costs, we explain this to our customers when we accept the request for quote. Execution fees are factored into the final price to the customer, unless communicated otherwise to the customer.
- iii. **Speed/size:** Under normal market conditions, orders are executed promptly on receipt. All sizes of order are accepted; however, restrictions may be imposed by the issuer or by applicable national laws or regulations.

Currencies

(bespoke derivatives traded over the counter, derivatives traded on an RM, MTF or OTF (futures and options) and securitisation products/structured notes)

- i. **Price:** For commodities and currency products, transactions are primarily conducted over the counter. This means that the prices are effectively defined by the market makers who enter into transactions on the basis of a request for quote.

When the trade also takes place on an RM or an MTF, ING takes liquidity into account as a determining factor in best execution where relevant and appropriate. In most situations, ING records the transactions against our own portfolio.

- ii. **Cost/likelihood:** execution is performed on a best efforts basis and is tailored to the customer's requirements. If the liquidity of the market results in a reduced likelihood of execution or an increase in costs, we explain this to our customers when we accept the request for quote. Execution fees are factored into

the final price to the customer, unless communicated otherwise to the customer.

- iii. **Speed/size:** Under normal market conditions, orders are executed promptly on receipt. All sizes of order are accepted; however, restrictions may be imposed by the issuer or by applicable national laws or regulations.

Equities and similar securities

(cash equities, securitisation products/third-party structured notes, derivatives traded on an RM, MTF or OTF (futures and options))

It should be noted that for these financial asset classes, ING will never go directly to a market but will use a broker of its choosing (see Appendix III, Best Selection) to whom execution will be contracted based on their ability to meet the following criteria:

- i. **Price:** for equity products, prices are effectively set by stock market makers trading on regulated markets. We will choose brokers having full access to such regulated markets.
- ii. **Cost/likelihood:** to deliver best execution, ING takes relevant and appropriate account of liquidity as a determining factor in the best execution of listed securities. In general terms, the domestic market (the market where equities have their primary listing) will generally be the most liquid market, even if in some circumstances, the liquidity of another market may be greater. In any event, we will have chosen ahead of time the broker most capable of achieving best execution in the market we have designated as being the most liquid or the most likely to provide the best price. When the costs of execution are too high and/or the order can be executed on another market, we may, exceptionally, not go to the most liquid market. However, in general, we then opt for the domestic market as the best execution market or suggest the second, more liquid market.
- iii. **Speed/size:** under normal circumstances, execution is performed promptly. For more sizeable orders, it depends on liquidity and the customer's request. Purchase, sell, limit and stop orders executed one at a time.

Appendix II

Execution venues and brokers used by ING listed in Sections 4 and 5 of the ING Best Execution and Order Handling Policy

Please note that this list of execution venues is not exhaustive, but includes the venues primarily used by ING. The list is reviewed and updated in accordance with ING's Order execution policy. ING reserves the right to use any execution venue other than those documented here if it deems it appropriate in accordance with its Order execution policy.

When ING acts as an execution venue, we use all reasonably available sources of information in order to guarantee the best possible result for the order.

Fixed income

Bonds

Bloomberg MTF

We can also execute our customers' orders against our own portfolio.

Securitisation products/ING structured notes

We can also execute our customers' orders against our own portfolio.

Derivatives traded on the stock market (futures and options)

Euronext.liffe Eurex

Derivatives traded over the counter

We can also execute our customers' orders against our own portfolio.

Currencies and raw materials

Derivatives traded over the counter

We can also execute our customers' orders against our own portfolio.

Equities and similar securities

Always executed via intermediary brokers

The largest intermediary brokers that ING may use to execute customers' orders are:

Exane
Cannacord
Caceis
UBS
Crédit Suisse

Derivatives traded on an RM (futures and options)

JP MORGAN LDN

Appendix III

Principles of best select – Orders handled by the Securities department via its order routing unit.

Strictly speaking, in the large majority of cases, ING is not responsible for orders on a market but transmits them to entities which are responsible for executing them.

Best execution thus takes the form of best selection. The best selection process means that once ING has determined the most liquid market (or the most advantageous market (see Appendix I)) for transacting a financial product, we can know in advance which broker we will be able to work with in this market. Best selection requires all sufficient steps to be taken to obtain best execution of the orders it has sent to an external entity.

These orders relate chiefly to the following products, in decreasing order of volume:

- Equities
- ETF (6)
- ETD Equity Options (7)
- Bonds for which direct execution by our front office has been deemed potentially disadvantageous or impossible.

All orders going through the ING Securities department's order routing unit are entrusted to a professional intermediary with a view to execution primarily on a regulated market.

These intermediaries are duly selected from the best and largest market participants and we measure their performance on an ongoing basis.

The selection of our list of brokers is determined at a meeting of the Network Management Committee ("NVMC").

The Committee meets annually or on an exceptional basis whenever circumstances dictate. Its purpose is to appoint the brokers with whom we will work until the next meeting of the Committee.

The Committee comprises representative members of the ING Securities Department and the ING Private Bank. During this Committee meeting, the brokers used up until then will be renewed or dismissed and new intermediaries may be appointed at the request of one of the members and on the basis of majority approval by the Committee.

These decisions will be taken on the basis of the ongoing quality assessment of our intermediaries using the "Network Management" tool, which will compile lots of information relating to the quality of a broker's execution over a period of time.

Such information includes the quality of execution reports supplied periodically by the intermediaries themselves, but also more regular notes made by a specific person on the Securities department compiling ongoing observations by the operational teams in contact with brokers (for transmission and settlement in particular).

All observations, both positive and negative, are duly commented and dated in our NETWORK MANAGEMENT tool.

This tool will potentially cover both subjective data such as perceived quality and data that can be partially or fully measured.

The various records therefore include notes on:

- Price
- Speed of execution
- Likelihood of execution
- Access to execution venues to provide regular assurance that best execution is being delivered
- Direct market access
- Speed of dispatch and quality of confirmation
- The volumes handled
- The proper disclosure of pending limit orders
- The number of transactions, broken down by market

The summary sheets, notes and brokers' overall scores are reviewed by the Network Management Committee and form the basis of the decision to renew or, if applicable, to dismiss the broker.

Glossary

(1) Multilateral Trading Facility (MTF) is a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with MiFID II;

(2) Organised Trading Facility (OTF) is a multilateral system, other than a regulated market or an MTF, in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with MiFID II;

(3) Regulated market (RM) is a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with MiFID II.

(4) Eligible counterparties: This status is reserved for companies permitted to operate directly on the markets: investment companies, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other approved or regulated financial institutions under European Union law or the national law of a member state, national governments and their services, including the public organisations responsible for national management of the public debt, central banks and supranational organisations.

(5) Over The Counter (OTC) market: In this market, the transaction is entered into directly between the vendor and the purchaser.

(6) Exchange Traded Funds (ETF): ETFs are index-linked UCITS (undertakings for collective investment in transferable securities) listed on regulated markets.

(7) Exchange Traded derivatives (ETD): Derivatives traded on the stock market: these are mainly trades in options and futures on a futures market via standardised contracts, involving collateral (margins) to ensure that operations are completed successfully.