

# Selection and Order Execution Policy

## AXA Investment Managers IF

### Professional and non-professional clients

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The aim of this document is to specify the scope and conditions for the application of the order execution and selection policy (hereinafter the “Policy”) implemented by AXA Investment Managers IF (“AXA IM IF”).

This document is destined to our clients whether professional or non-professional as defined by the European Directive 2014/65/EU on markets in financial instruments (“MiFID II”), which requires investment firms to act honestly, fairly and professionally and in a manner that is in their clients’ best interests.

AXA Investment Managers IF is an investment firm regulated by the ACPR and jointly supervised by the ACPR and the AMF regarding its services of reception and transmission of orders and execution services on behalf of third parties.

AXA IM IF always ask to its intermediaries to be classified as Professional Client. These intermediaries have the duty to provide the best execution, allowing AXA IM IF to provide the best possible results for its clients.

#### **1. Scope of the Policy**

This Policy applies to all AXA IM IF clients whether professional or non-professional as defined by the MIFID Directive for which AXA IM IF provides the following investment services:

- Reception and transmission of orders (RTO)
- Execution of orders on behalf of clients, including securities financing activity (repo and reverse repo).

The financial instruments covered by this policy are those defined in article L 211-1 du Code Monétaire et Financier.

## 2. Implementation of the Execution Policy

### a. Execution Venues

In order to take all sufficient steps to obtain the best possible result for our clients, AXA IM IF may transmit or place orders to regulated intermediaries for execution without knowing a priori the final place of execution.

As part of its execution process, AXA IM IF may also transmit orders to execution platforms such as multilateral trading facilities (“MTF”) or outside those platforms, with systematic internalisers counterparties (SI) or not (non SI).

AXA IM IF has expressly authorized its intermediaries to operate on different execution venues, which include:

- Regulated Markets,
- Multilateral trading facilities,
- Organised trading facilities,
- Systematic internalisers,
- Market makers,
- Other liquidity providers,
- Entities that perform similar tasks in a country that is not part of the European Economic Area.

Depending on the execution venue, certain risks may be borne *in fine* by the client such as the counterparty risk in case of Over-the-Counter (“OTC”) transactions. AXA IM IF has the objective of achieving the best possible result for its clients taking into account these potential risks.

### b. Execution Factors

The scope of financial instruments covered by the Policy is described hereunder, with the relative importance attributed to each criteria used to achieve the best possible execution.

Additional qualitative factors not listed by the MIFID Directive such as market impact, geographical area or sector, the use of an algorithm, etc may also be taken into consideration for execution, with an equivalent degree of significance that applies to the factors mentioned hereunder.

For “non standard” OTC derivatives, selected intermediaries must comply with qualitative criteria such as acceptance of AXA IM IF conditions regarding transactions and collateral management (prior to the signature of master agreements): high-quality services, reactivity to AXA IM IF demands, innovation, efficiency of support services including speed of execution and settlement and post-execution services (confirmations, valuation). These criteria are systematically considered with the price criteria and help to determine the selection of the intermediaries (knowing the transaction could be split, in accordance with our internal rules, between different intermediaries offering similar conditions).

Depending on the order, factors with an equivalent degree of significance may not apply simultaneously.

<b>Financial Instruments</b>	<b>Decisive Factors</b>	<b>Important Factors</b>	<b>Factors to be considered</b>
Equities	Price, Size of the order	Direct transaction costs, Speed of execution, Likelihood of execution and settlement, Nature of the order	
Convertible Bonds	Price, Speed of execution, Size of the order	Likelihood of execution and settlement, Nature of the order,	Direct transaction costs
Bonds	Price, Likelihood of execution and settlement, Size of the order	Speed of execution, Nature of the order	
Money Market Instruments	Price, Likelihood of execution and settlement, Size of the order, Nature of the order	Speed of execution	
Listed Derivatives (Equity)	Price, Speed of execution, Likelihood of execution and settlement, Size of the order, Nature of the order		Direct transaction costs
Listed Derivatives (Fixed Income)	Price, Speed of execution, Likelihood of execution and settlement, Size of the order, Nature of the order		Direct transaction costs
OTC Derivatives (including Forex)	Price, Size of the order	Direct transaction costs, Speed of execution, Likelihood of execution and settlement, Nature of the order	

### c. Execution Criteria

AXA IM IF will take into account the following criteria (the “execution criteria”) for determining the relative importance of the execution factors as outlined above:

- the characteristics of the transaction (including the type of transaction, size and likely market impact);
- the characteristics of the Financial Instrument to which the transaction relates;
- the characteristics of the execution venues to which the transaction can be directed; and
- the characteristics of the client (including whether the client is classified as Retail or Professional);

#### **d. Non professional client**

When executing a Retail Client order, in the absence of specific client instructions, AXA IM IF will take into consideration all factors in order to deliver the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution (including all expenses incurred which are directly related to the execution of the order including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the order's execution).

As of today, AXA IM IF clients are exclusively professional clients.

#### **e. Specific instruction from the client**

Clients who communicate specific instructions (like using a specific intermediary, limit order or asking for an execution "at market") are informed that AXA IM IF will comply with them, even if such instructions may prevent AXA IM IF from following this Policy. This means that, to the extent of the specific instruction, AXA IM IF obligation of best execution will be satisfied by executing the order in accordance with your specific instruction.

In particular, for OTC Derivatives, this means that, to the extent of clients with a restricted number of authorized counterparties (due to a limited number of ISDA/CSA signed or following a "freeze" of counterparties), AXA IM IF will be treated as having satisfied its duty of Best Execution in respect of those parameters specified by you.

**Where the specific instruction covers only a portion of an order, this policy remains applicable to the elements of the order not covered by the instruction.**

#### **f. Client Order Aggregation**

Unless instructed otherwise by the client, AXA IM IF may aggregate clients' orders but only where it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated. AXA IM IF aims to ensure that the aggregation of two or more orders occurs on a basis that is prompt, fair and consistent and would not work at the disadvantage of any client.

Clients are informed that aggregation of orders may lead to partial execution.

Orders with specific instructions will not be aggregated if the instructions are preventing AXA IM IF from its obligation to obtain the best possible result for all orders.

#### **g. Cross Trades**

AXA IM IF can perform cross trades between two portfolios in order to obtain the best possible result for both portfolios, particularly in terms of cost (lower intermediation costs or trading at a mid-range price).

While almost all these transactions are executed on the market via an intermediary, some may, in special circumstances and exceptionally, be made directly between portfolios.

In any case, cross trades are subject to the notification of AXA IM IF Compliance Department in accordance with internal procedures in order to manage potential conflicts of interest.

#### **h. Allocation**

In general, transactions are allocated according to the pre-allocation provided when instructing the order. In case of partial allocation, order should be allocated on a pro-rata basis, taking into account the characteristics of the different financial instruments (amount, quantity, ... ) and any eventual specific instruction received from clients.

Documented processes specify the orders' allocation procedure and the guidance to follow in specific situation such as partial execution. These procedures aim to protect each portfolio's interest, to ensure a timely execution and a fair treatment of clients.

### **3. Broker and counterparty selection and Monitoring**

To achieve best execution, AXA IM IF has designed a procedure for the selection, authorization and monitoring of intermediaries. This procedure helps to select entities with which AXA IM IF execute trade or is a party to the transaction (securities financing operations for instance).

The selection process is twofold: authorization (a) and monitoring (b).

a) AXA IM has defined an authorization process based on:

- A phase of "due diligence" to ensure the broker or counterparty meets AXA IM's requirements (supervisory status, professionalism, reputation, good conduct, etc.)
- An approval process where the following departments are solicited: Risks, Operations, Compliance and Legal. Each team casts its vote and has a right of veto which triggers the rejection of the broker or counterparty.

b) With regards to the monitoring of intermediaries, AXA IM has established monitoring procedures to regularly assess their performance, the respect of their contractual commitments (qualitative review) and conditions of their initial authorization are still effective (revision of "due diligence").

AXA IM IF perform a review of intermediaries at least annually for the 'high risk' rated intermediary, and every three years for the standard risk ones.

Besides counterparties' selection process, AXA-IM set up an evaluation procedures of brokers and counterparties in order to ensure a regular review of the execution conditions provided by them and a regular broker vote.

### **4. Execution Report**

AXA IM IF establishes and publishes, once a year, a ranking of:

- the top five execution venues on which it has executed client orders during the preceding year. This ranking is established on the basis of the volume and number of orders executed on each venue, expressed as a percentage of the total volume and of the total number of orders executed for each category of financial instruments.
- an overview of the quality of execution on the venues (platforms and intermediaries) on which it executed all client orders in the previous year. The analysis of the quality of its execution obtained through, its conclusion and the monitoring.

These reports are detailed by investment services provided, per financial instrument and per client type.

They are available, for at least 2 years, on AXA IM website: [www.axa-im.fr/fr/nos-politiques-internes-et-autres-informations-importantes](http://www.axa-im.fr/fr/nos-politiques-internes-et-autres-informations-importantes)

## **5. Review of the Policy**

### **a. Controls**

AXA IM IF monitors the effectiveness of execution arrangements (including the Order Execution Policy and the scope of the best execution obligation). The aim is to ensure the consistency of the service provided with the order selection and execution policy.

Evidence of these controls are maintained in accordance with regulatory requirements.

### **b. Review of the Policy**

AXA IM IF ensures continuously the effectiveness of its selection and order execution policy through its set of controls which may result in adjustment to the policy, such as inclusion of new criteria.

This policy is reviewed at least once a year and each time a significant change affects AXA IM IF's ability to continue to obtain in most cases the best possible result in the execution of its clients' orders. The updated Policy is directly published on AXA IM website: [www.axa-im.fr/fr/nos-politiques-internes-et-autres-informations-importantes](http://www.axa-im.fr/fr/nos-politiques-internes-et-autres-informations-importantes)

Client notification is done through the publication on the website.

### **c. Conflict of interests**

AXA IM IF has a Policy defining the framework regarding conflicts of interest in order to ensure investor protection. This policy also aims to reaffirm the principles of clients' interest pre-eminence, the will to treat each of them fairly and to communicate to clients and investors complete, adapted and transparent information.

Regarding best execution, and potential conflicts of interests related to orders' execution, AXA IM is committed to inform its clients about all received minors non-monetary advantages related to orders execution and investment research services through the annual execution report.

### **d. Clients Consent**

Before the provision of service, Clients must provide AXA IM IF with their consent on this policy, especially on the possibility for AXA IM IF to execute orders outside a regulated market or a multilateral trading facility.

### **e. Record Keeping**

AXA IM IF keeps all pertinent information regarding transactions on financial instruments, together with a comprehensive audit trail of executed orders. These details and records may include trade blotters, the client name, the type of transaction, the date and time, counterparty selection rationale (as appropriate) and any eventual specific client instruction.

#### f. Responsabilités

AXA IM IF takes all sufficient measures to obtain the best possible result for its clients. However, this provision does not, in any way, constitute an obligation of result and shall be assessed in the context of its obligation of means.

AXA IM IF may not be considered responsible for the non-execution or incorrect execution of orders resulting from “force majeure” circumstances preventing it from fulfilling its obligations.

Finally, AXA IM IF may not be considered responsible for unfavorable circumstances consecutive to the execution of specific client instructions.

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