

# Selection and order execution policy

## AXA Investment Managers Paris

December 2023

### 1. Introduction

This document has been designed to inform our customers and potential investors of the selection and order execution policy implemented by AXA Investment Managers Paris ("AXA IM Paris") on behalf of the portfolios it manages.

This document is destined to our potential clients or investors whether professional or non-professional as defined by MiFID that are either holders of an individual mandate or investors in Units of Collective Investments in Transferable Securities ("UCITS") and Alternative Investment Funds ("AIF").

This document was prepared with regards to the following regulatory provisions:

- EU Mifid Directive 2014/65/EU along with the ESMA Questions & Answers on MiFID II and MiFIR investor protection
- The position – recommendation AMF n° 2014-07 regarding best execution.

AXA Investment Managers Paris is a portfolio management company approved by the AMF under the number GP 92008. It is regulated to manage UCITS, AIFs or mandates. AXA IM Paris is not a market member and does not execute orders. It sends its orders to authorized intermediaries for execution in the markets. AXA IM Paris has therefore set up a policy for the selection of market intermediaries.

AXA IM Paris requested its intermediaries to be categorized as a professional client and to be provided with the best execution.

### 2. Organisation

#### a. General case

AXA IM Paris takes all the sufficient steps to obtain, when executing orders, the best possible results for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. As part of its organization, AXA IM Paris mainly uses the services of reception and transmission of orders (RTO) and execution of orders for securities financing activity (repo/reverse repo and stock lending) of AXA IM IF, AXA IM GS, AXA IM Asia, AXA IM Japan and AXA IM US Inc. in order to take all the sufficient steps to achieve best execution.

- AXA IM IF is an investment service provider domiciled in France approved by the French Prudential and Resolution Control Authority ("ACPR") and the French Financial Markets Authority (AMF). It is authorized to provide the services of reception and transmission of orders and execution of orders for third parties.
- AXA IM GS is an investment services provider, domiciled in the United Kingdom, registered as a Financial Services Firm by the British regulatory authority, the Financial Conduct Authority (FCA).

- AXA IM Asia is an investment services provider, domiciled in Hong-Kong, licensed for dealing in securities by the Hong-Kong regulatory authority, the Securities and Futures Commission (SFC).
- AXA IM Japan is an investment services provider, domiciled in Japan, licensed in dealing in securities by the Japanese regulatory authority, the Financial Services Agency (FSA).
- AXA IM US Inc. is an investment services provider, domiciled in the United States of America, licensed in dealing in securities by the American regulatory authority, the Securities and Exchange Commission (SEC).

These entities are part of the AXA Investment Managers Group, separate from AXA IM Paris and have their own selection and execution policies.

#### b. Other cases

AXA IM Paris' portfolio managers may trade directly without using the services of AXA IM Asia, AXA IM IF, AXA IM Japan, AXA IM US Inc. or AXA IM GS for the instruments listed below:

- Some vanilla and complex « Over the Counter » derivatives:

These financial instruments are traded using multiple counterparties who fulfill qualitative criteria such as: acceptance of the overall conditions of AXA IM Paris including on collateralization, specific value-added services, reactivity in answering requests even in difficult market conditions, capacity to accept small or large sizes, the innovative nature and quality of support services, speed and likelihood of settlement, particularly for secondary transactions and valuations. These criteria, which are considered together with the best price, determine the choice of the counterparty for a given transaction. In compliance with internal rules, the execution of a transaction may be split amongst several counterparties offering similar conditions.

- Novation / Size increase / Unwinding

Such types of instruments should be executed by soliciting several counterparties in the same way described above for both vanilla and complex OTC derivatives. Nevertheless, solicitation of several counterparties may be, in some cases, not required nor even possible, due to the specific nature of these operations. AXA IM Paris ensures, through its control plan, that orders were executed at market condition deemed as satisfactory and justified.

- Structured Products:

In general, several counterparties are solicited before executing these transactions. They are selected based on qualitative criteria: market access, reactivity, knowledge or specific characteristics of the underlying, quality of support services, etc. Yet, the criterion that ultimately determines the choice of the counterparty is primarily the price.

In some cases, depending on the nature of the underlying asset (cat bonds / ILS, ABS, CLOs, Revolving Credit Facilities, some Leverage Loans), soliciting several counterparties may not be required or even possible due to the specific nature of these operations. AXA IM Paris ensure, through its control plan, that orders were executed at market conditions deemed as satisfactory and justified.

When dealing in the above OTC instruments, in order to justify pricing decision, a systematic counter-valuation is also undertaken by AXA IM control functions to ensure price fairness and that any judgements or decisions are taken with the clients' best interests in mind and not biased by conflicts of interest.

#### c. Delegation

In the case where AXA IM Paris has delegated investment management to another regulated entity, the selection and execution policy of the delegate applies.

## 3. Execution Framework

### a. Scope

This policy applies to transactions conducted by AXA IM Paris when it offers investment services and collective investment management to any type of customers, professional or non-professional with the meaning of MiFID.

Financial instruments covered by this policy shall be understood as those defined within Section C of Annex 1 of Mif Directive.

### b. Execution places

AXA IM Paris is not a market member and therefore does not execute itself orders on any financial market. It sends and places orders with approved brokers, intermediaries and counterparties for execution without knowing a priori the final execution place.

AXA IM Paris has expressly authorized its brokers, intermediaries and counterparties to operate over-the-counter or on different execution venues whatever the kind of security executed,, 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 chosen by the service provider on behalf of AXA IM Paris, certain risks may be borne *in fine* by the client such as the counterparty risk in case of OTC transactions. AXA IM Paris and its service providers have the objective of achieving the best possible result for clients taking into account these potential risks.

### c. Clients' specific instructions

Clients who communicate specific instructions (like using a specific intermediary) for a dedicated portfolio are informed that AXA IM Paris will comply with them, even if such instructions do not follow the provisions of this execution policy. In such a case, AXA IM Paris will not apply the principles of best execution relative to these instructions.

Clients who communicate specific instructions covering only part or aspect of the order are notified that AXA IM Paris applies the principles of best execution for any part or aspect of the order not covered by the instructions.

An Authorised Participant of an Exchange Traded Fund (ETF) may instruct AXA IM to trade with a specific broker to face a subscription/redemption on the primary market. The brokerage fees are supported by the Authorised Participant. AXA IM reserves the right to refuse such instruction, especially if the broker is not part of its authorised brokers list.

### d. Principles relative to direct order execution by AXA IM Paris

Appendix 1 of this policy lists the types of financial instruments traded by AXA IM Paris and describes the strategies and criteria deployed to obtain the best execution possible.

### e. Non-professional clients

Irrespective of appendix 1, for non-professional clients, the best possible result is determined by the total cost.

**f. Pooled orders**

Unless otherwise instructed by the customer, similar orders involving the same security for multiple portfolios can be pooled in a single order to obtain the best possible result, particularly in terms of cost.

Clients are informed that pooling of orders can sometimes lead to partial execution of orders.

**g. Cross portfolio orders – Cross trades**

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

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

Except specific cases already validated by Compliance Department and described in the relevant internal Policy, cross-portfolio transactions are subject to the pre-approval of AXA IM Paris Compliance Department in accordance with internal procedures in order to manage potential conflicts of interest.

**h. Fair allocation**

In general, transactions should be allocated accordingly to provisional 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.

Written processes describe the terms and conditions of pre-allocation of orders as well as the management of specific situations in case of reception of partial allocation of orders. These terms and conditions take into account the interests and specific case of each managed portfolio, to ensure an efficient execution and a fair treatment of all the clients.

**i. Investments into Collective Investment Schemes**

Portfolios managed by AXA IM Paris are allowed to invest into units / shares of other CIS managed by an entity pertaining to AXA IM Group provided that the subscription is realized into the cheapest available shares, depending on criteria as initial subscription amount, minimum length of placement, information made available by the management company (for external funds) or any other commitment of shareholders described into portfolios' legal documentation.

Moreover, in order to better manage any eventual conflict of interests between shareholders of our funds and clients for which we manage mandates, investments and divestments within AXA IM Collective investment schemes should not be delayed over several days aiming to avoid the application of any eventual anti-dilution mechanisms (swing price, variable entry / exit fees, etc.) or to take profit of such mechanisms.

**j. Force majeure**

In case of major difficulty in order execution like a system failure or severe market disruptions, AXA IM Paris might not be able to execute an order in accordance with this policy. In these particular cases, AXA IM Paris would activate its back-up solutions in accordance with its internal procedures.

**k. Use of efficient portfolio management techniques**

In case of use of efficient portfolio management techniques, AXA IM Paris ensures the costs correspond only to the market price and not to other considerations, maintains appropriate analyses mechanisms, controls and segregation of agents (Securities Lending team) from both Portfolio Managers and Buy/Sell Trade Execution teams.

## 4. Broker and counterparty selection and follow-up process

To achieve best execution, AXA IM Paris has designed a procedure for the selection, authorization and monitoring of brokers and counterparties. This procedure defines, by type of instrument, the entities to which orders may be transmitted for execution or with which trades may be executed.

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

a) AXA IM Paris, AXA IM Asia, AXA IM IF, AXA IM GS, AXA IM Japan, and AXA IM US Inc. , all subject to the regulatory requirement to provide best execution, have 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.

Generally, when executing a client order:

- if one execution venue or counterparty is able to provide the most attractive price and is also able to process the entire volume of the client order, as well as address other aspects that AXA IM considers critical to the client order, then the client order will be executed in full through that execution venue or with that counterparty;
- if more than one execution venue or counterparty has the same best price, then other execution factors will be used to determine how much of a client order will be placed with each execution venue or counterparty; and
- typically, where an execution venue or counterparty providing the best price is unable to execute a client order in full, that execution venue or counterparty will be used for the volume that it is able to complete, with the remainder of the client order being filled by the execution venue or counterparty with the next best available price.

b) With regards to the monitoring of brokers, intermediaries and counterparties, AXA IM has established monitoring procedures to assess regularly their performance, the respect of their contractual commitments (qualitative review) and that conditions of their initial authorization remain (revision of “due diligence”).

The re-assessment frequency can be adjusted according to the “risk scoring<sup>1</sup>” of the entity, with at least an annual review of those rated “high risk” and a triennial review of those with a “standard risk”.

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.

## 5. Execution Report

---

<sup>1</sup> The risk scoring is based, among other things, on the level of regulation, the credit risk and the country of the entity

AXA IM is committed to publish, on a yearly basis and for each category of financial instruments, the identity of the 5 counterparties where the largest volume of orders has been executed, together with an abstract of the regular assessment performed on the quality of the execution services.

Such report will be published and remain available, at least for two years, on the AXA IM website : [www.axa-im.fr](http://www.axa-im.fr)

## 6. Policy monitoring

### a. Policy control

AXA IM Paris' Compliance team conducts periodic controls on execution of orders by AXA IM Asia, AXA IM IF, AXA IM GS, AXA IM Japan, and AXA IM US Inc to ensure that the service performed complies with the execution policy. These controls also cover order executions by the portfolio managers of AXA IM Paris. Such controls are conducted on a sample basis.

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

### b. Policy review

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

## 7. Conflict of interests

AXA IM Paris has put in place a dedicated policy that rules the general framework of the conflicts of interest linked to the activities of AXA IM Paris. Such policy aims to ensure client protection, affirms their best interest principle, the commitment for fair allocation and to provide them an exhaustive and clear information.

## 8. Communication and execution policy review

The execution policy may be revised at any time at the initiative of AXA IM Paris as deemed necessary in order to maintain the best result for its clients.

In the absence of a major event requiring an earlier update, the policy is reviewed at least on an annual basis. Each time the policy is modified, a new version of the execution policy is published on the website: [www.axa-im.fr](http://www.axa-im.fr) and is therefore considered as applicable. Any significant change of the policy is communicated to clients as soon as practicable by publishing the amended policy on the website: [www.axa-im.fr](http://www.axa-im.fr).

## 9. Client acceptance

For individual portfolio management, clients must provide AXA IM Paris before the provision of service with:

- their consent on this policy, especially on the possibility for AXA IM Paris to execute orders outside a regulated market or a multilateral trading facility;
- any specific instruction concerning the execution of orders related to their mandates, as the case may be.

Concerning other investment management services, the client is considered to have accepted this execution policy.

## 10. Responsibilities

AXA IM Paris 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 Paris may not be considered responsible for the non-compliance or partial compliance with this policy resulting from “force majeure” circumstances preventing it from fulfilling its obligations.

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

## 11. Record keeping

AXA IM 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.

## Appendix 1: Types of financial instruments directly traded by AXA IM Paris: principles and criteria considered to obtain the best possible execution

Financial Instruments	Critical factors	Important factors	Others
OTC Derivatives	Price <sup>2</sup> , reactivity, total cost	quality of support services, ISDA/CSA <sup>3</sup> features	Client features
Structured Products	Price <sup>2</sup> , liquidity	market access, specific characteristics of underlying, quality of support services, ISDA/CSA <sup>3</sup> features	Tender offer to several authorized counterparties whenever possible
UCITS / AIF	Transactions executed on NAV price	Not applicable	Not applicable

The list of financial instruments that are not directly executed by AXA IM Paris' portfolio managers but by AXA IM Asia, AXA IM IF, AXA IM GS, AXA IM Japan and AXA IM US Inc., as well as the criteria and strategies deployed by these entities in order to obtain best execution are detailed in their own selection and execution policies.

For the three categories of financial instruments quoted here, AXA IM plans to deal with counterparties similar to the ones disclosed in the execution report available on the website.

<sup>2</sup> in order to justify pricing decision, a counter valuation is systematically undertaken by AXA IM control functions to ensure price fairness and that any judgements or decisions are taken with the clients' best interests in mind and not biased by conflicts of interest.

<sup>3</sup> master service agreement for OTC derivatives transactions as well as for collateral exchange.