

AXA IM Risks & Controls Standards

Selection and orders execution policy

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1. Introduction

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

This document covers:

- Authorisation process of intermediaries/counterparties AXA IM Prime wishes to partner with. Based on regulation provisions, the intermediaries/counterparts are required by law to provide the best execution.
- How relationships with the intermediaries/counterparties are tracked and monitored.

To execute its orders, AXA IM Prime uses the services provided by AXA IM Group entities to which AXA IM Prime belongs. These entities are independent from AXA IM Prime and have their own selection and order execution policy. Therefore, AXA IM Prime is required to make a better selection of its financial intermediaries. AXA IM Prime ensures the best execution requirement is satisfied by entities providing the order execution on financial instruments services.

AXA IM Prime has requested its intermediaries to be categorized as a professional client and to be provided with the best execution, especially when AXA IM Prime acts on behalf of its clients.

2. Scope

The document applies to AXA IM Prime professional clients as defined by the Markets in Financial Instrument Directive (Directive 2015/65/EU) for who AXA IM Prime provides portfolio management services.

This selection and execution policy covers financial instruments as defined by Article L. 211-1 of the French Monetary and Financial Code.

3. Organisation

3.1 General case

Generally, AXA IM Prime uses AXA IM IF reception and transmission of orders services to take all reasonable measures to provide the best possible execution.

3.2 Delegation

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

4. Execution Framework

4.1 Execution places

AXA IM Prime **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 Prime has expressly authorized its brokers, intermediaries and counterparties 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 chosen by the service provider acting on behalf of AXA IM Prime, certain risks may be borne *in fine* by the client such as the counterparty risk in case of OTC transactions.

AXA IM Prime and its reception and transmission of orders service providers have the objective of achieving the best possible result for clients taking into account these potential risks.

4.2 Clients' specific instructions

Clients who communicate specific instructions (like using a specific intermediary) for a dedicated portfolio are informed that AXA IM Prime will comply with them, even if such instructions do not follow the provisions of this execution policy. In such a case, AXA IM Prime and its intermediaries might 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 Prime applies the principles of best execution for any part or aspect of the order not covered by the instructions.

4.3 Principles relative to order execution

For any other financial instruments, order execution principles are detailed in the Service provider's Execution and selection policy AXA IM Prime has selected, when applicable.

4.4 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, as opposed to individual order execution.

4.5 Cross portfolio orders – Cross trades

AXA IM Prime can perform cross transactions between portfolios in order to obtain the best possible result for all portfolios involved, particularly in terms of sourcing, in the interest of investors or two funds/portfolios (i.e., lower intermediation costs or trading at a mid-range price).

Cross-portfolio transactions are subject to the pre-approval of AXA IM Prime Compliance Department in accordance with internal procedures in order to manage potential conflicts of interest.

4.6 Investments into Collective Investment Schemes

Portfolios managed by AXA IM Prime are allowed to invest into units / shares of other Collective Investment Schemes 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 potential 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 made at the initiative of the PM but 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.

4.7 Force majeure

In case of major difficulty in order execution like a system failure or severe market disruptions, AXA IM Prime might not be able to execute an order in accordance to this policy. In the first case, AXA IM Prime would activate its back-up solutions as per its internal procedures.

4.8 Use of efficient portfolio management techniques

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

5. Broker and counterparty selection and follow-up process

To achieve the best execution, AXA IM, group to which AXA IM Prime belongs, 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. They are required by law to provide the best possible execution.

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

a) AXA IM (AXA IM IF) has defined a broker and counterparty 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.) and
- An approval process where the following departments are solicited: Risks, Operations, Compliance and Legal. Each team casts its vote and has a veto right which triggers the rejection of the broker or counterparty.

Generally, when executing a client order; the broker, counterparty and intermediary selection is as follows:

- if one counterparty / broker / intermediary 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, then the client order will be executed in full with that counterparty, broker or intermediary;
- if more than one counterparty / broker / intermediary 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 counterparty / broker / intermediary; and
- typically, where a counterparty / broker / intermediary providing the best price is unable to execute a client order in full, that counterparty / broker / intermediary will be used for the volume that it is able to complete, with the remainder of the client order being filled by the counterparty / broker / intermediary with the next best available price.

b) With regards to the monitoring of brokers, intermediaries and counterparties, AXA IM has established monitoring procedures to regularly assess 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"¹ 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 has set up evaluation procedures of brokers and counterparties in order to ensure a regular review of the execution conditions provided by them.

6. Policy monitoring

6.1 Policy control

AXA IM Prime Compliance team conducts periodic controls on execution of orders on behalf of its clients to ensure that the service performed complies with the selection and execution policy. These controls are conducted on a sample basis.

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

6.2 Policy review

AXA IM Prime continuously ensures the effectiveness of its selection and order execution policy in order to make any necessary adjustments promptly.

7. Conflict of interests

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

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

8. Communication and policy review

This Selection and execution policy may be revised at any time at the initiative of AXA IM Prime 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. Any significant change of the policy is communicated to clients as soon as practicable by publishing the amended policy on the website of AXA IM Prime.

9. Responsibilities

AXA IM Prime takes all sufficient measures to obtain the best possible execution 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 Prime 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 Prime may not be held reliable for any adverse circumstances resulting from the execution of specific client instructions.

10. Record keeping

AXA IM Prime 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 instructions.