

# Covéa Finance Execution Policy

## 1. Regulatory framework and scope of application

Pursuant to the Markets in Financial Instruments Directive (MiFID), Covéa Finance is required to take all reasonable steps to ensure the best possible result for the highest possible number of Clients when executing orders on their behalf.

MiFID requires Covéa Finance to:

- Develop an order execution policy that defines the procedures put in place in order to obtain the best possible result for its Clients, who have usually opted for the status of "professional client";
- Communicate relevant information on its execution policy to its Clients;
- To apply its execution policy properly in accordance with the different categories of financial instruments and transactions;
- To demonstrate to its clients, and upon their request, that the orders executed on their behalf have indeed been executed in accordance with said policy;
- Revise its execution policy on a regular basis, at least annually, and whenever there is a significant change in the markets covered and monitor the efficiency of the policy.

The best execution obligation is defined in Article L. 533-18, I of the French Monetary and Financial Code as being the obligation to "...take all reasonable steps to obtain the best possible result for its clients when executing orders ...".

Pursuant to this Article, the best possible result **is assessed in terms of seven broad categories of factors** "price, cost, speed, probability of execution and payment, size, the nature of the order, and finally any other considerations relevant to the execution of the order.", that Covéa Finance must specify in the framework of an Execution policy.

This policy applies to all of Covéa Finance's clients.

In order to meet its obligation to provide the best possible result for its clients and in accordance with paragraph V of Article 314-75 of the AMF General Regulations, Covéa Finance has, at the same time established and implemented a selection policy for Investment Services Providers responsible for the execution of investment orders and/or investment decision support.

## 2. Execution factors and criteria

In accordance with Article 314-69-10 of the AMF General Regulations, to determine its execution policy, and in particular the relative importance of the factors to assess the best execution, Covéa Finance particularly takes into account the characteristics of its clients and the financial instruments handled, as well as the following execution factors:

- Price
- Costs
- Speed
- Probability of execution and payment\*
- Size
- Nature of the order
- and any other considerations relevant to the execution of the order.

\*For transactions on the primary market only this criterion will be retained given the uniqueness of the price offered and the quota of the quantity served.

Covéa Finance considers the following execution factors:

- The type of financial instrument
- The place of execution where the order can be directed
- The client
- The characteristics of the order.

## 3. Orders

Financial instrument class	Organisation principles
Bond Market	For each type of bond and money instrument Covéa Finance preselects a shortlist of selected Investment Services Providers which receive tenders in order to get the best price.
Listed Derivative Instruments Market	Covéa Finance forwards its orders to a selected Investment Services Provider who has a best execution obligation, or reserves the right to use algorithms for order execution.
Unlisted Derivative Instrument Markets	Covéa Finance has set up processes that take into account the diversity of these customised products. It will then select the best selected Investment Services Provider via a competitive tender according to the characteristics of the order, liquidity, the ability of the selected entities to provide solutions, etc.,
Stock and ETF (Exchange Traded Fund) markets	Covéa Finance sends its orders to preselected Investment Services Providers. Covéa Finance specifically reserves the right to use algorithms provided by third parties to execute its orders.
Money and Foreign Exchange Markets	Covéa Finance reserves the right to put services out to competitive tender among a

<b>Financial instrument class</b>	<b>Organisation principles</b>
Primary Equity and Fixed Income Markets	Covéa Finance may take part in transactions on the primary market. In such cases, it will forward the order to all its selected Investment Services Providers participating in the transaction.
Grouped Orders	In accordance with its collegial management process, Covéa Finance reserves the right to group orders from several portfolios in order to obtain the best possible execution, especially in terms of costs. The predefined terms for grouping and allocating orders are embodied in our computer tools. The portfolio orders are filled in proportion to the initial demand in the event of a partial response to an order placed.

#### **4. Places of execution**

In accordance with the 2nd paragraph of Article 314-72 of the AMF General Regulations, Covéa Finance ensures that it selects "the places of execution which the company is most confident in to fulfil its obligation to take all reasonable steps to obtain the best possible result in the execution of its client orders".

Consequently, the orders can be executed in the different places of execution listed below:

- Regulated reference markets
- Multilateral Trading Facilities (MTF)
- Market-making
- Electronic trading platforms that do not have MTF status
- Other liquidity providers

#### **5. Selecting Investment Services Providers for the execution of orders**

The selected Investment Services Providers are assessed every six months by aligning the assessments issued by the various Covéa Finance departments involved in assessing quality. The list may be reviewed at any time if the service offered by an entity deteriorates.

The assessment focuses on different criteria such as execution, strength of the structure and analysis. A weighting coefficient is allocated for each assessor to be able to report on each criterion.

Covéa Finance also conducts monitoring of investment decision support service providers. The service provider is remunerated directly by transmitting orders if it is also selected as the executing entity. Otherwise, the service provider is remunerated by the service provider responsible for the execution as part of a shared brokerage commission agreement.

Covéa Finance estimates and financially quantifies the requirements for the smooth functioning of the Equities Management Department in terms of external research and establishes a research budget for each intermediary.

## **5.1 Equities and related assets**

The assessment by the different Covéa Finance departments involved determines an overall ranking from which emanates the specific target market shares for the regions of North America, Asia and Japan, and a research budget per intermediary for Europe.

In Europe, research is part of the overall market intermediary selection policy, provided the cost of such research is compatible with the overriding principle of protecting the interests of clients, holders, and principals.

Equities Trading maintains a degree of flexibility in relation to the application of these particular market shares, in order to account for changes in market conditions and the environment. In such cases, the limits may be exceeded provided this can be justified by Equities Trading under best execution.

For the Programme Trading activity, there is a single list of entities selected for all geographic areas.

For ETF, there is a list of entities selected for all geographic areas.

For ETF and Programme Trading there are no target market shares, but rather market share limits. The limits may be exceeded provided that this can be justified by Equities Trading under best execution.

Equities Trading may use algorithms or block platforms to execute its orders.

## **5.2 Fixed Incomes and related assets**

The assessment by the different Covéa Finance departments involved determines an overall ranking. This defines the membership of the selected entities to a level known as "third party" from which target market shares by product are derived (government, company and quasi-government bonds, convertible bonds, money, foreign exchange and future shares).

Fixed Income Trading maintains a degree of flexibility in relation to the application of these particular market shares, in order to account for changes in market conditions and the environment. In such cases, the limits may be exceeded provided this can be justified by Fixed Income Trading under best execution.

For convertible bonds, money, foreign exchange and future shares, there is a list of selected entities specific to each of these products. These entities are included in the global list of entities selected.

## **6. Back-up Trading Desk**

Covéa Finance and Exoé, an investment firm specialising in order receipt and transmission, have concluded a partnership agreement covering the transmission of financial instrument execution orders on behalf of Covéa Finance.

This collaboration is the result of a competitive tender issued in 2015 by Covéa Finance for the purpose of establishing a back-up trading desk in order to ensure business continuity. This initiative enables Covéa Finance to effectively respond to 3 major challenges:

- To secure the trading activity within the context of its BCP
- To reduce operational risk in the event of absence
- To rely on the services of an external service provider during periods of peak activity

The current organisational structure of the Covéa Finance Trading Desk remains unchanged.

#### **7. Monitoring and review of the order execution policy**

Covéa Finance ensures the effectiveness and the implementation of its execution policy in order to ensure the monitoring of the orders executed in accordance with the criteria and factors discussed in the previous sections. It will review its execution policy at least annually and whenever required by the interests of its Clients.

Compliance with this policy is the subject of regular checks by internal control. Its relevance is assessed in reviews to be conducted at least once a year by Covéa Finance's executive committee.

Furthermore, the monitoring of the selected investment service providers is the subject of a bi-annual review, an audit of the correct distribution of volumes and compliance with the list of approved service providers, etc.

#### **8. Information on changes to the execution policy**

Covéa Finance will inform its Clients of any changes to its execution policy by making an updated version available on its website. Covéa Finance also encourages its Clients to consult the version of its execution policy available on its website regularly.