

# Selection policy for Covéa Finance's Investment Service Providers

## **1. Regulatory framework and scope of application**

The purpose of this selection policy for Investment Services Providers is to describe the methodology generally applied by Covéa Finance for assessing and selecting Investment Services Providers responsible for the execution of investment orders or investment decision support in accordance with the regulatory obligations described in Article 314-75-1 of the AMF General Regulations, pursuant to Article L. 533-18-V of the French Monetary and Financial Code.

This selection policy for Investment Services Providers applies when Covéa Finance directly transmits orders following management decisions.

This policy may be changed at any time without prior notice.

## **2. Context**

Covéa Finance has a list of Investment Services Providers used by Covéa Finance's trading desk to execute the orders received.

This list is reviewed at a bi-annual meeting. The review can also take place at any time when justified by a significant change in service from an investment service provider, changes in market conditions or an internal change that is specific to Covéa Finance. It aims to ensure that Covéa Finance's clients receive the best possible results and optimal execution.

This list of Investment Services Providers is distinct according to the different segments of markets and geographic areas considered in which Covéa Finance may have to process transactions (equities, sovereign bonds, company bonds, negotiable debt securities, convertible bonds, foreign exchange and future shares on rates and structured products).

### **3. Methodology**

Covéa Finance has set up an assessment methodology for Investment Services Providers with a points system for distribution. This methodology involves, according to type of instrument in question (equity or rates), the various management, trading, research and Middle Office teams in order to ensure the overall quality of the assessed counterparty or intermediary.

Covéa Finance has allocated a number of distributable points to each team taking part in the assessment of Investment Services Providers. Covéa Finance has also allocated a number of distributable points to each person involved in the assessment according to their level of commitment.

Each investment service provider is assessed according to two types of criteria for which it has been decided to grant a weight defined by Covéa Finance:

- 1- Qualitative criteria
- 2- Quantitative criteria

The assessment of each investment service provider must be accompanied by comments justifying it, and this for each assessment item. These comments must be as specific and transparent as possible.

#### **3.1 Fixed Income Department**

Fixed Income management assesses the Investment Services Providers, acting as a del credere agent on different market segments through qualitative criteria relating in particular to the quality of the sales service on different market segments and on the quality of the research provided by the counterparty. Meetings held with the various Investment Services Providers are also assessed (quantitative criterion).

Fixed Income management does not assess the other Investment Services Providers, which are pure intermediaries given the specific nature of services provided by this type of player.

Fixed Income Trading assesses the Investment Services Providers either on the different market segments, the monitoring conducted by the sales teams, the sending of the axes and regularity of these remittances, the quality of execution and the meetings or analysis.

For the quantitative part, the execution statistics of Investment Services Providers are assessed, as well as the total volumes executed by them.

The research teams (Macroeconomic, Microeconomic and Quantitative) assess the Investment Services Providers through qualitative criteria such as the regularity of contacts, availability and the quality of the research proposed.

Meetings held with the various Investment Services Providers are also assessed (quantitative criterion).

The Middle Office assesses the quality of exchanges and settlements/deliveries with Investment Services Providers. The Middle Office also has the possibility to exclude a counterparty or broker in case of repeated or serious settlement/delivery incidents. There is no quantitative criterion for the Middle Office.

The purpose of the assessment is to propose a ranking of Investment Services Providers into Tier1, Tier2 or Tier3. These tiers determine the limits of the market shares for each market

segment. Exceeding these limits is subject to the application of our execution policy.

### 3.2 Equities Department

Equities Management assesses the Investment Services Providers on the different market segments through qualitative criteria relating in particular to the sales service and research provided. The assessed quantitative criteria relate to analysts meetings held with the various Investment Services Providers and access to company meetings.

Equities Trading assesses the different Investment Services Providers through qualitative criteria such as market monitoring, monitoring of interests and executions, as well as information and other studies provided by the Investment Services Providers.

On the quantitative part, Equities Trading compares:

- the executions of Investment Services Providers and brokers over the period according to defined benchmarks (IS, VWAP, CLOSE, etc.)
- reporting analysis on the places of execution
- access to natural or at-risk flows

This assessment is based on the TCA (Trading Cost Analysis) provided by ITG.

The research teams (Macroeconomic, Microeconomic and Quantitative) assess the Investment Services Providers with regard to qualitative criteria such as the regularity of contacts, availability and the quality of the research proposed.

Meetings held with the various Investment Services Providers are also assessed (quantitative criterion).

The Middle Office assesses the quality of exchanges and settlements/deliveries with Investment Services Providers. The Middle Office also has the possibility to exclude an investment service provider in case of repeated or serious settlement/delivery incidents. There are no quantitative criteria for the Middle Office.

The purpose of the assessment is to propose a ranking of Investment Services Providers into Tier1, Tier2 or Tier3. These tiers determine the limits of the market shares for each market segment. Exceeding these limits is subject to the application of our execution policy.

## **4. Ultimate purpose**

At the end of this meeting, the persons concerned may be required to suggest adding or removing Investment Services Providers by specifying the criteria on which they have based their proposal. This will be the subject of a memorandum drafted for a decision to be made by Covéa Finance's executive committee.

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.