

A large, ornate fountain with multiple tiers and statues, set against a blue sky with light clouds. The fountain features several figures, including one holding a golden fish. The water is spraying upwards from various points. The background shows a classical building with columns.

SELECTION AND EXECUTION --- POLICY

Updated: 01/23

Purpose of the best selection and best execution policy

This policy presents the criteria used by Covéa Finance to ensure the protection of its clients when executing an order resulting from its management decisions.

An order is understood as any instruction to buy or sell a financial instrument referred to in Article L. 211-1 of the French Monetary and Financial Code (CMF).

Background

Pursuant to Articles 533-22-2-2 and L. 533-18¹ of the CMF, and Articles 321-111 et seq. and 321-114 of the AMF General Regulation (RGAMF), Covéa Finance must act in the best interests of its principal clients and/or holders of units or shares in UCITS/AIFs that it manages when executing an order itself or through an intermediary.

- In cases where Covéa Finance is not a member of a trading platform* and sends orders in the name and on behalf of collective investment undertakings (UCITS/AIF) and/or management mandates to approved market intermediaries or systematic internalisers, Covéa Finance is subject to an obligation of **“best selection”**. This means it must take all sufficient measures to select the intermediaries most able to provide the best possible result for order execution.
- In cases where Covéa Finance is a member of a trading platform (excluding regulated markets) and/or itself executes orders resulting from a management decision, Covéa Finance is subject to an obligation of **“best execution”**. This means it must take all sufficient measures to obtain the best possible result when executing orders.

Categorisation

Covéa Finance is considered a “professional” client and not an “eligible counterparty”. It asks intermediaries (brokers) to categorise it as such.

The latter are subject to the best execution obligation arising from the amended Directive 2004/39/EC or a regime deemed equivalent when Covéa Finance uses their execution services.

¹ Article applicable by reference to section VII of Article L. 532-9 of the French Monetary and Financial Code

Grouped orders and pre-assignment of orders

Covéa Finance reserves the right to group orders of several portfolios under management in order to obtain a single execution, subject to the following conditions:

- It is unlikely that the grouping of orders will work to the detriment of any of the clients concerned,
- The pre-assignment of a global order is materialised and stored on a durable medium.

Covéa Finance's clients are informed that, despite all of the due diligence observed by Covéa Finance and detailed in this policy, the grouping may have a detrimental effect on them in relation to the execution of a particular order.

Know your client records for execution intermediaries

When entering into a relationship, Covéa Finance establishes a know your client record for each of its listed intermediaries, which includes an annual report, company registration certificate or equivalent, contract or terms of business and the policies for executing and managing conflicts of interest.

This KYC record is updated periodically.

Information on changes in the best selection and best execution policy

Covéa Finance will inform its clients of any changes to its best selection and best execution policy by making an updated version available on its website. Covéa Finance also encourages its clients to regularly view the version of its execution policy available on its website www.covea-finance.fr.

I. Prior listing of intermediaries

Covéa Finance has set up a Referencing Committee whose purpose is to decide on which intermediaries and financial counterparties proposed by the Selection Committee it will include on or remove from its reference list. The services of these listed intermediaries and financial counterparties may be selected by authorised persons or committees, such as the Execution Intermediary Selection Committee.

In order to be selected by the authorised persons and committees, according to criteria specific to them, intermediaries and financial counterparties must have been included in the referencing list following a favourable decision by the Referencing Committee.

The Referencing Committee is therefore not involved in the actual selection of the service(s) of a particular intermediary. However, it can issue reservations about the reference list or the addition of an intermediary or financial counterparty in the reference list.

1. Methodology for integrating new intermediaries

Each new intermediary must be integrated following a favourable decision by the Referencing Committee, without any reservations on the part of the Legal Department, taking into account the types of instruments and the integration criteria relating to the entity as set out below, prior to its selection by an authorised person or committee and presentation by the Selection Committee concerned.

The Referencing Committee has sole authority to decide on the addition, suspension, removal or prohibition of an intermediary on the referencing list.

a. Composition of the Referencing Committee

The Referencing Committee is made up of the following persons and entities:

- a Deputy CEO,
- a representative of the Markets & Operations Legal Team,
- a Chief Compliance Officer or representative of permanent control and/or compliance.

b. Integration criteria

Integration decisions are based on different criteria relating to the entity, including:

- commercial and pricing aspects,
- operational skills,
- reputation,
- financial structure (financial data relating to the company),
- ethics and legal structure.

This is not an exhaustive list of criteria, and may be added to depending on the intermediary under consideration.

c. Integration or modification requests

Any request for integration, suspension or withdrawal relating to one or more intermediaries, for one or more types of products or services, must be justified and sent by the members of the authorised committees originating the request to a member of the Referencing Committee.

Any change in the scope of referencing of listed intermediaries for a particular type of product and asset class may simply be validated at the monthly committee meeting for monitoring execution intermediaries. Any further requests concerning other asset classes must be authorised by a member of the Referencing Committee by any written means.

In order to best manage potential conflicts of interest related to order execution and research services, Covéa Finance has implemented the following measures:

- Separate committees to assess and rate the order execution and research services provided;
- A Referencing Committee in charge of listing research providers and execution intermediaries on the recommendation of the various approved committees;
- Assessment and monitoring of the services of execution intermediaries using quantitative indicators;
- A second-level control plan for all processes.

Furthermore, it should be noted that financial research costs are financed from Covéa Finance's own resources.

2. Frequency of review of listed intermediaries

The Referencing Committee meets at least once a year to take note of the various assessments of the referenced intermediaries that are actually selected from the referencing list.

At the end of these observations, the same committee may decide, on its own or on request in accordance with the above provisions, to add, withdraw, suspend or even prohibit an intermediary.

An exceptional meeting may be held at any time, notably due to a significant change in the service quality of a referenced intermediary, a sanction published against all or part of the activities of a referenced intermediary, a change in market conditions, or a change specific to Covéa Finance, and therefore lead to the exclusion of a referenced intermediary. This exceptional meeting may be convened by one of its members or on the alert of the Execution Intermediary Selection Committee.

As part of the management of unsettled transactions and risks, the management or head of the division concerned may decide, by any means, to temporarily or indefinitely suspend the listed intermediary at the origin of the outstanding item for all assets processed.

II. Execution intermediary selection policy

This concerns cases where Covéa Finance sends orders resulting from its own management decisions to a third party responsible for executing them (hereinafter "execution intermediaries" or "brokers").

1. Execution intermediary selection criteria

Prior to selection, Covéa Finance verifies that intermediaries have order execution mechanisms that allow them to fulfil their obligation to provide the best possible results.

A multi-criteria evaluation system is put in place to assess the quality of execution of the selected intermediaries based on the type of products/asset classes concerned.

Points are awarded based on quantitative criteria only, such as the hit ratio* in number and amounts, spread captures*, the execution performance of the TCA*, the P&L* generated by comparing the prices reported by intermediaries and the liquidity provided by the intermediaries. (*See Glossary)

Intermediaries are selected based on an assessment by the Trading Desk and the Middle Office.

Covéa Finance has implemented a procedure compliant with the SRI/GreenFin label for selecting execution intermediaries for over-the-counter transactions in derivative financial instruments for SRI-labelled funds. For these transactions, Covéa Finance will execute orders only with listed intermediaries with a non-financial rating deemed favourable internally.

This list may be more restrictive than the list of referenced intermediaries. The non-financial rating of listed intermediaries is monitored periodically by the Research teams. The list of these referenced intermediaries is made available by the Research teams at each meeting of the Execution Intermediary Monitoring Committee.

a. Trading Division

The Trading Division has set up a separate assessment process according to the type of financial instrument. This assessment produces a ranking and the establishment of a list of selected intermediaries by financial instrument. The assessment criteria may differ depending on the type of financial instrument to meet the specifics of each market.

b. Middle Office

The Middle Office division has set up a separate rating process by type of product. This process notably assesses the quality of trades and settlements/deliveries, and the rate of, management and changes in unsettled transactions with each intermediary. During the various committee meetings, the Middle Office may request the temporary suspension of a listed intermediary for operational reasons (update of settlement/delivery instructions, unsettled transactions, delays in confirmations, etc.)

2. Method and frequency of assessing selected execution intermediaries

a. The Execution Intermediary Selection and Assessment Committee

The Selection Committee meets to assess the execution intermediaries selected for all asset classes and all financial instruments combined.

The members of the Selection Committee may propose to the Referencing Committee any request for the inclusion or removal of an intermediary from the referencing list and justify this proposal using objective criteria. This proposal is transmitted, in the form of a note or report, to the Referencing Committee for review.

b. Composition of the Execution Intermediary Selection and Assessment Committee

This Committee comprises:

- One or more members of the Executive Committee,
- A Deputy CEO,
- A manager and one or more traders,
- A Middle Office representative,

- a Chief Compliance Officer and a representative of internal control and/or compliance,
- A Legal Department representative,
- A Compliance representative.

c. Frequency of meetings of the Execution Intermediary Selection and Assessment Committee

The Selection and Assessment Committee meets at least once a year.

However, an exceptional meeting may take place at any time, notably due to a significant change in the quality of service of an authorised intermediary, the occurrence of a suspense transaction with an intermediary, a change in market conditions, a risk related to the reliability or the sustainability of the activity with an intermediary, or a change specific to Covéa Finance.

d. Execution Intermediary Monitoring Committee

Execution intermediary monitoring committee meetings are also held monthly and are the subject of a report distributed to the Deputy CEO and all departments represented on the Committee.

These committee meetings allow for the proper circulation of information between departments regarding any difficulties encountered with one or more selected intermediaries and make it possible to put in place the appropriate measures for the successful progress of projects and/or the resolution of operational problems, as well as the review of any request to change the referencing scope of an execution intermediary for a particular type of product/asset class in accordance with the procedures described in point A/3.

An agenda is sent before the start of each committee meeting. The Monitoring Committee members hold an in-person meeting only if substantial items are included on the agenda.

3. Monitoring and review of the selection policy

Covéa Finance regularly monitors the effectiveness of this policy and, in particular, the quality of execution of the entities selected as part of this policy in order to identify issues and make any necessary changes.

Covéa Finance reviews this policy and its order execution systems at least once a year. This review must also be completed whenever a significant change has an impact on the company's ability to continue obtaining the best result possible for its clients.

III. Transaction best execution policy

This applies to the cases in which Covéa Finance directly executes orders resulting from its management decisions. This is particularly the case when Covéa Finance is a member of a trading platform and/or executes orders without the involvement of an intermediary.

However, in accordance with the applicable regulations in force, Covéa Finance recalls that it does not provide an execution service on behalf of third parties when it executes orders resulting from its own decisions to manage collective investment undertakings or mandates.

1. Best execution criteria

a. Best execution factors

When Covéa Finance finds itself in the situation of executing an order resulting from a management decision, it strives to implement all of the measures necessary to obtain the best possible result, by taking the following qualitative criteria into account:

- The price,
- The cost,
- The speed,
- The probability of execution and settlement,
- The size of the orders,
- The type of orders,
- Any other factor relating to the execution of the order, such as the use of a clearing house by a trading platform (circuit breaker, impact of an order on the market).

b. Relative importance of the execution criteria

In order to obtain the best possible result for its clients, Covéa Finance adjusts the level of importance of the execution criteria according to the following factors:

- The characteristics of the client,
- The characteristics of the order concerned,
- The characteristics of the financial instruments to which the order relates,
- The characteristics of the places of execution to which the order may be directed.

Covéa Finance makes available on its website, pursuant to Article 65 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, the annual report on the top five investment firms for each category of financial instrument and summary information on the quality of execution obtained from market intermediaries.

c. Characteristics of the client

Covéa Finance provides third-party portfolio management (individual discretionary management) and collective management services to professional clients.

d. Relative importance of criteria by type of order

Order type	Benchmark or Defined Price	Factors and Criteria
VWAP	VWAP (Volume Weighted Average Price)	Price, liquidity, cost
Market Price (At Market)	Arrival price (Implementation Shortfall)	Price, liquidity, speed, cost
Limit	Limit	Price, liquidity, speed, cost
Opening	Opening price	Liquidity, cost, price
Closing	Closing price	Liquidity, cost, price
Closing NAV	NAV	Cost
Trigger level	First execution price	Price, speed, liquidity
Minimum yield	Minimum rate	Price, probability
Reoffer	At any price	Probability*
Spread	Mid Swap vs. Benchmark	Price, probability

*For these transactions (primary market), the issue price offered is unique, the preferred criterion is the probability of execution and settlement (probability of allocation).

e. Relative importance of criteria by type of instrument and place of execution

FINANCIAL INSTRUMENTS	PLATFORM TYPES	BEST EXECUTION & INTERMEDIARY SELECTION STRATEGY	FACTORS AND CRITERIA
EQUITIES			
Equities	RM, MTF, SI (ELP), DARK POOL, PERIODIC AUCTIONS	Orders sent to selected intermediaries (see selection policy)	Price, liquidity, speed, cost based on type of order, probability of settlement
ETFs (equities, bonds and commodities)	RM, MTF, SI (ELP), DARK POOL	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, speed, cost based on type of order (ex. NAV), probability of settlement
BONDS			
Government bonds (OATs, sovereign bonds, agency bonds, covered bonds, treasury bonds, etc.)	SI, OTF, MTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, speed, probability of settlement
Private debt (financial, corporate, etc.)	SI, OTF, LTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, speed, probability of settlement
CONVERTIBLE BONDS			
Convertible bonds	OTC, IS, OTF, MTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, settlement probability
MONEY MARKET			
Negotiable short-term securities, commercial paper, short-term sovereign bonds, etc.	OTC	Orders sent to selected intermediaries (see selection policy)	Price, liquidity, settlement probability

LISTED DERIVATIVES			
Futures (equity underlying indices, commodities, fixed income, foreign exchange)	RM	Orders sent to selected intermediaries (see selection policy)	Price, liquidity, speed, cost
Listed options (equities, indices, foreign exchange)	RM, MTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, speed, cost
OTC DERIVATIVES			
Interest rate swap	OTC, MTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several authorised intermediaries with validated ISDA or FBF framework contracts in place	Price, liquidity, speed
Forwards, swaps (currency)	OTC, MTF	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several authorised intermediaries with validated ISDA or FBF framework contracts in place	Price, liquidity, speed
FOREIGN EXCHANGE (EXCLUDING DERIVATIVES)			
Foreign exchange (spot)	OTC	Orders sent: - Order sent to an intermediary on the list of selected intermediaries - Request for quote (RFQ) from several competing authorised intermediaries	Price, liquidity, speed, probability of settlement

f. Places of execution

Orders may be executed, taking into account the best execution criteria and the order characteristics, on:

- The main regulated markets (RMs, including those subject to exemptions from the pre- or post-trade transparency obligation);
- Organised or non-organised multilateral trading facilities (MTF)*;
- Systematic internalisers that execute non-RM or MTF orders by matching (SI, ELP (SI));

- Organised trading facilities (OTF) on which bond products, structured products, issuance quotas and sufficiently standardised derivatives can be traded;
- Other trading systems involving periodic auctions and trading platforms benefiting from exemption from the pre-trade transparency obligation (dark pools);
- The over-the-counter market.

**Covéa Finance arranges for the orders arising from its management decisions to be executed by a market member on several selected and listed multilateral trading facilities (MTF) of which Covéa Finance is a member (FXall, MarketAxess, TradeWeb).*

The factors that influence the selection of a place of execution are: the price, the need for execution as soon as possible, market liquidity, the order size and type and whether or not the client has consented to off-market execution.

The specified places of execution are those for which Covéa Finance believes it has taken all reasonable steps to obtain, when executing its orders, the best result for its clients.

2. Special situations

a. Primary issue/IPO

These include transactions on the so-called primary market (auction, at issuance), initial public offerings or accelerated bookbuilding (ABB) offerings for which orders placed are not executed within the meaning of this policy. Indeed, the intermediaries responsible for placing the securities are limited in number and designated by the issuer.

For these transactions, Covéa Finance may be required to place, execute and carry out settlement-delivery with an intermediary not selected from the referencing list, provided that the Trading Division ensures that the opinion of an ICCO is obtained before any investment. For these transactions, the preferred criterion is the probability of execution and settlement.

b. Over-the-counter transactions

For transactions such as private placements, Covéa Finance has put in place assessment and valuation systems and ensures a liquidity commitment with the intermediary.

For transactions on forward financial instruments traded on over-the-counter markets, Covéa Finance ensures the prior establishment of a framework agreement and a credit support appendix to govern the implementation of margin exchange and a termination/clearing mechanism. It being specified that the execution of orders outside of a trading platform (RM, MTF, IS) entails a counterparty risk.

c. Illiquid and/or complex products

It may be that Covéa Finance's Trading Table obtains only one price for trading illiquid products. It will make every effort to obtain the best result for its clients.

Covéa Finance may trade complex instruments, on the primary or secondary market, whose quotes are provided by only one intermediary or whose market-making is carried out by a single intermediary. In certain special cases and taking into account the complex nature of a financial instrument, the management teams concerned will determine all the elements of execution upstream and ensure the valuation of these instruments and their counter-valuation in accordance with internal procedures. The objective is to achieve the best possible result for each transaction.

d. Transactions between portfolios

Covéa Finance may carry out transactions between the portfolios under its financial management in accordance with internal procedures to prevent potential conflicts of interest.

e. Abnormal market conditions

In the event of significant market disruption and/or failure of an internal or external system, the ability to execute orders, if possible in a timely manner, becomes the top priority.

In the event of a system failure, the Trading Desk may not be able to access all of its usual execution methods.

3. Platform selection criteria

Covéa Finance is a member of regulated trading platforms with multilateral trading facility (MTF) status for the processing and execution of financial instruments (as referred to under III, A, 5 of this policy). These platforms were selected according to an enhanced due diligence process, which also took into account other criteria such as the ability to read audit trails and the backup of execution data.

4. Execution algorithm selection criteria

Covéa Finance uses execution algorithms that are the property of approved and selected intermediaries. Assessment scales have been put in place, as well as control reports on the quality of execution and the liquidity of the marketplaces, to which the algorithms have access. Based on its analyses, Covéa Finance may request restrictions on certain stock marketplaces in the configuration performed by the intermediary.

In some cases, for certain types of transactions, Covéa Finance may use an "algo wheel" to allocate order flows equally between the different intermediaries based on comparable execution parameters and algorithms.

5. Monitoring and review of the order execution policy

Covéa Finance regularly checks whether its execution systems and procedures contained in this policy provide the best possible result for its clients or whether it needs to make appropriate changes to its execution arrangements.

Covéa Finance reviews this policy and its provisions at least once a year. This review is also carried out whenever a material change affects Covéa Finance's ability to obtain the best possible result in the execution of its clients' orders using the platforms provided for in its best execution policy. Covéa Finance assesses whether a material change has occurred and, where appropriate, adjusts the relative importance of the execution factors in achieving the overall best execution objective.