

Best Executing Broker Selection Policy and Best Execution Policy

Covéa Finance is the Covéa Group's portfolio management company. It has been approved by the Autorité des Marchés Financiers (French Financial Markets Authority [AMF]) and is authorised to provide portfolio management services on behalf of third parties in the name and on behalf of principals, as well as being approved as a manager of undertakings for collective investment (UCITS/FIA).

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Purpose of the Best Selection and Best Execution Policy

This policy sets out the criteria established 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, L. 533-18¹ CMF and Articles 321-111 et seq. of the AMF General Regulation (RGAMF), as well as Article 321-114 of the same regulation, Covéa Finance must act in the best interests of its principals/clients and/or the holders of the UCITS/AIFs units or shares that it manages when executing an order or arranging for an order to be executed by a broker.

- When Covéa Finance is not a member of a trading platform* and places orders in the name and on behalf of undertakings for collective investment (UCITS/AIFs) and/or grants management mandates to approved market brokers or systematic internalisers, Covéa Finance is subject to a "**best selection**" obligation. This implies the obligation to take all measures required to select those brokers that are most likely to provide the best possible result for the execution of orders.
- When Covéa Finance is a member of a trading platform (excluding regulated markets) and/or executes orders resulting from a management decision itself, Covéa Finance is subject to a "**best execution**" obligation. This implies the obligation to take all measures required to obtain the best possible result when executing orders.

Categorisation

Covéa Finance considers itself to be a "*professional*" client and not an "*eligible counterparty*", requesting that brokers categorise it as such.

Brokers are subject to the best execution obligation set out under revised Directive 2004/39/EC or a provision deemed equivalent when Covéa Finance uses their execution services.

Grouped Orders and Pre-Assignment of Orders

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

- it is unlikely that the grouping of orders will be detrimental to any of the clients concerned;
- the pre-assignment of a global order is made and stored on a durable medium.

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

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

Executing Broker Information File

When entering into a business relationship, Covéa Finance prepares an information file for each of its referenced brokers (including annual report, Kbis extract or equivalent, contract or terms of business, execution and conflict of interest management policies).

This information file is updated regularly.

Information on Changes to 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 providing an updated version on its website. In addition, Covéa Finance recommends that its clients regularly review the version of its execution policy, which can be found on its website www.covea-finance.fr.

I. Prior Referencing of Brokers

Covéa Finance has set up a Referencing Committee which compiles a list of brokers and financial counterparties whose services may be selected by authorised persons or committees, such as the Selection Committee for Executing Brokers.

In order to be selected by authorised persons and committees, according to their own criteria, brokers and financial counterparties must have been included in the referencing list, by a favourable decision of the Referencing Committee.

The Referencing Committee does not participate in the actual selection of the service/s of any broker.

A. Method for Including New Brokers

Each new broker must be included by the Referencing Committee, according to the types of instruments and inclusion criteria related to the entity, prior to its selection by an approved person or committee.

The Referencing Committee has sole authorisation to decide on the inclusion, suspension, removal or banning of a broker on the referencing list.

1. Referencing Committee Membership

The Referencing Committee is composed of the following persons and divisions:

- Management Directors;
- Management team leaders;
- the Research Division;
- the Legal Division;

- the Middle Office Division;
- the Internal Control Division.

2. Inclusion Criteria

Inclusion decisions are based on various criteria relating to the entity, including:

- risk factors;
- commercial and pricing aspects;
- operational expertise;
- reputation;
- financial structure;
- company ethics and company legal structure.

These criteria are not exhaustive and will vary depending on the broker being considered for inclusion.

3. Inclusion or Modification Requests

Any request for inclusion, suspension or removal related to one or more brokers, for one or more types of products or services must be justified and sent by the members of the requesting authorised committees to a member of the Referencing Committee.

B. Frequency for Reviewing the List of Referenced Brokers

The Referencing Committee meets at least once a year to review the various assessments of referenced brokers and brokers actually selected in the referencing list.

After making these observations, the same committee may decide, on its own or upon request, in accordance with the above-mentioned procedures, to include, remove, suspend or ban a broker.

A special meeting may be held at any time, in particular as a result of a significant change in the service quality of a referenced broker, a penalty imposed on all or part of the activities of a referenced broker, a change in market conditions or a change within Covéa Finance. Such special meeting may be convened by one of its members or as advised by the Selection Committee for Executing Brokers.

II. Selection Policy for Executing Brokers

This refers to cases in which Covéa Finance sends orders resulting from its own management decisions to a third party responsible for executing them (hereinafter referred to as "executing brokers" or "brokers").

A. Criteria for Selecting Executing Brokers

Prior to their selection, Covéa Finance verifies that brokers have order execution mechanisms that enable them to comply with their obligation to provide the best possible result.

An evaluation system based on several criteria and used to evaluate the execution quality of the selected brokers has been established.

Points are awarded on the basis of quantitative criteria, such as the number and amount of Hit Ratios*, spread captures*, the execution performance of TCA* and P&L* generated by comparing the prices given by brokers and the liquidity they provide. (**See Glossary*)

Brokers are selected on the basis of the Trading Table and Middle Office assessment.

1. The Trading Division

The Trading Division has established a separate assessment process based on the type of financial instrument. This assessment results in a ranking and the establishment of a list of selected brokers by financial instrument.

The evaluation criteria may differ depending on the type of financial instrument owing to the specificities of each market.

2. The Middle Office Division

The Middle Office division has established a separate rating process according to the type of product. This rating assesses, in particular, the quality of exchanges and payments/deliveries with each broker.

B. Methods and Frequency for Assessing the Selected Executing Brokers

1. Selection and Assessment Committee for Executing Brokers

The Selection Committee meets to evaluate the selected executing brokers for all asset classes and financial instruments combined.

The members of the Selection Committee may submit a request to the Referencing Committee for a broker to be included on or removed from the referencing list, providing a rationale for the proposal based on objective criteria. This proposal is sent in the form of a letter or report to the Referencing Committee for examination.

2. Membership of the Selection and Assessment Committee for Executing Brokers

The Committee is composed of the following persons:

- one or more members of the Executive Committee;
- Management Directors;
- Management team leaders;
- all Traders;

- a Middle Office representative;
- an Internal Control representative;
- a Legal Division representative.

3. Frequency of Meetings of the Selection and Assessment Committee for Executing Brokers

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

However, a special meeting may be held at any time, in particular as a result of a significant change in the service quality of an authorised broker, a change in market conditions or a change within Covéa Finance.

4. The Executing Broker Monitoring Committee

Meetings of the Executing Broker Monitoring Committee are held by e-mail exchange, also on a monthly basis. These committees allow adequate communication of information between the departments concerning any difficulties encountered with one or more selected brokers.

An agenda is sent prior to the start of each committee meeting. Monitoring Committee members only meet in person if substantial matters are included on the agenda.

C. Monitoring and Review of Selection Policy

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

Covéa Finance reviews this policy and its provisions for executing orders on at least an annual basis. This review is also conducted whenever there is a significant change that affects the broker's ability to continue to achieve the best possible result for its clients.

III. Best Execution Policy for Transactions

This policy is for cases in which Covéa Finance executes orders directly resulting from its management decisions. This is the case, in particular, when Covéa Finance is a member of a trading platform and/or executes orders without the intervention of a broker.

However, it should be noted that, in accordance with applicable regulations, Covéa Finance does not provide execution services on behalf of third parties when it executes orders resulting from its own decisions for the management of undertakings for collective investment or discretionary management.

A. Best Execution Criteria

1. Best Execution Factors

When Covéa Finance executes an order resulting from a management decision, it endeavours to take all steps required to obtain the best possible result, taking into account the following qualitative criteria:

- price;
- cost;
- speed;
- probability of execution and payment;
- order size;
- order type;
- any other consideration relating to the execution of the order, such as the use of a clearing house by a trading platform.

2. Relative Importance of Execution Criteria

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

- client characteristics;
- characteristics of the order in question;
- characteristics of the financial instruments to which the order is related;
- characteristics of the execution venues to which this order may be directed.

Covéa Finance shall make available on its website, pursuant to Article 65 of the European Commission's Delegated Regulation (EU) 2017/565 of 25 April 2016, the annual report on the top five investment firms by category of financial instruments and summarised information on the quality of execution obtained from market brokers.

3. Client Characteristics

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

4. Relative Importance of Criteria by Order Type

Order type	Benchmark or Price established	Factors and Criteria
VWAP	VWAP (Volume Weighted Average Price)	Price, liquidity, cost
At Market 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 point	First execution price	Price, speed, liquidity

5. Relative Importance of Criteria by Instrument Type

FINANCIAL INSTRUMENTS	TYPES OF PLATFORMS	STRATEGY FOR BEST EXECUTION & BROKER SELECTION	FACTORS AND CRITERIA
SHARES			
Equity	RM, MTF, SI, SI (ELP), DARK POOL, PERIODIC AUCTIONS	Orders sent to selected brokers (see selection policy)	Price, liquidity, speed, cost according to the type of order
ETFs (stocks, bonds and commodities)	RM, MTF, SI, SI (ELP), DARK POOL	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, speed, cost according to the type of order (e.g. NAV), probability of payment
BONDS			
Government bonds (OATs, sovereign, supranational, agencies, covered bonds, treasury bonds, etc.)	SI, OTF, MTF	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, speed, probability of payment
Private debts (financial, corporate, etc.)	SI, OTF, MTF	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, speed, probability of payment
CONVERTIBLE BONDS			
Convertible bonds	OTC, SI, OTF, MTF	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, probability of payment
MONEY MARKET			
Short-term negotiable securities, commercial securities, short-term sovereign bonds, etc.	OTC	Orders sent to selected brokers (see selection policy)	Price, liquidity
LISTED DERIVATIVES			
Futures (underlying equity indices, commodities, interest rates, foreign exchange)	RM	Orders sent to selected brokers (see selection policy)	Price, liquidity, speed, cost
Listed options (stocks, indices, foreign exchange)	RM, MTF	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, speed, cost
OTC DERIVATIVES			
Rate Swap	OTC, MTF	Orders sent: - Order sent to a broker from the list of selected brokers whose ISDA or FBF framework agreements are valid - Request for quote (RFQ), competitive selection process between several authorised brokers whose ISDA or FBF framework agreements are valid	Price, liquidity, speed
Forwards, swaps	OTC, MTF	Orders sent: - Order sent to a broker from the list of selected brokers whose ISDA or FBF framework agreements are valid - Request for quote (RFQ), competitive selection process between several authorised brokers whose ISDA or FBF framework agreements are valid	Price, liquidity, speed
FOREIGN EXCHANGE (EXCLUDING DERIVATIVES)			
Foreign exchange (spot)	OTC, MTF	Orders sent: - Order sent to a broker from the list of selected brokers - Request for quote (RFQ), competitive selection process between several authorised brokers	Price, liquidity, speed

6. Execution Venues

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

- Major Regulated Markets (RMs, including those with pre- and post-trade transparency exemptions);
- Organised or non-organised multilateral trading systems (MTSs-OMTSs);
- Systematic internalisers that execute orders outside MRs or MTSs by matching (SI, ELP (SI));
- Organised trading systems (OTSS or OTFs) where bond products, structured products, emissions allowances and sufficiently standardised derivatives can be traded;
- Other periodic auctions and trading platforms exempted from the pre-trading transparency requirement (dark pools);
- The over-the-counter market.

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

B. Special Situations

1. Illiquid and/or Complex Products

When trading illiquid products, the Covéa Finance Trading Table may obtain only one price. It will take all steps to obtain the best result for its clients.

Covéa Finance may trade complex instruments, on the primary or secondary market, whose listings are provided by only one broker or whose market making is done by a single broker. In certain, specific, cases and bearing in mind the complex nature of a financial instrument, the relevant Management teams will first determine all of the execution factors and ensure that these instruments are valued and counter-valued according to internal procedures, the aim being to achieve the best possible result for each transaction.

2. Transactions between Portfolios

Covéa Finance may carry out transactions between the portfolios it manages in accordance with internal procedures to prevent potential conflicts of interest.

3. Abnormal Market Conditions

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

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

C. Platform Selection Criteria

Covéa Finance is a member of a regulated trading platform with organised trading system (MTS) status for the processing and execution of fixed income products (excluding equities and similar securities).

This platform was selected according to an independent selection process. This selection also took into account other criteria, such as payment/delivery and the territorial application of European rules governing the market and its manager.

D. Monitoring and Review of the Order Execution Policy

Covéa Finance regularly monitors whether the execution systems set out in this policy achieve the best possible results for its clients or whether it needs to make changes to its execution arrangements.

Covéa Finance reviews this policy and its provisions at least once a year. This review is also conducted whenever a major change affects Covéa Finance's ability to obtain the best possible results when executing orders from its clients using the platforms set out in its best execution policy. Covéa Finance determines whether a material change has occurred and, if necessary, adjusts the relative importance of the execution factors in achieving the best overall execution objective.

GLOSSARY

***Hit ratio:** The hit ratio is a statistical indicator of the use of a broker's services. It compares the number of times Covéa has questioned the broker regarding the purchase or sale of a financial security with the number of times that the counterparty actually executed the transaction.*

***Spread captures:** Represents the ability to obtain the best possible price for each transaction.*

***Trading platform:** A trading platform is a regulated market, as defined under Article L.421-1 CMF, a multilateral trading system, as defined under Article L. 424-1 CMF, or an organised trading system, as defined under Article L. 425-1 CMF.*

***TCA: Transaction Cost Analysis:** analysis of the cost of transactions in one or more markets.*

***P&L:** Profit and loss, the profitability of a transaction.*