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# AXA Investment Managers Germany

## Selection and order execution policy

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September 2021

### 1. Introduction

This document has been designed to inform our customers and potential investors of the selection and order execution policy implemented by AXA Investment Managers Deutschland ("AXA IM DE") on behalf of the portfolios it manages.

This document is destined to our potential clients or investors whether professional or non-professional as defined by MiFID that are either holders of an individual mandate or investors in Units of Collective Investments in Transferable Securities ("UCITS") and Alternative Investment Funds ("AIF").

This document was prepared with regards to the regulatory provisions in section 82 German Securities Trading Act (WpHG) and section 168 German Investment Code (KAGB):

AXA Investment Managers DE is a portfolio management company approved by the BaFin under the number 10105555. It is regulated to manage UCITS, AIFs or mandates. AXA IM DE is not a market member and does not execute orders. It sends its orders to authorized intermediaries for execution in the markets. AXA IM DE has therefore set up a policy for the selection of market intermediaries.

AXA IM DE requested its intermediaries to be categorized as a professional client and to be provided with the best execution.

### 2. Organisation

#### a. General case

AXA IM DE takes all the sufficient steps to obtain, when executing orders, the best possible results for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. As part of its organization, AXA IM DEs mainly uses the services of AXA IM IF, AXA IM GS and AXA IM Paris in order to take all the sufficient steps to achieve best execution.

- AXA IM IF is an investment service provider domiciled in France approved by the French Prudential and Resolution Control Authority ("ACPR") and the French Financial Markets Authority (AMF). It is authorized to provide the services of reception and transmission of orders and execution of orders for third parties.
- AXA IM GS is an investment services provider, domiciled in the United Kingdom, registered as a Financial Services Firm by the British regulatory authority, the Financial Conduct Authority (FCA).
- AXA IM Paris is a portfolio management company approved by the French Financial Markets Authority (AMF). It is regulated to manage UCITS, AIFs or mandates.

These entities are part of the AXA Investment Managers Group, separate from AXA IM DE and have their own selection and execution policies.

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### b. Other cases

AXA IM DE portfolio managers may trade directly without using the services of AXA IM Paris, AXA IM IF or AXA IM GS for the instruments listed below:

- Bonds

In general, several counterparties are solicited before executing bond transactions. They are selected based on qualitative criteria: market access, reactivity, knowledge of the underlying, quality of support & settlement services, etc. Yet, the criterion that ultimately determines the choice of the counterparty is primarily the price. AXA IM DE ensure, through its control plan, that orders were executed at market condition deemed as satisfactory and justified.

- Loans and Private Placement bonds

In general, loans and private placement bonds are offered by the issuer at a certain spread to Mid Swap, in both cases not to the overall public, but only to a handful selected investors. As the price is fixed by the issuer, one counterpart is selected based on qualitative criteria: market access, reactivity, knowledge of the underlying, quality of support & settlement services, etc. In such cases soliciting several counterparties can be counterproductive, due to the specific nature of these operations. AXA IM DE ensure, through its control plan, that orders were executed at market condition deemed as satisfactory and justified.

### c. Delegation

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

## 3. Execution process

### a. Scope

This policy applies to transactions conducted by AXA IM DE when it offers investment services and collective investment management to any type of customers, professional or non-professional with the meaning of MiFID.

### b. Execution places

AXA IM DE 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 DE has expressly authorized its brokers, intermediaries and counterparties to operate over-the-counter or 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.

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Depending on the execution venue chosen by the service provider on behalf of AXA IM DE certain risks may be borne in fine by the client such as the counterparty risk in case of OTC transactions. AXA IM DE and its service providers have the objective of achieving the best possible result for clients taking into account these potential risks.

### **c. Clients' specific instructions**

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

### **d. Principles relative to direct order execution by AXA IM DE**

Appendix 1 of this policy lists the types of financial instruments traded by AXA IM DE and describes the strategies and criteria deployed to obtain the best execution possible.

### **e. Non-professional clients**

Irrespective of appendix 1, for non-professional clients, the best possible result is determined by the total cost.

### **f. Pooled orders**

Unless otherwise instructed by the customer, similar orders 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.

### **g. Cross portfolio orders - Crosstrades**

AXA IM DE can perform cross transactions between two portfolios in order to obtain the best possible result for such portfolios, particularly in terms of cost (like lower intermediation costs or trading at a mid-range price).

While almost all these transactions are executed on the market via a broker, intermediary or counterparty, some may, in special circumstances and exceptionally, be made directly between our portfolios.

Except specific cases already validated by Compliance Department and described in the relevant internal Policy, cross-portfolio transactions are subject to the pre-approval of AXA IM DE Compliance Department in accordance with internal procedures in order to manage potential conflicts of interest.

### **h. Fair allocation**

In general, transactions should be allocated accordingly to provisional pre-allocation provided when instructing the order. In case of partial allocation, order should be allocated on a pro-rata basis, taking into account the characteristics of the different financial instruments (amount, quantity, etc ) and any eventual specific instruction received from clients.

### **i. Investments into CIS managed by AXA-IM**

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Portfolios managed by AXA IM DE are allowed to invest into units / shares of other CIS 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 or any other commitment of shareholders described into portfolios' legal documentation.

Moreover, to ensure best interest of existing shareholders, investments should not be delayed over several days aiming to avoid the application of any eventual anti-dilution mechanisms (swing price, variable entry / exit fees, etc.)

### j. Force majeure

In case of major difficulty in order execution like a system failure or severe market disruptions, AXA IM DE might not be able to execute an order in accordance with this policy. In these particular cases, AXA IM DE would activate its back-up solutions in accordance with its internal procedures.

## 4. Broker and counterparty selection and follow-up process

To achieve best execution, AXA IM DE 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.

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

a) AXA IM DE, AXA IM Paris, AXA IM IF and AXA IM GS, all subject to the regulatory requirement to provide best execution, have defined an 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.)
- An approval process where the following departments are solicited: Risks, Operations, Compliance and Legal. Each team casts its vote and has a right of veto which triggers the rejection of the broker or counterparty.

Generally, when executing a client order:

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

b) With regards to the monitoring of brokers, intermediaries and counterparties, AXA IM has established monitoring procedures to assess regularly 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"<sup>1</sup> of the entity, with at least an annual review of those rated "high risk" and a triennial review of those with a "standard risk".

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

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Besides counterparties' selection process, AXA-IM set up evaluation procedures of brokers and counterparties in order to ensure a regular review of the execution conditions provided by them.

### 5. Policy monitoring

#### a. Policy control

AXA IM DE Compliance team conducts periodic controls on execution of orders by AXA IM Paris, AXA IM IF, and AXA IM GS. These controls also cover order executions by the portfolio managers of AXA IM DE. Such controls are conducted on a sample basis.

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

#### b. Policy review

AXA IM Paris ensures continuously the effectiveness of its selection and order execution policy through its set of controls which may result in adjustment to the policy, such as inclusion of new criteria.

### 6. Conflicts of interests

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

### 7. Communication and execution policy review

The execution policy may be revised at any time at the initiative of AXA IM DE 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. Each time the policy is modified, a new version of the execution policy is published on the website: [www.axa-im.fr](http://www.axa-im.fr) and is therefore considered as applicable. Any significant change of the policy is communicated to clients as soon as practicable by publishing the amended policy on the website: [www.axa-im.fr](http://www.axa-im.fr).

### 8. Client's consent

For individual portfolio management, clients must provide AXA IM DE before the provision of service with:

- their consent on this policy, especially on the possibility for AXA IM DE to execute orders outside a regulated market or a multilateral trading facility
- any specific instruction concerning the execution of orders related to their mandates, as the case may be.

Concerning other investment management services, the client is considered to have accepted this execution policy.

### 9. Responsibilities

AXA IM DE takes all sufficient measures to obtain the best possible result 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 DE may not be considered responsible for the non-execution or incorrect execution of orders resulting from "force majeure" circumstances preventing it from fulfilling its obligations.

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Finally, AXA IM DE may not be considered responsible for unfavorable circumstances consecutive to the execution of specific client instructions.

### 10. Record Keeping

AXA IM 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 instruction.

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### Appendix 1: Types of financial instruments directly traded by AXA IM DE: principles and criteria considered to obtain the best possible execution

Financial Instruments	Critical factors	Important factors	Others
Bonds	Price, reactivity, total cost	market access, quality of support & settlement services,	Client features
Loans, private placements	issuer access	market access, quality of support & settlement services,	Client features
UCITS / AIF	Transactions executed on NAV price	Not applicable	Not applicable

The list of financial instruments that are not directly executed by AXA IM DE's portfolio managers but by AXA IM Paris, AXA IM IF; and AXA IM GS, as well as the criteria and strategies deployed by these three entities in order to obtain best execution are detailed in their own selection and execution policies.

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