

# AXA IM COMPLIANCE STANDARD

Best Execution Standard

**Contact Details**

Owner/s:	Global Compliance - Head of Investment Transversal Business Processes
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<b>Document Control .....</b>	<b>2</b>
<b>1. Introduction.....</b>	<b>4</b>
1.1. Context .....	4
1.2. Objectives.....	4
1.3. Scope .....	4
1.4. Implementation .....	5
1.5. Exceptions.....	5
<b>2. Detailed description .....</b>	<b>6</b>
2.1. Execution Factors .....	6
2.2. Execution Criteria .....	6
2.2.1. Client Characteristics .....	7
2.2.2. Client Order Characteristics (including Specific Client Instructions) .....	7
2.2.3. Execution Venues and Counterparties .....	7
2.2.4. Market Impact.....	8
2.2.5. Execution Arrangements .....	8
2.2.6. Investment Objective, Policy and Risks .....	8
2.3. Financial Instrument Specific Considerations .....	8
2.4. Monitoring and Control.....	8
2.4.1. Post Trade Transaction Monitoring .....	8
2.4.2. Providing Information to Clients, Regulators and the Market .....	9
2.4.3. Procedures .....	9
2.4.4. Record Keeping .....	9
<b>2.5. LEVELS OF CONTROL .....</b>	<b>9</b>

# 1. INTRODUCTION

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## 1.1. CONTEXT

AXA Investment Managers (“AXA IM”) entities in scope of this policy (collectively, the “Firms”) must treat its clients with honesty, fairness and professionalism, acting in their best interests at all times.

AXA IM must take all sufficient steps to obtain the best possible result for its clients, taking into account all relevant execution factors, on a consistent basis, when executing client orders or transmitting them to another party for execution.

Further detail on the considerations and processes required to ensure Best Execution can be found in the Global / relevant local policies or by contacting your local Compliance team to understand local requirements.

## 1.2. OBJECTIVES

The objectives of this Standard include the following:

- Ensure that clients are treated fairly, provided with accurate and transparent information, and protected from potential abuses or conflicts of interest when executing transactions.
- Uphold the fairness, transparency, and efficiency of financial markets by preventing fraudulent activities that could undermine investor trust.
- Maintain AXA IM's reputation and ongoing business operations to ensure continued trust with stakeholders, compliance with regulations and AXA IM's long-term success and positive impact.
- Raise Staff awareness and reduce the risk of issues relating to Best Execution.

## 1.3. SCOPE

This Standard applies to all AXA IM entities and their Staff, including all permanent, temporary, seconded, full and part time Staff, non-executive directors, contractors and interns (collectively, “Staff”), as appropriate to their business operations. In situations where local regulatory requirements dictate or prescribe practices that are more prudent than what is contained within this Standard, local regulatory requirements must be adhered to first and foremost. Where relevant, this must be outlined in local policies and disclosed to clients in accordance with local regulatory requirements.

Best Execution applies when AXA IM entities are:

- executing a client order (including executing a decision made by AXA IM to deal on behalf of one of its clients directly with an execution venue);
- transmitting a client order to another party for execution, where the decision to deal has been made by AXA IM on behalf of one of its clients;
- receiving and transmitting a client order to another party for execution; and
- using efficient portfolio management techniques.

And in the course of:

- portfolio management;
- investment activities as an investment manager of an undertaking for collective investment in transferable securities (“UCITS”);
- investment activities as an alternative investment fund manager; and
- carrying out an order provided by a client.

## **1.4. IMPLEMENTATION**

This Standard must be implemented with immediate effect following Global Risk Committee (“GRC”) approval and may be revised as needed to accommodate any changes in practices consistent with applicable regulatory requirements.

## **1.5. EXCEPTIONS**

Any exceptions to this Standard must be approved by the Global Compliance, Head of Investment Transversal Business Processes and validated by the GRC and respective local committees.

## 2. DETAILED DESCRIPTION

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The principles set out in this Best Execution Standard represent the best practices that must be in place and applied by AXA IM entities that execute client orders or transmit them to another party for execution. They must be reflected in front-office procedures in respective entities and any issues related to Best Execution must be discussed at appropriate forums, including the Global Best Execution Committee, where appropriate.

Where there are specific client instructions, AXA IM must execute the client order following the specific client instruction. In doing so, AXA IM will satisfy its obligation to take all sufficient steps to obtain the best possible result for a client to the extent that it executes the client order following the specific client instruction. If a specific client instruction relates to only part of a client order, AXA IM will retain a best execution obligation in respect of the remaining aspects of the client order.

### 2.1. EXECUTION FACTORS

AXA IM must take into account the following when executing a client order and when using efficient portfolio management techniques in order to achieve Best Execution, which may include, but are not limited to:

- price of the financial instrument;
- costs directly related to the transaction (including any commission, settlement cost, tax implications or charges levied by AXA IM and implicit costs);
- speed of execution;
- likelihood of execution and settlement;
- size of the order;
- nature of the order

and any other consideration relevant to the execution of the client order, provided that where a specific client instruction applies, AXA IM will employ that specific client instruction.

In the absence of a specific client instruction, it may also be necessary to take into consideration additional execution factors such as:

- the need for timely execution;
- the potential for price improvement;
- the potential price impact of a client order;
- the liquidity of the market (which may make it difficult to execute a client order);
- the nature of the transaction (including whether such transaction is executable on a regulated market ("RM") or not);
- the quality and cost effectiveness of any available clearing and settlement facilities; and
- the need for counterparty diversification.

In certain jurisdictions, AXA IM may be required to determine best execution separately for retail and professional clients, as well as specify the relative importance of executions factors. Where relevant, this must be outlined in local policies.

### 2.2. EXECUTION CRITERIA

AXA IM must take into account execution criteria when prioritising execution factors. These may include, but are not limited to:

- the characteristics of the client order, including where the order involves a securities financing transaction and / or hedging transactions;
- the characteristics of financial instruments (including the impact upon the underlying financial asset) that are the subject of the client order;
- the characteristics of the execution venues or counterparties to which the client order can be directed;

- the market impact of the client order;
- the execution arrangements for the client order;
- any applicable specific client instruction; and
- the characteristics of the client including categorisation of the client.

### **2.2.1. CLIENT CHARACTERISTICS**

AXA IM must take into account the client characteristics when considering Best Execution.

AXA IM acknowledges that there may be circumstances where a client's characteristics means that price is not the principal execution factor for that client.

### **2.2.2. CLIENT ORDER CHARACTERISTICS (INCLUDING SPECIFIC CLIENT INSTRUCTIONS)**

AXA IM must take into account the client order characteristics when considering Best Execution.

AXA IM acknowledges that the presence of client order characteristics may lead to price being superseded as the main execution factor for a client order.

### **2.2.3. EXECUTION VENUES AND COUNTERPARTIES**

AXA IM must take into account the execution venues, counterparties or members of the AXA IM Group where it considers that it is appropriate to do so to achieve best execution for a client order.

AXA IM has a global policy governing the counterparty authorisation and monitoring process. In transacting a client order, AXA IM must only use a counterparty (banks, brokers, market makers and other counterparties etc.), that has been authorised in accordance with the Know Your Counterparty Policy ("KYCP").

In certain jurisdictions, clients must provide prior express consent to the execution of a client order outside a Regulated Market ("RM") or Multilateral Trading Facility ("MTF") (where the client order is in a financial instrument that is tradable on a RM or MTF). Where relevant, further details must be outlined in local policies.

A specific client instruction may prevent AXA IM from taking the steps that it has designed and implemented in this Standard to obtain the best possible result for the execution of the client order, in respect of the elements covered by the specific client instruction. In that case, the client concerned must be contacted and a modified specific client instruction obtained.

If a specific client instruction applies, AXA IM may still transmit the specific client instruction to the counterparty or member of the AXA IM Group executing the client order. AXA IM must then consider for each client order if it is appropriate to transmit execution guidance to the counterparty or member of the AXA IM Group, in order to deliver best execution for the client order.

However, where AXA IM transmits a client order to a counterparty or member of the AXA IM Group for execution (including where it provides execution guidance to the counterparty), AXA IM will not ultimately control the execution of the client order. In this scenario, the AXA IM entity transmitting the client order must monitor the execution quality of the counterparty or member of the AXA IM Group.

AXA IM must not structure its charges in such a way as to discriminate unfairly between execution venues or counterparties. Differences in costs associated with using different execution venues must reflect actual differences in cost to AXA IM for using each execution venue.

AXA IM must set diversification requirements for its use of market makers and counterparties so as to prevent conclusion of a client order resulting in a counterparty or market maker exposure limit being exceeded.

In certain jurisdictions AXA IM may also be required to consider the impact of its own commissions and costs when executing a retail client's order on each competing execution venue or counterparty. Where relevant, this must be outlined in local policies.

In certain jurisdictions the counterparty that AXA IM connects with may provide access to the market (i.e. a "seat") and both the purchase and sale must be conducted via the same counterparty, who themselves will have access to all brokers providing quotations.

#### **2.2.4. MARKET IMPACT**

AXA IM must take into account the potential impact that a client order may have on the market in question and the prevailing market conditions which in turn may influence the relative importance of the execution factors or the execution strategy employed by AXA IM when considering best execution.

#### **2.2.5. EXECUTION ARRANGEMENTS**

AXA IM must consider which medium or manner of execution is most suitable (i.e. voice, electronic trading platforms or an algorithm provided by a counterparty) when considering best execution.

#### **2.2.6. INVESTMENT OBJECTIVE, POLICY AND RISKS**

Where applicable, the investment terms governing a Collective Investment Undertaking may dictate the relative importance of the execution factors, such that price may not be the primary execution factor.

### **2.3. FINANCIAL INSTRUMENT SPECIFIC CONSIDERATIONS**

AXA IM must consider the circumstances associated with each type of financial instrument. Where a client order comprises a complex product (represented by the performance of more than one financial instrument), best execution must be applied in respect of the client order as a whole.

## **2.4. MONITORING AND CONTROL**

### **2.4.1. POST TRADE TRANSACTION MONITORING**

AXA IM must ensure it monitors and reviews executed client orders in order to validate and analyse the delivery of best execution and the effectiveness of this Standard and local policies with a view to appropriately addressing any deficiencies in achieving best execution.

The primary responsibility for monitoring the quality of client order execution resides with those involved in the investment and trading process.

AXA IM must perform day-to-day monitoring of executed client orders and have in place an escalation process to raise issues within the teams involved.

Post trade monitoring must be undertaken on a regular basis. Full details regarding this must be outlined within dedicated policies. Any identified issue must be addressed in line with local policies and may need to be referred to or resolution confirmation shared with the appropriate governing committee.



## 2.4.2. PROVIDING INFORMATION TO CLIENTS, REGULATORS AND THE MARKET

In certain jurisdictions AXA IM may be required to provide information on their trading and inducements, either to clients, regulators or the market. Where relevant, this must be outlined in local policies.

Where a client makes a reasonable and proportionate request for information about AXA IM's best execution practices or arrangements and how they are reviewed, AXA IM must respond to the client request clearly and within a reasonable timeframe.

## 2.4.3. PROCEDURES

These Standards are implemented by first line senior management through procedures that describe operating controls specific to each business line. Local Compliance will take a risk based approach to perform these controls and report the results to the local control committees or similar control function(s) and/or the Global Best Execution Committee.

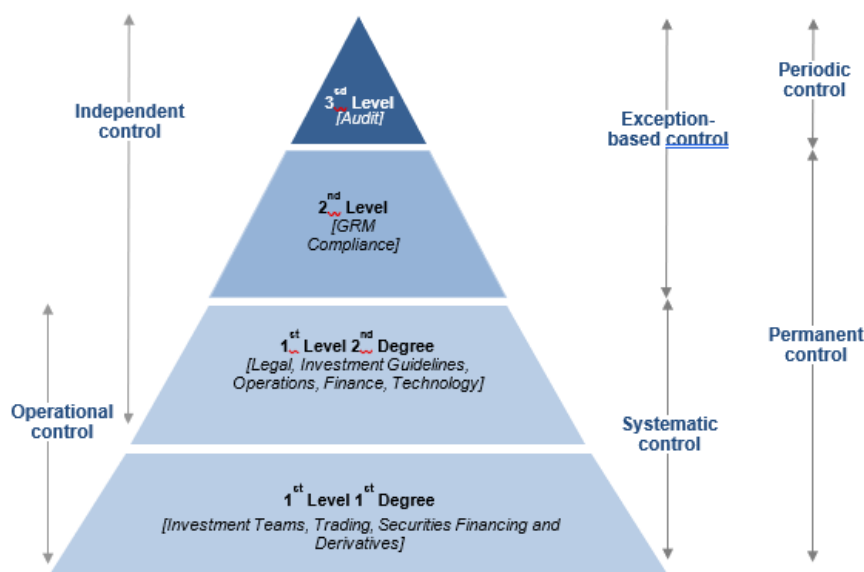
Local Compliance teams are responsible for identifying local risks not addressed in Global Standards, Policies or Framework to ensure that these risks are properly accounted for. Global Compliance will then be responsible for ensuring that these risks are captured globally.

## 2.4.4. RECORD KEEPING

Records must be kept that demonstrate all processes, decisions and actions undertaken in a durable medium that provides accessibility and readability to satisfy regulatory requirements for the period specified in local policies.

## 2.5. LEVELS OF CONTROL

The roles and responsibilities applicable to this Standard are:



The different levels of control have to be performed locally (with the exception of 3rd level). Each local policy must describe its own process of control.