

# Policy for Selecting Intermediaries/Counterparties and Executing Orders

June 2020

## 1. BACKGROUND

The European Directive 2014/65/EU (Markets in Financial Instruments Directive, MiFID II) entered into force on 3 January 2018. MiFID II introduces developments in the area of investor protection.

Under the MiFID II Directive and the AMF General Regulation<sup>1</sup>, the obligation to deliver the best possible result to clients when executing orders, has been strengthened. Therefore, asset management companies must fulfill their obligation to take all "sufficient" steps to deliver the best possible result to their client.

In accordance with the requirements of the MiFID II Directive, the purpose of this document is to better define the scope and conditions for applying the "best selection" and "best execution" policies set up by Mirova to honor its obligation to deliver the best possible result to its clients.

The asset management company regularly monitors the effectiveness of its policy, especially the execution quality of the entities selected under this policy.

## 2. BEST SELECTION PRINCIPLE

Within the framework of collective management, the management company has the obligation to act in the best interests of the UCITS<sup>2</sup>. The principle of the Best selection<sup>3</sup> of intermediaries enables the management company to deliver the best possible result to its clients when transmitting orders for the account of the portfolios it manages to the duly authorized intermediaries.

A "best selection" obligation also weighs on asset management companies in the context of the provision of portfolio management services on behalf of third parties (management of discretionary mandates). Thus, when the management company sends to a third party the orders it has received from its clients for execution or resulting from its management decisions, it is required to take all "sufficient" steps to deliver the best possible result.

All orders are entrusted to Natixis Asset Management Finance as part of its intermediation activity for execution to a selected broker<sup>4</sup>.

In accordance with the requirements of the MiFID II Directive and the provisions transposed to the General Regulation of the French Market Authority, this policy describes Mirova's overall organization and the principles it generally applies to the selection of intermediaries.

1. Article 321-114: When they transmit for execution orders resulting from their decisions to trade financial instruments on behalf of UCITS that they manage to other entities, asset management companies shall comply with the obligation referred to in Article 321-100 to act in the best interest of the UCITS that they manage.

2. AMF General Regulation 321-114: When they transmit for execution orders resulting from their decisions to trade financial instruments on behalf of UCITS that they manage to other entities, asset management companies shall comply with the obligation referred to in Article 321-100 to act in the best interest of the UCITS that they manage.

3. Mirova has set up an accreditation system to select the intermediaries from which the orders are sent for execution.

4. Natixis Asset Management Finance chooses its third-party brokers in accordance with the costs and the quality of the order execution procedures from the list of counterparties/brokers authorized by Mirova (from the accreditation system). The counterparties in charge of execution comply with the "Best Execution" principle of the MiFID II Directive.



### 3. FUNDAMENTAL PRINCIPLES ADOPTED BY MIROVA

In the framework of the management of discretionary mandates, Mirova must perform its functions independently and in the exclusive interest of its clients.

Pursuant to the Directive on Markets in Financial Instruments (MiFID II), Mirova has set the following principles as a guideline:

- Respect for the integrity, transparency and security of markets;
- Compliance with the applicable regulations and the general rules of good conduct laid down by the industry;
- Respect for best interests of clients.

This policy applies when the management company directly manages the portfolios, except for portfolios where the management company delegates management to a third party.

This policy is reviewed annually and is subject to change without notice at any time.

The present policy applies to professional and non-professional clients of Mirova within the meaning of MiFID II.

### 4. POLICY FOR SELECTING INTERMEDIARIES

In accordance with the Markets in Financial Instruments Directive (MiFID II), Mirova has set up an overall organization with the purpose of delivering the best possible result to its clients when transmitting and executing orders.

Mirova opts for professional client status as far as intermediaries/counterparties are concerned.

#### **Accreditation process for intermediaries**

The best selection is made based on a list of authorized counterparties validated by Mirova. The process of selecting counterparties follows principles realized by the formalization of the application for accreditation, the documentation of the entire process and at least annual review, or an event-specific review that may possibly lead to the suspension of a referenced counterparty and, if necessary, to its removal.

#### **Mirova entrusts its orders to Natixis Asset Management Finance as part of its intermediation activity<sup>5</sup>**

Mirova forwards all orders resulting from management decisions on financial instruments to Natixis Asset Management Finance<sup>6</sup>.

The use of an external intermediation service allows to meet the best interests of our clients and obtain the best result: Natixis Asset Management Finance is an entity dedicated to intermediation activity with tools and ad hoc processes. This infrastructure allows to process orders in the best interest of its clients and therefore of Mirova. It acts completely independently and, taking into consideration the volume processed, provides better prices and reduces operational risk.

Natixis Asset Management Finance is a subsidiary of Natixis Investment Managers International and is authorized as an investment services bank by the ACPR (the French Prudential Control and Regulation Authority).

5. Natixis Asset Management Finance has an execution policy. Mirova has put in place a permanent control system to monitor and ensure the proper application (Section 5).

6. Natixis Asset Management Finance chooses its third-party brokers in accordance with the costs and the quality of the order execution procedures from the list of counterparties/brokers authorized by Mirova (from the accreditation system). The counterparties in charge of execution comply with the "Best Execution" principle of the MiFID II Directive.



Mirova can ask Natixis Asset Management Finance to be considered as a non-professional client at any time, and therefore benefit from the higher protection regime. In this respect, the paramount criterion is the total cost reflecting the price of the financial instrument or contract plus all costs related to execution.

Mirova gives itself the opportunity to instruct Natixis Asset Management Finance on specific orders such as closing orders, linked orders and constrained orders.

## 5. EXECUTION POLICY

### Mirova

Mirova execution policy is based on the following principles:

- **Instructions received from client**

In the case of client's instructions notably concerning the organization or the choice of an intermediary, or a part or aspect of the order only, Mirova cannot guarantee the best possible result in the execution of the order.

In the same way, in case of an instruction from Mirova to Natixis Asset Management Finance, the latter may be exempted from its obligations of best selection and best execution, in order to comply first with such an instruction.

- **Authorized counterparties**

Orders on the OTC market are handled by a counterparty authorized by Mirova.

- **The products concerned**

The products concerned are the financial instruments covered by the MiFID II Directive.

- **The principles of allocation and distribution of orders**

Mirova takes all reasonable steps to ensure that all financial instruments are quickly and correctly allocated to the relevant portfolio account.

Mirova defines a prior allocation of orders it issues.

- **Grouped orders**

Mirova and Natixis Asset Management Finance may use the possibility of grouping client orders together in accordance with Article 321-108 of the AMF General Regulation.

In each case, the order circuit procedures will have to formalize how the volume and price of orders determine the distributions and processing of partial executions.

### Natixis Asset Management Finance

- **Main execution venues of orders entrusted to Natixis Asset Management Finance**

Mirova transmits its orders to Natixis Asset Management Finance which, having its own execution policy, can benefit from a variety of execution venues (see Appendix 1) in order to provide the best selection of intermediaries and the best execution.

Without being an exhaustive list, the execution venues proposed by Natixis Asset Management Finance are:

- Regulated Markets (through an intermediary authorized by the Client);
- Multilateral Trading Facilities;
- The OTC Market (from a counterparty authorized by the Client).

Mirova authorizes Natixis Asset Management Finance to execute orders outside a regulated market or a multilateral trading facility. The OTC Market has a counterparty risk and has no order book system.

The list of execution venues selected by Natixis Asset Management Finance, or trading platforms on which Natixis Asset Management Finance can execute orders, is specified in Appendix 1.

- **Selection criteria**

The selection or execution factors considered by Natixis Asset Management Finance to determine the terms and conditions for the transmission or execution of client orders are described in Appendix 2 “Selection criteria.”

- **Costs of execution**

Intermediation fees are regularly monitored for the amounts allocated for execution (brokerage). This monitoring takes into account the remuneration paid to Natixis Asset Management Finance.

Natixis Asset Management Finance has its own Best Execution/Best Selection policy which is brought to the attention of Mirova.

## 6. MiFID II REGULATORY INFORMATION

**Information on orders entrusted by Mirova to Natixis Asset Management Finance as part of its intermediation activity (receiving and transmitting orders on behalf of third parties (RTOs))**

- Appendix 1: Execution venue - Natixis Asset Management Finance
- Appendix 2: Selection criteria - Natixis Asset Management Finance

**II. For your information, please find below the link to the overall system of Natixis Asset Management Finance as part of its intermediation service**

- Annual report of the top five execution venues<sup>7</sup>
- BEST EXECUTION/BEST SELECTION Policy including the appendix “List of counterparties”

The best execution and best selection policy and annual reports of the first five execution venues of Natixis Asset Management Finance are available online on its website:  
<http://www.namfi.natixis.com/>

## 7. REVIEW OF THE EFFECTIVENESS OF THE PROCESS

The summary documents formalizing the annual review of this policy are retained for at least 5 years.

MIROVA regularly checks <sup>8</sup>whether the execution process provided for in this policy delivers the best possible result to the client or if it needs to be changed in terms of its execution process.

The best execution and/or best selection do not necessarily apply to individual transactions (line by line) but are estimated based on all transactions over a given period.

Mirova has elements to justify the best execution for orders entrusted to Natixis Asset Management Finance in the form of information provided and reports set up by the latter.

For example, Natixis Asset Management Finance provides Mirova with the following reporting items:

1. The cash equity activity dashboard (quarterly) specifying the amounts of the fees paid to brokers;

7. The top five venues are published by Natixis Asset Management Finance as part of the service of reception and transmission of orders on behalf of third parties (RTOs).

8. Article 321-114 V. - The asset management company regularly monitors the effectiveness of the policy established pursuant to article 321-114 IV, and particularly the quality of execution of the entities selected under this policy



2. Intermediation statistics (quarterly) with details on the distribution of orders among brokers, by financial instrument;
3. An overall summary of the results regarding broker votes (annual);
4. Cost Analysis transaction reporting (quarterly);
5. Presentation by Natixis Asset Management Finance to Mirova of each modification, and annual presentation of its policy.

Mirova has set up a system for monitoring intermediaries and counterparties and conducts an annual review of the selected intermediaries/counterparties. The same applies even when a significant change occurs that is likely to affect the ability to deliver the best possible result for its clients.

This system is notably based on the holding of two separate committees:

- The management committee. The participants in this committee are heads of Mirova's management lines, the chief executive officer and the head of the trading desk at Natixis Asset Management Finance
- The control committee organized by Mirova's internal control.

# APPENDICES

Information on the orders entrusted to Natixis Asset Management Finance

## Appendix 1 Natixis Asset Management Finance Execution venues

List of execution venues on which the order of a Natixis Asset Management Finance (NAM Finance) client can be executed by an intermediary selected by NAM Finance, which can be a regulated market via a third-party broker, a multilateral trading facility, an organized trading facility or a broker.

NAM Finance acts as a market player within the meaning of MiFID II Article 4(27), or through a third-party broker.

Consistent with the position of the AMF (AMF n°2014-07), NAM Finance reserves the right to use execution venues not included in this list, in compliance with its obligation of best execution. NAM Finance has given its consent to third-party brokers and counterparties so that they can execute the orders outside the trading venues. This agreement allows us to deliver our clients the best source of liquidity such as systematic internalizers or execution platforms in third countries.

Orders that are not executed via an electronic trading platform are sent directly to authorized counterparties.

- Regarding the RTO: NAMFI transmits to third-party intermediaries the orders it has received from its clients for execution, so that they can execute them in different venues:
  - o Regulated markets (RM);
  - o Multilateral Trading Facilities (MTF);
  - o Organized Trading Facilities (OTF);
  - o Systematic Internalisers (SI);
  - o Market makers;
  - o Other liquidity providers;
  - o Entities performing similar tasks in a country not party to the Agreement on the European Economic Area.
- For execution on behalf of third parties when NAMFI acts on (as defined by MiFID II):
  - o a regulated market (NAMFI is not a market member, therefore it does not act directly on a regulated market)
  - o MTF or OTF
  - o fixed income: Tradeweb, MarketAxess, BloombergTSOX, RFQHub, MTSBondvision,
  - o foreign exchange: FXALL, EBSI
  - o temporary transfers of securities: Equilend and Bondlend
  - o or regarding an SI (list of authorized counterparties that have the status of SI depending on the type of financial instrument).

## Appendix 2

### Natixis Asset Management Finance

#### Selection Criteria\*

The selection or execution factors taken into account to determine the terms of transmission or execution of client orders are at least the following:

Asset class	Execution venues	Criterion 1 Price	Criterion 2 Cost <sup>1</sup>	Criterion 3 Speed of execution	Criterion 4 Probability of execution and settlement	Criterion 5 Size of order	Criterion 6 Type of order
Equities	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms<sup>2</sup></li> <li>▶ Systematic Internalization</li> <li>▶ Market makers</li> <li>▶ Other liquidity providers</li> </ul>	1	1	2	2	1	2
Trackers	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms</li> <li>▶ Systematic Internalization</li> <li>▶ OTC</li> </ul>	1	1	2	2	1	2
Convertibles	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms</li> <li>▶ OTC</li> <li>▶ Systematic Internalization</li> </ul>	1	0	1	2	1	2
Debt Instruments	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms</li> <li>▶ Systematic Internalization</li> <li>▶ OTC</li> </ul>	1	0	1	2	1	2
Exchange (FX, Spot)	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ OTC</li> </ul>	1	0	1	2	1	2
Exchange-Traded Derivatives	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms</li> <li>▶ OTC</li> <li>▶ Systematic Internalization</li> </ul>	1	3	1	1	1	2
Credit Derivatives	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Platforms</li> <li>▶ OTC</li> <li>▶ Systematic Internalization</li> </ul>	1	0	1	2	1	2
Swap and Forward (rate/exchange derivatives)	<ul style="list-style-type: none"> <li>▶ Organized Trading Facilities</li> <li>▶ OTC</li> <li>▶ Systematic Internalization</li> </ul>	1	0	2	2	2	2
Primary Market	<ul style="list-style-type: none"> <li>▶ Primary dealer (market makers)</li> <li>▶ Other liquidity providers</li> </ul>	0	0	0	1	0	0
Securities financing (REPO, lending/borrowing)	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ Intermediaries and Counterparties</li> </ul>	1	0	0	2	2	2

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⇒ **Notation:** 1 (essential), 2 (important), 3 (to be considered), 0 (not applicable)

<sup>1</sup> The cost criterion is only taken into account as far as such factors are known by NAM Finance. It may be intermediary fees for example. However, the costs of processing a transaction (e.g. by the middle office or the client's depository, or fees) for which NAMFI has no information cannot be taken into account in the allocation decision. Similarly, the choice of a specific broker to reduce the tax impact (purchase/sale transaction in the same day) can only be considered if the Client specifies it in his/her instructions.

<sup>2</sup> Multilateral Trading Platforms: Regulated Markets (RM), Organized Trading Facilities (OTF) and Multilateral Trading Facilities (MTF)





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