

MIROVA

Policy for Selecting  
Intermediaries/Counterparties and  
Executing Orders

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## 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, 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>1</sup> or AIF<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 TradEx Solutions 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.

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<sup>1</sup> 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.

<sup>2</sup> Art. 28 of Commission delegated regulation (EU) n° 231/2013 : Whenever the AIFM buys or sells financial instruments or other assets for which best execution is relevant, it shall act in the best interest of the AIFs it manages or the investors in the AIFs when placing orders to deal on behalf of the managed AIFs with other entities for execution, in the context of the management of their portfolio.

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

<sup>4</sup> Natixis TradEx Solutions 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 TradEx Solutions as part of its intermediation activity<sup>5</sup>.**

Mirova forwards all orders resulting from management decisions on financial instruments to Natixis TradEx Solutions<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 TradEx Solutions 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

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<sup>5</sup> Natixis TradEx Solutions has an execution policy. Mirova has put in place a permanent control system to monitor and ensure the proper application (Section 5).

<sup>6</sup> Natixis TradEx Solutions 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.

and therefore of Mirova. It acts completely independently and, taking into consideration the volume processed, provides better prices and reduces operational risk.

Natixis TradEx Solutions 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).

Mirova can ask Natixis TradEx Solutions 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 TradEx Solutions 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 TradEx Solutions, 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 TradEx Solutions 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 TradEx Solutions**

- **Main execution venues of orders entrusted to Natixis TradEx Solutions**

Mirova transmits its orders to Natixis TradEx Solutions 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 TradEx Solutions 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 TradEx Solutions 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, or trading platforms on which Natixis TradEx Solutions can execute orders, is specified in Appendix 1.

- **Selection criteria**

The selection or execution factors considered by Natixis TradEx Solutions 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 TradEx Solutions.

Natixis TradEx Solutions 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 TradEx Solutions as part of its intermediation activity (receiving and transmitting orders on behalf of third parties (RTOs)).**

- Appendix 1: Execution venue - Natixis TradEx Solutions
- Appendix 2: Selection criteria - Natixis TradEx Solutions

**II. For your information, please find below the link to the overall system of Natixis TradEx Solutions 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 TradEx Solutions are available online on its website: <https://www.tradex-solutions.natixis.com/en>

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<sup>7</sup> The top five venues are published by Natixis TradEx Solutions as part of the service of reception and transmission of orders on behalf of third parties (RTOs).

## 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 TradEx Solutions in the form of information provided and reports set up by the latter.

For example, Natixis TradEx Solutions provides Mirova with the following reporting items:

1. The cash equity activity dashboard (quarterly) specifying the amounts of the fees paid to brokers,
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 TradEx Solutions 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 Risks department, the chief executive officer and the head of the trading desk at Natixis TradEx Solutions.
- The control committee organized by Mirova's internal control.

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<sup>8</sup> Article 321-114 of AMF General regulation: 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.

# Appendices

## Information on the orders entrusted to Natixis TradEx Solutions

### Appendix 1

#### Natixis TradEx Solutions – Execution venues

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

Natixis TradEx Solutions 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), Natixis TradEx Solutions reserves the right to use execution venues not included in this list, in compliance with its obligation of best execution. Natixis TradEx Solutions 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 internalisers 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: Natixis TradEx Solutions 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.
- NTEX may execute orders from its clients with the intermediaries appearing on the list of used intermediaries.



## Appendix 2

### Natixis TradEx Solutions – 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	Trading venues	Execution strategies	Factors
<b>EQUITIES AND TRACKERS</b>			
Equities	<ul style="list-style-type: none"> <li>▶ Regulated Markets</li> <li>▶ Multilateral Trading Facilities</li> <li>▶ Organized Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>Orders are transmitted via selected intermediaries either by direct electronic connection or via trading platforms.</p> <p>Program Trading can be used for trading baskets of shares.</p>	<ol style="list-style-type: none"> <li>1. Price</li> <li>1. Cost*</li> <li>2. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>
Trackers	<ul style="list-style-type: none"> <li>▶ Regulated Markets</li> <li>▶ Other liquidity providers</li> </ul>	<p>The orders are:</p> <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul>	<ol style="list-style-type: none"> <li>1. Price</li> <li>1. Cost</li> <li>2. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>

Asset class	Trading venues	Execution strategies	Factors
<b>BONDS AND MONETARY INSTRUMENTS</b>			
Convertibles	<ul style="list-style-type: none"> <li>▶ Regulated Markets</li> <li>▶ Multilateral Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>The orders are:</p> <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul>	<ol style="list-style-type: none"> <li>1. Price</li> <li>0. Cost*</li> <li>1. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>
Bonds & Treasury bonds	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ Organized Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>The orders are:</p> <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul> <p>Program Trading can be used for trading baskets of bonds.</p>	<ol style="list-style-type: none"> <li>1. Price</li> <li>0. Cost*</li> <li>1. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>
Money Market	<ul style="list-style-type: none"> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>Orders are transmitted directly to selected intermediaries.</p>	<ol style="list-style-type: none"> <li>1. Price</li> <li>1. Cost*</li> <li>1. Speed of execution</li> <li>3. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>

Asset class	Trading venues	Execution strategies	Factors
<b>DERIVATIVES</b>			
Listed derivatives included options	<ul style="list-style-type: none"> <li>▶ Regulated Markets</li> <li>▶ Multilateral Trading Facilities</li> <li>▶ Organized Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>Orders are transmitted via selected intermediaries either by direct electronic connection or via trading platforms.</p>	<ol style="list-style-type: none"> <li>1. Price</li> <li>3. Cost*</li> <li>1. Speed of execution</li> <li>1. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>
Credit derivatives	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ Organized Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>The orders are:</p> <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul>	<ol style="list-style-type: none"> <li>1. Price</li> <li>0. Cost*</li> <li>1. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>2. Type of order</li> </ol>
Interest rate derivatives (OTC)	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ Organized Trading Facilities</li> <li>▶ Systematic Internalizers</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	<p>The orders are:</p> <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul>	<ol style="list-style-type: none"> <li>1. Price</li> <li>0. Cost*</li> <li>2. Speed of execution</li> <li>2. Probability of execution and clearing/settlement</li> <li>2. Size of order</li> <li>2. Type of order</li> </ol>



Asset class	Trading venues	Execution strategies	Factors
<b>PRIMARY MARKET</b>			
Primary Market	<ul style="list-style-type: none"> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> </ul>	Orders are placed directly with market makers or via dedicated tools.	<ul style="list-style-type: none"> <li>2. Price</li> <li>0. Cost*</li> <li>2. Speed of execution</li> <li>1. Probability of execution and clearing/settlement</li> <li>1. Size of order</li> <li>1. Type of order</li> </ul>
<b>SECURITIES FINANCING TRANSACTIONS</b>			
REPO & Securities Lending	<ul style="list-style-type: none"> <li>▶ Multilateral Trading Facilities</li> <li>▶ Market Makers</li> <li>▶ Other liquidity providers</li> <li>▶ Over the counter</li> </ul>	The orders are: <ul style="list-style-type: none"> <li>• put in competition in a platform (RFQ) of several authorized intermediaries,</li> <li>• or sent directly to selected intermediaries.</li> </ul>	<ul style="list-style-type: none"> <li>1. Price</li> <li>0. Cost*</li> <li>2. Speed of execution</li> <li>2. P Probability of execution and clearing/settlement</li> <li>2. Size of order</li> <li>2. Type of order</li> </ul>

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

\* May 2023

<sup>1</sup> The cost criterion is only taken into account up to the elements known by NTEX. This could be, for example, the fees of intermediaries. On the other hand, the costs of processing an operation (for example by the Middle Office or the client's custodian or the taxes) that NTEX does not have 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 taken into account if the client specifies it in the instruction.

<sup>2</sup> Multilateral Trading Facility: Regulated Markets (MR), Organized Trading System (OTS) and Multilateral Trading System (MTS).

**Disclaimer**

This document is provided for information purposes only. No information contained in this document may be interpreted as being contractual in any way. This document is provided for reference only, from sources which Mirova considers reliable. Mirova reserves the right to modify any information contained in this document at any time without notice. Mirova cannot be held responsible for any decisions made on the basis of the information contained in this document, nor can it be held responsible for the use of this document by a third party.

## **MIROVA**

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