

# COMGEST SA

## BROKER SELECTION POLICY

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## 1. Objective

The objective is to set out the process for selecting brokers and maintaining a list of approved brokers for trading on behalf of clients.

## 2. Broker Request

The request to add a new broker or counterparty to the approved list for trading (the "Approved Broker List") may originate from a member from a member of the Dealing Desk. The request should be made using the Broker Request Form. The Broker Request Form is designed to capture information that is relevant to the legal review and operational set up of the broker. It further serves as a checklist to ensure that all pre-approval/set-up tasks are completed by the relevant departments. The Compliance Department ensures that the Broker Request Form is completed prior to adding a broker to the Approved Broker List.

The Broker Request Form includes information on the instruments intended to be traded with the broker as well as the reason for proposing to add the broker. Additional information provided or requested in relation to the broker during the review may include:

- Information on the broker's reputation, including the quality of client servicing; and
- Ability to provide access to difficult or niche markets (where relevant).

The Broker Request Form is also used to document other administrative details such as credit review, type of execution services requested, the markets where the broker will be used and portfolios for which broker will be used.

## 3. Legal Review

The selection process requires the Legal Department to receive and review the broker documentation before a broker can be approved for trading. The Legal Department review may include:

- The Broker Terms of Business;
- Their Conflicts of Interest Policy\*;
- Their Best Execution/Order Execution Policy\*;
- The broker's classification of Comgest SA (for EU regulated brokers, Comgest SA must be classified as a professional client);
- Their last available financial statements; and
- Their regulatory status.

If the broker documentation is insufficient or contains provisions that are not satisfactory, the Legal Department will look to obtain any supporting documentation and negotiate, where possible, the broker's terms of business. If, pursuant to its review, the Legal Department believes it is inappropriate to commence trading with a proposed broker, it will revert to the requesting party and the Compliance Department with its reasons. Reasons for rejection could include, for example, concern as to reputation, systems to support trading, regulatory status, evidence of ability to provide best execution (e.g. lack of policy or obligation to provide best execution, concerns in relation to conflicts of interest).

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\* It should be noted that the obligation to provide a conflicts of interest policy and a best execution/order execution policy is relevant to brokers in the European Union (EU) only. Brokers established outside the EU may not furnish these documents. These brokers can still be approved, and they should be evaluated for best execution in the same manner as EU brokers.

## 4. Amendments

Amendments to Broker documentation or requests to deal with new offices subject to separate documentation or changes to the regulatory consents (e.g. consent, where applicable, for orders to be executed outside a regulated market) given to brokers are also submitted to the Legal Department for review and approval. Where the new office deals under a separate legal entity with separate documentation, then this entity should be added to the Approved Broker List.

## 5. Initial Credit Review

Credit Risk's role in the approval of brokers is to look for indicators that a broker may be or become unsuitable to trade with. Brokers should have a good reputation and good market access. Brokers are reviewed to determine whether they are providing services in Delivery Versus Payment ("DVP") or non-DVP jurisdictions. In the event that the broker will be used in a non-DVP jurisdiction, further information is sought as to how trades will be managed with the broker and whether there is deemed to be credit risk. Newly approved brokers are added to Credit Risk's Bloomberg Launchpad Monitor for daily monitoring of ratings, share price and CDS moves and news, where these are available, and added to the fortnightly ratings report.

## 6. Compliance Review

Once the Legal Department conclude their review, the Broker Request Form is provided to Compliance Department for approval. Once approved by the Compliance Department, the Legal Department add the broker to the Approved Broker List and notify Data Management, Middle Office and Dealing Desk that they can complete their set-up process.

Internal Control monitors that trades are placed with brokers on the Approved Broker List through its control and monitoring program. Internal Control is further responsible for monitoring on a semi-annual basis that the Approved Broker List and the brokers available for trading in the portfolio management system are consistent.

## 7. Broker Evaluation

Comgest evaluates broker performance in relation to Best Execution criteria on a semi-annual basis. This evaluation is conducted by the Dealing Desk and Middle Office teams in the Comgest entities concerned.

The Dealing Desk evaluation includes review of execution price, liquidity, market impact and client service.

The Middle Office evaluates brokers in relation to administration and settlement including accuracy and timeliness of confirmations, matching and settlement and client service.

The Dealing Desk and Middle Office score the brokers performance in the relevant categories.

Based on the scoring results, the brokers are separated into three categories, i) Approved for allocations, ii) Watchlist (improvement in performance required) or iii) Suspension/Termination. The results of the evaluation are reviewed by the Broker Committee.

## 8. Suspending or Removing a Broker from the Approved Broker List

If a broker is found to be underperforming in some areas of evaluation, the Dealing Desk and/or Middle Office will communicate their dissatisfaction to the broker and, if they see no improvement, they may choose to suspend or cease working with the broker for a period of time or indefinitely. The Dealing Desk/Middle Office will communicate with the broker as to the issues leading to its decision, where appropriate.

The Dealing Desk/Middle Office will notify the Broker Committee in addition to the Compliance Department, the Legal Department and Data Management of any proposed suspension or termination of the relationship with an approved broker and the reasons for such suspension or termination.

In the event of a legal or regulatory issue arising with a broker, the Legal or Compliance Departments may request the Dealing Desk to suspend trading with the broker until such time as the issue is resolved.

To formalise the removal of a broker from the Approved Broker List, the Dealing Desk must submit a request for deletion through the Broker Deletion Form.

Any suspensions or terminations are notified to the Broker Committee during the semi-annual review.

## **9. Dealing prior to Approval**

As a general rule, no trading should occur with a broker prior to completion of the set-up process. It is recognised, however, that situations may occur requiring prompt set-up of a broker. In this case, the Legal Department and the Compliance Department should be notified of the urgent request and the Compliance Department has to approve any dealing with the broker prior to the full documentation check. The Compliance Department should include in its semi-annual report to the Broker Committee any brokers dealt with pursuant to this exception.