



MIFID: PROTECTION FOR EVERY INVESTOR

MIFID

The Markets in Financial Instruments Directive (MiFID), adopted on 21 April 2004, is a European regulation governing the provision of investment services such as portfolio management and investment advice. Below, you will find a detailed explanation of the principal measures outlined in the MiFID Directive and their impact on your professional relationship with Candriam.

WHAT EXACTLY DOES MIFID IMPLY?

MiFID created a single market for financial services in Europe. The directive also strengthened the rules protecting investors carrying out transactions on financial instruments, with the overall aim of boosting investor confidence. To this end, the financial institutions have expanded the rules governing good conduct and those governing the organisation of financial institutions.

The directive and its implementation measures came into effect on 1 November 2007 in the European Union, Iceland, Norway and Liechtenstein.

SCOPE

The directive covers a very wide range of investment services and activities. It specifically applies to:

- portfolio management;
- investment advice;
- the receipt and transmission of orders in relation to one or more financial instruments;
- execution of orders on behalf of customers;
- trading for proprietary accounts;
- securities underwriting and/or placement of financial instruments on a firm commitment basis;
- placement of financial instruments without a firm commitment basis;
- operation of multilateral trading facilities (MTF).

It also applies to a wide range of financial instruments, including:

- securities (stocks, bonds);
- money market instruments (Treasury bonds, certificates of deposit, commercial paper);
- shares and units of UCITS;
- forward financial instruments.

MiFID does not cover instruments of payment, deposit accounts and time deposit accounts.

CLASSIFYING INVESTORS

In recognition of the fact that not all investors have the same knowledge or experience with financial instruments and their associated risks, MiFID classifies investors into two categories: professionals and non-professionals. Each investor is assigned the level of protection appropriate to their classification.

PROFESSIONAL INVESTORS

Professional investors have sufficient experience, knowledge and expertise to make investment decisions themselves. They can also properly assess and financially handle the risks inherent to their investments.

Included in this category are investment firms, credit institutions, insurance companies, mutual funds and their asset management companies, pension funds, national governments and central banks. This category also includes

companies which meet at least two of the following three criteria:

- a total balance sheet of at least EUR 20 million;
- a net revenue of at least EUR 40 million;
- shareholders' equity of at least EUR 2 million.

Classification as a "Professional Investor" implies, in particular, that the latter can communicate less information to their asset management companies than non-professional investors. In turn, Candriam has a lesser obligation of diligence towards professional investors than it does towards non-professional investors.

NON-PROFESSIONAL INVESTORS

Non-professional investors encompass all investors (individuals or legal entities) that do not fit into the

category of "Professional investor". These investors are consequently afforded the highest level of protection.

→ Candriam will determine and notify you of your investor classification, based on the information in its possession. Your relationship manager is available to offer any further explanations you may require in this matter and help you make any changes deemed necessary.

Investors may, under certain conditions, opt to be classified in a category other than the one assigned by Candriam. Investors in the “Professional Investor” category may therefore request to be classified as a “Non-professional Investor”, which requires a higher obligation of diligence from Candriam.

Likewise, non-professional investors may prefer to be classified as professional investors if they meet the

requirements set forth by MiFID. Specifically, they have to meet at least two of the following three criteria:

- the value of their financial instrument portfolio (including bank deposits) must exceed EUR 500,000;
- they must have carried out an average of 10 large-scale transactions per quarter for the last four consecutive quarters on the market in question;
- they must have at least one year of professional experience in the financial sector.

All details concerning the procedure to follow and forms to complete if you wish to change your investor category can be found on our website, www.candriam.com. You can also contact your relationship manager, who will provide you with all the necessary documents and information.

INVESTOR PROFILE

The investor profile consists of an expertise profile and a financial profile. An investor’s expertise depends on his knowledge and experience with regard to the financial markets. An investor’s financial profile depends primarily on his investment horizon, financial situation, performance objectives and risk tolerance.

Candriam has defined **five financial profiles** and **five expertise profiles**, as shown in the following tables.

Taking into account your investor profile, your relationship manager will assist you in your investments.

→ Your investor profile (expertise profile and financial profile) will be determined by the information provided in the questionnaire returned to us. Should you disagree with our assessment, please inform your relationship manager accordingly in writing.

EXPERTISE PROFILE	MAIN CHARACTERISTICS
1 Inexperienced	Little experience of the financial markets
2 Partly experienced	Basic experience of the financial markets
3 Experienced	Some experience of the financial markets
4 Very experienced	Quite a lot of experience of the financial markets
5 Expert	Unparalleled experience of the financial markets

FINANCIAL PROFILE	MAIN CHARACTERISTICS
A	<ul style="list-style-type: none"> • Very strong risk aversion; seeks to avoid, to the greatest possible extent, risks on the invested capital • Potentially vulnerable financial situation
B	<ul style="list-style-type: none"> • Emphasis on risk control in the search for returns • Healthy financial situation
C	<ul style="list-style-type: none"> • Seeks returns with moderate risk requirements • Medium-term investment horizon • Very healthy financial situation
D	<ul style="list-style-type: none"> • Seeks high returns justifying high risk tolerance • Medium- to long-term investment horizon • Solid financial situation
E	<ul style="list-style-type: none"> • Acceptance of a very high degree of risk/seeks high returns • Long-term investment horizon • Very solid financial situation

INFORM YOUR CUSTOMER

MiFID also requires financial institutions to provide certain information to their customers. Asset management companies will provide the broadest information to customers with the highest level of protection. Please note that all investors can obtain a transaction-by-transaction statement for their portfolios from their depositary bank.

→ Candriam will keep you regularly informed of the performances of your investments and issue periodic statements relating to your financial instruments and assets under management.

ORGANISATION

In the interest of customer protection, the MiFID regulation requires financial institutions to apply strict conditions concerning their organisation and internal management. They must also follow specific rules concerning risk manage-

ment, internal auditing, data conservation, etc. Specific procedures must be established to prevent conflicts of interest from arising and to ensure that claims are processed in a fair and timely manner.

« BEST SELECTION »

“Best Selection” is an integral part of “Best Execution”

Asset management companies must take all reasonable measures to obtain the best possible outcome when they transmit to other entities any orders for execution resulting from their decisions to trade financial instruments on behalf of their customers or the UCITS under management. To this end, they will notably take account, inter alia, of prices, costs, speed, probability of execution, liquidity and settlement. This constitutes an obligation of means and not an obligation of result. To meet this obligation, Candriam has developed a Best Selection policy, which it reviews on a regular basis and which can be downloaded by investors from our website, www.candriam.com.

In application of this policy, Candriam implements a counterparty-selection policy that involves sending said counterparty orders for execution covering all major classes of financial instruments (equities, bonds, derivatives).

These counterparties will dispose of order-delivery mechanisms capable of securing the aforementioned best result.

The list of selected counterparties is reviewed at least once a year, and the selection procedure – managed by the Broker Review Committee – involves the participation of: Compliance, the Risk Management Department, heads of management teams, the Trading Desk, the team in charge of post-market monitoring, and, finally, top management.

For each counterparty, the committee performs a complete assessment comprising:

- brokerage and any other fees;
- order-execution quality;
- quality of transaction settlement;
- company's financial health;
- quality of its recommendations and research;
- the quality of the market information.

PRACTICAL INFORMATION

We would like to draw your attention to the following points:

You can communicate with Candriam in English, French or Dutch. You will find the contact information for the different Candriam entities on our website.

Candriam has received the following official licences:

- **Candriam Luxembourg** is a company operating under Luxembourg law and an approved asset management company, as defined by Article 101, Chapter 15 of the Law of 17 December 2010 by the Commission de Surveillance du Secteur Financier (CSSF)⁽¹⁾.
- **Candriam Belgium** is a company operating under Belgian law and an asset management company as approved by the Financial Services and Markets Authority (FSMA)⁽²⁾. It is registered under RPM Brussels VAT BE No. 0462.569.739.
- **Candriam France** is a company operating under French law and approved as an asset management company acting on behalf of third parties by the Autorité des Marchés Financiers (AMF)⁽³⁾ under the reference GP 03 007.

All three entities are authorised to pursue the business of collective portfolio management and investment portfolio management as well as investment advisory activities.

The frequency of publication and content of the reports concerning the performances of your investments will be discussed with your relationship manager.

Candriam takes all reasonable steps required to detect, prevent and manage any conflicts of interest that may arise in the rendering of investment and related services or in the management of mutual funds, and to rectify them when they occur.

To this end, Candriam has implemented, and maintains, a policy (available on the company's website) designed to prevent conflicts of interest.

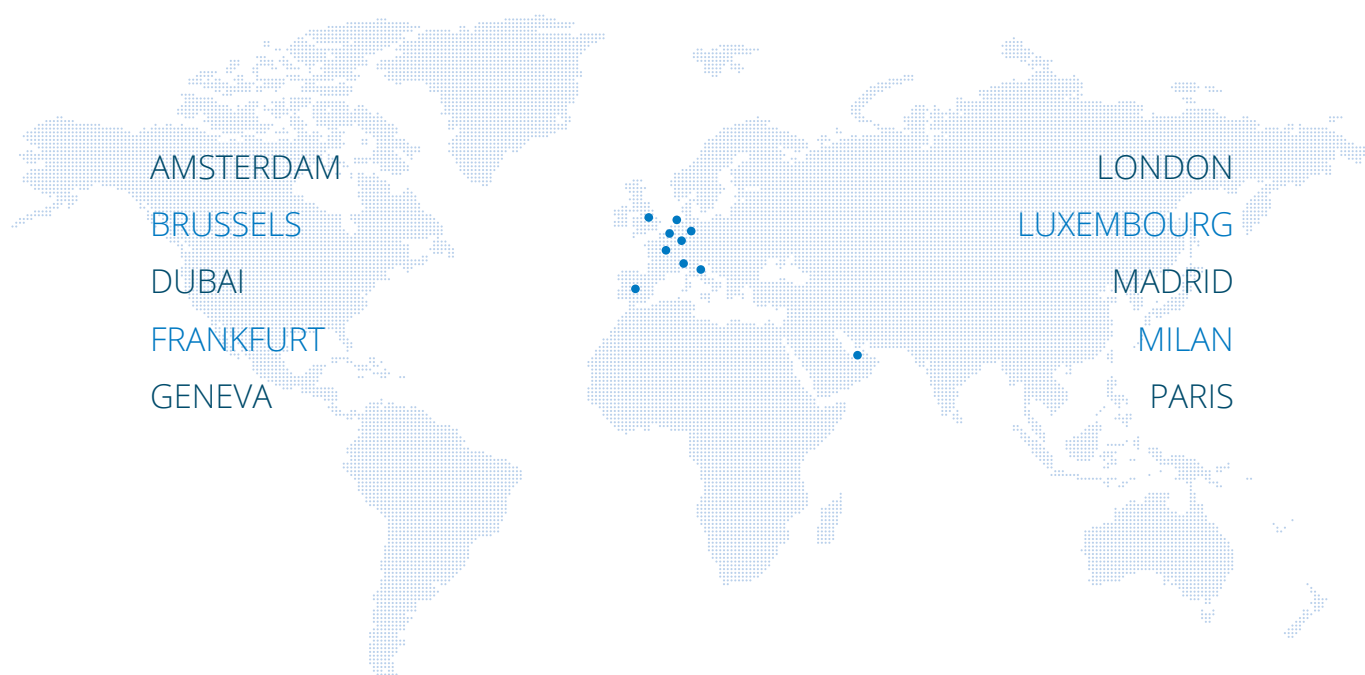
Upon request, Clients will be provided with any further information on the company's conflict-of-interest policy.

All information regarding the application of the MiFID directive is available on the Candriam website www.candriam.com, where you will find, for example, a description of the risks associated with financial instruments, our conflict-of-interest and intermediary-selection policies as well as the procedure governing changes of classification. If you have no internet access, please contact your relationship manager, who will be pleased to send you the documents in question.

(1) The CSSF's head office is located at 110, route d'Arlon, 2991 Luxembourg.

(2) The FSMA's head office is located at 12-14 rue du Congrès, 1000 Brussels.

(3) The AMF's head office is located at 17 place de la Bourse, Paris 75002.



EQUITIES | FIXED INCOME | SRI | ALTERNATIVE INVESTMENTS | ASSET ALLOCATION

FOR MORE INFORMATION ON OUR INVESTMENT SOLUTIONS, VISIT WWW.CANDRIAM.COM



blog.candriam.com

www.candriam.com

This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, the prospectus, and all other relevant information prior to investing in one of our funds. These documents are available either in English or in local languages for each country where the fund's marketing is approved.