AXA Investment Managers - Corporate Governance & Voting Policy

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1. PREAMBLE

AXA IM's approach to corporate governance – namely our proxy voting and shareholder engagement work – derives from our strongly held belief that company management, directors and investors all have critical yet unique roles to play in sustaining the health of financial markets and ensuring the efficient allocation of capital.

The effective governance of individual corporations by directors and the attentiveness of institutional investors, as the primary owners of public companies, are required to produce sustainable performance that serves the best interests of all marketplace stakeholders. Accordingly, we believe that institutional investors have an obligation to exercise their rights as owners and engage with portfolio companies in a responsible way.

As an investor with a widely diversified portfolio and long-term horizons, we can best enhance our investment performance and reduce unwanted risk exposures by focusing both our investment and portfolio monitoring activities on generation of sustainable shareholder value at portfolio companies. We consider this to be part of the fiduciary duty for a fund manager like AXA IM with our large size and diversified exposure.

Therefore, we have developed this Policy to help guide us in performing our duties and to communicate the principles which underpin this aspect of our responsible investment activity to the marketplace.

This policy provides the foundation for AXA IM's proxy voting and company engagement activities, as well as for participation in related public policy discussions. It is reviewed and validated by our Corporate Governance committee.

We believe that the principles included in this policy provide a robust framework for the proper governance of companies. However, in applying these principles, we are cognisant of the fact that companies are dynamic and a “one size fits all” approach is not appropriate. Our preferred approach is to resolve any issues of concern through dialogue and to attain a proper understanding of each company’s particular circumstances.

The core principles of AXA IM's Corporate Governance and Voting Policy include the following:

1. COMPANY BOARDS

We consider the Board to be the cornerstone of good corporate governance as it is the decision-making body charged with overseeing a company's affairs on behalf of its owners. In some countries this will be a unitary board where executive and non-executive directors are members of a single decision making body. Others follow a 'supervisory model' where a supervisory board composed of non-executive directors oversee a management board made up of key executives.

Under both unitary and supervisory board structures, directors have, either by law or in defacto terms, fiduciary responsibility for acting in the best interests of the company and are accountable to the shareholders as a whole.

BOARD BALANCE

The interests of shareholders are best served where the Board is structured in a manner to ensure that there is an appropriate diversity of skills, knowledge and experience amongst the directors on the board which is suitable for the requirements of the business. The Board should also be structured to ensure that there is a balance of power and authority such that no particular individual or group has unfettered powers of decision over the company's affairs.

The potential for such concentration of powers can occur in several instances including where the positions of Chairman and Chief Executive Officer are held by one person; where the majority of non-executive directors are affiliated to management; or where the Board is dominated by the representatives of a major shareholder(s).

The risk of such arrangements is that the interest of the particular individual or group is substituted for that of the company and the directors may not exercise their stewardship responsibilities objectively.

NON-EXECUTIVE DIRECTORS

The key role of non-executive directors is to ensure that management concentrate on optimising long-term shareholder value. The detachment of non-executive directors from the day-to-day management of the company means that they have the capacity to look at the interests of the company as a whole over the longer term.

It is vital that non-executive directors are truly engaged with the business and able to bring a long-term perspective to deliberations so that management decisions are not dominated by short-term considerations.

Non-executive directors must exercise effective oversight of the executives in relation to their achievement of strategy and targets as well as managing situations where there may be real or potential conflicts between the interests of management and those of shareholders.

We consider that the role of non-executive directors includes:

- contributing to the right strategy for the company;
- considering material risk issues, including environmental and social issues impacting the company;
- participating in Board discussions on major issues of business development;
- appraising the performance of key executives, including the Chief Executive;
- monitoring results and pressing for appropriate corrective action when necessary;
- ensuring that the company has the right executive leadership and appropriate succession plans;

- safeguarding shareholders' funds by using the ability to challenge management and initiate change when necessary;
- ensuring effective company communication with shareholders; and
- carrying out specific corporate governance functions, principally via Board committees which deal with real or apparent conflicts of interests in the areas of financial reporting, remuneration and nomination of new members to the Board.

Market integrity also requires that key participants exercise their responsibilities with diligence and honesty. Events of the last decade have highlighted the ramifications to companies, investors and society of inattention to these basic principles.

INDEPENDENCE

Boards have to manage the company's relationship with a wide range of interests including the executives, significant shareholders, employees, suppliers and regulators. Oftentimes, these stakeholders have directors representing their interest on the Board. Notwithstanding the particular interest they represent, directors have a fiduciary duty to act in the best interest of the collective shareholder body and to exercise independent judgement when deliberating on the company's affairs.

Due to inherent conflicts that may occur, we require that there should be a significant number of directors on the Board who are independent in a strict sense. Such independent directors provide assurance that the interests of a particular group are not allowed to dominate the affairs of a company. We expect Boards to align with national norms or best practice on independent director participation on board.

An independent director is one who is free from relationships or circumstances which could affect, or appear to affect, the director's judgement. No checklist of descriptive characteristics will suffice to capture whether a director is likely to behave in an independent fashion. Nevertheless, factors we believe may affect a director's judgement and therefore independence include where the director:

- is a former employee of the company within the last five years;
- has (had within the last three years) a material business relationship with the company or is a representative of such interests;
- receives additional remuneration from the company other than in the capacity of a director;
- has close family ties with any of the company's directors, senior employees or company's advisers;
- holds cross directorships with an executive director;
- is or represents a significant shareholder; and
- has served on the Board for a significant length of time, from 9 years to 12 years depending on market practice.

SHAREHOLDER REPRESENTATIVES

We are not in favour of direct proportionality between the holdings of major shareholders and the number of representatives they are allowed to nominate to the Board. Major shareholder(s) representatives should not be allowed to dominate the Board simply by virtue of the holdings they represent.

To guard against the domination of the Board by a particular group, a significant number of directors should be independent and, at a minimum, we expect national norms for independent directors to be respected.

BOARD COMPOSITION AND DIVERSITY

The Board should comprise a range of directors who, individually and collectively, understand the company's strategy; can contribute their knowledge and expertise to the development of its businesses; understand the environment in which it operates; have a knowledge of the markets where it conducts its businesses; are aware of the risks associated with the strategy; and have insights into the different stakeholders, including regulators, customers, shareholders and wider society, whose views impact on the company or whose support is necessary for its continued success.

We believe that this requirement naturally points to the need for a diversity of skills, knowledge, experience, gender and nationality amongst the directors on the Board.

CHAIRMAN AND CEO

Our general preference is that companies separate the roles of Chief Executive Officer (CEO) and Chairman; with the CEO responsible for leading executives in implementing Board strategy and the Chairman leading the Board's supervision of executive performance. Where these functions are combined there would be no independent person charged with leading the Board's discharge of its oversight responsibilities.

A company's decision to combine these positions will be reviewed on the merits, taking account of the company's circumstances and whether there are checks and balances to mitigate against power being concentrated in the hands of one individual. To guard against this risk, companies who have combined the Chairman/CEO functions should appoint a Senior Independent Director to lead non-executive directors on matters where the Chairman/CEO is conflicted and act as an additional contact point for shareholders. In addition, where roles are combined, we would expect that qualified and experienced independent non-executive directors compose at least 50% of the Board, even in markets where corporate governance norms accept a lower level of board independence.

A decision to combine these functions should be subject to periodic reviews to ensure that it continues to be in the interest of the company and its shareholders.

NOMINATIONS COMMITTEE

The Nomination Committee leads the process for the appointment of directors to the Board. The Nomination Committee should ensure that appointments to the Board are made on merit and that directors have sufficient time to devote to the role and that their track record, and that of the companies they have been associated, is a good one.

The Committee should also ensure that the company has a strategy for executive succession.

ISSUES OF CONCERN – BOARDS

We may withhold support from director elections in the following instances:

1/ Information

- *Insufficient information on the Board or where biographical details on proposed directors are not provided;*

2/Independence

- *The nominee is not considered to be independent; the number of independent directors on the Board is less than the number recommended by the local best practice standard, or independent directors constitute less than one-third of the board;*
- *The nominee is a non-independent director on an audit, remuneration or nomination committee which does not have the required number of independent director;*

3/Commitment to the board:

- *The number of directorships held by the nominee is excessive and/or the director has not devoted sufficient time to the company during the relevant year;*
- *Concerns about a director(s) execution of their responsibilities;*
- *To signal concerns about the company's governance or performance;*

4/Board structure:

- *The position of Chairman and Chief Executive are held by one person and the risk is not mitigated by a Senior Independent Director and a majority independent Board;*
- *Where a Board has not established audit, remuneration or nomination committees;*
- *Composition of the Board does not reflect necessary diversity*

5/Election

- *Directors do not stand for election by shareholders on a regular basis;*
- *The election of several directors is bundled into one resolution.*

2. REMUNERATION

Boards, through the Remuneration Committee, are responsible for adopting remuneration policies and practices that promote the success of companies in creating value for the longer term. The policies and practices should be demonstrably aligned with corporate objectives and business strategy and reviewed regularly. It is necessary to ensure that remuneration policies encourage high standards of performance, aligning the interest of management with those of long-term shareholders. Levels of remuneration should be sufficient to attract, motivate and retain management of a high calibre but should not be excessive by the standards of employment conditions within the company, sector or the executive's country of residence.

When setting executive pay, the Remuneration Committee and Board should consider pay and employment conditions for the general workforce. We generally do not support increases to the pay and conditions for senior executives that are out of line with the pay conditions proposed for the general workforce.

Remuneration arrangements should not entitle executives to rewards when this is not justified by performance.

REMUNERATION DISCLOSURE

We expect companies to provide full and comprehensive information on the company's remuneration policy and practices in the Annual Report. The information provided should cover all the elements of remuneration, including salary, annual bonus, benefits, share-based compensation, pensions and details of executive service contracts including notice periods and compensation payable on termination. This information should be provided on an individual basis.

There is a growing trend for transparency and accountability by the Board in its oversight of executive remuneration on shareholders' behalf. Many jurisdictions provide shareholders with the opportunity to vote on the remuneration policy and its application during the year at the general meeting. We welcome this trend towards accountability and encourage all companies to adopt this practice.

PERFORMANCE RELATED REMUNERATION

Annual bonuses and grants of options or conditional shares to executives should be subject to defined and relevant performance criteria which should be disclosed to shareholders.

It is the responsibility of the Remuneration Committee, working with the Audit Committee, to ensure that rewards reflect performance against target.

ANNUAL BONUS

Annual bonuses reward performance during the relevant business year. Both individual and corporate performance targets are relevant and should be tailored to the requirements of the business. Such targets should be reviewed in line with the evolution of the company's strategy.

We do not support the payment of bonuses that reward executives for executing transactions (such as mergers or acquisitions) irrespective of their future financial implications for the company.

LONG-TERM SHARE SCHEMES

Share-based incentives link reward to performance over the longer term. Their purpose is to motivate executives to create sustainable shareholder value. The receipt of rewards under these schemes should therefore be based on disclosed and challenging performance conditions measured over a period appropriate to the strategic objectives of the company.

Company performance should be judged over a period that is aligned with the Company's strategy. The minimum period should be no shorter than three years and we actively support longer performance periods that are in tune with the company's longer-term strategy.

All new share-based incentives or any substantive changes to existing schemes should be subject to prior approval by shareholders by means of a separate and binding resolution. Their operation, rationale and cost should be fully explained so that shareholders can make an informed judgement.

The operation of share incentive schemes represents a cost to shareholders. The operation of such schemes should not lead to dilution of shareholder equity in excess of the limits acceptable to shareholders.

We support initiatives to encourage executives to hold shares in the company equivalent to at least one year's salary. This further aligns the interest of the executive with those of the company and its shareholders. Many companies require executives to retain awards accruing to them under long-term share schemes until they meet the share ownership requirement.

TERMINATION BENEFITS

Companies should align service contract terms with best practice in their relevant markets and in any case should not exceed the equivalent of 24 months compensation. Boards and remuneration committees should ensure that any compensation paid cannot be viewed as a reward for failure.

CLAW-BACK POLICY

The Board should consider means of reclaiming rewards where performance achievements are subsequently found to have been significantly misstated so that bonuses and other incentives should not have been paid.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining the Board's policy and practices on executive remuneration. The role of the Committee includes ensuring that the remuneration policy and practices are aligned with the strategies adopted by the Board to optimise shareholder value. The Committee should directly retain and supervise any external consultant used to develop remuneration policies. Preferably, the consultant should not provide other services to or be supervised by management.

ISSUES OF CONCERN – REMUNERATION

We may withhold support from remuneration proposals in the following instances:
1/Disclosure:

- *Poor disclosure of remuneration policy and practices;*
- *Incomplete disclosure of performance metrics underpinning performance-related remuneration;*

2/Variable remuneration:

- *Performance targets which are not relevant or challenging;*
- *Executive options granted at a discount i.e. priced below prevailing market price;*
- *Performance conditions do not include relevant environmental and social metrics for relevant sectors*
- *The performance period for a long-term scheme is shorter than three years*
- *Repricing of 'underwater' stock options;*
- *The company engages in option award backdating;*
- *Excessive dilution of shareholder equity through the issuance of shares for share incentive schemes;*
- *Rewards granted are not justified by the Company's performance*

3/Termination payments:

- *Compensation payable on termination is excessive or not in line with market practice;*
- *Contains gratuitous retirement payments or unearned retirement sweeteners not provided to employees generally;*
- *Allows triggering of change in control payouts without loss of job or substantial diminution of duties;*
- *Enhanced compensation on change of control of the company;*

4/Specific remuneration issues:

- *Remuneration is based on inappropriate peer comparisons;*
- *Pay for senior executives is out of line with pay conditions for the general workforce.*

3. REPORTING AND AUDIT

CORPORATE REPORTING

In a well-functioning market which enables investors to perform their fiduciary role vis a vis clients' assets, it is critical that investment decisions which impact the allocation of capital be based on full and accurate information.

We support the adoption of an **'Integrated Reporting'** approach taking account of how a Company's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

The Board should provide an integrated report that puts historical performance into context, and portrays the risks, opportunities and prospects for the company in the future, helping investors understand a company's strategic objectives and its progress towards meeting them. Such disclosures should:

- be linked to the company's business model
- be genuinely informative and include forward-looking elements where this will enhance understanding
- describe the company's strategy, and associated risks and opportunities, and

explain the board's role in assessing and overseeing strategy and the management of risks and opportunities.

- be accessible and appropriately integrated with other information that enables investors to obtain a picture of the whole company
- include environmental, social and governance related information that is material to the company's strategy and performance
- use key performance indicators that are linked to strategy and facilitate comparisons
- use objective metrics where they apply and evidence-based estimates where they do not
- be strengthened where possible by independent assurance that is carried out annually having regard to established disclosure standards.

Full company accounts, audited by independent external auditors, should be presented to a company's annual general meeting for shareholders' approval.

AUDIT COMMITTEE

The Audit Committee is responsible for exercising oversight of the company's process for internal controls and financial reporting. Acting independently from management, it has a particular role to ensure that the interests of shareholders are protected in relation to financial reporting. The Committee is responsible for overseeing and providing assurances to shareholders on the integrity, objectivity and independence of the external audit process. The Audit Committee should comprise independent directors only.

NON-AUDIT FEES

The Audit Committee should pay particular attention to the provision of non-audit services by the external auditor and the risks that the provision of such services may compromise the integrity of external audit.

AUDIT FIRM / AUDIT PARTNER ROTATION

There are now developments in many markets supporting audit firm or audit partner rotation as a means to improve the independence and objectivity of the audit process. We support periodic rotation as a further means to enhance the integrity and reliability of the external audit process.

ISSUES OF CONCERN – Reports & Account & Audit

We may withhold support from approval of Reports & Accounts and audit-related resolutions in the following instances:

1/Disclosure:

- *Non provision of the audited accounts in a timely manner:*
- *Concerns about the integrity of the information reported*
- *Non-reporting of material ESG performance, particularly in high risk sectors and or where sectorial peers are able to report;*

2/Audit Integrity

- *Where an executive director is a member of the Audit Committee*
- *Non-audit fees are significantly higher than audit fees and no reasonable explanation is provided*
- *The Audit firm has been in place for a number of years and no retendering of audit services has been conducted by the Company or there has been no audit partner rotation for a significant number of years.*

4 SHAREHOLDER RIGHTS

The ownership of shares in a company entitles shareholders to corresponding rights in the company. We expect Boards to protect and facilitate the exercise of shareholders' ownership rights. This includes giving shareholders reasonable notice of all matters in respect of which they are required to take action in the exercise of voting rights, or which they may elect to take action on.

Major changes to the core businesses of a corporation and other corporate changes which may in substance or effect, dilute the equity or erode the economic interests or share ownership rights of existing shareholders, including mergers, acquisitions, disposals, and issuance of equity should not be made without prior shareholder approval.

We are fundamentally opposed to measures that seek to restrict, undermine, dilute or limit the exercise of ownership rights. In particular, we are concerned about restrictions which seek to limit the rights of minority shareholders to the benefit of management or a particular shareholder(s).

Barriers to the exercise of shareholders' rights come in different forms. These include restrictions on shareholders' voting rights; dilution of economic interests through excessive issuance of shares; and provisions which aim to limit the right of shareholders to influence a company's governance, or their ability to consider transformational transactions such as mergers, acquisitions or disposals.

VOTING RIGHTS

In a shareholder democracy, the shareholder vote at general meeting is the principal manner through which shareholders can influence a company's governance and its strategic direction. Due to its fundamental importance, we believe that shareholders should have voting rights in direct proportion to their economic interest (and risk exposure) in a company. This is normally expressed as the one share, one vote principle. We are therefore opposed to:

- measures that dilute the voting rights of any shareholder by giving certain shareholders voting rights in excess of their economic interests;
- proposals that cap shareholders' voting rights once ownership of a certain percentage of shares is reached;
- multi-class capitalisation structures created to provide a particular class of shareholders with disproportionate voting rights;
- supermajority voting requirements intended to limit the ability of shareholders to effect change by effectively providing a veto to a large minority or a group of minority shareholders;
- voting schemes that do not provide for confidentiality of a shareholders' vote during the election;
- unduly restrictive shareholder disclosure policies which have the potential to deprive shareholders of their voting rights.

ANTI-TAKEOVER PROVISIONS

The Board has an important role in ensuring that the company is properly valued during change of control transactions. However, we have concerns about anti-takeover devices that have the effect of discouraging transactions that may be attractive to shareholders or which limit shareholders' ability to voice their opinion on a change of control transaction. Many of these devices serve to entrench management and do not allow shareholders the opportunity to judge the performance and prospects of the company under its management relative to the proposal from the bidder.

Devices that cause concerns include:

- poison pills which deter takeovers by granting the board the ability to issue additional dilutive shares in the event of a bid;
- transactions which transfer the legal title of a key asset to a friendly foundation and have the effect of frustrating a takeover bid;
- proposed repurchase of the company's shares during a bid period at a price that is significantly higher than the fair market value of the shares; and
- blank-cheque preferred shares which may be used as a takeover defence or may be placed in friendly hands to help block a potential takeover bid.

PRE-EMPTION RIGHTS

Issuance of new shares presents a risk of dilution to shareholders' economic interests. It is established practice in many jurisdictions to grant shareholders the right to approve the issuance of new shares to guard against inappropriate dilution of their economic interest in a company.

The issuance of new shares may be on a pre-emptive basis (new shares are offered to existing shareholders in proportion to their holdings in the company) or on a non pre-emptive basis (where the pre-emption rights of shareholders are excluded).

We are vigilant in reviewing resolutions to issue new shares, particularly if such requests are in excess of the norms in the relevant market. Factors we will take into consideration in reaching a decision include:

- the level of dilution of value and control for existing shareholders;
- the strength of the business case: in order to make a reasoned assessment shareholders need to receive a clear explanation of the purpose to which the capital raised will be put and the benefits to be gained - for example in terms of product development or the opportunity cost of not raising new finance to exploit new commercial opportunities - and how the financing or proposed future financing fits in with the life-cycle and financial needs of the company;
- the size and stage of development of the company and the sector within which it operates;
- the stewardship and governance of the company. If the company has a track record of generating shareholder value, clear planning and good communications, this may give shareholders additional confidence in its judgement; and
- availability of financing options that do not involve the issue of new shares

ISSUES OF CONCERN – SHAREHOLDER RIGHTS

We may withhold support from approval resolutions that impact on shareholder rights in the following instances:

1/Voting rights:

- *measures that dilute the voting rights of any shareholder by giving certain shareholders voting rights in excess of their economic interests;*
- *proposals that cap shareholders' voting rights once ownership of a certain percentage of shares is reached;*
- *multi-class capitalisation structures created to provide a particular class of shareholders with disproportionate voting rights;*
- *supermajority voting requirements intended to limit the ability of shareholders to effect change by effectively providing a veto to a large minority or a group of minority shareholders;*
- *unduly restrictive shareholder disclosure policies which have the potential to deprive shareholders of their voting rights;*

2/Anti-takeover provisions

- *poison pills which deter takeovers by granting the Board to ability to issue additional dilutive shares in the event of a bid;*
- *transactions which transfer the legal title of a key asset to a friendly foundation and have the effect of frustrating a takeover bid;*
- *proposed repurchase of the company's shares during a bid period at a price that is significantly higher than the fair market value of the shares;*
- *blank-cheque preferred shares which may be used as a takeover defence or may be placed in friendly hands to help block a potential takeover bid;*

3/Pre-emption Rights

- *proposed issuance of new shares with or without pre-emptive rights that are either in excess of the market norms or are not justified*

5. MERGERS AND ACQUISITIONS

Mergers and Acquisitions require that we closely evaluate the expected long-term success of the transaction and may require a balancing of interests on both sides of the transaction.

When evaluating a transaction, factors we take into consideration will include:

- short-term and long-term valuations, taking the company's strategic potential into consideration;
- ability of the acquirer to successfully implement the acquisition and integrate the companies;
- strategic fit of the companies and ESG factors bearing on future success;
- views of significant shareholders;
- impact of the transaction on customers and other stakeholders;
- competitive landscape for the relevant entities before and after the transaction;
- leverage embedded into the transaction and leverage after completion;
- degree of management remuneration misalignment with shareholder interests,

including change in control, bonus, consulting and incentive award payments;

- advisor conflicts resulting from success fees, investment banking opportunities and future interests in the surviving entity;
- fairness of the process, such as whether there was a fair auction, alternatives were considered and the deal was evaluated by an independent committee with independent advisors;
- market reaction to announcement of the transaction;
- corporate governance profile of any surviving entity in which we will retain an interest;
- human capital impact of the transaction taking account of the consequences for employees and communities.

Fund managers retain discretion to instruct votes on change of control transactions in line with the interests of their clients.

ISSUES OF CONCERN – Mergers & Acquisition

We may withhold support from change of control transactions including mergers and acquisitions

- *Where our fund managers believe that the transaction is not in the long-term interests of shareholders.*
- *Favourable terms are offered to majority shareholders to the detriment of our clients*

6. ENVIRONMENTAL AND SOCIAL ISSUES

We believe that, companies which operate without due regard to the environmental and social impact of their activities are unlikely to deliver sustainable long-term shareholder value and a company's management of relevant environmental and social issues is a lead indicator of success or failure.

We expect companies to align their policies and practices with the Principles of the UN Global Compact on Human Rights, Labour, Environment and Ethical Behaviour.

REPORTING ON ENVIRONMENTAL AND SOCIAL ISSUES

The company's management of material environmental and social factors (E&S) should be integrated into its regular reporting to enable a full and proper evaluation of the company's long-term prospects. Directors and senior managers have a critical role in guiding investors as to which factors are material to that particular company. We support the adoption of an **'Integrated Reporting'** approach taking account of how a Company's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

We also encourage companies to participate in the disclosure programmes of the Carbon Disclosure Project and other initiatives to improve information to the market on material environmental and social issues.

BOARD OVERSIGHT OF E&S ISSUES

We welcome the move by many companies to establish a standing board committee to oversee the company's management of its material environmental and social impacts and to ensure that the company fulfils its reporting obligation to enable shareholders to assess this aspect of the company's performance. We believe that it is increasingly important that boards address this activity as seriously as they do their other functions.

Where we consider that a Board has not managed environmental and social issues appropriately or does not evidence a proper governance of these key risk issues, we will reflect our concerns by voting against relevant directors standing for election or by not supporting the approval of the Reports & Accounts.

CLIMATE

Climate change is a major risk facing society today, and immediate action is required if the most catastrophic damage is to be avoided. As part of our policy on climate we urge companies to:

- Commit to short-, mid- and long-term carbon emissions reduction targets that are based on climate science. There should be a clear explanation of corresponding capital expenditure plans;
- Perform scenario analysis using a scenario where global warming is limited to the Paris Agreement goal of well below 2˚C; and
- Align executive remuneration to climate change objectives.

POLITICAL DONATIONS & LOBBYING

The Board of Directors should ensure that charitable and political contributions and membership of trade associations are in line with the long-term interests of the company and its shareholders. In particular, Boards should monitor that the lobbying activities of trade associations are consistent with the company's positioning on environmental, social and governance issues.

ISSUES OF CONCERN – Environmental & Social Issues

We may withhold support from relevant resolutions including approval of Reports & Accounts, director elections and remuneration proposals in the following instances:

1/ Disclosure:

- *Non-disclosure of quantitative and qualitative information (and where appropriate targets) on key environmental and social issues of relevance to the company, particularly in high risk sectors and or where sectorial peers are able to report*
- *Failure to participate in the CDP disclosure programmes*

2/Performance

- *A material failure in the management of environmental and social risks with resulting negative impacts on the company and stakeholders including employees, customers and communities*
- *Material breach of one or more Principles of the UN Global Compact*
- *Support for lobbying positions contrary to the long-term interests of the company and its investors*
- *Companies in high risk sectors with no Environmental or Social performance metrics in performance-related pay*

7. IMPLEMENTATION

7.1. OVERSIGHT

AXA IM has established a Corporate Governance Committee which is charged with upholding good standards of corporate governance in investee companies. The Corporate Governance Committee is chaired by Jean-Louis Laforge, Chief Investment Officer, AXA Investment Managers Paris. The Committee comprises representatives of Investment teams, who bring their investment perspectives to the Committee’s deliberations.

In addition, members of our Compliance department are represented on the Committee to ensure that decisions are taken in line with prescribed process, free of conflicts and in the clients’ interests. Our Middle Office is also represented on the Committee in view of their important role to ensure that the voting chain and processing of voting instructions works correctly.

The Responsible Investment team implements this policy under the direction of the Committee.

7.2. COMPANY DIALOGUE

AXA IM holds regular discussions with the Board and management of investee companies on a range of topics including the company’s strategy, operational performance, acquisition and disposal strategy; executive/Board performance, and management of extra-financial drivers of risk and reward.

Our general policy is to be supportive of companies in which we invest. However, where we have concerns that have not been or cannot be adequately addressed by a company’s management, we will bring the issue to the attention of the Chairman and other non-executive directors. We may also act in conjunction with other shareholders.

If we are unable to resolve the issue through engagement, we may consider using our clients’ ownership rights to vote against relevant resolutions or, submit resolutions at shareholders' meetings or requisition of an extraordinary general meeting.

7.3. VOTING

We believe that voting at company meetings is an important part of the dialogue between a company and its shareholders and a fundamental aspect of our fiduciary duty to our clients. We actively monitor resolutions proposed for shareholder approval at general meetings and exercise voting rights on behalf of our clients.
We recognise that practices vary in different jurisdictions and that the companies in which we invest are subject to different local laws and regulations on governance matters. When reviewing resolutions proposed at general meetings we judge resolutions against fundamental principles of good corporate governance, while taking account of best practice standards pertinent to the relevant market and the Company’s particular circumstances.

As far as possible, we do not apply any specific restrictions on voting regarding the type of resolution nor the issuer in question, but the objective is to vote at all possible general meetings. Exceptions to these would be explained in our annual voting report.

AXA IM makes use of the voting information services of Institutional Shareholder Services, Proxinvest, and Institutional Voting Information Service. The research received is used to augment knowledge of companies and resolutions at forthcoming general meetings. All voting decisions are made by the AXA IM Responsible Investment team and are based on our Corporate Governance & Voting Policy.

In addition, AXA IM will implement specific voting decisions as instructed by clients

7.4. STOCK LENDING

A number of clients have decided to participate in stock lending programmes. Stock lending aids market liquidity and allows clients to maximise revenues from their holdings. However, the attendant transfer of voting rights along with the lent shares means that additional scrutiny is required to ensure that lent shares are not put to purposes that are detrimental to the long-term interests of the shareowner. Shares will not be lent where the objective of such activities is to vote at general meetings.

AXA IM adheres to the following key principles for stock lending:

1. AXA IM intends to recall shares, ahead of record date, in advance of general meetings to exercise voting right for open-ended funds and mandates; and
2. AXA IM will engage in stock lending with a robust responsible investment policy in place.

7.5. CONFLICTS OF INTEREST

In relation to our stewardship activities, we have adopted a set of guidelines to identify circumstances which may give rise to conflicts of interests. These guidelines include relationships with listed affiliates such as our parent company, AXA SA, key clients and significant suppliers.

We manage conflicts within our voting activities using the following approach. Firstly, the Corporate Governance Committee has the sole responsibility for taking voting decisions on behalf of clients who have given AXA IM full discretion to vote. Voting decisions are taken prior to any reference or discussions with clients who have not delegated voting rights to the Corporate Governance Committee or have their own Policy. This is to ensure that decisions are free from outside influence.

In addition, where potential conflicts of interests have been identified, recommendations to vote in support of management resolutions contrary to our regular Policy position will be escalated to the Corporate Governance Committee. Any decision by the Committee to vote contrary to the Policy position in these cases will be supported by a written record and, where appropriate, will be notified to the relevant local internal governance committee and/or Compliance Department.
An independent voting advisory service has been appointed to take voting decisions on behalf of our third-party clients at the general meetings of our parent company, AXA SA.

7.6. REPORTING

Our Voting Records are accessible to the public and detail how we voted at General Meetings of companies held on our clients' behalf. In addition, we publish an Active Ownership Report which include information on responsible investment issues, engagement with companies and aggregated voting records for the relevant year.

We also provide our clients with detailed quarterly reports on voting and engagement activities upon request.

Information on AXA IM's Responsible Investment activities is available on our dedicated RI website.

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