AXA Investment Managers

May 2022

2021 Active Ownership and Stewardship Report

"Through Stewardship, as in all business endeavours, we are guided by our purpose – to act for human progress by investing for what matters"

Marco Morelli,
Executive Chairman, AXA IM

AXA IM's 2021 Active Ownership and Stewardship Report details our interactions with issuers over the year, alongside our vision for expanding that activity in the future. We see engagement and voting as a fundamental part of our fiduciary duty to clients as we seek to protect portfolios and help build sustainable economies for the decades to come.

Contents

Embedding ESG into our corporate purpose and investment process
Foreword by Marco Morelli, AXA IM Executive Chairman
page 3

Engagement, collaboration and escalation

The financial sector can take the lead, but our sustainable future will be a collective effort
Gilles Moëc, AXA Group Chief Economist and AXA IM Core Head of Research
page 5

Engagement highlights
Engagement in 2021
2021 data overview
page 6 & 7

Engagement themes
Climate change, Biodiversity
Gender diversity, Data privacy,
Nutrition and Health
pages 8 to 19

Delivering transparency and pressing for change through voting and engagement
Clémence Humeau, Head Of RI Coordination And Governance
Protecting our shared interests
Public Policy
pages 20 to 27

Voting

Voting: Our priorities and plans
2021 Voting Highlights: An ESG-friendly voting season
Our voting priorities for 2022
The voting process
pages 28 to 35

ESG Integration into Platforms

Putting ESG to work
Our broad approach to sustainability risks
2021 updates
pages 36 to 38

ESG Integration into Platforms
Equities, Fixed Income, Multi Asset, Real Assets, Structured Finance
pages 39 to 49

Governance, resources, incentives and monitoring 52
Client and beneficiary needs 58
Review and assurance 60
Appendices 61

Embedding ESG into our corporate purpose and investment process

Marco Morelli
AXA IM Executive Chairman

At AXA IM, we see stewardship as the responsible allocation, management, and oversight of capital to create long-term value for our clients. Ultimately, our goal is to power a just and green transition to a more sustainable future. Through our stewardship, as in all our business endeavours, we are guided by our purpose – to act for human progress by investing for what matters. My colleagues and I seek to champion this every day. This report showcases our engagement processes, efforts and outcomes across more than 29 countries and 240 investee companies in 2021 and highlights how our approach to stewardship is evolving as we progress through 2022.

Mitigating the effects of climate change was our primary and largest area of engagement in 2021 with more than a third of engagements focused here. We continue to see biodiversity as a systemic risk, so in the second half of 2021, we rolled-out a strengthened biodiversity shareholder engagement programme. Our action is focused on companies operating in the palm oil, soy, timber, and cattle industries to support them in their transition and promote more sustainable practices.

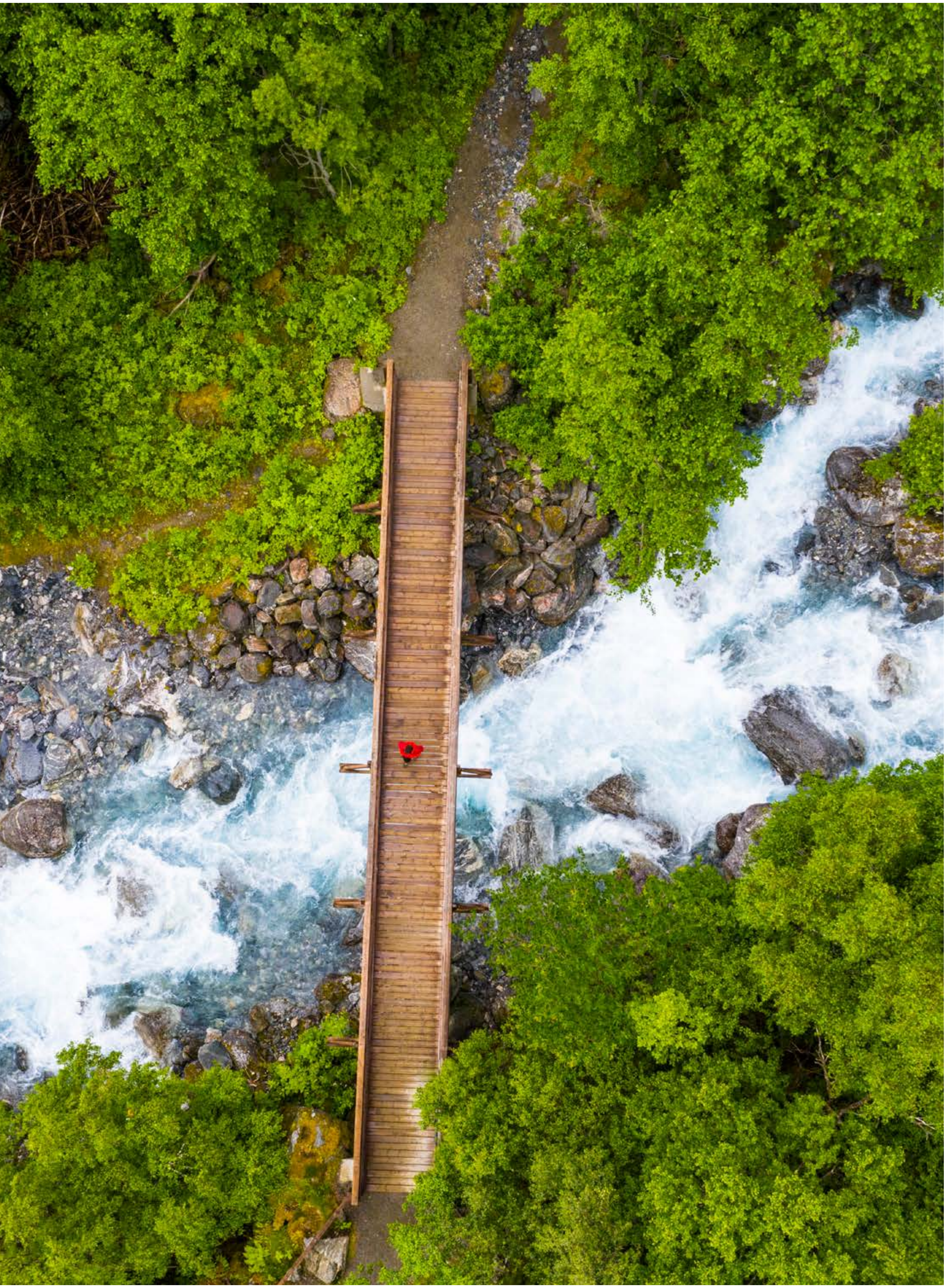
While climate change remained a critical focus in 2021, we also observed an increase in corporate-governance-related engagements. This evolution illustrates that companies are considering environmental and social issues within their governance framework, and we expect this approach to gain greater strategic importance. Voting is an essential part of our engagement. Our voting policy was reinforced in 2022, urging companies to better consider all aspects of ESG. We aim to set out clear expectations to company management teams so that when we cast our votes, we do so with conviction and in an informed and transparent manner.

We believe targeted voting can help us fulfil our promise to clients – to act as an effective steward of their capital, leveraging our considerable size of aggregated assets under management and our investment expertise to reinforce a shared message. Delegating voting decisions to individual shareholders could risk diluting the considerable influence of the asset management industry, as well as detaching voting from the engagement process. Instead, we wish to encourage the industry to take collective action to effect change when and where it matters.

Looking at 2022 and beyond, our strengthened voting policy as well as our engagement policy for climate laggards and a tougher stance on oil and gas, with new exclusions announced during the COP26 climate change conference in Glasgow, mean we will act bravely and openly. For investee companies of concern, we will actively engage in constructive dialogue for three years to encourage them to accelerate their climate transition plans, using escalation techniques as required. If the specific objective is not reached within this period, we will divest, allowing for redirection of capital to investee companies able to demonstrate transition plans.

We see this philosophy of active engagement and dialogue with investee companies – as well as accelerating ESG integration across all asset classes – as crucial to enabling a just and green transition to a sustainable future. Our culture is one of shared accountability on sustainability, with responsible investment (RI) embedded across our entire organisation, rather than the sole obligation of a dedicated team. The evolution towards regular sustainability dialogue between portfolio managers and investee companies is now formalised as part of our engagement process. We have also broadened ESG integration within structured finance, corporate real estate, as well as debt. This enhances the rigorous stewardship practices and ESG integration we already have in place.

As the bedrock of responsible investing, stewardship is set to remain a priority for AXA IM, and by taking collective action with our peers and pooling our influence, we believe we can effect tangible change to secure a sustainable future.



The financial sector can take the lead, but our sustainable future will be a collective effort

Gilles Moëc
AXA Group Chief Economist and
AXA IM Core Head of Research

In 2021, we saw some clear indications of the crucial role the financial sector will play in the transition to a net zero economy.

At November's COP26 climate change conference in Scotland, governments did not collectively live up to their commitments under the Paris Agreement. Decarbonisation pledges, while going in the right direction, are still far from consistent with keeping global warming "well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels". There will be a chance to catch up at COP27 in November this year, but, in the meantime, a reassuring takeaway from Glasgow is that the mobilisation of the private sector is gaining momentum, with the financial industry playing its full part in nudging the real economy towards decarbonisation.

A world in which climate change goes unmitigated could effectively become uninsurable – and it could become uninvestable too. Financial institutions need to play both attack and defence – making sure enough capital goes to sustainable activities while protecting clients' long-term interests. The latter will involve ensuring the businesses in which they are invested adapt quickly enough to manage the irresistible rise in carbon prices, the growing strictness of environmental regulation and pressure from public opinion.

One of the main tools to effect change in traditional asset classes is stewardship. At AXA IM we want to lead the transition. This means that we don't want to focus on already-green businesses, nor impose unrealistic targets on the companies with which we engage. We want to accompany them as they adapt, recognising their challenges. We focus on trajectories. All the same, we don't want to sign blank cheques, and we have also set ourselves clear red lines, for instance in the stricter oil and gas policy we have rolled out in 2021, and in 2022 with our 'three strikes and you're out' approach to climate laggards (see page 10).

Regulation is helping. The European Union (EU) is noteworthy for the comprehensive framework it is rolling out to make green finance clearer to investors and investees alike. There is still some progress to make on this front – a clear and stable taxonomy for instance would help – but businesses will gradually get more clarity on the type of non-financial information they will have to produce. This will make engagement more precise, both in the definition of the targets and in the comparability across businesses of the implementation efforts.

Success in the delivery of a sustainable economy cannot be achieved by green finance alone. Cooperation between the various stakeholders in the private sector, and with governments, is key. Financial institutions can change the way they allocate capital. But how this capital is actually used to invest in the right climate-protecting solutions depends on choices made by corporates in the real economy. A lot of these choices will themselves be dependent on the signals from governments. As an example, at a time when the issue of defining the right energy mix is coming to the fore in the midst of the Ukraine war, courageous decisions towards zero-carbon power generation need to be made by governments.

Engagement in 2021

The coronavirus pandemic remained in the background in 2021, its impact on our interactions with companies slowly changing as the world returned to a 'new normal'. Meanwhile, our climate change-related engagement was guided by reports published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as well as by the COP26 meeting in Glasgow in November.

Climate remained our main theme of dialogue, but there was also a clear increase in the proportion of corporate-governance-related engagements against 2020 levels. This reflected the trend towards the integration of ESG across companies' business activity and organisation as they pursue genuinely effective ESG strategies. This was particularly the case around climate with more than 38% of our meetings on Governance addressing also Climate Change issues.

Ecosystem protection and human capital remained key engagement themes too. We see an important interconnection between ecosystems and climate change and hold a strong belief that companies with good human capital management policies (e.g. training, attraction and retention of talent and diversity promotion) may be likely to perform as leaders in their segments in the long run.

In the second half of 2021, we rolled-out a strengthened shareholder engagement programme on biodiversity, in line with the reinforcement of a strategy announced in June. These engagements are focused on companies operating in the palm oil, soy, timber and cattle industries to support them in their transition and promote more sustainable practices.

We have also started to cover new sectors with an engagement programme focused on listed real estate companies and reinforced our engagement with policymakers on sustainable finance matters.

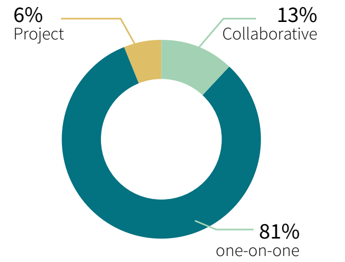
We favour direct dialogue with issuers. Some 63% of our engagements were conducted during teleconferences and meetings and most of our engagements – more than 80% – were carried out individually. In 2021 we also focused efforts and resources on building the foundations of a new 'three strikes' policy which starts in 2022 (more details on page 10).

Our desire to be a transition leader requires us to be clear on red lines – practices or activities which we do not think can be part of the transition to a more sustainable world.

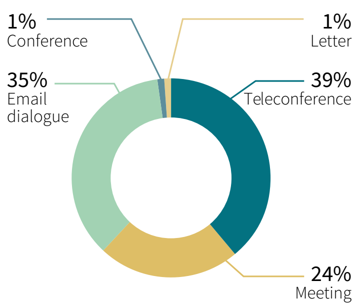
And we are committed to providing transparency on our engagement activities, rolling out an engagement report at fund level for all products classified as 'article 9' in 2021 under the EU's Sustainable Finance Disclosure Regulation (SFDR).

[See Disclaimer: note 1]

Engagement Category



Engagement Approach



vision 2022

In 2022, stewardship remains one of the top priorities on our RI roadmap, with the following expected evolutions:

- Climate, biodiversity and social issues will remain key priorities for our engagement with companies, along with corporate governance, forming a key dimension of our RI strategy
- We see biodiversity loss as a systemic risk which requires action. We expect that the investment AXA IM made in Iceberg Datalab in 2021 will be instrumental in allowing us to assess the biodiversity footprint of the companies we invest in and to identify the drivers of engagement, from the most significant pressures those companies have on biodiversity across their value chain
- We also see the 'Just Transition' gaining more traction with companies and investors. This is the idea that the transition to a low carbon and less resource-intensive world must be conducted in a manner which protects vulnerable communities and ensures opportunities are fairly distributed. So far, this theme has been absent from most companies' climate strategies. We believe our participation in the coalition 'Investors for a Just Transition', set up by Finance for Tomorrow, will help us encourage companies in the energy and agrifood sectors to pay more attention to the theme
- At the crossroads of climate, Just Transition and biodiversity, the theme of human rights requires increased scrutiny. We put in place a Human Rights Policy in 2021, and 2022 will be an opportunity to dig into company practices, engaging with those involved in potential controversies and trying to help others in sectors exposed to risk. We will seek to put in place specific policies in the field of forced labour/child labour for instance.
- We are continuing to reinforce the governance of our stewardship activities. We believe this is a key element to ensure their success and to create the desired impact. This includes:
  - A new reinforced 'three strikes and you're out' escalation policy for climate laggards. (see page 10).
  - An increased commitment to transparency in our engagement reports at fund level is expected, with the inclusion of qualitative information to complement the quantitative.

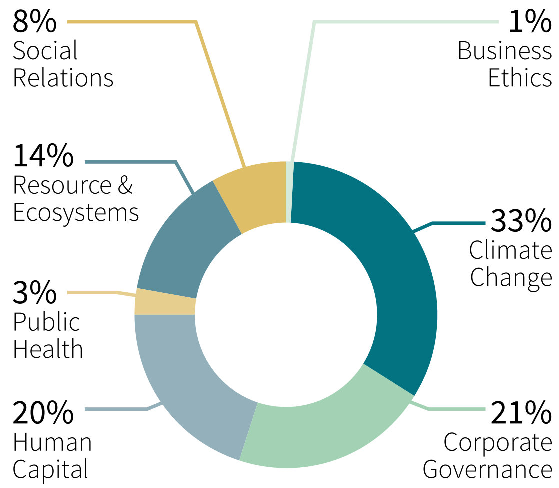
[4] Figures in this section may be rounded
[2] https://www.axa-im.com/axa-im-natixis-im-sienna-investment-managers-and-solactive-partner-accelerate-development-iceberg
[3] https://www.investorsjusttransition.com

2021 data overview

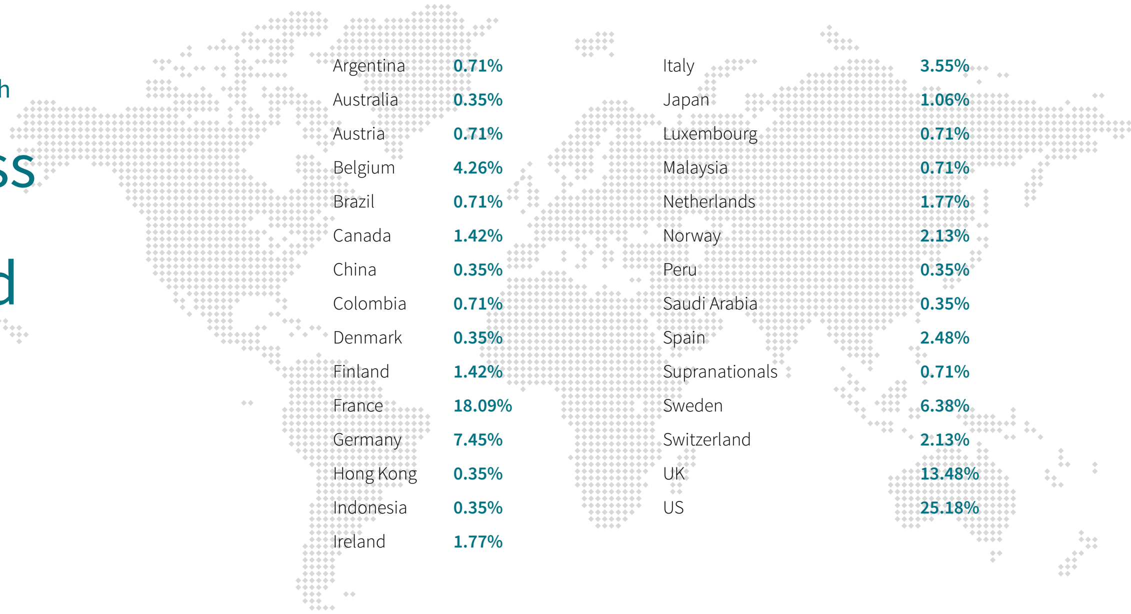
in 2021, we conducted **283** engagements with 245 entities

71 engagements at senior executive or board director level

Our engagement with companies covers a broad spectrum of key **ESG themes**

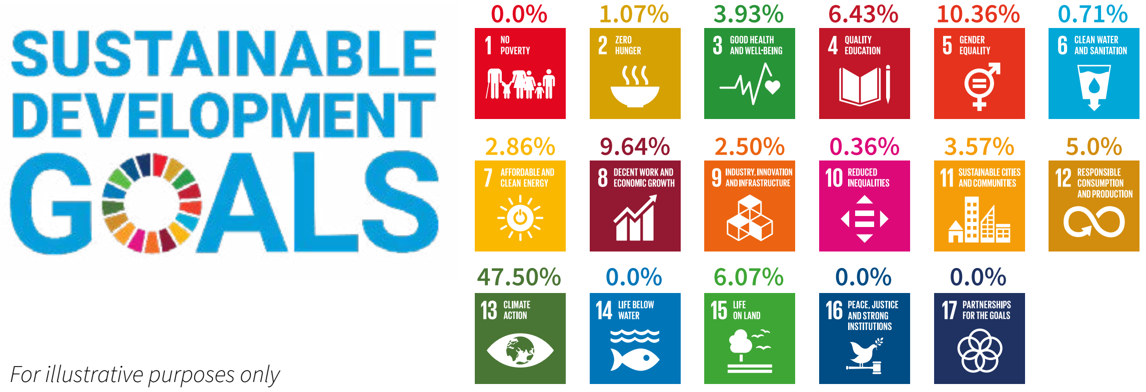


In 2021, we engaged with companies **across the world**



Argentina	0.71%	Italy	3.55%
Australia	0.35%	Japan	1.06%
Austria	0.71%	Luxembourg	0.71%
Belgium	4.26%	Malaysia	0.71%
Brazil	0.71%	Netherlands	1.77%
Canada	1.42%	Norway	2.13%
China	0.35%	Peru	0.35%
Colombia	0.71%	Saudi Arabia	0.35%
Denmark	0.35%	Spain	2.48%
Finland	1.42%	Supranationals	0.71%
France	18.09%	Sweden	6.38%
Germany	7.45%	Switzerland	2.13%
Hong Kong	0.35%	UK	13.48%
Indonesia	0.35%	US	25.18%
Ireland	1.77%		

More than **80%** of our engagements in 2021 **were linked to the UN SDGs.** The breakdown is as follows:



For illustrative purposes only

Engagement themes

Climate change

Olivier Eugène
Head of Climate Research

Climate change is one of the central pillars of AXA IM's engagement with companies. While this theme is transversal and relevant to all firms from all sectors, we focus our efforts where materiality is greatest, notably energy (hence the relevance of UN SDG 7 and SDG 13), but also banks – through their lending policies as well as the building materials industry.

In 2021, as the world economy rebounded after the sharp pandemic driven drop in 2020, so did greenhouse gas emissions, helped by the highest ever level of coal power generation. It is therefore not surprising the concentration of carbon dioxide (CO_2) in the atmosphere reached its highest recorded level since the industrial revolution.[4] The challenges of the energy transition, i.e. weaning ourselves off hydrocarbons and fossil fuels, are still very prevalent and unchanged by the pandemic.

On the climate change front, three key moments marked 2021:

- The IEA published a net zero roadmap for the energy sector in May, presenting a very demanding and challenging path to limit the increase in temperature to +1.5°C from pre-industrial times.[5] This body of work has quickly become a reference for many discussions and a source of intense debate
- The IPCC published an essential report in August on the physical science basis of climate change. One of its many statements is stark and clear: "It is unequivocal that human influence has warmed the atmosphere, ocean and land"[6]
- In November, in Glasgow, the COP26 convened. Participating countries, although they failed to address several issues, progressed on several others and overall increased their pledges to reduce emissions

The 2015 Paris Agreement called for limiting global warming to well below 2°C and ideally 1.5°C. According to the IPCC, the world has already warmed by 1.1°C. Looking at actual emissions and current pledges, some observers concluded that the world is on track to limit the increase to below 2°C, but a less optimistic analysis pointed toward closer to 2.5°C.[7] More needs to be done.

In 2021, we focused our research effort on the energy transition and the oil and gas industry. We published the following reports:

- An analysis of the IEA net zero report (June)
- The role of methane in climate change and its place in the energy transition (September)
- An assessment of Europe's oil and gas climate change strategies (October)
- Measuring emissions from the world's oil and gas fields (December)

The findings from this research will be of direct use while engaging with companies in the oil and gas value chain.

Our engagement goals and activity

Regarding engagement, the year was notable for the first 'say-on-climate' resolutions at several annual general meetings (AGMs) where firms outlined their climate action plans. In this context, we engaged and held detailed discussions with French groups TotalEnergies and Vinci. We also signed a letter with other investors, coordinated by Climate Action 100+, to be read at TotalEnergies' AGM highlighting potential areas of improvement in the group's climate strategy. We also participated in collective engagements with French utility Engie[8], car maker Renault[9] and Colombia's Ecopetrol[10], three companies which went on to significantly improve their climate commitments. Through our votes, we contributed to the election of three new board members at US oil group ExxonMobil, against the explicit wishes of the management.

Increasingly, the discussions we are having while engaging on climate are becoming more detailed and specific. Beyond the minimum requirements of having both a long-term ambition and mid-term targets aligned with Paris Agreement goals, we are asking companies to be very detailed about their actions, the alignment of governance and capital allocation with the strategy and the inclusion of their whole value chain in their climate strategy. We also encourage transparency around the implementation of these commitments through public reports. At AXA IM, we believe that this holistic approach is necessary to assess the credibility of those strategies and is consistent with the systemic nature of the energy transition. When sector frameworks exist, we encourage investee companies to set science-based targets, and we therefore supported the annual CDP-related investor statement.[11]

Outcomes and next steps

Overall, although it is often difficult to identify a perfect line between engagement and action, many companies we engage with on a regular basis, individually or collectively, have improved their climate policies, committing to net zero and/or enhancing their targets.

Our approach to the oil and gas sector

Exclusion:
In an update to our Climate Risks Policy,[12] we have defined thresholds to exclude investments in oil and gas companies exposed to certain areas (oil sands, the Arctic and fracking).

Engagement:
We will engage with a selection of oil and gas companies based on clear objectives and a specific timeframe. Our objective is to ensure they develop credible transition plans consistent with the goals of the Paris Agreement and are on track in their delivery, but also that their current operational practices aim to mitigate negative impacts on the environment.

We recognise that all fossil fuel companies will not share the same level of maturity, due to geographic and business specificities. We therefore define individual timeframes to achieve our engagement objectives, seeking to be ambitious but also realistic. Overall, we expect them to comply no later than in 2025, disclosing progress on their pathway in the meantime. If a company does not deliver on the defined timeframe, we will use escalation techniques which could include voting against the Board from 2023.

vision 2022

- We will continue to push for more ambitious climate strategies and expect more 'say-on-climate' resolutions to be put to investors. We will be attentive to their content in light of our revised engagement requirements as described above
- We will select our climate engagements based on the materiality for AXA IM and because our net zero commitments. We will also continue our participation in the Climate Action 100+ investor group

[4] How have CO2 levels changed since the industrial revolution? | World Economic Forum
[5] Net Zero by 2050 - A Roadmap for the Global Energy Sector, October 2021.
[6] IPCC 6th Assessment Report, August 2021.
[7] UNEP - Emission Gap Report 2021, Glasgow's 2030 credibility gap - Climate Action Tracker
[8] Engie Strategic Update - May 2021
[9] Renault Group - Climate Report April 2021
[10] Ecopetrol Net Zero Commitment

[11] 220 financial institutions across 26 countries are pressing 1600 companies to set emissions reduction targets through the Science Based Targets initiative to ensure that corporate ambition is independently verified against the de-facto industry standard for robust and credible climate targets. From July 2022, these must be aligned with a 1.5°C pathway to be approved. Financiers with $29 trillion ask 1600 companies for science-based targets ahead of COP26 - CDP. CDP (formerly the Carbon Disclosure Project) is a donor- member- and government-funded organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
[12] AXA IM Climate Risks Policy: Our Policies | AXA IM Corporate (axa-im.com)

Climate change

Three strikes and you're out: A new approach to climate laggards

Integrating a more forceful engagement policy:

- Companies we consider to be laggards in addressing climate change and its risks will be subject to a 'three strikes and you're out' principle. This policy aims to define clear areas of improvement for those companies, tailored to their activities, and communicated to their management at the beginning of the engagement with a clear and short timeframe for progress.
- AXA IM will regularly engage with those companies to steer them to achieve progress on those objectives, using escalation techniques when necessary (e.g. voting against management). If the objectives have not been achieved after **three years**, AXA IM will divest.

Defining our focus list

- From 2022, we will concentrate on a selection of companies which do not have net zero commitments or whose quantified emissions reduction targets are insufficiently demanding or not credible, in our view. This list will include issuers in different sectors and different geographies.
- This list will be revised annually and new issuers added. We expect that the criteria to identify companies deemed to be lagging in their climate strategy will become more demanding over time (e.g. an increased focus on delivery of transition plans, a stricter requirement for science-based validation and so on).

How we plan to apply our 'three strikes' policy in 2022 (anonymised examples):[13]

Sector	Geography	Nature of issue	Engagement requirements
Construction	US	• Undemanding targets • Compares poorly with peers: Peers in the same geography have net zero goals and more robust targets. Non-US peers have more demanding targets, often with Science-Based Targets initiative (SBTi) certification	• Formalise a climate strategy covering all businesses • Integrate climate strategy at the Board level • Set targets on the Scope 3, with the full perimeter covered for Scope 1 and 2 • Define and quantify short, medium and long-term objectives[14] • Seek science-based certification • Disclose related capital expenditure (capex)
Oil and gas	US	• Net zero targets only cover upstream operations, lacking Scope 1 and 2 targets for downstream, unlike all European integrated oil and gas companies, and comparable US peers • Scope 3 is barely included in the strategy, again lagging significantly European peers and comparable US peers	• Expand the net zero ambition to all operations • Integrate climate strategy at the Board level • Fully integrate Scope 3 in the climate policy, and set intermediate and long-term reduction targets • Disclose related capex
Bank	Japan	• Sizeable exposure to controversial sectors • Exclusion policies lagging vs global peers • Net Zero Banking Alliance signatory, but does not yet disclose financed emissions and has not set intermediate targets for publication of Scope 3 financed emissions	• Disclose Scope 3 financed emissions and set intermediate reduction targets • Strengthen coal exclusion policies and extend coal exit targets to mining • Set up exclusion policies in the field of unconventional/controversial energy sectors • Articulate long-term commitments with clear policies in place

[13] These engagement requirements have been set in February 2022.
[14] **Scope 1**: All direct greenhouse gas (GHG) emissions linked to a company's own operations. **Scope 2**: Indirect GHG emissions stemming from the consumption of purchased electricity, heat or steam. **Scope 3**: Other indirect emissions coming from the supply chain of a company and from its customers (i.e. before and after its own operations).

Just Transition

Virginie Derue
AXA IM Head of ESG Research

We have started a new collective initiative, working with Finance For Tomorrow, on the 'Just Transition' theme, where we lead a group of investors in the energy sector and are members of the Agriculture and Food sector working groups.[15] The objective of this initiative is to ensure the social implications of a transition to a low-carbon economy are sufficiently anticipated. It requires different approaches for different sectors, the energy sector being one of the most at stake.[16]

In our view, a Just Transition would seek to leave no one behind and ensure the consequences of associated changes are fairly distributed. Moving to low-carbon energy, buildings, transportation and industrial production will bring dramatic adjustments and challenges to countries and industries – and therefore to workers and their communities.

A failure to anticipate the social implications of those challenges could stall climate progress and contribute to political instability through increasing inequality. This risks disrupting the fragile equilibrium between developing and developed economies.

As an asset manager, we want to start integrating this nascent concept into our investment decision making. This will require different approaches for different sectors – but it will certainly entail a consideration of how business models are evolving, how human capital is managed and how companies develop their role as employer and stakeholder. Issues of accessibility and affordability must also be integrated in our assessment.

case STUDY

We made detailed preparations ahead of TotalEnergies' AGM and continued the engagement process post-AGM. The company, then called Total, was one of the first to propose a 'say on climate' resolution at its AGM. We already had held several discussions on the company's climate strategy, but we decided to engage specifically on the content of the resolution.

This took two forms:

- **Collectively** through our participation in Climate Action 100+ statement read at the May AGM. We contributed to the production of the statement and signed a letter sent to the chairman highlighting elements we would like to see improved
- **Individually**, we requested and held two meetings before and after the AGM (in April and June 2021), where we discussed in details the climate strategy of the company, as well as topics such as projects in the Arctic and Uganda, the presence in Myanmar, and the role of nature-based solutions

Following this engagement, TotalEnergies has broadened the scope of its climate targets, while a recent announcement by the company that it is exiting Myanmar can arguably be partially linked to the pressure from investors, including ourselves.

We have engaged with the company since the AGM, and will continue to do so in the future, as the energy transition is a long-term endeavour. For instance, we had a meeting in December 2021 with the head of nature-based solutions to better understand the company's stance in this area.

[15] https://www.investorsjusttransition.com/
[16] Climate change: How investors can help deliver a Just Transition

Engagement themes

Biodiversity collapse

Liudmila Strakodonskaya
Responsible Investment Analyst

At AXA IM, we are committed to biodiversity protection. Throughout 2021, this commitment has been continually reaffirmed through a series of actions: Reinforcement of our biodiversity strategy and enhancement of our Deforestation and Ecosystems Protection Policy;[17] further integration of biodiversity issues based on continuous engagement activities; and the consideration of new biodiversity dedicated data developed by our partner Iceberg Data Lab.

Natural capital – our oceans, forests, climate and more – is at the origin of all the benefits people and economies obtain from ecosystems. Simply put, it makes human life possible.[18] The health of human populations is part of these benefits as well as the global prosperity of world economies. By disturbing both the structure and functions of ecosystems, we not only increase risks of new infectious diseases appearing, but we may also be losing access to discoveries from nature that may contribute to our collective health.[19] We have seen evidence of links between biodiversity and COVID-19 and hope to learn from this experience.[20]

Our engagement goals and activity

In 2021, our engagement initiatives were underpinned by a new, tighter policy on ecosystem protection and deforestation, developing a campaign first started in 2020. In the fourth quarter of 2021, a specific engagement programme was launched with a selection of companies with activities around the raw materials associated with deforestation (soy, palm oil, cattle and timber), identified under the criteria of the new Deforestation and Ecosystems Protection Policy published in June 2021.

A special approach and an engagement questionnaire have been developed to facilitate dialogue with the identified companies and are informed by our knowledge sharing with CDP and WWF. The objective of this engagement is to accompany companies identified as exposed to deforestation risks in setting up a clear deforestation-free goal supported by concrete actions. Our ambition is to control the potential risks of deforestation and ecosystems conversion associated with their activities and to support a ‘forest- and nature-positive’ transformation of these companies.

Based on first results, meetings with the target companies will be organised during 2022 to deepen discussions on key deforestation and biodiversity issues. Our ambition is to control the potential risks of deforestation and ecosystems conversion associated with their activities and to support forest- and nature-positive transformation of these companies throughout 2022-2023.

Select objectives in our biodiversity enagagement programme (anonymised examples)

Sector	Geography	Nature of issue	Engagement requirements
Food products	US	• Risk of deforestation in the company’s supply chain • Difficulties obtaining full traceability to the field/plantation • Reinforce suppliers’ non-compliance protocols	• Detail its zero-deforestation and supply chain traceability strategies • Develop a concrete action plan to reach zero deforestation by 2025.
Household products	US	• Company exposure to deforestation and natural ecosystem conversion risks • Transparency on commitments and actions related to forest ecosystems protection	• Improve disclosure around commitments and projects to preserve forests and protect natural capital throughout value chain
Paper and forest products	Sweden	• Company exposure to deforestation and natural ecosystem conversion risks • Transparency on commitments and actions related to forest ecosystems protection	• Improve disclosure around commitments and projects to preserve forests and ensure sustainable management of forest assets

[17] AXA IM Ecosystem Protection & Deforestation policy Our Policies | AXA IM Corporate (axa-im.com)
[18] Ecosystems and Human Well-being: Synthesis. Millennium Ecosystem Assessment, World Resources Institute. 2005
[19] World Health Organization : Biodiversity and Health (who.int)
[20] IPBES Workshop on Biodiversity and Pandemics Report_0.pdf, 2020.

Also, in 2021, the focus of engagement has been enlarged beyond deforestation with initial discussions conducted with companies exposed to biodiversity protection challenges in different industries. Our goal is to amplify this area of shareholder engagement in 2022.

In 2021, we signed the Finance for Biodiversity (FfB) Pledge, along with other financial institutions.[21] One of its objectives is to engage with companies to reduce their negative (and increase their positive) impacts on biodiversity.

Outcomes and next steps

We believe we saw a positive response to these engagements globally. Companies were open to discussion and willing to progress on identifying and managing relevant biodiversity risks and opportunities, despite the complexity of the biodiversity challenge.

vision 2022

In 2022, we expect our investee issuers to set more relevant action plans and targets, while further engagement dialogue is informed by biodiversity-specific data developed by our partner Iceberg Data Lab. Starting from 2022, these data and metrics are being used to measure the impact of AXA IM’s investments on biodiversity (our biodiversity footprint) and will be published during 2022.

Over the year, we also, we expect the mobilisation of investors on the matter of biodiversity to continue. AXA IM conducts constructive discussions on biodiversity topics with CDP, Ceres, Global Canopy, and other external experts and works with WWF on specific cases as part of engagement initiatives on biodiversity-related topics. We participate actively in the sector-leading initiatives by the Finance for Biodiversity Foundation, the organisation behind the FfB Pledge, driving discussions on such topics as biodiversity impact metrics.

case STUDY

AXA IM participates in various international and local initiatives to support work related to the development of strategies, transparency standards, and practices around the protection of biodiversity. As such, in early 2021 we signed the Finance for Biodiversity Pledge, which brings together financial institutions committed to collaborate and share knowledge on biodiversity. It is also an opportunity to better assess our impact on biodiversity, set objectives and report on biodiversity-related issues. As part of the FfB Foundation, the supporting organisation behind the Pledge, AXA IM chairs the working group on biodiversity impact metrics and actively participates in the working groups on engagement and advocacy.

During 2021, under the leadership of AXA IM, the working group on impact assessment performed an analysis of the existing data on biodiversity available to investors today, and organised biodiversity knowledge-sharing sessions amongst the members of the working group. AXA IM has also guided the work of the group on the preparation and launch of a public consultation on biodiversity approaches by financial institutions in December 2021. The results of the consultation will be published on the website of the FfB Foundation in 2022 and will be used by the working group on impact metrics to create an investor guide on biodiversity integration.

Also, since 2021 AXA IM has been working on an engagement guide for financial institutions together with other investors and members of the FfB working group on engagement. The engagement guide is due to be published in 2022.

[21] The Finance for Biodiversity Pledge. 2021: About the Pledge – Finance for Biodiversity Pledge

Engagement themes

Gender Diversity

Liudmila Strakodonskaya
Responsible Investment Analyst

We believe gender diversity is a key factor in achieving and maintaining a healthy and efficient working environment. We believe it can boost the emergence of talent, the generation of innovative ideas and business performance overall.[22]

As an investor, this means that appropriate gender representation could potentially drive better corporate performance for companies, as well as shareholders, and encourage improved leadership and governance. Therefore, we have reinforced our engagement activities around gender diversity, partnering with our industry peers to push for progress. In line with our ambitions and with the objective to join forces, we helped create the 30% Club France Investor Group in November 2020, calling other asset managers to join us and encouraging large French companies to commit to promoting gender diversity at senior level. The goal is to reach at least 30% by 2025, compared to just 21% in 2020.

Our Engagement goals and activity

The actions of our investor group focused on three main areas:

- '**Soft**' engagement to inform the 120 largest French companies of the existence of the coalition and propose common key performance indicators aimed at measuring progress
- '**Hard**' engagement with gender diversity laggards (23 companies identified) to help them improve
- **Creation of partnerships** to learn from the 30% Club France investor Group industry stakeholders working on Gender Diversity[23]

In our talks with companies, we ask them to appoint women to at least 30% of executive committee seats by 2025. For example, as one of the measures to further increase transparency on gender diversity, we have called on firms to disclose their procedures on finding and appointing new members to executive management – and how they encourage diversity at every management level.

Outcomes and next steps

With regards to laggards, an imbalance depending on the sectors in which these companies operate has been noted. The STEM industries (science, technology, engineering and mathematics), despite their historically low rates of female representation, showed a strong desire to improve as demonstrated by a willingness to speak with, and learn from the investor group. It also showed clear commitments on drawing more women to the sector and ensuring they reach top management.

By contrast, sectors which have relatively high rates of female employment (the financial and consumer sectors, for example) appear to have a more embedded glass ceiling. While there are targets and strategies in place, our experience in those sectors has been challenging and can hopefully be improved through active engagement.

[22] Why Diversity and Inclusion Has Become a Business Priority – JOSH BERSIN
[23] 30Club_France_Diversity_Report_Final.pdf (30percentclub.org)

vision 2022

Most companies we met were convinced of the value of gender diversity. Our discussions were well received and we have begun to see positive momentum in the form of action plans and targets, but we hope to see more tangible progress in 2022.

Just under 70% of large French companies still do not have the target number of women in their executive management teams.[24] Progress was made last year, but based on the current rate of improvement, it would take an average of more than six years for SBF120 companies to reach at least 30% of women on management committees. It is therefore urgent to continue to promote awareness and the implementation of concrete action plans to accelerate the trend.

> "We believe gender diversity is a key factor in achieving a healthy and efficient working environment"

case STUDY

Based on discussions held between Carrefour's executive team and the investor members of the 30% Club during 2021, we identified that the French supermarket group has developed and put in place dedicated action plans to achieve its gender equality goals. The results so far are promising, in our view.

At the end of 2020, 18% of Carrefour's executive committee were women, compared to 58% representation overall. The company has yet to set strict diversity targets for the executive level, but already has a plan in place to reach 40% women in key positions and 35% in the top 200 management positions by 2025. We note that gender equality is taken into account in executive compensation and since 2021, this practice has been extended to variable compensation for all employees of the group and of managers in the integrated countries.

Carrefour has signed a global trade agreement that integrates conditions to protect female employees from violence in the workplace while also promoting diversity and equal opportunities. Moreover, Carrefour underwent gender equality audits in key business areas. We recognise Carrefour's efforts to improve its gender equality performance and look forward to continuing to accompany the firm towards its gender diversity goals.

[24] To comply with the Copé-Zimmerman French Law – 40% of women on the Board of Directors – and to align with our expectations as part of 30% Club France Investor Group. LOI n° 2011-103 du 27 janvier 2011 relative à la représentation équilibrée des femmes et des hommes au sein des conseils d'administration et de surveillance et à l'égalité professionnelle (1) - Légifrance (legifrance.gouv.fr)

Engagement themes

Data Privacy

Théo Kotula
Responsible Investment Analyst

Collection of personal data has fuelled the rapid growth of internet-based technology companies. Firms that rely on the handling and processing of personal data are under intense scrutiny from customers and regulators. As a global asset manager with extensive investments in the technology sector, we believe that we can have a positive role to play in encouraging good data privacy practices and helping protect clients from associated investment risks.

Our research found that companies collecting personal data are exposed to regulatory, operational and reputational risks, and that a fine line separates success from failure in terms of privacy policies and practices. It framed our 2021 engagement discussions with firms exposed to data privacy issues.

Our engagement goals and activity

In 2021, we engaged with companies exposed to privacy risks to examine how their way of working compares to the good practices we identified around:

- Transparency in public reports on data privacy policies and practices
- Oversight of the issue at board level
- Data collection minimisation (adequate, relevant and limited to a company's specific purposes)
- Privacy by default

We are also expanding our engagement discussions with tech companies beyond data privacy. We notably had dialogue on human rights issues. This has been driven by growing concerns around these firms' potentially negative human rights and societal impacts, as well as around society's trust in them – which is key for tech companies' sustainable, long-term value creation. As part of that, we continued our active participation in the 'Tech giants and human rights: Investor expectations' collaborative initiative.[25] It allowed us to join forces with other investors on these crucial issues.

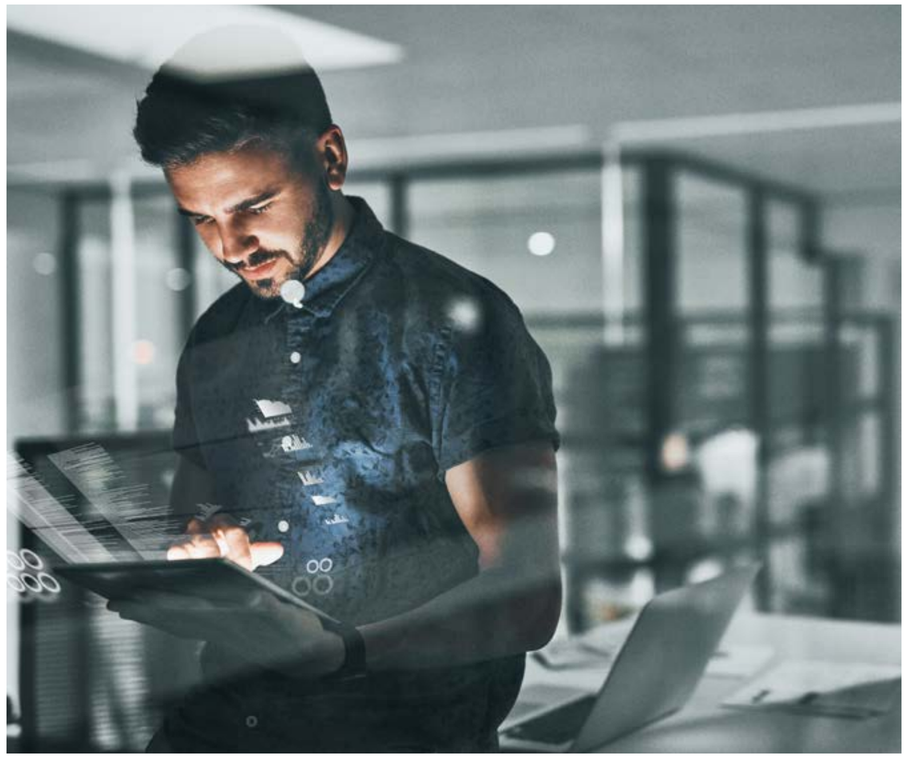
Results and next steps

While we saw progress made by engaged companies in 2020 on data privacy issues, 2021 was not as positive in terms of engagement outcomes. Tech companies do acknowledge that data privacy and human rights are material risks for their business models, but we felt most firms were perhaps not willing to make the necessary changes to fully mitigate these risks.

On a more positive note, we had very insightful pre-AGM discussions with tech companies that allowed us to refine our voting decisions.

vision 2022

In 2022, we will expand the scope of our engagement topics by conducting research on responsible artificial intelligence that will drive our discussions with companies. One of our key priorities for the year is to keep strengthening the consistency between our engagement discussions and voting decisions – we will try to systematically meet with our focus companies before their 2022 AGMs, and to file or co-file shareholder resolution when and if needed.



case STUDY

We started engaging with Meta – formerly called Facebook – in 2019 on data privacy and human rights issues. As a tech giant whose revenues are largely depending on the collection of users' personal data, the company was part of our engagement focus list. Our main objectives were for Meta to strengthen board oversight of data privacy and human rights issues, increase transparency and reporting on these risks and to take concrete steps to address recurrent related controversies.

Since then we have met with the company at least once a year and over time we have had the opportunity to hold discussions with representatives of various departments, such as investor relations, corporate secretary and operational specialists. We also joined collaborative investor initiatives carrying similar messages to Meta.

Some of our engagement objectives have been met. For example, Meta established a privacy committee at board level and set up the Oversight Board in 2020. These were positive steps with regards to the risks we identified through our research and our engagement targets.

Despite this progress, in 2021 the company found itself once again subject to a content/data privacy controversy – the Facebook Files.[26] In our view, it could be a sign of structural oversight problems around these issues.

The company organised a group call to clarify its position around content moderation and human rights issues and emphasised where it had seen success. While we recognise that Meta has made significant efforts to improve policies and transparency on these issues since we started engaging with it, we consider that the most critical point we wanted to be addressed was left unanswered: We do not have any idea of what concrete steps Meta will take to address the recurrent privacy, content and user safety issues it has been facing for quite some time.

In terms of next steps, we will adapt our 2022 voting decisions accordingly. We will also carry on our engagement with Meta – both individually and collectively – and keep pushing for better oversight and management of data privacy, human rights and content moderations issues.

> "Firms that rely on the processing of personal data are under intense scrutiny"

[25] The Council on Ethics of the Swedish National AP-funds signals its expectations for tech giants on human rights - Fjärde AP-fonden (ap4.se)

[26] https://www.bbc.co.uk/news/technology-58678332

Engagement themes

Access to Nutrition

Constance Caillet
Responsible Investment Analyst

As an active, responsible and long-term investor, the issue of health is a crucial topic. This is very obvious during a pandemic, of course, but also on a more everyday basis, in terms of the impact of consumption patterns. Considered an epidemic by the World Health Organization (WHO), obesity raises the question of how an unhealthy diet might affect not only our health, but could also bring economic and social consequences.

The importance of the issue has led us to become a signatory of the Access to Nutrition Initiative in 2021.

The Global Access to Nutrition Index (ATNI) evaluates the world's largest food and beverage manufacturers' policies and performance related to the world's most pressing nutrition challenges: obesity and undernutrition.

Working alongside ATNI and other investors, we have engaged with the 25 largest food and beverage companies in the world in regard to their respective nutrition strategies, such advertising to children, promoting unhealthy foods, the use of sugar and the affordability of healthier foods.

vision 2022

To measure progress on the commitments made, further engagement will be conducted in 2022, in collaboration with the Access to Nutrition Initiative.

case STUDY

As part of the Access to Nutrition Initiative we have led the engagement with French food producer Danone, supported by 25 other investors.

In the index produced by the Access to Nutrition Initiative, Danone's score decreased from 6.3 out of 10 in 2018, to 5.8 in 2021. This puts it in fourth place, although it ranks first in the category of 'product profile' and has the highest average health score, thanks to the nutritional quality of the products sold.

During the engagement, many topics were discussed: The inclusion of ESG metrics related to health and nutrition in the CEO's remuneration; the implementation of salt/sodium targets; the accessibility and affordability of healthy products to a wider population; the labelling of products and; the reduction of marketing to children or lobbying.

We met with Danone 10 days after the arrival of its new CEO, so it was too early to address some issues. These included, for example, the inclusion of health and nutrition metrics in remuneration, or the extension of a policy of accessibility and affordability to a wider population. These are questions that will have to be looked at in the longer term.

Nevertheless, some answers have been provided, notably on potential salt/sodium targets for specific products, a recent update of the marketing policy towards children and the collective industrial approach expected to evolve this issue further.

Finally, the reorganisation of Danone, both in terms of governance and reporting systems, implies a communication of the percentage of sales of healthy products (instead of percentage in volume), will only be possible over a three-to-four-year horizon.

Next steps

The new CEO has been in place for a few months now, and in this respect, it would be good to understand how the new management is working to ensure that the topic of nutrition remains a priority and continues to be part of Danone's progress.

It will also be interesting to understand whether the appointment of the new Chief Sustainability Officer and the forthcoming appointment of the new Chief Research, Innovation and Food Safety Officer might accelerate the positive transformation of the nutritional profile of the Danone portfolio.

Healthcare

Peter Hughes
Portfolio Manager

Lisa Kladitis
Impact Investment Analyst

At least half of the world's population do not have access to essential healthcare.[27] COVID-19 has underscored inequalities in healthcare provision with vaccine distribution illustrating this inequality most clearly; for every 100 people, 68 vaccines were administered in Europe and Northern America, compared with fewer than two in sub-Saharan Africa.[28] Therefore, our commitment to improving access to medicines through engagement with investee companies is stronger than ever.

Since 2020, we have partnered with the Access to Medicine Foundation (ATMF), a not-for-profit organisation which conducts research into pharmaceutical companies' actions on making medicines more accessible. Through this partnership we demonstrate our commitment to facilitating positive change in healthcare.

In 2021, our engagements focused on increasing access to medicines in low and middle-income countries, and we tailored our conversations depending on each company's area of expertise. We leveraged our collaboration with the ATMF to inform our engagement. Over the past year, our discussions have focused on a range of issues that we believe are key to ensuring access to vital medicines globally, and we encouraged companies to make improvements in the following areas:

- Build supply chain capacity and resilience – improve supply of high-quality medicines into low-income countries
- Measure impact on patients – consider what data should be measured to gauge patient outcomes and ensure resources are allocated effectively
- Create access plans for innovative, life-saving products – improve availability for patients globally
- Be transparent on pricing – transparent pricing policies that enable access for low-income individuals around the world, including in high income countries where pricing may still be a barrier to care.
- Encourage relevant firms to participate in the COVAX facility – improve vaccine access through collaboration with industry partnerships and governments.
- Focus research and development on under-researched diseases – specifically in areas of high unmet need in low and middle-income countries.

Overall, we saw positive responses from companies and senior commitment to access initiatives. The release of the 2021 Access to Medicines Index served as a catalyst for pharmaceutical companies to increase their positive impact based on opportunities identified by the ATMF, one example of which follows below.

vision 2022

In 2022, we will ensure the momentum gained over the last two years is maintained regarding access to essential healthcare. We will continue to work together with ATMF to ensure the investor network joint forces to effect real change, in particular with issuers which have been consistently scoring poorly on certain indicators over time. In 2022, we also plan to expand our engagement activities on transparency and reporting, as accurate measurement is a key step in driving positive outcomes. Our goal is to encourage a targeted list of companies to expand and improve their reporting on measures of patient impact.

case STUDY

Novartis ranks highly on the Access to Medicines Index, at second overall and first for product delivery. In collaboration with NN Investment Partners, we engaged with Novartis to encourage further progress on opportunities identified by the Access to Medicines Foundation. Specifically, we discussed Novartis's implementation of access planning across all research and development programmes and encouraged them to diligently report on this.

Novartis has responded to this opportunity by increasing its access planning efforts. The company started by developing access plans for medicines at launch and phase 3 clinical trials. In our discussions, Novartis also highlighted its ambition to go further by producing detailed access planning for all relevant drugs in phase 2b clinical trials and creating initial access plans for relevant drugs at even earlier stages of development.

[27] World Bank, WHO
[28] UN, The Sustainable Development Goals Report 2021

Delivering transparency and pressing for change through voting and engagement

Clémence Humeau
AXA IM Head of RI Coordination and Governance

Our aim is to play a leading role in financing the transition to a greener and more sustainable world. Part of this involves encouraging companies in their transition journey through focused shareholder engagement. This is a central pillar of responsible investment at AXA IM, and we therefore continuously review ways to make this dialogue as efficient and impactful as possible.

We see three essential ways to do this: Clear and meaningful objectives communicated to management; regular meetings to verify and evaluate progress; and voting with conviction or pursuing other escalation techniques when required. Our active dialogue with companies allows us to effectively monitor our investments, and ensure we maintain open channels which can enable change to the benefit of society, the planet – and ultimately our clients.

The potential for escalation is an essential part of this process, and we believe those techniques will be successful if they are based on clear, transparent engagement escalation policies. This has prompted us to propose a 'three strikes and you're out' policy to be rolled-out during 2022, which will identify and target a list of companies that we believe are lagging in their climate strategy (see more on p.10). We also hope that fellow investors will follow in this approach as the likelihood of success is greater when we collaborate, share common messages and apply pressure in a coordinated manner.

In the same vein, the use of our voting rights enables us to convey clear and strong messages to management, informed by our research and the progress of engagement with a company. We believe targeted voting can help us fulfil our promise to clients to act as an effective steward of their assets, leveraging our considerable size of aggregated assets under management to reinforce a shared message.

We believe investors are most effective in this when the momentum is collective and consistent. Right now, with the potential powerful influence of the finance industry in driving the transition becoming ever clearer, we think that dispersing voting decisions widely through potentially hundreds of investors could risk diluting the considerable influence of the asset management industry, as well as detaching voting from the engagement process.

Our ability to engage and vote with purpose and scale comes with responsibilities – our research must be exacting, our stewardship policies and governance must be robust, and our actions must be transparent. In addition to the disclosures at entity and fund level already in place, we are taking additional steps in 2022, providing additional transparency on a number of our engagement activities, and striving to provide educational content to our stakeholders.

Protecting our shared interests

AXA IM's active and long-term approach means our relationship with investee firms can continue for many years – decades in some cases. We have a duty to our clients, our colleagues and wider stakeholders in society to monitor and engage with companies for the entire time that we hold their stocks and bonds – and in a fashion that helps protect all our interests long into the future.

At the heart of this is our ambition to achieve a clear 'win-win' of improving risk-adjusted returns while contributing to broader societal and environmental objectives as defined in the UN SDGs.

For us, active ownership is about making the most of our rights as an investor to engage investee companies in productive dialogue that makes a tangible difference. So how do we do this?

- **We are proactive:** We strive to engage companies before concerns materialise that can potentially harm investors. We commit our efforts to those ESG issues which we consider to be the most strategically and financially material for long-term investors. These are climate change, biodiversity, human capital management and diversity, data privacy and corporate governance.
- **We are research-driven:** As a truly active investment manager, we conduct in-depth analysis of companies and the broader macroeconomic backdrop and incorporate ESG factors which shape investment outcomes. Our engagement and voting are built on the knowledge and insights we have developed.
- **We create impact:** Investors can drive impact in their investment activities by pressing for change at corporations – influencing the way they behave and do business. We focus our engagement where we believe it can have the greatest impact and consider how it can align with the UN SDGs.
- **We are an industry leader:** Taking a bold stance on difficult issues and committing resources to delivering engagement outcomes helps us reach our goals for clients and society in the long term. We also seek to work collaboratively with other investors to achieve shared objectives (Appendix II).
- **We are responsive and alert:** Although our core engagement approach is to be proactive, we recognise that there are cases where major controversies occur, or international norms are breached. Such norms include the UN Global Compact – a set of principles based on corporate commitments to implement sustainability principles, the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. In these cases, we will assess the severity of the cases through our ESG Monitoring and Engagement Committee and consider whether to engage on a reactive basis or make other decisions such as to divest.

We also act quickly and decisively in cases where companies are in breach of our internal ESG investment exclusion standards and policies. These include limits on coal and unconventional oil and gas-related activities or involvement in products and services such as tobacco, controversial weapons and palm oil. Our full Engagement Policy can be found here.

Responsibilities

At AXA IM, responsibility for stewardship falls on a wide range of teams. These include (but are not limited to):

- The RI Coordination and Governance and ESG research team. This includes analysts focused on themes such as climate, biodiversity or social, as well as corporate governance and stewardship experts and others involved in advocacy and development of solutions in response to new sustainable finance policies
- ESG stock/bond analysts and impact investment specialists within investment platforms
- Fund managers and analysts
- Public policy and regulatory professionals

The ultimate responsibility for stewardship lies at AXA IM board level.

Nevertheless, the RI Coordination and Governance and ESG Research teams have a responsibility to formulate the broader engagement programme and orchestrate the related governance (including progress tracking, reporting, etc.). These teams make a significant contribution to engagement with issuers.

Engagement is performed across asset classes. Investment teams empower their analysts and portfolio managers to engage companies on ESG issues – in a similar way as they do for financial analysis. This covers ESG analysts, impact investment analysts, and stock/credit analysts. Many of the engagement meetings are conducted in collaboration with the RI Experts teams.

Forms of Engagement

From 2022, as part of our efforts to enhance a robust engagement governance, we aim to clearly distinguish regular dialogue conducted with investee companies around their sustainability practices (referred to as 'sustainability dialogue') from active engagement with specific, identified objectives (referred to as 'engagement with objectives') in our engagement tracking and reporting.

We consider the former to be key in establishing, developing and maintaining a constructive relationship with the company, as well as gaining insights into its policies and practices. However, while it may feed into future potential targeted engagement, this type of dialogue is less intensive and is largely an information-gathering exercise.

Protecting our shared interests

Selection of priorities

We have rolled out a clear process for selecting priorities, which can be addressed in combination:

- **Proactive**: We engage in a proactive fashion on material ESG areas. There are two main approaches in place to facilitate proactive engagement:
  - Focus list: This is a priority list of about 50 companies for which intense and repetitive engagement is conducted on one or two key issues, with the list being updated on an annual basis. Objectives are set upfront and resources allocated. This is the priority list for which we expect regular individual engagement meetings, updates and action. Progress in engagement with these companies is regularly tracked by the ESG Monitoring and Engagement Committee.
  - Thematic projects: In addition to the focus list, we also conduct engagement projects on specific themes. These projects cover a wider universe of companies in any relevant market, sector or asset class.
- **Opportunistic**: Our relationships with companies mean we are often invited to attend conferences, roadshows or field trips. This is an opportunity to learn more about companies' actions, policies and performance while at the same time updating them on our areas of focus and scrutiny.
- **Annual general meeting voting:** Before and after votes, we conduct extensive discussions with companies on corporate governance matters, voting resolutions at upcoming meetings and increasingly, on sustainability issues which are a focus of shareholder proposals. We also provide full transparency on our voting actions with companies and our voting records. This is a fundamental aspect of our fiduciary duty to clients. We vote in a manner that is intended to be beneficial to the long-term, sustainable value of the companies in which we invest. Areas of support or dissent can relate to a number of sustainability-related issues, such as executive remuneration, climate and diversity – which we have captured within our dedicated voting policy. Voting may occasionally be used as an escalation option if we believe engagement on a thematic issue has stalled. For more detail, see the Escalation section.
- **Reactive**: While our core engagement strategy is proactive, there are some cases when we need to engage in response to a specific event. These can relate to:
  - Severe controversies[29] and breaches of international norms and standards: For AXA IM's ESG Integrated and ACT strategies, we exclude investments in issuers which are impacted by a severe controversy or which are in violation of international norms and standards – where holding securities from that issuer could pose a significant financial and/or reputational risk. Severe controversies are largely defined as breaches, but we can also exclude investments where issuers have been involved in other types of controversies. We use an external data provider to provide us with an initial assessment.[30] In certain cases, we may decide to discuss with the company the credibility of corrective actions put in place to resolve the issue, instead of divesting. Such an exemption is decided by the ESG Monitoring and Engagement Committee after a qualitative review of the stock and internal agreement between the stakeholders of the Committee.
  - Exclusion policies: Any update of our ban lists can also lead to some companies being automatically excluded. Again, the ESG Monitoring and Engagement Committee can advise to engage rather than exclude under certain conditions described in related policies.
  - Negative news flow: We often hear negative news stories about our investee companies. While these are not necessarily ranked as 'severe' controversies by our controversies research service provider, we might want to engage with the company to obtain a better understanding of the issue and assess the quality of its response. In certain cases, we may also decide to exclude certain issuers on this basis, if we feel the risks are material and the response from management is insufficient.

[29] As per AXA IM's ESG standards, a severe controversy is when our ESG data provider Sustainalytics rates a controversy as level five (out of five).
[30] Sustainalytics' Global Standards Screening assesses companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards covering the UN's Global Compact Principles, the International Labour Organization's Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Collaboration

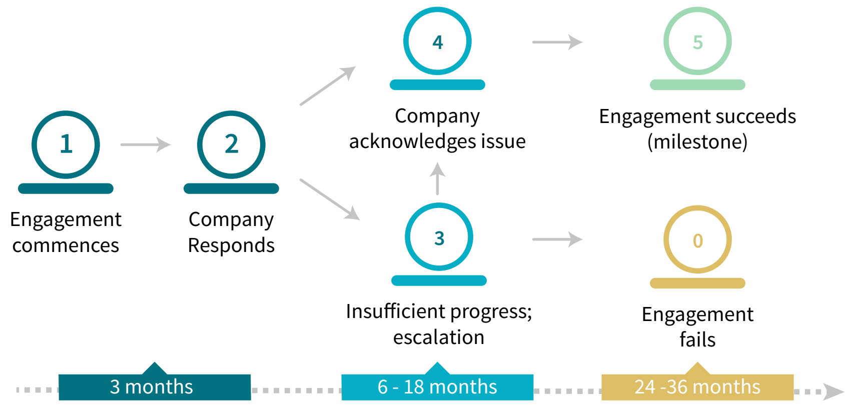
Most of our engagement is based solely on our own efforts, but we also believe that collaborating with other like-minded investors and stakeholders can help us to achieve our goals. In 2021, although more than 80% of our engagements were carried out individually, we remain an active participant in key industry initiatives such as Climate Action 100+,[31] Access to Medicine[32] and Finance for Biodiversity.[33]

When deciding which initiatives to participate in or support, we focus on topics and groups where we believe our involvement will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, so we use a combination of collective and individual engagement.

We play a proactive role in several industry initiatives and groups and take a leadership role as often as possible, as highlighted in Appendix III.

Tracking engagement progress

For 'engagement with objectives', we systematically track engagement progress using five stages that set out the range of possible outcomes:



Source: AXA IM

[31] https://www.climateaction100.org/about/
[32] https://accesstomedicinefoundation.org/
[33] https://www.f4b-initiative.net/

Protecting our shared interests

Every engagement has its objectives established upfront. We conduct the engagement with issuers and track progress – achieving effective change can take time, and we define the timeframes which we consider reasonable to achieve these objectives, depending on the nature of the change we are targeting and the underlying concerns. These differ according to the nature of the objective, the country of the issuer and the thematic area.

In 2021, we recorded 12 milestones – instances where we believe we achieved our engagement objective (stage five). We have escalated our engagement with 17 issuers (see next section for further details) due to a lack of progress. Some of these may be recorded as engagement failures in the coming year or two.

Escalation

Engagement does not always progress smoothly. Responses given by companies can be either unsatisfactory or slow. It is crucial in such cases to escalate the issue to keep the process moving and maximise the chance of meeting our engagement objective. Here again, there are multiple options available for escalation:

- **Targeting more senior input:** We may seek to move the discussion up the corporate chain, ultimately through to chief executive/chair level
- **Collaborating with other investors:** Working with other investors can send a unified message through formal industry groups or ad-hoc associations
- **Inviting portfolio managers:** Portfolio managers often have an in-depth knowledge of investee companies and may have developed useful connections. Working with portfolio managers on specific cases can be an efficient way to make sure our messages reach the right people
- **Voting against resolutions at AGMs:** We use voting as a mechanism to escalate engagement concerns. When engagement on key themes has stalled, we show dissent through a vote against specific resolutions. Alternatively, we may consider co-filing a resolution on specific ESG issues
- **Divestment:** In certain cases, we consider divestment as a means to put pressure on the company to change its practices.

Involvement with policymakers is a key part of our active ownership strategy as well. As interest in ESG grows among clients and regulators in many geographies, the need for clearer definitions and usable standards is a top priority for the financial industry. While the key focus of our public policy engagement is around sustainable finance, we also understand that policy decisions related to our key themes – including climate – will shape corporate practice. We therefore work jointly with peers to express our thoughts to policymakers, including through the Institutional Investors Group on Climate Change policy programme.

case STUDIES

ExxonMobil (Engagement Escalation):

As part of our engagement programme on climate change, we engaged with ExxonMobil to push the company to adopt a climate ambition more in line with its European peers, taking into consideration climate science.

The company has short-term targets, and stated long-term ambitions, to help society achieve net-zero goals. However, we considered that the company lacked ambition as the policy was not based on science-based targets. The company seemed to fail to see itself in a long-term scenario with clean energy, or at least did not communicate enough on such ambition.

In May 2021, we discussed with the company the upcoming proxy contest. Specialist investment firm Engine No. 1 had nominated four directors to the 12-member board. We were not convinced by the company's response to the challenge raised by Engine No.1 and therefore decided to support the resolution as a voting escalation, which was an approach taken by several other shareholders.

Saudi Aramco (Engagement Escalation):

On the basis of its greenhouse gas emissions relative to other companies worldwide, and as one of the largest oil companies both in terms of production and in terms of fossil reserves size, Saudi Aramco has been recently included within the scope of the Climate Action 100+ initiative with AXA IM as lead investor.

The international bond sale and the initial public offering of shares in Saudi Aramco in 2019 has been perceived as a strong statement for transparency, and investors of the Climate Action 100+ initiative believe a constructive dialogue with Saudi Aramco about its transition strategy can emerge.

In a notification letter to the company, we presented the three key objectives of our engagement programme: The implementation of a strong governance framework, the setting of greenhouse gas emissions reduction targets, and the provision of enhanced climate-related corporate disclosure in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

A first discussion was held shortly after the company received the letter. However, since then, the company has been unresponsive. The proposed escalation is to involve more investors in the discussion, and we are hoping to be able to re-establish contact in 2022.

In 2021, we reached key milestones for 12 of our engagements. While our engagement objectives have been achieved by these entities, we remain attentive to changes in corporate strategies and the way they integrate sustainability issues.

Renault (Engagement Success):

In May and December 2021, we had two meetings with French car company Renault through the Climate Action 100+ collaborative initiative for which we are lead engager, to encourage progress with its climate strategy. The company had published its first climate report earlier in 2021 and then provided updated climate targets, notably a net zero commitment for 2050 for its global operations, as well as specific targets on the electrification of its fleet, its Scope 3 'well-to-wheel' intensity objectives and an emission reduction plan for its own plants.

Renault explained that electrification and a circular economy framework were the two key levers to achieve those objectives. The company also argued – and we concur with this analysis – that a critical underlying challenge is to change entire ecosystems, from suppliers to customers and electric infrastructure providers.

Renault has significantly improved its climate strategy and disclosure in the past two years. More recently, we had much more precise answers on our questions related to green investments and participation in industry associations.

We will follow up in 2022, notably to discuss in more detail the implications of the EU Taxonomy regulation which aims to define which business activities can be deemed climate-friendly.

Ashtead (Engagement Success):

UK industrial equipment company Ashtead had proposed changes in its chief executive's remuneration package, to which we provided our feedback. Our recommendation was to link remuneration arrangements with the company's strategy and purpose, rather than to perform a benchmarking remuneration. The company agreed to this point, and the Remuneration Committee Chair then detailed the changes they are planning to implement not only at board level but throughout the organisation.

We conveyed our expectation that, while the introduction of ESG metrics to the package is a very positive point, the nature of the target and its link to the strategic ambition of the company is necessary so that the metric does not become a simple remuneration-adjustment mechanism.

The environmental targets they are currently working on will be announced in due course.

Overall, following our engagement efforts, the remuneration arrangements have improved, with the milestone of introducing an ESG target to the long-term performance plan. Consequently, we voted in favour of the remuneration policy and bonus plan.

Public Policy

Clémence Humeau
AXA IM Head of RI Coordination and Governance

At AXA IM we adhere to the principles, standards and codes which govern policies and practices in the markets where we are active. For many years, responsible investment practices were framed by 'soft', industry-led standards, but 2021 marked a step change for the financial industry in Europe. The Sustainable Finance Disclosure Regulation (SFDR)[34] came into force, along with its French counterpart, the AMF Doctrine 2020-03[35] and the International Sustainability Standard Board (ISSB) was created. Still, as we enter the implementation phases for those groundbreaking sets of legislation, engagement with policymakers and regulatory authorities remains essential to address several challenges.

The objective of our public policy engagement is to encourage a regulatory framework for investors where sustainability and responsible investment are taken seriously. We think this can help tackle greenwashing – where climate-related rhetoric is not matched by action. Our approach reflects and reinforces the practices, framework and disclosures we have developed over time including in response to the Article 173 of the Energy Transition Law.[36] Our advocacy efforts have focused on the following:

- **Advocating for relevant, comparable, and sustainability-related information to become available for a broader scope of issuers.** This data will be absolutely crucial in enabling investment teams to continue to embed ESG into their decisions in a robust manner, but also to enable us to provide meaningful, comprehensive reporting to clients and regulators – thus satisfying SFDR-related requirements. Through our involvement in the Sustainability Accounting Standards Board's (SASB) Investor Advisory Group, as well as through other individual and collaborative engagements, this has been a key focus of our engagement in 2021. In particular, we called for a double-materiality lens, looking at the impact ESG factors may have on financial performance on the one hand, but also at the impact investments may have on the environment and the planet on the other. This reflects our view of our role as responsible investors, and our wish for a better convergence at global level, building where possible on existing and viable standards.

- **Addressing some of the current shortcomings of the SFDR.** While we strongly support its overarching objective of providing increased transparency, and comparability to our clients, the regulation at this stage remains vague on a number of concepts which are essential to its effective application. This includes the definition of what a sustainable investment is, resulting in uneven implementation across the market. The regulation had been intended as a disclosure regime but has been seen by many as a quasi-labelling regime – potentially damaging the legitimacy of the SFDR, in our view. We will continue our advocacy efforts with various industry groups, including the Eurosif SFDR Advisory Group, and individually, as we believe in the importance of clear 'end goals' for this important regulation. We also want to clarify how it will interact with the EU Taxonomy[37] and with possible ESG or Transition labels at EU level. These efforts would be aimed at maintaining trust and supporting efforts from the financial industry to reinforce practices and transparency, ultimately to the potential benefit of our end clients.

- **Bringing closer together net zero efforts and sustainable finance policy implementation.** These two major priorities mobilised teams across the industry in 2021, requiring a rethink of our way of working in order to further integrate environmental (and social) considerations across our organisations. Both priorities aim to efficiently channel financial flows to ensure the funding of the transition to a world aligned with the goal of keeping global heating to well below 2°C or ideally 1.5°C. In 2021, in our engagement with policymakers as well as with net zero coalitions, we have advocated for further convergence between the two. This could be achieved in many ways, including with a 'Transition Label', with clear requirements both in terms of investment process, forward-looking targets in terms of carbon-intensity reduction and robust stewardship policies. We welcome recent initiatives in the UK and France to develop such a label and will continue to promote this topic through our engagement in 2022.

We adopt a selective approach when deciding which initiatives, we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, and our public policy engagement is achieved through direct engagement with policymakers and regulatory authorities, participation in industry working groups, and responses to consultations. A list of these can be found on [Appendix II](#).

We think 2022 will be yet another landmark year on the public policy side, where we will continue to make progress in the implementation of sustainable finance policies, and hope to see equal momentum on the real policy side, while acknowledging the impact and influence of macro-economic events. We aim to continue to engage with our investor base, providing educational content on those important and evolving policies, to encourage an understanding of how they may change our way of working and change the nature of portfolio investments.

case STUDY

We participated in a working group piloted by industry-led financial standards initiative FinDatEx to develop a European ESG template.[38] The organisation had gathered sector representatives to develop the European Mifid template in 2018. In 2021 it echoed this initiative with the objective of creating a methodology which would facilitate the sharing of ESG information between makers and distributors of financial products, in the context of new policies such as SFDR, Taxonomy, and the wider incorporation of ESG in a regulatory context.

In April 2021, FinDatEx decided to create a dedicated working group and introduce a stand-alone data exchange template.

Through our participation in this working group, we supported the development of a tool which would be operationally usable by industry participants at both ends of the value chain, and which would take stock of some of the current unknowns and aim to find short-term solutions.

After intensive work, the group has now published the first version of the new template (EET V1)..

[34] EUR-Lex - 32019R2088 - EN - EUR-Lex (europa.eu)
[35] Position - Recommandation DOC-2020-03 : Informations à fournir par les placements collectifs intégrant des approches extra-financières (amf-france.org)
[36] Article 173 - LOI n° 2015-992 du 17 août 2015 relative à la transition énergétique pour la croissance verte (1) - Légifrance (legifrance.gouv.fr)
[37] EU taxonomy for sustainable activities | European Commission (europa.eu)
[38] FinDatEx

Voting: Our priorities and plans

Constance Caillet
Responsible Investment Analyst

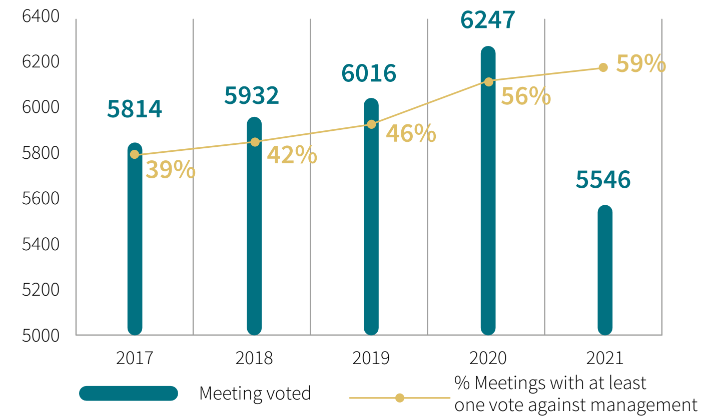
Reset and transition. These words describe well a year in which we started to emerge from the pandemic, both personally and for economies and businesses. Companies have been rebuilding in an environment less restricted by the consequences of COVID-19, and are now able to focus more on sustainability challenges.

During 2021, we voted at 5,546 meetings, out of the 5,569 meetings at which we were eligible to vote. The meetings we do not vote on are those in markets where processing the votes would be too costly, or would impede the investment process. We voted at 98% of meetings held by investee companies. Our full voting records are accessible publicly, and full voting statistics can be provided at AXA IM entity level.

Compared to 2020, the number of votable meetings decreased, which can be explained by several factors:

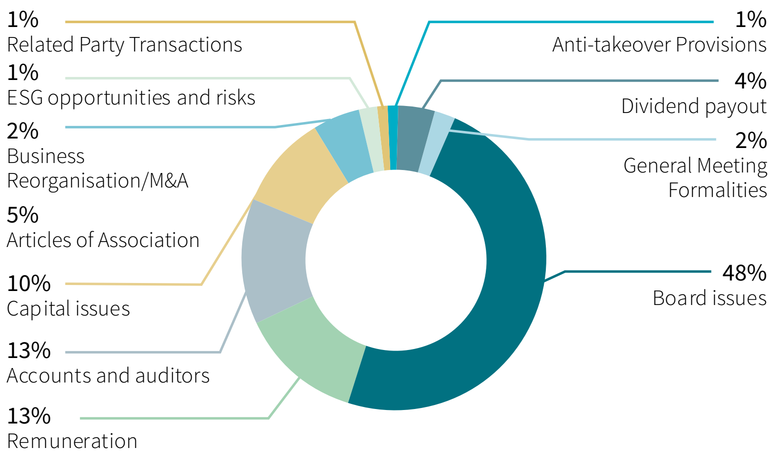
- 2020 was an unprecedented year, in which companies had to adapt to hold annual general meetings (AGMs) virtually. The set-up may have been difficult, and some AGMs had to be re-voted several times, which increased the number of voteable meetings
- Part of our investment rationale during the pandemic involved reducing the volume of holdings in certain emerging markets, resulting in fewer shareholder meetings

Meetings voted & level of dissent



Source : AXA IM, 2021

Breakdown of votes by topic



Source : AXA IM, 2021

The use of our voting rights at AGMs enables us to convey clear and strong messages to management, informed by our research and on-going engagement with the companies. We believe sustainability issues must be integrated across the governance spectrum, in the assessment of 'traditional' resolutions, such as on board governance, remuneration and corporate reporting, and not solely addressed separately. Board issues remain the main topic on which we express ourselves, aligned with our corporate governance and voting policy, and tend to be the main resolutions through which we share our views on ESG-related risks and opportunities.

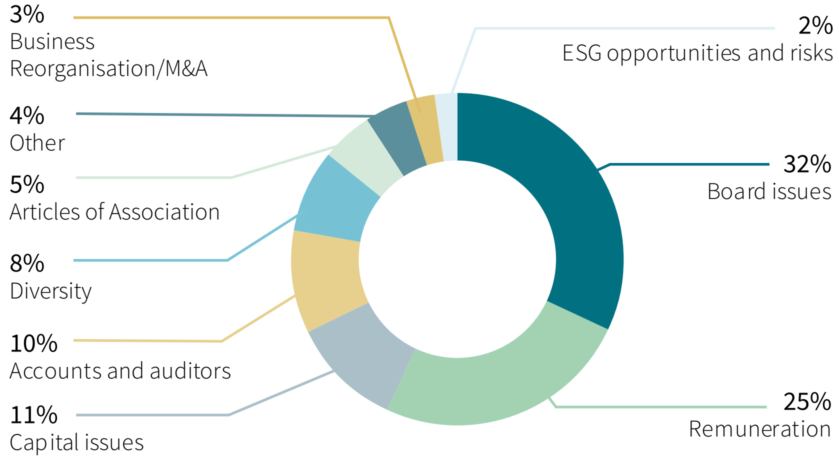
The percentage of meetings voted at, compared to the potential votable meetings, is at the same high level as 2020, illustrating our consistent concern about making our voice heard everywhere except in a very small number of inaccessible markets.

We voted against management on at least one resolution at 59% of company meetings. This was a notable increase from last year (56%). This increase is mainly due to opposition on the election of board members (an increase of three percentage points from last year), as our criteria on board gender diversity fully came into force in all markets.[39]

We opposed two main categories of resolutions in 2021. Nearly 39% of our votes against management were on director-related resolutions and 25% on remuneration-related proposals, followed by opposition on auditor appointments (15%). Our voting policy is reflected in our voting behaviour; we look closely at issues such as board independence, combined chair and chief executive officer (CEO) positions, excessive number of board mandates, board oversight of ESG risks, and auditor rotation.

> "We voted against management on at least one resolution at 59% of meetings"

Our votes against Management by Topic



Source : AXA IM, 2021

We strive to vote in an informed manner, guided by our policy and any additional information provided by the company. When a resolution is contrary to our voting policy, we always try to understand the underlying rationale before making a final voting decision.[40]

[39] AXA IM to expand its gender diversity voting policy for both developed and emerging market economies | AXA IM Corporate (axa-im.com)
[40] For more on our approach to voting, refer to our Corporate Governance & Voting policy and to this supporting document.

Voting: Our priorities and plans

2021 Voting Highlights: An ESG-friendly voting season

The growing prominence of ESG issues was one of the highlights of the 2021 AGM season. From engagements to increased reporting and the growth of related investment strategies, ESG factors – and particularly environmental and social – are at the forefront of the agenda for issuers and shareholders. This season reflected the increasing importance of sustainability and inclusion to investors. The surge of 'say-on-climate' proposals has demonstrated the market focus on environment and climate transition. The social pillar was also a hot topic notably human rights and capital management in light of the ongoing impacts of the pandemic.

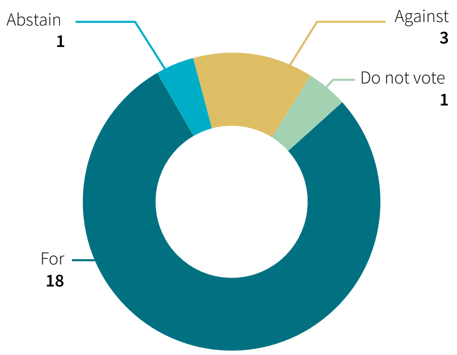
The 2021 voting season was dominated by a desire to integrate environmental and social issues into voting choices, driven by social justice movements, or highlighting environmental inaction. It contrasted with the more "timid" trend of 2020 on climate and diversity issues.

'Say on climate'

The policy response to the climate emergency has reinforced the need for companies to act on the environment and accelerate the implementation of their strategy. Historically, the climate issue has been addressed through shareholder resolutions, or even activism, and not through management resolutions. The 2021 season was therefore notable for the rise of say-on-climate resolutions, which see the company set emission reduction targets and commit to submit its climate action plan to an annual vote.

We voted on 23 say-on-climate proposals, with 18 proposals submitted by management and five shareholder-led proposals.

Our votes on Say-on-Climate resolutions



Source : AXA IM, 2021

Without a common legal framework, we consider that say-on-climate resolutions should not be a vote where the best performing companies put forward their expertise, but rather where companies in sectors that have the most impact on the fight against global warming commit to transparent, serious and ambitious transition plans.

In this regard, the proposals are assessed on a case-by-case basis by the governance team and our climate change experts. We will pay particular attention to the scientific evidence on which these transition plans are based, and as such, recent publications by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) will be useful references. Another important element of the analysis will be the governance framework around these resolutions (board oversight, executive remuneration, frequency, etc.). In the longer-term we expect the reinforcement of sustainability reporting standards as part of various on-going projects (including at EU-level and from the International Sustainability Standards Board) will help to provide a consistent and robust framework for assessing transition plans as part of corporate reporting.

How do we look at shareholder resolutions? A say-on-climate illustration

AXA IM's approach to shareholders' resolutions is to carefully analyse each proposal on its own merits. We believe that it does not make sense to support a resolution if it is not well targeted for the company in question or fails to acknowledge efforts and commitments that are in progress or which take slightly different forms.

We have a clear stewardship approach that frames how we decide whether to support ESG resolutions:

- **Define the policy approach:** We disclose publicly our policy to support shareholder resolutions that seek improved reporting, practices, and disclosure on a range of climate-related issues.
- **Review company practices, disclosures and commitments:** We look at how the company is handling ESG issues from a governance point of view. This would include the board's understanding of the main ESG risks and opportunities facing the company, how pay is tied to material ESG issues, whether the company discloses an action plan to address ESG-related concerns, and what commitments have been made over what timeframe. In addition, we look at broader disclosure practices by the company as well as its role in industry associations which might pursue policies that go against our stance on ESG issues.
- **Understand the rationale:** We will closely examine proposals put forward by shareholders, particularly looking at the actions they hope to see the company take and what outcomes they hope the company will deliver. We will also assess whether the request is overly prescriptive.
- **Consider the long-term impact and implication:** When reviewing shareholder resolutions – including whether to co-file on resolutions – we consider the impact that we believe the proposed resolution will have on the long-term sustainable future of the company

case
STUDIES

BP PLC

At the energy company's 2021 AGM, a shareholder resolution was submitted by the Dutch campaign group Follow This, asking the company to publish a set of targets to bring emissions into alignment with the Paris Agreement. In 2019, a shareholder resolution supported by the board of directors made BP's climate commitments binding.

At the beginning of 2021, BP announced an updated climate strategy, which still suffers from some uncertainties, and could be improved. Despite this, the company is broadly engaged with the members of the Climate Action 100+ investor group while the Institutional Investors Group on Climate Change has announced its support for BP's strategy.

We have engaged with BP ourselves, specifically around the topic of shareholder climate activism this year and the proposed resolution. They have entrusted us to work on the implementation of the announced strategy, not hesitating to update it, if necessary, notably by giving more clarity on the scenarios and the means to achieve them.

This positive commitment led us to vote against the proposed shareholder resolution, as the company has committed to being more ambitious on these objectives and clearer in the future. This rationale was followed by a majority of investors as the resolution received only 20.65% of votes in favour (79.35% against), leading to its rejection.

Chevron Corp

At its 2021 AGM, two climate-related resolutions were put on the agenda: the first presented by Follow This, asking Chevron to reduce its Scope 3 emissions in the medium and long term.[41] The second presented by advocacy group As You Sow requesting a report on the potential financial impacts of the company's 'Net Zero 2050' scenario.

Chevron has set upstream emissions intensity reduction targets for oil, gas and methane by 2023 and 2028, with a 2016 baseline.

Despite this, Scope 1 and 2 emissions are falling modestly and Scope 3 emissions are tending to rise.

The Climate Action 100+ group has stated that the company did not meet the criteria for alignment with a net-zero-by-2050 ambition, and some capital expenditure was planned for oil and gas upstream, which is not consistent with the IEA's "Beyond 2° scenario".

In view of these elements, it seems to us that Chevron is not taking adequate measures to commit to the climate by reducing its emissions. The targets do not seem to be binding enough, and part of the spending is directed towards the production of traditional oil and gas, when it should be allocated to research and development in alternative fuels to reduce the demand for oil and gas.
We therefore decided to support the successful shareholder resolution proposed by Follow This, and not to support management.

[41] **Scope 1**: All direct GHG emissions linked to a company's own operations. **Scope 2**: Indirect GHG emissions stemming from the consumption of purchased electricity, heat or steam. **Scope 3**: Other indirect emissions coming from the supply chain of a company and from its customers (i.e. before and after its own operations).

Voting: Our priorities and plans

2021 Voting Highlights: An ESG-friendly voting season

Ethnic diversity

In Europe, the topic of diversity is still mainly focused on gender, but the death of George Floyd and social movements protesting against racism have led to an increased focus on racial and ethnic issues. Thus, in 2021 many shareholder resolutions relating to ethnic diversity were put to the vote, particularly in the US and UK, due to the existence of a legal framework allowing the collection of data on people's ethnicity. These resolutions required companies to detail the measures in place and their targets for improving diversity in the boardroom and workforce. They also sought justification for pay differentials and requested racial audits.

AXA IM has included gender diversity criteria in its voting policy since 2020, and we believe it is important to evolve these criteria by adding ethnic and racial diversity. However, in France, this issue faces some legislative challenges as the collection of information on racial backgrounds is only allowed under very specific circumstances.

In 2021, this issue was discussed with companies during engagements, and in general they are aware of the need to go further than just gender diversity. Discussions took place internally between the corporate governance team and the Corporate Governance Committee at the end of 2021 on this matter with the goal of proposing a framework to address this topic during the 2022 AGM season.

Executive remuneration and the pandemic: An increased focus on wider stakeholder interests

During 2021, our level of dissent on executive pay remained high, with over 25% of our votes on remuneration cast against management.

Although our principles around executive remuneration have not fundamentally changed, a focus on the link between executive pay and long-term, sustainable performance has led us to be particularly mindful of the interests of a wider variety of stakeholders when analysing pay.

Following a year marked by the economic shock caused by the COVID-19 outbreak, and the resulting significant uncertainties, we witnessed remuneration committees struggling to adequately determine variable pay outcomes based on performance objectives rendered obsolete by the crisis. Several discretionary pay decisions were made to boost executive pay despite the non-achievement of pre-set targets. While we were cognisant of the significant efforts that had to be made by management teams to navigate through the crisis, we analysed those decisions with broader stakeholders' interests in mind. This led us to oppose what we saw as excessive pay outcomes that did not take into account the use of government support, absence of dividends, redundancies, or temporary layoffs. This reflects our strong conviction that executive pay should reflect the experience of shareholders, employees and the community as a whole.

Our voting priorities for the future

vision 2022

As in 2021, the next few years will be dominated by a new climate activism, with a discussion around companies' short- and medium-term climate strategies – and around social issues through the Just Transition theme.

Voting is increasingly integrating ESG risks. In this context, we remain committed to evolving our practices and policies over time. We aim to continue integrating thematic issues such as climate, social and biodiversity challenges, as well as providing appropriate levels of transparency regarding our policies and their outcomes.

Learning from the 2021 voting season, we have updated our voting policy to further integrate ESG issues into corporate governance:

- **We will review the ESG skills of directors:** It is important for the proper management of a company's ESG risks and opportunities that directors are trained, and aware
- **Integration of ESG elements in remuneration:** We will push companies to add tangible, relevant, meaningful key performance indicators (KPIs), in line with the company's long-term strategy (i.e., sustainable business strategy)
- **Transparency as a priority:** We will continue to push for the adoption of robust, non-financial disclosure for oil majors, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD)
- **Support where it is deserved:** We will back management that presents well-proposed transition plans, that embeds regular review and sets medium-term targets. Companies in sectors at risk from climate and/or biodiversity issues will be closely monitored

As for 2021, we will continue to pay particular attention to the climate issue, whether it is addressed through shareholder or management resolutions.

The governance team will be responsible for monitoring these resolutions and our Head of Climate Research will be responsible for reviewing or conducting engagements with companies.

More broadly, the continued integration of ESG metrics into executive remuneration will remain a key element of our engagement with companies in general and may have an impact on how we vote on remuneration-related proposals in 2022. This AGM season we will also focus on executive remuneration, closely monitoring the use of board discretion in determining remuneration this year.

On the issue of ethnic and racial diversity, in countries where the issue has gained maturity and momentum, we will ask companies to assess their diversity and inclusion policies against the best standards and report on their effectiveness, not just their existence.

Voting: Our priorities and plans

The voting process

We consider voting to be a crucial aspect of being an active shareholder. It is a vital part of the investment process and an opportunity to influence companies. Our voting and engagement activities are closely aligned. We regularly engage companies before and after the vote. AXA IM has established a Corporate Governance Committee which is responsible for overseeing the implementation of AXA IM's Corporate Governance & Voting Policy. The policy is reviewed and updated annually by the Committee prior to voting season to apply to all meetings going forward.

The Committee comprises regulatory compliance and members of the RI Coordination & Governance and ESG Research teams as well as representatives of investment teams, who bring their hands-on investment perspective to the Committee's deliberations. The RI Coordination & Governance team proposes updates to the policy and oversees the implementation of the regular policy and guidelines, ensuring it is in line with the expectations of the Committee.

Where there are complex, controversial or non-routine cases, or where we may wish to deviate from our policy, the team consults and makes recommendations to the Committee. The relevant members of the team will set out an explanation of the issue in question and make their recommendation. The Committee members deliberate independently on any issue of concern and provide their views and/or recommendations. For pooled and segregated accounts – where clients have delegated the exercise of voting rights to us – these would be voted in line with the AXA IM Corporate Governance & Voting Policy.

We vote against items at annual meetings where we believe the proposals are not in the best interests of our clients. This covers a wide range of concerns such as the suitability of individual directors, board oversight of key risks and strategy, executive pay, dividend and capital-related issues and diversity as well as transparency and reporting. We also vote against proposals as a method to escalate our engagement where sufficient progress has not been made.

While local best practice codes may adopt different approaches, we expect all companies to seek to closely align with our core global governance principles which set out the fundamentals of corporate governance. With all companies, AXA IM considers these principles in conjunction with region-specific policies in our voting and engagement activity.

At AXA IM, we publicly disclose our voting. It is updated on a quarterly basis and we provide the rationale for why we voted against management. The records contain the historical voting record at company level and a rationale for all votes cast against management recommendations. These reports are available through the ISS website.

Voting research

AXA IM uses voting information services from Institutional Shareholder Services (ISS), Proxinvest, and Institutional Voting Information Service (IVIS). The research received is used to augment knowledge of companies and resolutions at forthcoming general meetings – it is one input among many. When making voting decisions, we also incorporate internal knowledge and research, intelligence gathered from engagement with the company, fund manager input and committee considerations. All voting decisions are made by AXA IM and are based on our Corporate Governance & Voting Policy.

In an effort to ensure quality, we carry out an annual service review with each of our voting research providers which includes an evaluation of the research and service received as well as any necessary discussion about upcoming changes to policy and service.

Stock Lending

Some clients have decided to participate in stock lending programmes. 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 shareowners. Shares will not be lent where the objective of such activities is to vote at general meetings. More fundamentally, AXA IM recalls all shares, ahead of record date, in advance of general meetings to exercise our full voting right for open-ended funds and mandates.

Conflicts of Interest

AXA IM has adopted a set of guidelines to identify circumstances which may give rise to conflicts of interest.
In general, we consider that a conflict of interests can occur especially between a client and:

- Another client
- AXA IM, or one of our collaborators (or any person or company directly or indirectly linked to them)
- A related company, one of its delegates or subdelegates, a service provider or another entity of the Group (AXA IM or AXA), an introducer or any commercial intermediary

By 'conflict of interest' we mean a situation where the interests of AXA IM, of AXA IM's employees, of a third-party delegate or a related company are, directly or indirectly, in competition with the interests of one or several clients. It also pertains to potential conflicts that may occur between AXA IM's clients.

In relation to its stewardship activities, including engagement and voting, 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 and engagement activities using the following approach.

First, the engagement programme at AXA IM is a proactive approach with a clear process for selecting priorities – including planning, prioritisation, execution, and reporting. The engagement programme is supervised and governed by the ESG Monitoring and Engagement Committee. This ensures that decisions taken to engage are aligned with the engagement strategy of AXA IM and are free from any outside influence.

Second, the Corporate Governance Committee has sole responsibility for taking voting decisions in identified situations of conflict 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 seeks to ensure that decisions are free from outside influence.

We aim to align our voting and engagement practices with best practice in the markets in which we operate. Where potential conflicts of interest 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.

A full copy of our conflicts of interest policy is available on our website.

Conflict of interest example

The company is a client of AXA IM and we voted against the management

AXA IM voting positions are determined on the basis of the AXA IM Corporate Governance & Voting policy, and formally validated by the Corporate Governance committee. In the case of the significant votes (e.g. votes against management) for this list of companies, the Corporate Governance Committee validates the proposed voting approach which applies for Third Party assets.

During the year 2021, one of AXA IM's French clients took advantage of a governance restructuring, including a separation of the CEO and Chairman functions, to propose a new remuneration policy for these two mandates. The remuneration for the CEO seemed excessive and well above the average of the median salaries, even compared to the company's international peers.

Given our relationship with the company, we have had an engagement with them to seek their explanation. We were not convinced by the reasons given by the company and were comforted in our wish to vote against the remuneration policy. As mentioned in our conflict of interest policy, we have contacted the Corporate Governance Committee which oversees and advises in the event of a conflict of interest. After receiving its approval, we were able to vote against the remuneration.

Putting ESG to work

AXA IM is a long-term, responsible investor with the aim of delivering sustainable returns for clients. Over time, our investment processes have evolved to reflect the ever-greater focus on non-financial factors. We believe by building a powerful understanding of ESG risks into an investment, we can better target those sustainable returns while contributing to better outcomes for people and the planet.

We aim to achieve this goal via in-depth research, data analysis and the construction of portfolios which look to optimise both financial and non-financial factors. Our investment process reflects our core belief that a focus on sustainability can ultimately deliver the best economic and financial performance over the long-term.

As part of that process we leverage on an ESG scoring methodology called Q^2. This combination of the qualitative and quantitative builds on MSCI data with proprietary add-ons that constitute what we see as the real value-add in AXA IM's ESG scoring capacity: coverage, fundamental analyses, and instrument-level differentiation. We believe this combination of external and internal qualitative ESG analysis helps us identify best-in-class companies – and laggards too. We have also worked to identify the ESG priority themes of most pertinence to portfolios. Our goal is to protect clients from ESG risks across all strategies and asset classes, and to uncover investment opportunities within those themes. In more focused strategies – such as green bonds or clean economy equities – we aim to hit tough ESG targets while simultaneously delivering financial returns.

The following sections look at our broad approach and our progress in 2021, before detailing our processes for specific investment platforms.

Our broad approach to sustainability risks

AXA IM uses an approach to sustainability risks which is derived from the integration of ESG criteria in its research and investment processes. It has implemented a framework, to integrate sustainability risks in investment decisions, which relies notably on:

- **Sectorial and normative exclusions** policies covering ESG factors (information as of end 2021)
  - **Environmental**: Climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines), biodiversity (ecosystem protection and deforestation) and soft commodities (food commodities derivatives)
  - **Social**: Health (tobacco producers), labour, society and human rights (violations of international norms and standards; severe controversies; controversial weapons manufacturing; white phosphorus weapons producers; exclusion of investments in securities issued by countries where serious violations of human rights are observed)
  - **Governance**: Business ethics (severe controversies, violations of international norms and standards), corruption (severe controversies, violations of international norms and standards)
- **ESG scoring methodologies** for corporates, sovereigns and on green, social and sustainability bonds.

We believe this framework contributes to the management of sustainability risks in two complementary ways:

- Exclusion policies aim to exclude assets exposed to the most severe sustainability risks identified during our investment decision-making process
- The use of ESG scores in the investment decision process enables AXA IM to focus on assets with an overall better ESG performance and to seek lower sustainability risks

This framework is complemented by:

- **In-house ESG research** on key themes including climate change, biodiversity, gender diversity and human capital management, cyber security and data privacy as well as on health, nutrition and corporate governance, supported by broker research as well as regular meetings with companies, participation to conferences and industry events. This research helps us to better understand the materiality of these ESG challenges for sectors, companies and countries.
- **Internal qualitative ESG and Impact analysis** at company and country level.
- **ESG key performance indicators (KPIs):** Investment teams have access to a wide range of extra-financial data and analysis on ESG factors, across asset classes. More specifically, a package of environmental KPIs is available in the front office tool to allow the full understanding and analysis at issuer level. This leverages our relationship with providers such as MSCI, Trucost, and Beyond Ratings.
- **Stewardship strategy:** We adopt an active and impactful approach to stewardship (engagement and voting) by using our scale as a global investment manager to influence company and market practices. In doing so, we strive to reduce investment risk and enhance returns as well as driving positive impacts for our society and the environment. We believe these are key to achieving sustainable long-term value creation for our clients.

[See Disclaimer: note 2]

Putting ESG to work

2021 updates

In 2021, AXA IM strengthened its ESG Integration approach with:

- **The reinforcement of existing sectorial and normative exclusions** to eliminate companies and sovereigns exposing portfolios to ESG risks and to exclude companies that have the worst practices in terms of managing their environmental impact, governance and social practices.
  - We extended our existing palm oil policy in June 2021 with a more comprehensive approach to ecosystem protection and deforestation. In addition to the exclusion of companies involved in unsustainable palm oil production, including land rights conflicts and illegal logging issues, we now ban companies which face significant land use controversies and are responsible for biodiversity loss in relation to soy, cattle and timber. We also reinforced our engagement approach with companies involved in those issues, to help change and improve practices.
  - In September 2021, our ESG Standards policy was revised, reflecting a reinforced consideration of human rights when assessing corporates and sovereigns. This revision aimed to further align investment processes with several global initiatives and norms. These include the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization conventions, the United Nations Global Compact, and the OECD Guidelines for Multinational Enterprises, with the exclusion of issuers which do not comply with those norms.
  - As for sovereign investments, AXA IM avoids investing in debt instruments issued by countries where worst forms of human rights violations are observed. To screen countries, AXA IM uses the Civil Liberties Index from the Freedom House and the Child Labour index from UNESCO. The prevalence of slavery as assessed by the Walk Free Foundation.
  - In November 2021, AXA IM announced new exclusions and an engagement programme on unconventional oil and gas, which are being rolled-out early 2022 with the update of the Climate Risks policy.
- **A strengthened ESG scoring methodology.** Previously, we combined data from three providers, but we now strongly rely on a single-provider ESG scoring model which is coupled with an instrument-level differentiation and an overlay of AXA IM's own analysis. Entitled Q^2, this new and enhanced qualitative and quantitative approach offers increased coverage as well as fine-tuned fundamental analysis.

ESG integration into Platforms

AXA IM Core

Equities – Fundamental

We believe the consideration of important non-financial factors, as seen in AXA IM's ESG priorities, puts us in a far better position to deliver on our aim of providing sustainable equity returns over the long term. There are four key reasons for this:

- They help identify companies with serious ESG risks
- They help improve our understanding of how long-term issues are integrated into a company's strategy
- They allow us to refocus portfolios around companies that have implemented good practices in terms of their governance, environmental and social impacts
- They can potentially help improve companies' performance by informing an active dialogue around the management of ESG issues, thereby limiting our ongoing exposure to risks

How we achieve this
We take a 360° approach to company evaluation through three steps:

Quantitative
First, we incorporate ESG scores into our front-office tools, internal research models and risk reports. In addition, investment professionals have access to voting/AGM results, carbon emissions data, comparative tables by sector and details of alignment with the UN SDGs.

Qualitative
It is our intention to go beyond pure quantitative scoring and to gain a detailed and nuanced understanding of how a company is intending to deal with its ESG challenges. This type of deep-dive qualitative focus forms the second pillar of our investment approach. It is our goal to incorporate ESG risks and opportunities more systematically into our portfolio construction and modelling as part of our risk/return/fair value assessment.

This type of analysis is undertaken when we visit companies, meet them face-to-face to discuss and understand how their ESG and sustainability policies and practices are supporting long-term strategic goals. The responsibilities of portfolio managers and ESG analysts include consideration of ESG factors at corporates and the proactive monitoring of related risks and opportunities ahead of portfolio construction. We also analyse many securities with no, or low ESG ratings, as a complement to ESG scoring.

Engagement and voting
We see ourselves as key influencers towards better and more responsible corporate behaviour and disclosure. Our engagement with corporate management teams is central to genuine active asset management. This dialogue on ESG integration expresses our conviction as long-term responsible investors and seeks to avoid negative issues which can damage portfolio returns. It also aims to influence company management teams to build resilience by taking the right steps to enhance their sustainability profile and practices.

The definition and implementation of our voting policy is overseen by a Corporate Governance committee which is attended by representatives from AXA IM's RI Coordination & Governance and ESG Research teams as well as some members of the AXA IM equities platform and implemented in close partnership with the investment teams.

ESG Integration into platforms

AXA IM Core

case STUDY

Our social progress strategy adopts an impact investing approach and has been specifically designed with the aim of having a direct and positive effect on society and help shape a more sustainable future for the world. It seeks to do that by investing in companies that address a range of social needs – from the most basic to more advanced needs which sustain human progress. As such, the strategy typically invests in listed companies which have demonstrated a strong impact and a clear alignment with social UN SDGs.

The strategy focuses on several challenges where the scale of unmet need creates opportunities for companies to improve outcomes for underserved people such as affordable housing, financial inclusion, access to healthcare solutions, nutrition, safety, education and entrepreneurship.

When defining the investment universe for the strategy, we apply a socially responsible investment (SRI) 'selectivity' approach. We exclude from the available universe companies which are in the bottom 20th percentile, by using a combination of external and internal social UN SDG-alignment data. We also apply AXA IM's qualitative proprietary impact framework[42] to evaluate the alignment of company activities to UN SDGs, then to quantify their degree of impact towards social issues.

Finally, to comply with France's Label ISR guidelines[43], the SRI approach is supplemented by a commitment of the strategy to outperform its benchmark on two key performance indicators - carbon intensity and water intensity. On top of AXA IM's sectorial and normative exclusions, the strategy applies additional exclusions on unconventional and conventional oil and gas, power generation, coal, tobacco and weapons to comply with the Towards Sustainability label.[44]

By adding environmental objectives to this social-focused strategy, we ensure the social objective does not come at the expense of environmental performance.

Using an unconstrained, multi-cap strategy, we seek to invest in publicly listed companies in developed and emerging markets which offer high growth potential through a focus on providing services across a range of social needs.

case STUDY

Over the year, we engaged with Generac, a US manufacturer providing power generation equipment and energy storage systems which ensure reliable access to power.

Our objectives were to improve the measurement of product impact and provide more granular sustainability reporting, encourage the transition to an energy services company and understand human capital targets following recent acquisitions.

While meeting, we discussed ESG commitments that could be tracked annually and integration metrics for the onboarding of new employees. We also discussed the growth trajectory in solutions which increase grid resilience and enable the use of distributed energy resources, such as renewable power sources, addressing the reliable access to sustainable energy issue (SDG 9 and SDG 7).

The company was receptive to suggestions and is now considering how to improve sustainability reporting. We will follow-up with the company to monitor development of key targets and metrics

[42] Driving Impact in Listed Assets Investments, AXA IM. https://www.axa-im.com/who-we-are/impact-investing
[43] Critères d'attribution - Label ISR (lelabelisr.fr)
[44] The Quality Standard | Towards Sustainability

Equities – Equity QI

We believe that ESG insights enhance our traditional financial analysis. Our research shows that ESG data can help identify potential risks and opportunities beyond technical valuations, allowing us to better understand the possibility of reputational damage and identify how firms are adapting to meet new market challenges.

At Equity QI, ESG is not just an additional factor to consider at the portfolio construction stage. Our research into the link between ESG information and the fundamental drivers of long-term risk and return has been coded into our proprietary factor models.

We believe that integrating ESG information complements our fundamental insights and may change our opinion of the economic worth of a stock. Accordingly, we believe the thoughtful use of ESG insights can help investment outcomes, help reduce risks and potentially improve long-term returns for our clients.

How we achieve this

Our investment approach enables us to systematically incorporate non-financial information directly into our models alongside traditional financial data. We take data from a variety of external vendors and we incorporate the ESG scoring framework that is maintained centrally and used across AXA IM's investment teams.

Once the data is in our system, we can work with it in a variety of ways, including research, analysis and reporting. However, using this information to help construct portfolios, ensures that ESG data directly contributes to investment outcomes.

We add ESG scores and key performance indicator targets alongside our traditional alpha and risk measures when we optimise portfolios. This approach ensures, that in our systematic construction of portfolios, when faced with two stocks of identical profile from a traditional investment perspective, our optimiser will favour the one with the highest ESG rating, all other considerations being equal.

Beyond optimisation, our research into the links between ESG and the fundamental drivers of long-term risk and return has led to innovative enhancements of our stock selection models. For example, the impact of a company's carbon footprint on its share price is included within our proprietary value factor model and the diversity of a company's board contributes to our view of its future earnings quality.

We believe our approach allows us to build portfolios with a better-than-benchmark ESG score and lower carbon/water intensity in a consistent and repeatable manner.

Finally, when constructing portfolios with specific SDG contribution targets, access to a database which provides UN SDG scores on a large universe of stocks helps us to target specific SDGs.

case STUDY

Our climate-focused strategies deploy additional data and processes to balance the objectives of decarbonisation today with investing in the global transition to a low-carbon economy. When working with clients who wish to address climate change through their investments, we have come across a common challenge – an ambitious target on current portfolio carbon intensity reduction may limit exposure to companies which are directly enabling the global transition through the products and services they offer, or to transitioning companies within high-stake industries. This is because these companies often contribute a high proportion of the world's carbon emissions.

Our climate focused strategy seeks to manage this complex trade-off by using a combination of divestment and investment allocation to the providers of climate solutions within our optimisation framework. This should allow us to reduce portfolio carbon intensity whilst actively investing in companies that are contributing to the mitigation of climate change and enabling the shift to more sustainable energy use through their products, services and technology.

We believe that aligning portfolio allocation with both reported and forward-looking measures of climate awareness sends a strong message to companies that accelerating the transition to a low-carbon economy is an important investment consideration for us and our clients.

In 2021, we launched a carbon offset strategy that builds on this and further aims to compensate for the emissions owned by the portfolio which cannot be eliminated today. After the investment process has reduced portfolio carbon intensity as far as possible (through divesting from the worst polluters and preferencing companies with lower carbon intensity when constructing the portfolio), the equivalent number of carbon contracts are retired. These contracts finance hand-picked projects which aim to preserve the environment and target multiple UN SDGs, providing another tool which we can use to have a direct impact on climate change. Our clients are demanding more action on climate, and we will continue to evolve our offering to meet these needs.

ESG Integration into platforms

AXA IM Core

Fixed Income

Effective fixed income portfolio management seeks to maximise risk-adjusted returns. Given the asymmetric risk profile of this asset class, AXA IM's fixed income investment teams believe limiting downside risk is a key driver of long-term performance – and that ESG plays an important part in that.

Our credit analysts use ESG to identify material concerns that could impair the credit quality and long-term sustainability of issuers in our markets. This process helps to identify those risks most relevant to credit investors, which should in turn help to minimise downside risk. Analysts and portfolio managers incorporate a wide range of ESG factors into credit analyses, focusing on those most relevant to a given credit.

ESG factors are also important for sovereign and quasi-sovereign debt and are therefore integrated into our investment process, with different quantitative indicators for sovereign issuers to corporate issuers.

Our investment process applies AXA IM sectorial exclusion policies as well as AXA IM ESG standards exclusion policies to ESG integrated and sustainable funds – i.e. Article 8 and Article 9 for funds in scope of the EU's Sustainable Finance Disclosure Regulation (SFDR) – with a number of evolutions in 2021.[45]

How we achieve this

ESG analysis is embedded into our active fixed income research process and credit analysts incorporate ESG analysis in their internal research reports. These reports highlight the relevant ESG strengths and weaknesses as well as an issuer's performance on specific issues. Analysts also comment on actions that management is taking to mitigate ESG weaknesses and its targets to improve ESG performance.

Within our credit process, analysts also include a qualitative ESG template in their models, assigning a view with respect to company management and momentum of ESG issues related to industry and peers. In the template, credit analysts highlight ESG strengths as well as concerns and mitigating actions, ESG key performance indicators (KPIs), and comments on governance structure.

Within both credit and sovereign research, the key ESG topics, risks, and KPIs highlighted are at the discretion of the analyst, allowing them to select topics and risks most relevant to the issuer. Each credit and sovereign analyst has been trained on ESG issues relevant to their assigned sector(s) or region, drawing from several third-party sources, including the Sustainability Accounting Standards Board (SASB), TCFD, MSCI, Sustainalytics and others including rating agencies and sell-side research.

Portfolio managers and analysts have access to multiple sources of ESG data (internal and third-party). Among the key ESG topics, risks and KPIs recently highlighted were greenhouse gas emissions and details of any issuer plans and targets to reduce those emissions, as well as water intensity, labour relations and board diversity. For sovereigns we have particularly targeted carbon dioxide emissions, energy use, renewable energy consumption and the water exploitation index.

Analysts and portfolio managers continue to increase engagement and sustainability dialogue efforts by further addressing sustainability topics in regular financial-oriented discussions with companies. Discussions are also taking place with sovereign issuers on ESG topics during regular meetings with Treasuries. A fixed income Head of Sustainability was appointed in 2021 who participates in multiple AXA IM RI committees and collaborates closely with the RI Experts teams on a regular basis.

In 2021, we broadened the scope of ESG integration, including in our US and Asian High Yield strategies. This was achieved thanks to a strong collaboration between our analysts and portfolio managers. Our scale has enabled us to dedicate resources to study companies not covered by third-party providers in these specific markets.

vision 2022

In 2022, we intend to focus on our commitment to bring all assets under management in line with the Paris Agreement goals. We have expanded our low carbon range to European High Yield and Emerging Markets. We are also reshaping our institutional Buy and Maintain strategies to incorporate a clear decarbonisation trajectory. We expect this trend to continue over the coming 12 months, with further developments in our active fixed income strategies.

[45] AXA IM RI Sectorial policies and ESG Standards. axa-im.com/our-policies

case STUDY

The launch of our Global Green Bonds strategy in 2015 reflected AXA IM's commitment to containing climate change and supporting the growth of the green bonds market.

We have sought to build a robust eligibility framework to ensure the strategy is entirely focused on green bonds that can potentially offer the same returns as a comparable conventional bond, with the added benefit of enabling projects with environmental benefits in a transparent manner. The green bond market has grown sharply over the last few years, and now offers more diversification in terms of asset classes, regions and issuers.

A universal 'green bond' definition is still in the making, but several standards are being put forward by major market actors. Our portfolio managers invest only in green bonds that conform to the eligible universe as set out by AXA IM's RI experts. These professionals use a proprietary analysis framework made of four pillars to define the investible universe.[46]

The strategy has been awarded with the French Greenfin Label and the Belgian Towards Sustainability Label.[47]

case STUDY

In April 2021, French real estate group Gecina solicited its bond investors to propose modifications of the use of proceeds of its bonds, from "general corporate purposes" to "the financing or the refinancing of a portfolio of eligible green assets". We had several discussions with Gecina on its green bond framework as it sought to take this highly unusual step – seeking the agreement of bondholders to turn its entire outstanding debt into a green bond programme. Bondholders were expected to vote for a consent solicitation to validate this initiative.

We were sceptical when we first discussed this project with the company. We considered it could be an opportunistic initiative, and a little unfair to other green bond issuers that have made the transparency efforts on their green bonds for many years. In addition, we felt there was a good deal of uncertainty around Gecina's ability to provide relevant and complete impact reporting – something we expect from green bond issuers. Our first understanding was that reporting would be provided, but for the entire pool of eligible assets and not for the assets that will actually be refinanced by these green bonds.

We communicated our doubts to Gecina and to the banks in charge of the initiative, as well as stressing our expectations for a best-in-class approach on such a project. We believe we made our voice heard and received some clarification on expectations for the green bonds – notably around impact reporting. Gecina took our feedback (and likely feedback from other investors too) into consideration and has stated it is committed to providing impact reporting that is in line with our requirements – i.e. having impact metrics for effectively funded eligible assets.

We decided that the undertakings made addressed our concerns and supported Gecina on its consent solicitation. This was mainly due to the efforts made by Gecina to align with our needs and expectations and to clarify its position on the topics we highlighted. We will continue to closely monitor Gecina's impact reporting to check if promises have been fulfilled.

[46] https://www.axa-im.com/who-we-are/impact-investing]
[47] https://www.ecologie.gouv.fr/label-greenfin
The Quality Standard | Towards Sustainability

ESG Integration into platforms

AXA IM Core

Green, social and sustainability bonds engagement

Engagement with bond issuers is an important aspect of our active ownership programme, as we are long-term investors and often hold bonds to maturity. Engaging on ESG issues is a critical way to ensure we manage the value of our bond investments over time.

Our engagement goals and activity
In 2021, we published an update of our framework for assessing green, social and sustainability bonds (GSSB).[47] More specifically, the framework now includes AXA IM's criteria for assessing social and sustainability bonds, given the significant growth in the market as a result of the pandemic and the growing area of focus this represents for the business. It demonstrates how AXA IM has strengthened its overarching assessment of each GSSB bond issuance, particularly in relation to the consistency between an issuer's own sustainability ambitions and its GSSB issuance.

We met with 43 GSSB issuers in 2021. Beyond alignment with the recommendations of the International Capital Market Association's Green Bond Principles, our main area of focus was to discuss GSSB alignment with issuers' sustainability strategies and forward-looking ambitions. We have seen some positive outcomes: More and more issuers established concrete ESG objectives and disclosed it within GSSB frameworks. On the other hand, given our higher expectations, poor ESG profiles and ambitions at certain issuers were a significant factor in our deciding that some GSSB issuance was not eligible in 2021.

We also had discussions with existing GSSB issuers to follow-up on their promises at the time of issuance. As part of our approach to the GSSB market, we want to make sure that issuers publish impact reporting and effectively allocate the proceeds to green and social projects. All in all, we were satisfied with GSSB issuers' reporting and actual proceeds allocation.

Another key topic of discussion with GSSB issuers in 2021 was around the inclusion of the EU Taxonomy and of the upcoming EU green bond standard in market practices. While it is still too early in our view expect all issuers to align with these new requirements, we nevertheless have seen positive developments on this front. Issuers like E.ON, Erste Bank, Île-de-France Mobilités or the Republic of Slovenia adapted their GSSB frameworks to the EU Taxonomy technical criteria.

In 2021, we also developed our assessment framework for Sustainability-Linked Bonds (SLB). This market is still nascent, but we had the occasion to share our views and expectations with some SLB issuers as well as other market stakeholders.

vision 2022

In 2022, we will continue our work on GSSBs, and will leverage additional data points to guide our engagement with issuers, including in relation with the EU Taxonomy in this perspective.

Meeting with GSSB issuers will continue to discuss their frameworks and ESG strategy and to make sure any GSSB we invest in complies with our eligibility criteria. A deeper engagement programme is planned with existing green bond issuers for which we will consider whether their climate commitments and strategies are sufficient with regards to our assessment methodology.

In addition, we will have the same kinds of discussions with SLB issuers to ensure compliance with our eligibility criteria. We will also continue to review opportunities to influence the development of the SLB market and framework with the objective of encouraging quality and integrity on this market. Finally, looking at engagement in fixed income markets beyond GSSB, we plan to review in more detail how we can press for change as a large fixed income investor, considering the use of escalation techniques specific to this asset class.

ESG Integration into platforms

AXA IM Core

Multi Asset

As our clients demand more sustainable returns, the multi-asset platform has put an even greater focus on non-financial factors by expanding the use of our internal ESG framework to better address risks and target sustainable returns.

The multi-asset platform has been actively integrating non-financial factors into its investment process over the past year. As such, we have leveraged the progress on ESG integration within the equity and active fixed income platforms as well as emphasising ESG within our multi-asset strategies through two major pillars:

- **Technology and quant solutions**: Multi asset uses AXA IM's ESG scoring framework to fully cover our equity and fixed income asset classes. These scores are made available to portfolio managers through our front office systems as well as ad hoc simulations. Our portfolio managers can thus integrate this data in their decision-making tools as well as accessing ESG reports on a growing number of our portfolios and mandates.
- **Qualitative input**: Multi-asset portfolio managers use ESG research provided by the credit team and by ESG and Impact analysts. We believe that ESG factors can affect the financial performance of securities, and by integrating ESG factors in a significant way in their investment process, multi-asset portfolio managers seek to leverage the analysis to privilege investing in securities delivering good ESG quality or a substantial positive impact.

The multi-asset platform is also actively involved in AXA IM's focus on quality engagement. In order to influence companies to adopt better and more responsible corporate behaviours and disclosure, we participate alongside equity and fixed income engagement with corporate management. We also access the results of this engagement process to inform our clients of the progress made on certain negative issues which could weigh on future performance, as well as the actions taken to enhance their sustainability profile and practices.

case STUDY

Our Multi Asset Optimal Income strategy adopts an 'impact' approach. It is part of our ACT range and is focused on the theme of prosperity for people and prosperity for the planet, aligned with relevant UN SDGs.

As a global multi-asset impact strategy, it seeks to invest in businesses that focus on providing products or services and/or finance projects which have demonstrated a strong positive impact on social and environment and clear alignment with UN SDGs 1 to 16.

With regards to universe construction, the strategy can invest in equities and in debt securities, notably green, social and sustainability bonds. The investment process relies on two robust impact proprietary frameworks which aim to assess the eligibility of green, social and sustainable bonds and identify as well as monitor the sustainability-related and SDG-alignment of companies, to build the equity impact universe.

On top of AXA IM's RI sectorial and normative exclusions, the strategy applies additional exclusions on unconventional and conventional oil and gas, power generation, coal, tobacco and weapons to comply with the Towards Sustainability label.[48]

The strategy will report definitive and measurable data against impact key performance indicators and in line with the ISR Label framework.[49] This includes a commitment to outperform the investment universe on the '1.5°C Technology Opportunity Company Climate Value at Risk (CVaR)' indicator. This measure is based on an approach developed by MSCI and designed to provide a forward-looking, return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio. The indicator measures the upside potential for companies with products and services that contribute to the climate transition (expressed as a percentage of the company's market value and calculated using carbon prices from the AIM CGE model).

We also monitor the carbon footprint of our portfolio which is expected to remain below that of its investment universe. Finally, within our bond bucket, we measure the emissions avoided (equivalent to 108 cars off the road).[50]

case STUDY

Bank Rakyat (BRI) is an Indonesian institution that provides micro loans in key areas for positive social impact. Our engagement objectives were to monitor the approach to sustainable financing and micro-finance initiatives (SDG 1) with a focus on palm oil (SDG 15) and coal (SDG 13). We have pushed for a greater adoption of certification among borrowers who produce palm oil as well as disclosure of information related to the environmental footprint of operations and the establishment of a robust sustainability reporting mechanism.

As of September 2021, palm oil financing was just under 6% of the loan portfolio with plantations representing 4.7% of the loan book, a 5% drop year on year. Some borrowers are still in the process of certification which has been delayed due the pandemic resulting in the deadline for certification being extended to the second half of 2022. Loans are only being offered to new borrowers for plantation replanting (thus not new farms) to avoid financing deforestation. If borrowers do not fulfil the requirements, BRI has the right to terminate their contract. In a similar vein, loans to coal power plants represented just under 3% of the loan book, decreasing 18% from 2020 with no new coal borrowers over the past year with the expectation that the coal exposure will continue to decline.

On financial inclusion, the company reiterated their commitment to the micro segment and increasing financial inclusion through access to financial services as a key part of their strategy. The company has completed acquisitions of entities in the ultra-micro system and plans to cross-sell between entities, allowing BRI to offer smaller loans and reach more borrowers. They expect 80% to 85% of loans to be in the micro segment going forward. They also have what we view as strict guidelines regarding responsible lending and monitoring what people can repay.

Finally, in line with our recommendations, the company is seeking to strengthen ESG reporting with management oversight.

The company has made reasonable progress since our last call. There have been delays regarding palm oil certification, but this is understandable in the context of the COVID-19 pandemic. We will follow up in the second half of 2022 to ensure remaining borrowers achieve palm oil certification.

[48] The Quality Standard | Towards Sustainability
[49] Critères d'attribution - Label ISR (lelabelisr.fr)
[50] Computed with an average of 4.6 metric tons of CO_2 per year by car – 18,500 Km per year) as of 31/12/2021

ESG Integration into platforms

AXA IM Alts

Real Assets

Responsible investment sits at the core of AXA IM Real Assets' approach to business. We actively consider financial and non-financial criteria during our investment process, from origination of opportunities, to the investment assessment and decision-making process at acquisition, through to our active ownership of investments.

This integrated approach is fundamental to the good stewardship of our investments. By making specific non-financial considerations part of our investment processes, we believe we can ensure better visibility of sustainability-related risks and potential adverse impacts on our investments. This visibility should provide us with a broader perspective on asset- and sector-specific risks which then informs our underwriting and asset selection. Ultimately, it also helps to shape our view on investment risk, returns and liquidity, and we believe also enables our teams to better identify and unlock opportunities to enhance value for clients.

The integration of the assessment of sustainability risk at investment level and the application of group-wide sectorial exclusions and ESG-scoring methodologies can help us to address the most material sustainability risks at the time of an acquisition. From this position, we see an important opportunity to improve the performance of our investments through active management, stewardship and engagement. The goal is to amplify the impact we are able to generate through our investments while continuing to generate sustainable long-term returns for our clients.

Beyond meeting reporting obligations under new and upcoming regulatory requirements, AXA IM – alongside our parent the AXA Group – is committed to supporting the goal of net zero as a member of the Net Zero Asset Managers Initiative. This means working with our clients and partners to target net zero carbon emissions from our investment platforms by 2050, or before.

We acknowledge the scale of this challenge and recognise that success will only come through active collaboration and partnership. Accordingly, through 2021 we undertook a series of structured discussions across our investment platforms to encourage companies, borrowers and tenants to consider and disclose their environmental strategy and performance. These efforts will be pursued in 2022 with additional questions on environmental strategies and performance progress.

Commercial Real Estate Debt

For our Commercial Real Estate (CRE) Debt platform, we sought to actively improve the level of data visibility on underlying assets to better inform our view of environmental risks. Historically, access to such data in private or secondary markets has been poor, which has hampered visibility of the efficiency or underlying performance of assets.
We undertook a two-step approach to improve this.
First, we engaged with a third-party data provider to assist with the assessment of carbon emissions, based on estimated emissions per square metre for different asset types in different countries. This enabled us to generate an estimated carbon footprint for the portfolio. The natural limitations of this data set were then addressed by including a second step which involved structural dialogue with our borrowers via a survey as well as direct requests for energy consumption and carbon emission data for the underlying assets.

The dialogue was undertaken via questionnaire and the survey was developed and issued over summer 2021. The survey was sent out to over 40 borrowers, representing 61 loans valued at €9.6bn. We received 39 responses (a 63% response rate) representing €6.0bn.

This data has helped us develop a deeper level of insight into carbon and energy efficiency-related risk in our portfolios, in addition to our growing knowledge base of physical and transitional risk. The information will further inform refinancing opportunities and our ability to work more closely with borrowers and underlying assets in our journey towards net zero before 2050.

case STUDY

Listed Real Estate

In 2021, two engagement exercises were undertaken as part of the active stewardship of our Listed Real Estate investment platform.

First, we developed a survey questionnaire to gain a better understanding of the qualitative and quantitative metrics associated with the ESG practices and performance within each company. This data gives us deeper insight into ESG-related risk within investee companies in our investment portfolios and, over time, allows us clearer insight into the alignment between the performance of the assets in the underlying investments, and the aspirations of our clients and organisation.

The questionnaire was developed and issued over summer 2021. The survey was sent out to 72 listed real estate companies, with 29 respondents (a 40% response rate). The responses provided us with deeper insight into each company's approach, targets and actions in relation to carbon and climate related risk.

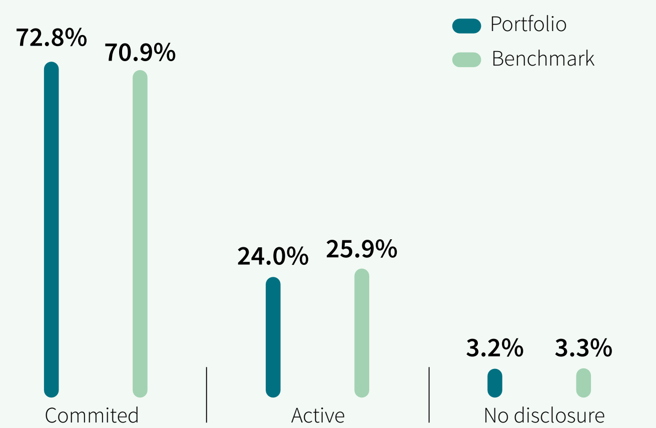
Second, we sought to determine the level of alignment of investee companies' commitment to achieve net zero before 2050, for a specific portfolio. This insight was undertaken via direct engagement in addition to the analysis of publicly-available data.

Based on responses, investee companies were defined as follows:

- Committed: The companies have publicly committed to net zero and have set an explicit target date by which it will be achieved
- Active: The companies have defined targets to reduce their CO_2 emissions by a specified amount. However, they have not explicitly committed to net zero
- No disclosure: The companies have neither explicit mention of net zero nor publicly disclosed tangible target to reduce CO_2 emissions.

The graph below shows the proportion of the portfolio defined as committed, active or no disclosure, compared to the investible universe, indicating a portfolio make-up which is largely representative of the benchmark, with slightly greater representation of committed companies.

Proportion of invested companies commited to Net Zero



Source: AXA IM – Alts, Company data as at 16/12/2021. Portfolio weights as at 31/12/2021.

The single company which had 'No disclosure' has responded to confirm that their commitments will be made public at their next annual general meeting.

ESG Integration into platforms

AXA IM Alts

Structured Finance

The AXA IM Impact Investing strategy targets the delivery of market rate financial returns alongside the generation of positive, intentional, and measurable impact returns. Using alternative assets – private equity, venture capital, private debt, real assets and project finance – we invest in a broad range of impact themes that aim to deliver on our clients' impact objectives. Our guiding mission is to address the needs and aspirations of underserved people globally while protecting the natural environment and contribute materially and directly to the UN SDGs and targets that are relevant to our strategy.

We believe that the proper management of ESG issues is critical to the long-term sustainability of businesses, and as such, the consideration, integration, and active stewardship of ESG issues is a fundamental part of our investment process.

We have developed a framework for the management of ESG issues that takes account of the alignment of prospective investments with applicable AXA IM RI policies, ESG regulations, standards and norms such as the International Finance Corporation's Environmental and Social Performance Standards, the Environmental, Health and Safety Guidelines of the World Bank and the International Labour Organization. This assessment framework is applied to investments during due diligence and over the tenure of our investments.

In partnership with investee companies and projects, we develop and implement Environmental and Social Action Plans (ESAP) as necessary, detailing corrective actions to be undertaken in relation to environmental and social risks identified as part of due diligence or subsequent monitoring activities. The ESAP includes responsibilities and timelines within which corrective action needs to be undertaken. Where appropriate, we structure ESG and impact milestones as a condition for further disbursement of our investment capital and include these milestones in legal agreements.

case
STUDY

Komaza is a microforestry-to-wood products company with ambitions to become the largest sustainable forestry company in Africa. Komaza aims to tackle the drivers of deforestation and the associated loss of biodiversity and climate impacts.

Komaza partners with smallholder farmers in Kenya to use their surplus degraded land to grow highly effective carbon-sequestering trees. We believe Komaza could bring significant value to farmers, providing seed inputs, technical know-how and the value chain necessary to monetise the trees at a fair price for the farmers. To date, Komaza says it has planted about seven million trees on 8,000 hectares and improved financial outcomes for over 20,000 farmers.

The impact we hope for from Komaza includes the reforestation of degraded lands; climate mitigation using trees as a natural carbon sequestration solution; and climate-resilience, aligning the financial interest of local communities with conservation.

Alongside other investors, we are working closely with Komaza to create an environment where relevant environmental and social issues are aligned with the scale of its activities and ambitions. A comprehensive Environmental and Social Action Plan has been developed and is being implemented, covering a range of ESG issues including health and safety, biodiversity, employee relations, community and stakeholder management. Developed collaboratively, this comprehensive plan aims to ensure Komaza is robust enough to manage and mitigate ESG risks. This is in line with our belief that a proper management of ESG issues will provide a solid foundation for the company's ambitions to become the largest sustainable forest company in Africa.

Responsible Investment organisation at AXA IM

Across AXA IM we have more than 30 dedicated RI experts, embedded within investment and research teams, who are responsible for our RI-related activities and cover Research, Data/Scoring, Analytics, Stock and Active Ownership/ Engagement.

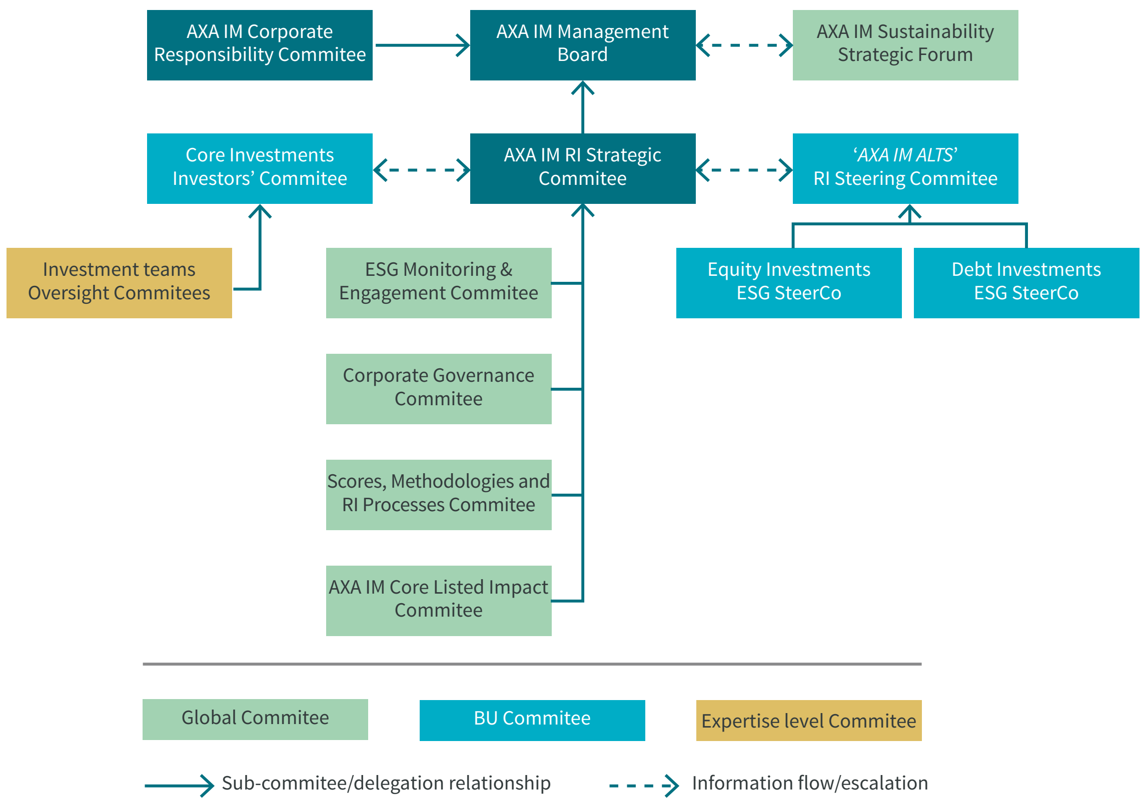
We can also rely on 100 professionals for whom RI is an essential in their day-to-day routine; this category of staff is composed of portfolio managers, credit analysts, sales, investment analytic people and Investments specialists.

The organisation of RI functions within the business is in line with our principle that responsible investment must be fully embedded within our investment functions, to ensure that ESG is not an 'add on', but simply part of everything we do.

For more details on our RI governance and capabilities, refer to our RI policy.[51]

Responsible Investment governance

To ensure consistency and co-ordination between RI experts, investment teams and support functions, the following ESG-specific committees meet on a quarterly or bi-annual basis:



For illustrative purposes only

[51] AXA IM Responsible Investment Policy

Committee descriptions

Committee	Role
AXA IM Sustainability Strategic Forum and Management Board	• The AXA IM Sustainability Forum was launched in January 2021 and is led by our Executive Chairman, Marco Morelli. In 2022, this Forum will become the Sustainability Strategic Committee attended by all members of our Management Board and held quarterly. This is where we shape our vision and agree our ambitions for sustainability at AXA IM, across responsible investing and corporate responsibility. • The AXA IM Management Board ultimately validates the RI and corporate responsibility (CR) strategies of AXA IM, with the **Sustainability Forum** convening Management Board member as well as key RI and CR stakeholders
AXA IM RI Strategic Committee	• The leading body in charge of defining AXA IM's strategy with regards to RI and monitoring its delivery • This notably includes the definition of sectorial policies and the RI product framework as well as piloting efforts on selected themes such as climate change and biodiversity
AXA IM Corporate Responsibility Committee	• Defines the AXA IM CR strategy, taking into account AXA Group's strategy, with a solid roadmap • Seeks to encourage the community through communication and business actions
AXA IM Corporate Governance Committee	• Provides strategic oversight of AXA IM's corporate governance, stewardship and voting activities in relation to investee companies and ensuring clients' rights and obligations are exercised in a manner consistent with good practice standards
AXA IM ESG Monitoring and Engagement Committee	• Ensures views developed on ESG risks and opportunities - from exclusion to engagement topics - are discussed collaboratively, considering any possible implications for AXA IM • Facilitates coordination between various stakeholders in the implementation of AXA IM's engagement strategy • Acts as a gatekeeper for AXA IM exclusion policies • Oversees the ESG scores override process • Looks after thematic issues, including climate and biodiversity-related topics.
AXA IM ESG Scoring and Quantitative methodologies Committee	• Ensures coordination of ESG integration in a more operational manner • Discusses industrialisation topics • Looks after thematic issues, including climate and biodiversity-related quantitative topics.
AXA IM Core Listed Impact Committee	• Reviews and validates proposals from listed impact funds • Builds and promotes AXA IM's view on impact in listed asset classes
AXA IM Alts Steering Committee (RI, Equity Investments ESG, Debt Investments ESG)	• Endorses the AXA IM Alts RI strategy, implements and monitors ESG methodologies, scores and RI processes for both equity and debt businesses

Oversight Committees	
AXA IM Investment Oversight Committee (Fixed Income, Framlington, Multi-Asset)	• Provides formal oversight of the investment activity at expertise level as part of the front office controls achieved through review of reports (see below) presented to the Committee. ESG indicators are reviewed as part of this.
AXA IM Core Investments Investors Committee	• Discusses and decides on the main issues raised by the Investment Oversight Committees • Discusses and decides on evolutions in investment strategies and processes, and manages, share and leverage Research capacities and outputs • Reviews investment performance and risk indicators (including ESG indicators)

Training

Our employees are regularly trained on ESG and RI through internal and external training.

- Our RI experts organise ongoing training on ESG issues for AXA IM staff. These sessions cover RI experts' activities (research methodology, proxy voting and so on), emerging ESG issues and the ESG initiatives in which AXA IM participates. These training efforts are reinforced with more widespread access to external training and certifications.

- In 2020, we decided to launch an ESG Academy to ease the access to ESG upskilling offer for all employees. That same year the major analysts' associations launched ESG certifications: ESG Certificate from the Chartered Financial Analyst (CFA) Institute and the Certified ESG Analyst (CESGA) from the European Federation of Financial Analysts Societies (EFFAS). The number of employees who either registered or completed from January 2020 to December 2021 for each ESG qualification is indicated below:

  – **CFA ESG Certificate** – 70

  – **CESGA** – 2

  – **BREAM** – 1 (specific to Real Assets).

- In 2021, we delivered a number of workshops to upskill our employees on ESG and climate. The number of employees who either registered or completed the following workshops from January 2021 – December 2021 are indicated below:

  – **Masterclass in Net Zero** – 21 (advanced level sessions by external provider co-delivered with internal experts attended by 20 participants from Core, 1 from Alts)

  – **ESG Fundamentals** – 69 (these are intermediate level sessions delivered by external providers)

  – **ESG for Real Assets** – 22 (intermediate level training by external provider)

- To mobilise employees around climate change, AXA Group launched Learning Week in October 2021. As part of this initiative, the AXA Climate Academy programme has been introduced to help employees better understand the basic science of climate, understand the role AXA must play and empower individuals to commit to change. Some 164 employees have completed this programme since (27 were participants in Core and Core Client Group). In addition, 292 registrations were received for workshops run by external providers and our internal experts during the Learning week.

- Intermediate level workshops on ESG will be offered to Core and support functions in 2022. In addition, we have offered an information session to employees about the new CFA Certificate in Climate launching in January 2022 and we are already accepting applications for this qualification.

Resourcing and remuneration at AXA IM

ESG and responsible investment considerations are included in the appraisal process of different teams including Responsible Investment dedicated teams. Since 2018, all heads of investment platforms have ESG objectives included in their target letter. Portfolio managers who are involved in the management of ESG assets have related objectives, and the possibility of developing ESG objectives across investment teams is currently being investigated.

Thus, the individual level of the variable portion will depend on the achievement of individual qualitative and quantitative objectives, as well as collective performance criteria.

Starting from January 2021, individual and collective objectives for investment teams include elements related to the sustainability risk framework and updated investment processes include the monitoring of these risks. Please refer to our remuneration policy.

The AXA IM Remuneration Policy sets out the principles relating to remuneration, which account for AXA IM's business strategy, objectives, risk tolerance, and the long-term interests of AXA IM clients, shareholders and employees. It also seeks to ensure sound and effective risk management and behaviour which is consistent with the risk profile, strategy, objectives and values of the managed portfolios.

AXA IM applies a 'pay-for-performance' approach to remuneration, incorporating adjustments for risk considerations, to recognise employees who contribute the greatest value to the firm, considering performance, behaviours, experience and critical skills. Our intent is to attract and retain the best skills and talents, to foster employee engagement and strengthen leadership while promoting Corporate Responsibility and Responsible Investment that will deliver long term sustainable performance for AXA IM clients.

AXA IM's Risk Management department validates and assesses risk-adjustment techniques (which are used in assessing performance, determining AXA IM target variable pay and ex-post risk adjustment) taking into consideration all relevant types of current and future risks – including financial and non-financial risks (e.g. reputation, conduct and client outcomes).

Variable remuneration must account for appropriate qualitative criteria, such as sound and effective risk management (including regulatory compliance) and client service that delivers fair, high-quality outcomes.

Risk and compliance factors, including adherence to risk and compliance policies, are taken into account to determine the target variable pay for employees in investment platforms, including investment professionals and portfolio managers.

In 2021, the sustainability risk (an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment) has been integrated into the Remuneration Policy. From January 2021, individual objectives for investment teams include elements related to the sustainability risk framework and updated investment processes include the monitoring of these risks.

In the 2021 update of the Remuneration Policy, the importance of equality has been re-emphasised. AXA IM must make remuneration decisions that are consistent and free from discrimination or irrelevant personal factors such as age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status or disability.

Third-party service providers and due diligence

We use ESG specialists' research like MSCI, Sustainalytics, and Institutional Shareholder Services (ISS). A thorough due diligence process is in place for the selection of these providers, involving quantitative experts as well as investment and risk teams, and we regularly meet with the providers over the duration of our partnership, to review, propose or challenge methodological evolutions. We are particularly attentive to the limitations in methodologies, linked to the unavailability of comparable, exhaustive data reported by issuers.

Investment professionals also have access to external qualitative research through brokers, for instance. For a full table of AXA IM third-party providers, see below:

ESG Data Provider	Expertise	Description	ESG Scores and Company Research	ESG Raw Data & KPIs	Start Date
MSCI	Leader on corporate and sovereign ESG rating with a strong track-record and expertise on climate analysis for corporates	ESG and climate research	✓	✓	04/2004
Sustainalytics	Controversies analysis / exposition to some activities and compliance with international norms	Controversies analysis / exposition to some activities and compliance with international norms	✓	✓	11/2012
Trucost	Full range of quantitative environmental and social key performance indicators (KPIs) –including SFDR PAIs – and taxonomy alignment metrics[52]	Full range of quantitative environmental KPIs, SFDR PAIs and taxonomy alignment metrics		✓	03/2012
Carbon 4	Offers a climate risk package	Measure the carbon impact of investments	Only used for Green Bonds reporting		01/2017
ISS - Ethix	Offers expertise across a full range of ESG issues	Ethical filters and controversial weapons	✓		01/2003 02/2011
ISS - Oekom	Expertise in Impact analysis	Impact research and UN SDG alignment assessment	✓		06/2018
Beyond Ratings	Expertise in climate analysis	Climate research for sovereigns	✓	✓	08/2018
Bloomberg ESG	ESG KPIs. Used for investment and reporting purposes.	ESG KPIs. Used for investment and reporting purposes.		✓	12/2018
Ethifinance	Strong expertise in European micro and small caps	ESG ratings used for leveraged loans and private debt asset classes	✓	✓	03/2019
Iceberg Data Lab I Care & Consult	Measurement of investors' investments impact on biodiversity	These two data providers joined forces to develop metric quantifying companies' impact on biodiversity and nature to help investors integrate this into risk assessment and research	✓	✓	01/2021
Urgewald (NGO)	Coal, oil and gas research	Coal, oil and gas research with GCEL and GOGEL		✓	Used for our fossil fuels exclusions since 2020

[52] "SFDR PAIs" refers to Principle Adverse Impacts under the EU's Sustainable Finance Disclosure Regulation

Supporting Client Needs

We believe it is vital to communicate with clients in the most transparent and comprehensive way possible, to give them a complete analysis of responsible investment (RI) and help them understand it, and its importance. All the main financial and non-financial information on every fund that has integrated ESG criteria into its investment process is available on our Fund Centre. This is in accordance with European and local regulations.

As described in detail below, we publish RI-related reports at entity and fund levels.

To help our clients measure the integration of ESG criteria into funds and to communicate in a clear and transparent manner AXA IM has, since January 2019, included three ESG indicators - absolute ESG score, relative ESG Score and carbon footprint (CO2 relative intensity) in business-to-business and business-to-consumer reports for all our open-ended funds. Our client reporting for institutional mandates also incorporate a range of ESG information tailored to client requests.

In the first half of 2021 we improved our reporting by developing a portfolio level engagement report which provides a sectorial, thematic and SDG breakdown at fund level, as well as detailing the number of entities engaged, and other engagement-related indicators. This report will be strengthened in 2022 with engagement case studies, while production is extended to more funds. Along with this improved engagement report, a voting report will be published for all our ESG-integrated and ACT range funds.

To complement our enhanced RI reporting offering, in 2022, we will roll out and new and upgraded ESG report across our portfolios which will include a range of new metrics, with a particular focus on biodiversity as well as climate and carbon in line with recommendations from the Task Force on Climate-related Disclosure (TCFD), but which will also include voting and engagement metrics. A specific impact report, a version of our ESG report enriched with quantitative indicators and qualitative impact information, will be also deployed on our growing Listed Impact offering.

Client interactions, inputs and expectations

As an active manager, we continuously engage with our clients to understand their needs and understand how we can help them to make informed investment decisions and invest in a sustainable future. We are committed to answering their questions whether this is about market movements, regulatory changes, asset allocation or future trends. We do this via surveys as well as conversations at our own proprietary or industry events, and also regular interactions with our sales teams. This enables us to improve our product offering as well as ensure that we have the right content and communications in place to stay relevant to clients' changing needs and to answer the questions on top of their minds.

We aspire to be the world's leading responsible investor. As a result, we are focused on empowering our clients across the institutional, wholesale and retail segments to be able to confidently invest for a better planet, society and sustainable economy. In this context, providing clients with relevant and timely information is key. We do this by creating thought leadership, market commentary and educational content across multiple formats, such as research papers and articles, webinars, events, videos, and infographics to provide clients access to our investment experts, and at the level of detail they require. This content is then shared through a variety of channels, such as our website, email, social media, and third-party websites for clients to access.

The increase in regulations such as the European Sustainable Finance Disclosure Regulation (SFDR) has been a recent area of focus for us and our clients. We believe the fact that 88% of AXA IM Core's eligible assets qualify as Article 8 and 9 under SFDR (as of 31/12/2021) is testament to the importance we place on ensuring our RI approach is robust and transparent to our clients.

To meet our clients' growing demands for more sustainable investing approaches, we have expanded our investment offering in 2021 by launching the 'ACT' range of our most advanced ESG and Listed Impact strategies. This range aims to target specific sustainability goals around issues such as climate change and inequality in order to achieve the best possible outcomes related to ESG criteria and the UN SDGs.

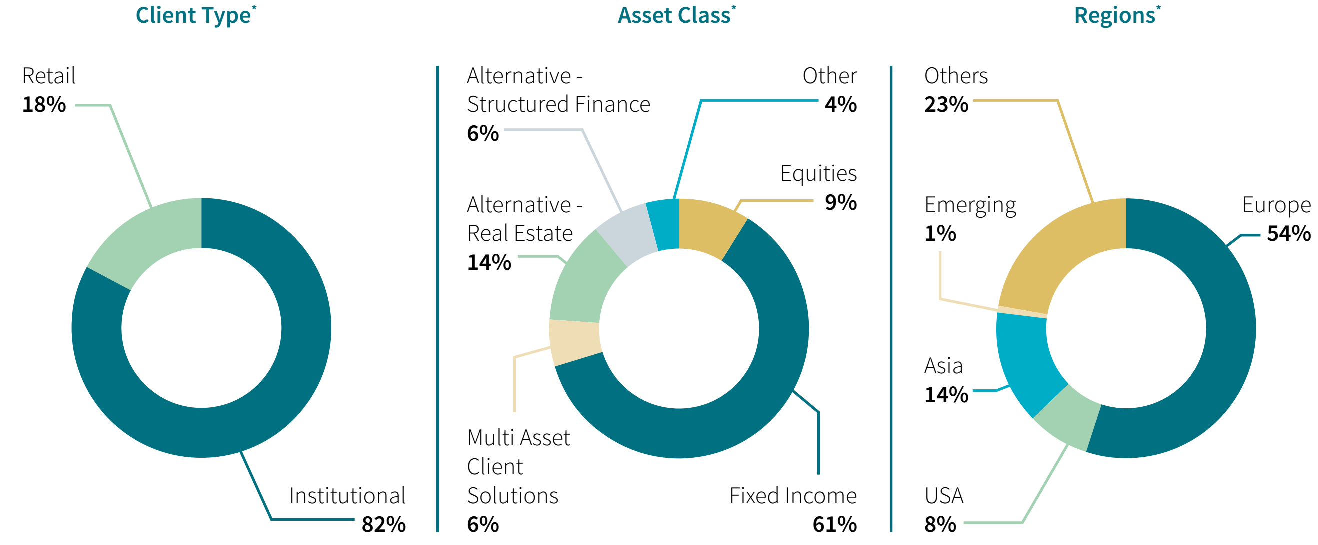
Our RI experts regularly interact with our institutional clients through joint meetings with our investment teams when specific insights are required. Furthermore, our clients regularly send us due diligence questionnaires through which we can identify new trends and requirements.

To support our retail clients with their continued learning, we have launched educational modules, including the AXA IM Academy, an educational platform in the UK providing interactive, CDP-certified, financial learning experiences across several key areas of commercial interest: Investing, asset classes, market factors and ESG/socially responsible investing. These have included our own bespoke AXA IM modules.

At AXA IM we aim to be very attentive to market and client needs, best practices and new expectations and these interactions are one of the ways through which we can identify our areas of potential improvements.

AXA IM At a Glance – A breakdown of the assets under management across asset classes and geography:

AUM €887.1bn



*source AXA IM as of 31st December 2021

Company level disclosure
The following content is available on our website:

- Annual Active Ownership and Stewardship Report
- Annual Climate Report (aligned with the TCFD and Article 29 of the French Energy Climate Law)
- Annual Principles for Responsible Investment (PRI) report
- Policies

Going into more detail about our stewardship reports, we are committed to provide transparency and regular reporting on active ownership, both internally and externally.

AXA IM's RI activities are published and available publicly. Our full voting records are accessible publicly and detail how we voted at general meetings of companies held on our clients' behalf. In addition, we publish an annual Active Ownership and Stewardship Report which includes information on RI issues, engagement with companies, and aggregated voting records for the relevant year.

We also provide bespoke and customised reports aligned with specific client requests – the decision whether to make the report public or private is made by the clients. This includes a statistical overview and analysis of engagements conducted including breakdowns by theme and by the UN SDGs. There is also information on progress made through engagement and details of where we consider success has been achieved. We also provide a list of all issuers engaged with and on which specific themes.

Fund level disclosure
We have mentioned broader fund content above. For products classed as sustainable and impact in the AXA IM range, the following content is made available to clients on our Fund Centre:

- Transparency code
- Voting Report (for equity and multi asset funds only) – with the AGMs voted and rationales for any vote against the management
- ESG Report
- Impact Report for our range of Listed Impact funds
- Engagement Report
- Legal documentation (prospectus, Key Investor Information Document, annual reports, semi-annual reports)
- Monthly comments from the portfolio manager

Accountability

AXA IM's Management Board is accountable for the responsible investment (RI) strategy across the organisation, including focusing on the integration of relevant RI considerations into our investment and stewardship processes, and it regularly reviews the strategy and stewardship undertaken across the business. This implementation strategy is endorsed by the Executive Committee.

AXA IM has also established three major ESG committees: The RI Strategic Committee, the Corporate Governance Committee and the ESG Monitoring and Engagement Committee which all play a key role in reviewing and approving the annual Active Ownership Reports. The committees also play a crucial part in reviewing and approving relevant policies and processes related to RI and stewardship.

Internal controls ensure alignment with the AXA IM Responsible Investment Policy, the AXA IM Corporate Governance & Voting Policy, the AXA IM Conflicts of Interest Policy and other relevant policies. These are also monitored and reviewed by internal compliance teams and subject to periodic internal audit.

In addition to this, AXA IM manages a range of RI funds for which the level of ESG integration is significantly deeper, with specific ESG objectives set at fund launch and regularly monitored. An annual audit is performed by external auditors on these funds to ensure adherence with those objectives, and to ensure that engagement and stewardship responsibilities are fully met.

This report has been reviewed internally by members of our RI Strategic Committee.

Full list of engagements in 2021

We view engagement as a fundamental part of our role as active investors. As such, our engagements focus on those ESG issues which we consider to be the most strategically and financially material for the long term. Our goal is to work closely with executives to ensure that threats are addressed before they damage investor value. The list below details the issuers with which we engaged in 2021. We are fully transparent about our voting activities. The full 2021 voting record can be found here.

Companies shown are for illustrative purposes only. It does not constitute investment research or financial analysis relating to transactions in financial instruments, nor does it constitute an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

COMPANY NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS	COUNTRY
Aargauische Kantonalbank	✓							Switzerland
ACCO Brands Corp	✓	✓	✓	✓		✓		US
ACI Worldwide Inc	✓		✓	✓		✓		US
Adler Group SA	✓							Germany
Aecom	✓		✓	✓			✓	US
Aedifica	✓							Finland
Aethon United BR LP	✓	✓						US
Air Liquide SA	✓	✓	✓			✓		France
Alicorp SAA		✓		✓				Peru
Allied Universal Holdco LLC			✓	✓				US
Alphabet Inc	✓		✓	✓		✓	✓	US
Alstria Office Reit-AG	✓							Germany
Amazon.com Inc	✓		✓	✓		✓		US
Ambarella Inc						✓		US
Andritz AG			✓					Austria
Anheuser-Busch InBev SA/NV	✓	✓			✓	✓		Japan
Antero Resources Corp	✓	✓						US
Apple Inc				✓		✓		US
ArcelorMittal SA			✓			✓		Luxembourg
Archer-Daniels-Midland Co		✓		✓				US
Artera Services LLC			✓			✓		US
Ashtead Group PLC						✓		UK
Assicurazioni Generali SpA						✓		Italy
Assura PLC	✓							UK
Aster Treasury Plc	✓							UK
AstraZeneca PLC					✓			UK
At Home Holding III Inc		✓				✓		US
Atos SE			✓					France
Atrium Ljungberg AB-B SHS	✓							Sweden
Baidu Inc				✓		✓		China
Banco Bilbao Vizcaya Argentaria SA	✓		✓			✓		Spain
Bank Rakyat Indonesia Persero Tbk PT	✓							Indonesia
Barclays PLC	✓							UK
Bausch Health Cos Inc			✓		✓	✓	✓	US
Becton Dickinson and Co	✓					✓		US
Befimmo	✓							Belgium
Belimo Holding AG	✓					✓		Switzerland
Big Yellow Group PLC	✓							UK
Black Knight Inc	✓		✓	✓		✓		US
Blue Racer Midstream LLC	✓					✓		US
BNG Bank NV	✓			✓	✓			Netherlands
BNP Paribas SA	✓					✓		France

Full list of engagements in 2021 (continued)

COMPANY NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS	COUNTRY
Booking Holdings Inc				✓		✓		US
Boyd Gaming Corp		✓				✓		US
BP PLC	✓		✓			✓		UK
Brink's Co/The	✓		✓			✓		US
British Land Co PLC	✓							UK
Bunge Ltd		✓						US
Bureau Veritas SA						✓		France
CA Immobilien Anlagen AG	✓							Austria
Caesars Entertainment Inc	✓							US
Capital & Counties Properties	✓							UK
Carbios SACA	✓	✓				✓		France
Care Property Invest	✓							Belgium
Carmila	✓							France
Carrefour SA			✓			✓		France
Castellum AB	✓							Sweden
Catena AB	✓							Sweden
Central Asia Metals PLC			✓			✓		UK
Cie de Saint-Gobain				✓		✓	✓	#N/A
Cincinnati Bell Inc	✓					✓		Australia
Civitas Social Housing PLC	✓							UK
Coca-Cola Co/The	✓	✓	✓		✓	✓		US
Cofinimmo	✓							Belgium
Commercial Metals Co	✓							US
Corbion NV	✓	✓				✓		Netherlands
Countryside Properties PLC						✓		UK
Covivio			✓			✓		France
CPI Card Group Inc		✓	✓					US
CRH PLC	✓	✓				✓		Ireland
CVS Group PLC						✓		UK
Danone SA		✓			✓	✓		France
Derwent London PLC	✓							UK
Deutsche Euroshop AG	✓							Germany
Deutsche Post AG	✓							Germany
Deutsche Wohnen SE	✓							Germany
DiaSorin SpA			✓					Italy
Diebold Nixdorf Inc	✓			✓		✓		US
Dollar General Corp	✓	✓	✓			✓		US
Dycom Industries Inc	✓		✓			✓		US
Ecopetrol SA	✓	✓				✓		Colombia
Edenred						✓		France
Elior Group						✓		France
Emmi AG	✓	✓				✓		Switzerland
Empiric Student Property PLC	✓							UK
Encino Energy LLC	✓	✓	✓					US
Enel SpA	✓							Italy
Engie SA	✓							France
Eni SpA	✓							Italy
Enterprise Products Partners LP	✓	✓		✓		✓		US
Entra ASA	✓							Norway
ERG SpA			✓					Italy
EssilorLuxottica SA			✓			✓		France
Essity AB		✓		✓				Sweden

COMPANY NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS	COUNTRY
Estee Lauder Cos Inc/The			✓	✓		✓		US
Euronext NV						✓		Netherlands
European Union	✓							Supranationals
Evotec SE	✓		✓			✓		Germany
Exxon Mobil Corp	✓					✓		US
Fabege AB	✓							Sweden
Fastighets AB Balder-B SHRS				✓		✓		Finland
Freedom Mortgage Corp	✓							US
Games Workshop Group PLC				✓		✓		UK
Gaztransport Et Technigaz SA						✓		France
GCP Student Living PLC						✓		UK
Gecina SA	✓							France
Generac Holdings Inc	✓							US
General Mills Inc	✓		✓		✓	✓		US
General Motors Co		✓			✓			US
Genting Bhd	✓	✓	✓	✓		✓		Malaysia
Gerresheimer AG		✓		✓				Germany
GFL Environmental Inc			✓					Canada
Gladstone Land Corp	✓	✓	✓					US
GlaxoSmithKline PLC	✓							UK
Grand City Properties					✓			Germany
Great Portland Estates PLC	✓							UK
Hamborner Reit AG	✓							Germany
Hammerson PLC	✓							UK
Helical PLC	✓							UK
Hibernia Reit PLC	✓							Ireland
Hilcorp Energy Co	✓							US
Home Depot Inc/The	✓	✓						US
Hongkong Land Holdings Ltd	✓	✓	✓					Hong Kong
Howard Hughes Corp/The	✓					✓		US
Hudbay Minerals Inc	✓	✓						Canada
Hufvudstaden AB-A SHRS		✓				✓		Sweden
Hugo Boss AG	✓							Germany
Iberdrola SA						✓		Spain
Icade		✓				✓	✓	France
Icahn Enterprises LP	✓							US
ICON PLC						✓		Ireland
Iliad SA	✓		✓			✓		France
Independence Energy LLC			✓					US
IndustriaDiseno Textil SA	✓	✓						#N/A
Infrastrutture Wireless Italiane SpA				✓		✓		Italy
Inmobiliaria Colonial Socimi			✓					France
Intervest Offices & Warehouses	✓							Belgium
IOI Corp Bhd	✓							Malaysia
Irish Residential Properties		✓		✓				Ireland
Kaiser Aluminum Corp	✓							US
Katitas Co Ltd	✓	✓				✓		Japan
Kerry Group PLC		✓			✓	✓		Ireland
Kin & Carta PLC						✓		UK
Klepierre	✓							France
Kojamo OYJ	✓							Finland
Koninklijke DSM NV	✓	✓						Netherlands

Full list of engagements in 2021 (continued)

COMPANY NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS	COUNTRY
Korian SA			✓			✓		France
Kungsleden AB	✓							Sweden
Lanxess AG			✓					Germany
LEG Immobilien SE	✓			✓		✓		Germany
Londonmetric Property PLC	✓							UK
L'Oréal SA						✓	✓	France
Lowe's Cos Inc	✓	✓	✓	✓		✓		US
LyondellBasell Industries NV	✓	✓						US
Mack-Cali Realty CORP	✓							US
Marfrig Global Foods SA		✓		✓				Brazil
MercadoLibre Inc	✓			✓				Argentina
Mercialys	✓							France
Merlin Properties Socimi SA	✓							Spain
Meta Platforms Inc				✓		✓		US
Metropole Télévision SA			✓					France
Minerva SA/Brazil		✓		✓				Brazil
Mitsubishi Corp			✓			✓		Japan
Mondelez International Inc	✓	✓		✓	✓			US
Montea NV	✓							Belgium
NCR Corp	✓			✓		✓		US
Nemetschek SE			✓			✓		Germany
Neste Oyj	✓				✓			Finland
New Development Bank/The						✓		Supranationals
New Enterprise Stone & Lime Co Inc			✓			✓		US
Nexity SA					✓			France
Novo Nordisk A/S	✓							Denmark
NSI NV	✓							Netherlands
Nyfosa AB	✓							Sweden
Olav Thon Eiendomsselskap AS	✓		✓	✓		✓		Norway
P&L Development LLC			✓			✓		US
Pernod Ricard SA			✓			✓		France
Peugeot SA	✓							US
Phoenix Spree Deutschland LT	✓							UK
Platzer Fastigheter HOLD-B	✓	✓				✓		Sweden
Precision Drilling Corp	✓							Canada
Primary Health Properties		✓		✓				UK
Procter & Gamble Co/The			✓			✓		US
Prysmian SpA				✓		✓		Italy
Q2 Holdings Inc	✓	✓				✓		US
Renault SA	✓							France
Repsol SA	✓							Spain
Republic of Italy	✓							Italy
Retail Estates			✓			✓		Belgium
Safran SA	✓							France
Sagax AB-B					✓			Sweden
Sanofi			✓					France
Saudi Arabian Oil Co						✓		Saudi Arabia
Schibsted ASA						✓		Norway
SCOR SE	✓							France
SEB SA	✓							France

COMPANY NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS	COUNTRY
Segro PLC						✓		UK
Shurgard Self Storage SA	✓							Belgium
Siemens AG	✓							Germany
Sirius Real Estate LTD			✓			✓		Germany
Snam SpA	✓	✓	✓					Italy
Societe Générale SA			✓					France
Solvay SA	✓	✓				✓		Belgium
Sopra Steria Group SACA	✓	✓						France
Southwestern Energy Co	✓	✓						US
Spectrum Brands Holdings Inc			✓					US
Spirax-Sarco Engineering PLC	✓							UK
St James's Place PLC		✓		✓				UK
Supermarket Income REIT PLC	✓							UK
Svenska Cellulosa AB SCA	✓					✓		Sweden
Swiss Prime Site-REG	✓							Switzerland
TAG Immobilien AG			✓			✓		Germany
Target Healthcare REIT PLC			✓					UK
Tele2 AB						✓		Sweden
Teleperformance			✓					France
TI Fluid Systems PLC	✓					✓		US
Tomra Systems ASA	✓	✓				✓		Norway
TotalEnergies SE	✓							France
Tritax Big Box REIT PLC	✓							UK
Tritax Eurobox PLC			✓			✓		UK
Tungsten Corp PLC	✓							UK
UK Commercial Property REIT			✓					UK
Umicore SA	✓		✓			✓		Belgium
Unibail-Rodamco-Westfield						✓		France
UniCredit SpA	✓		✓	✓		✓		Italy
Unisys Corp	✓							US
Unite Group PLC/The	✓	✓						UK
United Utilities Group PLC	✓							UK
VIB Vermögen AG	✓					✓		Germany
Vinci SA	✓	✓	✓	✓				France
Vista Outdoor Inc	✓	✓		✓	✓	✓		US
Volkswagen AG	✓							Germany
Vonovia SE	✓							Sweden
Wallenstam AB-B SHS	✓							Sweden
Warehouses De Pauw SCA				✓		✓	✓	Belgium
Wells Fargo & Co						✓		US
WH Smith PLC	✓							UK
Wihlborgs Fastigheter AB	✓			✓		✓		Sweden
Williams Cos Inc/The	✓							US
Workspace Group PLC			✓					UK
Worldline SA/France	✓		✓	✓				France
Xcel Energy Inc	✓							US
Xior Student Housing NV			✓			✓		Belgium
Zur Rose Group AG	✓	✓			✓	✓		Switzerland
Novartis AG				✓	✓	✓		Switzerland

Investor initiatives supported in 2021

30% Club Investor Group	The 30% Club Investor Group's purpose is to co-ordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams. We exercise our ownership rights, including voting and engagement, to effect change on company boards and within senior management teams, and encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.	Chair of the French group Member of the UK group
Access to Medicine Index	The Access to Medicine Index covers seven areas of corporate behaviour. In each one, the index evaluates 20 of the world's largest research and development-based pharmaceutical companies against a list of responsibilities for improving access to medicine as they enter low- and middle-income countries.	Donor and member
Access to Nutrition Initiative	Initiative to support and spur greater investor engagement with companies to address global nutrition challenges and deliver the against the UN SDGs.	Member
ALIGN Project under EU Business@ Biodiversity programme	The project seeks to aligning accounting approaches with nature and will support businesses, financial institutions and other stakeholders in developing standardised natural capital accounting practices, including a standardised approach to biodiversity measurement. The project is funded by the European Commission, and led by WCMC Europe, the Capitals Coalition, Arcadis, ICF and UNEP-WCMC.	Member
Asset Management and Investors Council (AMIC) - Sustainable Finance Working Group	The AMIC Sustainable Finance Working Group provides a dedicated platform to exchange views on applicable market developments and innovations, and issue positions and answer to consultations.	Member
Association Française de la Gestion Financière (AFG)	The AFG is the French industry body for asset management.	Member of the Responsible Investment and Corporate Governance Committees
CDP (Carbon Disclosure Project)	CDP works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations.	Member
Ceres	Ceres is a non-profit organisation aiming to help transform the economy to build a just and sustainable future for people and the planet. It works with capital market leaders to try to solve the world's greatest sustainability challenges. Through a network of global collaborations of investors, companies and non-profits, it seeks to drive action and inspire equitable market-based and policy solutions throughout the economy.	Member
Climate Action 100+	The Climate Action 100+ coalition aims to engage and work with companies and industry members to communicate the need for greater disclosure around climate change risk and company strategies aligned with the Paris Agreement. In 2021 we were lead investor on collaborative engagements with three companies and a participant in collaborative engagements with 12 companies.	Signatory
Climate Bonds Initiative	The Climate Bonds Initiative is an international organisation working solely to mobilise the largest capital market of all, the $100trn bond market, to create climate change solutions. It promotes investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy.	Member. Particular involvement in the 'brown to green initiative'

European Commission Business@ Biodiversity	The EU Business@Biodiversity platform provides a forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level. It was set up by the European Commission with the aim to work with and help businesses integrate natural capital and biodiversity considerations into business practices. The EU Community of Practice Finance@Biodiversity serves as a forum for dialogue between financial institutions to share experiences, raise awareness and promote best practices at EU level on how to integrate biodiversity and natural capital into mainstream financial activities and foster investments in natural capital as a new asset class.	Member
ESG Open Data Platform	The project is aimed at developing a platform to bring together the data resulting from regulatory disclosure obligations and the data resulting from voluntary and complementary reporting by companies – in the context of the EU Sustainable Finance action plan.	Supporter
European Fund and Asset Management Association (EFAMA) Stewardship and ESG Standing Committee	The EFAMA is the European industry body for asset management.	Corporate Member
European Public Real Estate Association (EPRA)	The European Public Real Estate Association is a non-profit association representing Europe's publicly-listed property companies.	Sustainability Council Member
European Sustainable Investment Forum (Eurosif)	Eurosif's mission is to promote sustainability through European financial markets. Its activities are in public policy, research and creating platforms for nurturing sustainable investing best practices. Eurosif works as a partnership of Europe-based national Sustainable Investment Fora (SIFs). Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world.	Through member organisations
Finance for Biodiversity (FfB) Foundation	A community of investors working collaboratively on metrics, engagement and global advocacy in the field of biodiversity (FfB Foundation members are all FfB Pledge signatories). The aim of the Foundation is to support a call to action and collaboration between financial institutions via working groups, as a connecting body for contributing signatories and partner organisations. Finance for Biodiversity aims to increase the materiality of biodiversity in financial decision-making, and so better align global finance with nature conservation and restoration.	Co-chair
Forum pour l'Investissement Responsable (FIR)	The FIR's purpose is to raise awareness on socially and responsible investing, and to encourage investors to integrate social cohesion and sustainable development considerations in their work. The FIR is a member of the European network Eurosif.	Member of working groups for: - Circular Economy - Corporate Purpose - Dialogue & Engagement
Global Impact Investing Network (GIIN)	The GIIN focuses on reducing barriers to impact investment so more investors can allocate capital to fund solutions to the world's most intractable challenges. It does this by building critical infrastructure and developing activities, education, and research that help accelerate the development of a coherent impact investing industry.	Member of the Investor Council Group. Active participant of the network including speaking at GIIN events on compelling topics

Investor initiatives supported in 2021 (continued)

Green Building Council Italia	Green Building Councils are independent, non-profit organisations made up of businesses and organisations working in the building and construction industry.	Member
Global Real Estate Sustainability Benchmark (GRESB)	An industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe.	Fund Member, Investor Member, Benchmark Committee member, Infrastructure Debt working group member
ICMA - Green and Social Bond Principles	The group has an oversight role on the Green Bonds Principles. The Green Bond Principles and Social Bond Principles, as well as the Sustainability Bond Guidelines, have become the leading framework globally for issuance of green, social and sustainability bonds.	AXA IM has been on the Executive Committee since 2017 and reelected at the 2019 AGM for 2 years. We also participate actively in the following working groups: Impact Reporting, Green Projects Eligibility and Social Bonds
ICMA - Sustainable Finance Committee	Forum in charge of discussing sustainable finance in its entirety with representatives from key ICMA Committees including AMIC.	Member
Institutional Investors Group on Climate Change (IIGCC)	The IIGCC's mission is to mobilise capital for the low carbon transition by working with business, policymakers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. Members consider it a fiduciary duty to ensure stranded asset risk or other losses from climate change are minimised and that opportunities presented by the transition to a low carbon economy – such as renewable energy, new technologies and energy efficiency – are maximized.	Member of: - Corporate Programme - Paris-Aligned Investment Initiative - Property group Co-Chair of: - Policy steergroup
Impact Management Project (IMP)	The IMP is a forum for building global consensus on how to measure, manage and report impact.	Investor advisory committee
European Association for Investors in Non-Listed Real Estate Vehicles (INREV)	The European Association for Investors in Non-Listed Real Estate Vehicles, incorporated in 2002, is a non-profit association located in the Netherlands that provides services and education for investors interested in the European non-listed real estate fund market.	ESG Committee Member
Investment Association (IA) - Sustainability and Responsible Investment Committee	The Investment Association is the trade body that represents UK investment managers.	Member
Investors for a Just Transition	This is a coalition of French investors set up under the auspices of Finance for Tomorrow. It aims to engage companies on the Just Transition thematic, identifying best practices and pushing laggards for change. The working groups will tackle five sectors: Energy, Transport, Real-Estate/ Buildings and Construction, Agri-Food and Financials.	Member
Net Zero Asset Managers Initiative	The initiative aims to play a critical leadership role in directing the asset management industry towards a net zero future. A signatory commits to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5° Celsius above pre-industrial levels. It also commits to support investing aligned with net zero emissions by 2050 or sooner.	Preliminary phase, founding member
Observatoire de l'Immobilier Durable (OID)	OID (the Green Building Observatory) is an independent space for exchanges between actors in the real estate industry, on sustainable development. OID gathers 60 members and partners, among them the leaders of commercial real estate in France over the whole value chain.	Member
One Planet Asset Management Working Group	Following the 2015 Paris Agreement to collectively mitigate the effects of climate change, the One Planet Summit was held on 12 December 2017, which was followed by the Climate Finance Day, recognising the important role played by this key sector. Given both their influence and long-term investment horizons, sovereign wealth funds are uniquely positioned to promote long-term value creation and sustainable market outcomes. Accordingly, the One Planet Sovereign Wealth Fund Working Group was established at the event in order to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools.	Member
Operating principles for Impact Management	The Operating Principles for Impact Management provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. The Impact Principles bring greater discipline and transparency to the impact investing market, requiring annual disclosure statements and independent verification of signatories' impact management systems and processes.	Signatory
Principles for Responsible Investment (PRI)	The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.	Member
Sustainability Accounting Standards Board (SASB)	The mission of the SASB Foundation is to establish industry-specific disclosure standards across environmental, social, and governance topics that facilitate communication between companies and investors about financially material, decision-useful information.	Member of the Investor Advisory Group
Taskforce on Scaling Voluntary Carbon Markets	This Taskforce is a private sector-led initiative working to scale an effective and efficient voluntary carbon market to help meet the goals of the Paris Agreement. The Taskforce's more than 50 members represent buyers and sellers of carbon credits, standard setters, the financial sector and market infrastructure providers.	Member
UN PRI - Deforestation Commodities Practitioners Group	A group of investors as part of UN PRI to work on deforestation practices by investors today. The goal is to align approaches and produce potentially a common goal on for future approaches to deforestation.	Member

Investor initiatives supported in 2021 (continued)

Dutch Association of Investors for Sustainable Development (VBDO)	VBDO works to create a sustainable capital market, a market that considers not only financial criteria but also non-financial, social and environmental criteria. VBDO's vision is to increase sustainability awareness among companies and investors. Member
World Economic Forum - Net Zero Carbon Cities	This project is part of the World Economic Forum's Centre for Nature and Climate, Climate Action Platform, Shaping the Future of Energy, Materials and Infrastructure, and Shaping the Future of Urban Transformation Platforms. The mission is to create an enabling environment for clean electrification and circularity, resulting in urban decarbonisation and resilience. The programme aims to do this by fostering public private collaboration to bridge the gap across the energy, built environment and transport sectors. Member
Collaborative Initiative Tech Giants and Human Rights - Investor expectations	The Council on Ethics of the Swedish National Pension Funds (AP-funds) has issued a new statement of its expectations of global technology companies on human rights. The expectations demand that tech giants reinforce measures to respect human rights and fully align their work with the UN Guiding Principles on Business and Human rights. AXA IM signed this statement in 2020. The Council on Ethics has, in cooperation with the Danish Institute for Human Rights, produced a document for the tech sector outlining its long-term expectations of how the sector should work strategically on human rights. A larger group of investors, including AXA IM, has been engaged during the preparation of the document and has begun, together with the Council, to engage with the tech companies regarding these expectations. Member

Investment industry partnerships and collaboration in 2021

Statement	Involvement	Description	Start Year	Topic
Finance for Biodiversity pledge	Signatory	Call on global leaders and commit to protecting and restoring biodiversity through their finance activities and investments by collaborating/engaging with companies, assessing impact, setting targets and reporting publicly on the above before 2025	**2021**	Biodiversity
FfB/ Ceres investors Statement at COP15	Signatory	Pushing for the role of financial institutions to be better defined in the next Global Biodiversity Framework that will should be delivered at COP15 (in 2022 after country level negotiations)	**2021**	Biodiversity
Investor Letter with Climate Action 100+ on Total	Signatory	We signed, alongside many investors, a letter intended to be read at Total's 2021 AGM asking for further progress and disclosure on the company's climate strategy	**2021**	Climate
Carbon Disclosure Project - Science Based Target Investor Statement	Signatory	The group, made up of 220 financial institutions across 26 countries, is pressing 1,600 companies to set emissions reduction targets through the Science Based Targets initiative to ensure that corporate ambition is independently verified against the de-facto industry standard for robust and credible climate targets. From July 2022, these must be aligned with a 1.5°C pathway to be approved.	**2021**	Climate
The Investor Agenda Global Investor Statement to Governments on the Climate Crisis	Signatory	A call on all governments to deliver robust climate action. Investors propose to work with governments to ensure policy mechanisms are developed and implemented to transition to a climate resilient net-zero emissions economy by 2050 or sooner. Governments must align with the 1.5°C warming scenario, define clear decarbonisation roadmaps with targets, include in economic recovery strategy transition plans consistent with the Paris Agreement and align climate risk disclosure with TCFD recommendations.	**2021**	Climate
Finance for Tomorrow - Pledge for the Development of Impact Finance	Signatory	Signatories of this declaration recognise the need for a shared approach to Impact Finance. Signatories affirm their will to implement the key principles and operational tools that underpin this definition. They also bring to the attention of regulators the importance of changing regulatory and market frameworks to foster the development of Impact Finance and, ultimately, the contribution of the financial sector to the implementation of the Paris Agreement and the UN SDGs.	**2021**	Impact
PRI - Investment statement of support for EU Corporate Sustainability Reporting Directive	Signatory	The Principles for Responsible Investment (PRI) and 54 signatories (representing around $9.2trn in assets under management) welcomed the European Commission's proposal for a new Corporate Sustainability Reporting Directive revising the Non-Financial Reporting Directive, and its aim to elevate sustainability information to the same level as financial information.	**2021**	Sustainability
IIGCC Investor Expectations of Companies on Physical Climate Risks and Opportunities	Signatory	More than 50 leading global investors representing $10trn in collective assets supported a clear set of expectations setting out how companies should demonstrate that they are adequately addressing physical climate risks and opportunities. Research by the IIGCC and using data from Four Twenty Seven, part of Moody's ESG Solutions, also identified 50 highly exposed companies.	**2021**	Climate

Regulatory Review

The UK Stewardship Code	Reference page
Purpose and governance	
1. Purpose, strategy and culture	3
2. Governance, resources and incentives	52-56
3. Conflicts of interest	34,35
4. Promoting well-functioning markets	26, 27, Appendices
5. Review and assurance	60
Investment approach	
6. Client and beneficiary needs	58, 59
7. Stewardship, investment and ESG integration	36-50
8. Monitoring managers and service providers	56
Engagement	
9. Engagement	6-25
10. Collaboration	23
11. Escalation	24
Exercising rights and responsibilities	
12. Exercising rights and responsibilities	20-25, 28-35

PRI	Reference page
Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.	36-50
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.	6-35
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.	36-54, 58-60, Appendices
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.	26-27, Appendices, AXA IM website
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.	PRI Assessment Report, AXA IM TCFD-Article 29 Report
Principle 6: We will each report on our activities and progress towards implementing the Principles.	PRI Assessment Report, AXA IM TCFD-Article 29 Report

Japanese Stewardship Code	Reference page
1. Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	Full report
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	34, 35
3. Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	20-25, 34-35, 36-50
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	16-19
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	20-25, 28-35
6. Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	Full Report
7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	52-60
8. Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	N/A

Selected RI Research and publications in 2021

- COVID-19: Data privacy risks and potential opportunities
  Théo Kotula
- Putting ESG to work: A case study in the telecoms sector
  Virginie Derue
- Net Zero through investments: A pilot for intermediary target setting
  Lise Moret, Thomas Roulland, César Vanneaux
- EU Taxonomy: a pathway to superior corporate
  Virginie Derue
- China green bonds: seeking harmonisation in a sector that could boost the climate change fight
  Théo Kotula
- A wake-up call for the energy sector? The IEA's path to net zero
  Olivier Eugène
- A climate change conundrum: Is there a sweet spot for natural gas in the energy transition?
  Olivier Eugène
- Carbon offsets: A necessary tool, but only under close scrutiny and precise conditions
  Virginie Derue
- Are Europe's oil and gas majors prepared for the climate change challenge?
  Olivier Eugène, Augustin Monnoyeur
- Climate change: How investors can help deliver a Just Transition
  Virginie Derue
- Playing with fire: Measuring emissions from the world's oil and gas fields
  Olivier Eugène

Organisational chart

RI resources Integrated across AXA IM teams

30 Dedicated RI professionals - Who are they?

Gilles Moëc
AXA Group
Chief Economist and
Head of Research

Research

Gautier Bonnécuelle
Head of ESG & Impact Research

- Jules Arnaud
- Jihane el Haidoudi
- Gael Hancali
- Ariel Girard
- Aïda Hemery
- Lisa Kladitis
- Mélina Leprince-Ringuet
- Lorenzo Schinelli

Clémence Humeau
Head of RI Coordination and Governance

- Constance Caillet
- Julie Cavaignac
- Héloïse Courault
- Marine Jubert-Sirgue
- Alexandre Prost

29
Fixed Income Analysts

Virginie Derue
Head of ESG Research

- Laurence Devivier
- Olivier Eugène
- Liudmila Strakodonskaya
- Théo Kotula

Cyril du Chéné
RI Project and Process Manager

Laurent Clavel
Head of Quant Lab

Quant Lab

Yolande Poulou
Head of RI Solutions Models and Tools

- David Baudouin
- Danika Matheron
- Nicolas Pouzenc

13
Investment Analysts

Portfolio Managers

Thomas Coudert
Head of FI Sustainability

- Jamison Friedland

Jonathan White
Head of Equity QI Sustainability

156
Portfolio Managers

Investment Specialists

Marie Walbaum
Ri Solutions Expert

26
Investment specialists

231 Client Group
(Sales, Marketing, Development and Client Servoces)

Source: AXA IM as of 28/03/2022
*Covering ESG analysis as part of fundamental credit research.

Laurent Lavergne
Global Head of Asset Management & Development

RI resources in AXA IM Alts

Justin Travlos
Global Head Responsible Investment

Juliette Lefébure
ESG Manager

- Joseph Bensadon
- Katherine Lundevall
- Sophie de Malefette

Christophe Lebrun
Head of Forestry

[See Disclaimer: note 3]

Disclaimer

Note 1: The product categorization is provided based on the basis of the European Directive (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR Regulation"). The attention of each recipient is drawn to the fact that, as of today the SFDR related regulatory technical standards ("RTS") have not been finalized and remain subject to the approval and formal adoption by the European Commission and the European Parliament and Council. Furthermore there may be further guidance in relation to the interpretation of the SFDR Regulation. We are monitoring regulatory developments closely, and the product categorization shall be re-assessed and may evolve when the RTS and/or further guidance is published.

Note 2: The ESG data used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different.

Note 3: There is no assurance that any particular individual will be involved in the management team for any given period of time. Information about the staff team is only informative. We do not guarantee the fact that staff remain employed by AXA Investment Managers and exercise or continue to exercise in AXA Investment Managers.

Issued by AXA INVESTMENT MANAGERS PARIS, a company incorporated under the laws of France, having its registered office located at Tour Majunga, 6 place de la Pyramide, 92800 Puteaux, registered with the Nanterre Trade and Companies Register under number 353 534 506, and a Portfolio Management Company, holder of AMF approval no. GP 92-08, issued on 7 April 1992.

In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

Design & Production: Internal Design Agency (IDA) | 2- 010932 | 04/2022 Photo Credit: Gettyimages