

AXA IM Risks & Controls Standards

AXA IM Prime

Conflicts of interest policy

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Conflict of Interests Policy

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This policy regulates the general framework of the conflicts of interest linked to the activities of AXA IM Prime. The goal of this framework is to ensure the protection of the investors by reasserting the principle of clients' interest pre-eminence, the will to treat each of them fairly as well as by reaffirming the communication to the investors with complete, adapted and transparent information.

In Brief

AXA IM Prime French affiliate of AXA IM Group which is regulated by the Autorité des Marchés Financiers (the "AMF") as a portfolio Management Company for third parties.

The Directive 2014/65/UE (MiFID Directive), Directive 2009/65/EC (UCITS Directive), Directive 2011/61/EU (AIFM Directive) and Directive 2007/36/CE (SRD Directive) require from asset management firms to take necessary specific arrangements, in terms of organization and controls, to prevent from conflicts of interests and, when they cannot be avoided, to identify, manage and monitor them in order to avoid damaging clients' interests and should they arise, disclose these situations of conflicts of interests to the clients.

In this context, AXA IM Prime has drawn up and is implementing a conflicts of interest policy aiming at:

- Preventing any situation from implying a conflict of interest which contains a material risk of damaging the interest of the clients along the investment service providing process;
- Defining the procedure to apply and the measures to take in order to manage those conflicts.

1. Introduction and definitions

Given its international spread, the plurality of the investment services offered and the multiplicity of investment expertise, the AXA IM Group and its affiliated companies (asset management companies and other investment service providers) may encounter, in the normal course of their activities, situations that can potentially generate conflicts of interest.

By "**conflict of interest**" we mean a situation whereby the interests of AXA IM, of AXA IM's employees, of a third-party delegate or a related company are, directly or indirectly, permanently or occasionally in competition with the interest of one or several clients, or among those parties and may damage the interest of a client. It also pertains to potential conflicts that may occur between AXA IM's clients.

An "**interest**" means an inducement or a source of benefit of any kind, material or immaterial, professional, commercial, financial or personal.

"**Inducements**" are considered "anything of value", tangible or intangible, and therefore could potentially compromise, or appear to compromise, the propriety of AXA IM's business relationships or create an actual or apparent conflict of interest and / or conflict with AXA IM's fiduciary duty.

Conflicts of interest may arise in many situations: as examples where AXA IM Prime's employees must be particularly mindful:

- Employees and managers are always expected to use their judgement to avoid giving a Gift or an Entertainment where there is an actual or perceived conflict of interest.
- Employees must conduct themselves according to the highest ethical standards when engaging in personal securities trading, including, but not limited to avoiding any actual, potential or perceived conflicts of interest or any abuse of an employee's position of trust and responsibility.



- Employees have to disclose and obtain from Compliance department a pre-approval to perform any Outside Business Activity. Compliance department will identify any potential conflict of interest in this respect.

The term “clients” refers to any legal entity or individual in a business relationship or having a financial interest with AXA IM entities or AXA IM managed products and more broadly, any entity or individual considering to enter in a business relationship with any AXA IM entity.

AXA IM Prime (the Firm) will endeavor to identify conflicts wherever possible, examples of which may arise between:

- The Firm (including their Employees, or any person directly or indirectly linked to them by control) and a client;
- One client and another client;
- Investors in a collective investment vehicle managed by the Firm (‘Client Fund’) and another client;
- Investors in a Client Fund and the Firm;
- Different investor types within the same Client Fund (e.g. in different share classes); and
- The Firm and a Related company: one if its delegates or sub-delegates, a service provider or another entity of the Group (AXA IM or AXA), an introducer or any commercial intermediary;
- The Firm and a counterparty.

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Potential and existing conflicts of interest must be identified and reported to both the senior management of the concerned business line and to Compliance department. The identification of conflicts of interest operates at two main levels:

i. Staff level

- Staff in all business lines shall be aware of the potential risk for conflicts of interest to arise within AXA IM Prime operations.
- Staff involved in the oversight of activities carried out on behalf of AXA IM Prime clients by a delegate, sub-delegate, counterparty or other third parties are also expected to report identified conflicts in the same way.
- Moreover, controls in place within each activity can also lead to the identification of potential conflicts of interest.

- ii. Compliance level:** AXA IM entities must keep a register of these identified conflicts and update it periodically, notably by confirming with senior management of business lines that the log accurately and comprehensively describes the conflicts within their operations.

2. Conflicts of Interests Identification

The following situations imply a conflict that can damage the interest of the clients whereby AXA IM Prime or a related company:

- is likely to make a financial gain, or to avoid a financial loss, at the expense of the portfolio or its investors;
- has an interest in the outcome of a service provided to the client, or of a transaction carried out on behalf of them, which is different from the client’s interest in that outcome;
- is in possession of inside information or has an incentive, financial or not incentive to favor the interest of another client or group of clients over the interests of the client to whom the service is provided;
- has an incentive to treat clients differently when the same professional activities are carried out;
- carries on the same business as a client;
- receives or will receive from a person other than the client an inducement in relation to collective portfolio management activities provided to the client, in a form other than the standard commission or fee for that service;
- has an incentive, through their remuneration practices, to favor their own interests over those of the client;
- Have an incentive to favour one portfolio over another when both are managed by one individual e.g favorably allocating to a client to the detriment of other clients.
- Have knowledge of client trading activity and use this for personal gain, including gain experienced by affiliated person(s) (e.g family, spouse etc).

3. Scope and General Framework

This policy rules the general framework of the conflicts of interest linked to the activities of AXA IM Prime. This framework consists in the identification of potential conflicts of interest which could occur in the normal course of AXA IM's activities, be these activities linked to asset management or any other activity. This also takes into consideration circumstances likely to generate conflicts of interest within the AXA IM Group in general, be these conflicts in relation to its structure or to activities carried out by other entities of the Group.

This framework consists in identifying and managing situations which could be detrimental to the clients:

- Through the mapping of the identified potential conflicts of interests, updated as often as is necessary. It highlights the types of services provided by the company, or performed on its behalf, and describes the circumstances in which a conflict of interest, deemed to pose an appreciable risk of damage to the interests of one or several clients, is likely to occur;
- Through the appropriate management of those situations in order to avoid any significant impact on the interests of clients.
- Through the intervention of the Senior Management in the most complex or sensitive cases;
- And, if such situations cannot be deterred and if the precautions undertaken can't sensibly guarantee that client interest damage will be avoided, through upfront disclosure to concerned clients about the nature of the identified conflict.

In any case, AXA IM Prime can refuse to intervene in circumstances where there would exist in fine a risk of damage to clients' interests.

4. Prevention and management of the conflicts of interests

Prevention through local policies...

AXA IM Prime has established, implemented and applies an effective **local conflicts of interest policy**. That policy is set out in writing and is appropriate to the size and organization of AXA IM Prime and the nature, scale and complexity of its business.

The Risk Management, the Portfolio Management as well as the Internal Audit functions have been organized to operate efficiently with the appropriate levels of **independence**.

Conflicts of interest prevention is based on principles of good conduct, clearly set out in the AXA IM Prime's **Code of Ethics** that each employee agrees to have acknowledged when entering in the company. In accordance with the Code of Ethics, employees must thus commit to:

- Maintain their independence of judgment and liberty of decision in carrying out their functions;
- Never accept actual or proposed inducements (except where those can qualify as Minor Non-Monetary Benefits) from anyone with whom AXA IM has a current or potential business relationship;
- Refrain from accepting any external function or remuneration before receiving prior authorization from their Management and from the Compliance department;
- Refrain from personally negotiating or signing in the name of AXA IM Prime or AXA IM Group, any transaction or service contract, sale or purchase of a company in which they possess direct or indirect holdings, without prior authorization from their Management and Local Compliance department;
- Refuse gifts or personal benefits, other than those authorized by AXA IM Prime own rules;
- Refrain from undertaking any market operations in their own name outside of the restrictive rules and specific precautions laid down by AXA IM Prime;
- Consider whether the activities of the AXA Group may cause conflict with our duties to our non-AXA Group clients and take action accordingly to protect our clients' interests;
- Warn Compliance department about all material non-public information they might have access;
- Refrain from taking any advantage from any material non-public information and, where is the case, alert the relevant service to put in place the necessary precautions;
- Disclose, when hiring, then on regular basis and at any time of occurrence, all situations of conflicts of interests in which they may become involved, to their Management and Compliance Department who will take

upon themselves, in association with the concerned people, the responsibility for resolving the difficulties.

Preventing conflicts and the resulting risks involves notably designing controls to identify and prevent them. These can take several forms depending on the conflict that is being addressed, and can involve the following mechanisms, amongst others:

- Implementing policies and procedures that either limit practices that result in conflicts or prescribe operating practices that ensure proper handling of clients' interests;
- Implementing measures to prevent the simultaneous or sequential involvement of a relevant person in separate services or activities;
- In case of use of efficient portfolio management techniques, ensuring the costs correspond only to the market price and not to other considerations, maintaining appropriate analyses mechanisms, controls and segregation of agents (Securities Lending team) from both Portfolio Managers and Buy/Sell Trade Execution teams;
- Ensuring that conflicts of interests are appropriately managed when using services provided by several entities within AXA IM and/or AXA Group;
- Implementing effective procedures to prevent or control the inappropriate exchange of information, which could include a physical barrier, document classification, security, and computer protections and/or confidentiality agreements.

When the adoption of application of one or more measures and procedures does not ensure the requisite degree of independence, AXA IM Prime would adopt alternative and additional procedures.

The remunerations of AXA IM Prime's employees are covered by AXA IM Group remuneration standard and has been drafted to become compliant with Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and with Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on provisions relating to UCITS as regards notably remuneration policies.

... and global ones

The prevention of conflicts of interests is also embedded into **global policies**, set by AXA IM Group, which aim at

ensuring that conflicts of interest are identified, avoided, or managed and disclosed to the client in appropriate manner.

Dedicated policies also cover the concepts of **integrity, equity, impartiality, respect of the professional secrecy** and the **pre-eminence of clients' interests**. In particular, the strategy for the exercise of the voting rights is handled at AXA IM Group level and is updated and available on the website of AXA IM Group.

Management of the conflicts

When it comes to handling conflicts, AXA IM Prime will manage situations of conflicts of interests, potential or real, based on:

- A **global control mechanism** established for each of the activities, designed for ensuring the prevention of conflicts of interests and the readiness of the corrective measures to be taken;
- A local **risk management model** based on three levels of control;
- The **upstream identification** of any potential conflict when:
 - creating or changing reporting lines and/or job descriptions including whether it could compromise controls achieved through segregation of duties or through the three levels of control risk management model;
 - new clients, new products, new systems or new procedures are being introduced, or with reorganizations of business lines.
- The management of the interests of **individual investors in each of the Client Funds** as well as the interests of the Client as a whole, including consideration of the sometimes-conflicting interests between different investors within a fund;
- **Inducements:** AXA IM Prime Inducements policy takes all reasonable steps designed to prevent any potential inducement, which constitutes or may give rise to a conflict of interest causing a risk of damage to the interests of its clients, from adversely affecting the interests of its clients;
- **Remuneration:** staff remuneration policies are structured to ensure that they do not cause conflicts by incentivizing weak application of key controls and/or oversight measures;
- **Insider lists:** permanent and specific-event insider list are put in place to assess and monitor any potential misuse of inside information;
- **Internal procedures** which enforce the above;



- Appropriate **escalations**: once a conflict of interest has been identified, all the appropriate and relevant mechanisms and procedures are implemented in order to ensure that the conflicts are properly managed and, if necessary, escalated to the correct persons (including Senior management);
- **Local and/or Global committees** can be involved in the processes to address adequately the conflicts and also to make sure that the appropriate measures to prevent conflicts of interest are taken;
- The decisions taken during these committees are archived and formally **reported** to the portfolios investors when deemed necessary.
- All identified conflicts, and those that are likely to occur, conflicts are recorded in a Conflicts of Interest **Register** maintained by AXA IM Prime Compliance department. The corrective actions are also described in this register.
 - In addition, the Conflicts Register and the Conflict of Interest Policy are reviewed at least annually by the Compliance & Control Committee Prime.
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Private equity funds

AXA IM Prime follow the provisions and recommendations of the Code of conduct applicable to Management Companies of private equity portfolios (French « *Règlement de déontologie des sociétés de gestion de portefeuille intervenant dans le capital-investissement* »).

Shareholders Rights Directive

Considering the Shareholder Rights Directive, asset managers are required to disclose certain information to fund shareholders in the aim of increasing transparency with regards to the investment strategy. This information includes whether and, if so, which conflicts of interests have arisen in connection with stewardship activities and how they have been managed.

This document aims at explaining AXA IM Prime's approach to conflicts of interests arising from its stewardship activities and is complementary to this policy.

AXA IM conflict of interest policy specific to SRD in French and English is available here:

[Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/Sustainability-Policies-and-Reports)

Training

All employees should be trained and provided with the local conflicts of interest policy in order to provide them with the background and professional skepticism to face, identify and manage conflicts of interest appropriately.

Disclosure to clients

Should the framework for managing conflicts of interest reveal itself to be insufficient for guaranteeing with reasonable confidence that risks of damaging clients' interests can be avoided, AXA IM Primes will inform clearly the concerned clients of the nature and/or the origin of conflicts before delivering the service to the clients.

Disclosure must:

- Be made in a durable medium;
- Include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

Different communication channels (e.g. website publication, communication by sales team, notification letter sent by transfer agent) can be used to inform clients of the portfolios where organizational or administrative arrangements are insufficient to manage the conflicts of interest (complex or sensitive cases).

In the case of disclosure of information via website, clients must be notified of the address of the website and the place on the website where the information can be accessed.

Senior management's review

As described previously, the Senior Management is involved in the resolution of conflicts when those ones are complex and/or sensitive. The Senior Management is informed via Global and Local committees in place within the AXA IM Group. AXA IM Prime Compliance department has to ensure that the conflicts are properly escalated and reported to the proper persons and/or committees, including to Senior Management.