

Active engagement for a more sustainable, better world



Foreword by Yo Takatsuki,
Head of ESG Research and Active Ownership

“
We must use our influence as shareholders in a thoughtful manner, with the thousands of companies we have financial stakes in.

”

The role of responsible investing

We have a major challenge on our hands. The actions we take today will define who we are, and who we become, in the 21st century.

On the one hand, we need to keep developing the world economy and growing prosperity. But on the other, we need to resolve global issues such as climate change, biodiversity loss, gender inequality and corrupt practices. We have a duty to our clients, colleagues and wider stakeholders - as well as to society - to monitor and steward companies in a responsible fashion.

This means that our relationship with investee firms continues over the entire period we hold their stocks and bonds.

This is underpinned by the ambition of achieving the “win-win” of improving risk-adjusted returns while at the same time contributing to broader societal and environmental objectives as those defined in the United Nations Sustainable Development Goals (SDGs). In practice, active ownership is about leveraging investor rights to engage

investee companies in dialogue and is more than just exercising our right to vote at annual shareholder meetings. We build our approach in the following way:

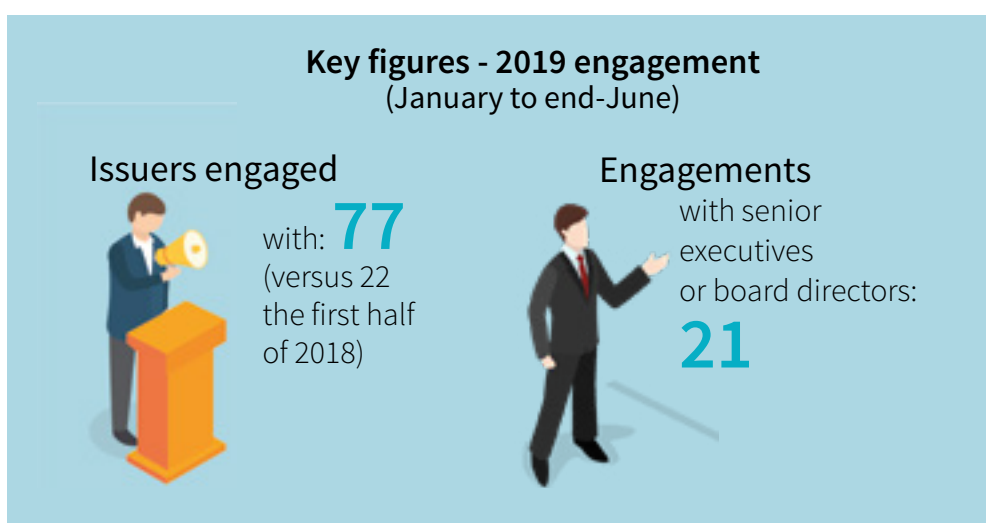
- **We are proactive:** We identify material environmental, social and governance (ESG) factors and engage companies before concerns materialise and harm investors. We have taken the decision to commit our efforts to ESG issues which we consider to be the most strategically and financially material for long-term investors. These are climate change, biodiversity, human capital management, public health, data privacy and corporate governance.
- **The team is research-driven:** We are an active investment manager. This means we conduct in-depth analysis of companies as well as the broader macro-economic backdrop and ESG factors which shape investment outcomes. Our engagement and voting activities are built on the knowledge and insights we have developed.

- **We create impact:** A critical way that investors can drive impact in their investment activities is through engaging corporations and pressing for change, in the way they behave, and do business. We consider the likelihood for success in our engagement and assess the possible nature of the outcomes as well as alignment with SDG targets.
- **We are an industry leader:** Leading the industry 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.
- **We are transparent:** We are committed to providing transparency and regular reporting on active ownership. The intention of this report is to demonstrate the evolution and enhancements we have made to our engagement and voting this year as well as summarising the activities from the first half of 2019.

Why I'm proud to serve AXA IM as Head of ESG Research and Active Ownership

"On a personal note, I joined AXA Investment Managers in late 2018 and would like to thank my colleagues for the support that they have shown me. It makes a significant difference to do this in a company with a genuine commitment to responsible investment which is evident across senior executives, portfolio managers and our client relationship teams. I believe it is because there is a shared goal here of working together, for a better tomorrow".

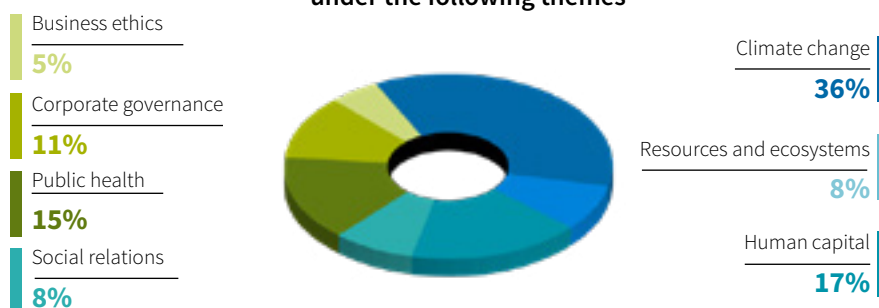
Yo Takatsuki



Why is active engagement important?

Engaging with companies in which we invest allows us as an asset manager to not only monitor our investments, but also to ensure we have an open dialogue to enable change. We have an opportunity to use our influence to drive a broader change for the benefit of both society and the planet. We also want to be able to provide our clients with transparency around their investments, to align with their own values.

Our engagement with companies can be broken down under the following themes



Our engagements with companies around climate change included:

- In-depth discussions at senior levels with companies such as Renault, RWE and Engie as part of our active participation in Climate Action 100+, a collaborative investor engagement initiative
- Extensive dialogue with issuers of green bonds both before and after issuance
- Discussions with companies that expressed interest in our [Transition Bond Guidelines](#) after we proposed a new asset class to the market in June
- Visiting a nuclear power plant in Civaux run by Électricité de France, where we had the opportunity to understand the safety practices in place

Social engagements focused around two key areas:

- After publishing research on [gender equality](#) we started looking at the practices of German companies and will engage with corporations in Japan, India and China in the second half of this year
- Discussions with healthcare companies including Novartis and Roche on issues

including business conduct, product safety and drug pricing.

- We also attended an event in Amsterdam, hosted by the Access to Medicine Foundation, on how to drive adoption of leading practices and impact on further healthcare provision

in the developing world. We presented our views to attendees from 15 leading global pharmaceutical companies. We were the only investor in attendance, due to our position on the Foundation's Expert Review Committee.

We had numerous discussions with the boards of companies on key resolutions in their annual general meetings:

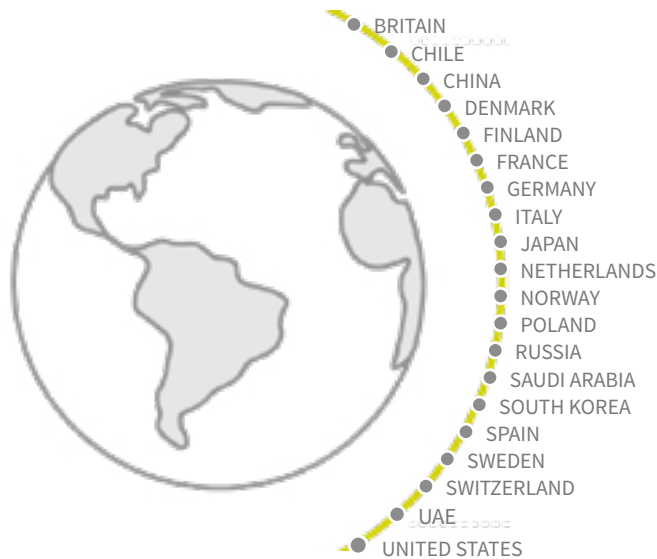
- We co-filed a shareholder proposal at energy giant BP requesting improved climate-related assessments and disclosures. This was filed alongside other Climate Action 100+ investors and was aimed at furthering a successfully-passed

shareholder resolution in 2015 around the company's management of climate change related risks and opportunities. The resolution called on BP to report around capital expenditure in line with Paris Agreement goals, metrics and targets

and provide a progress report on an annual basis. The resolution was adopted by 99% of voted shares.

- For more information see our [Corporate Governance and Voting Policy](#)

We have engaged with companies all over the world



Our engagements are linked to the following United Nations Sustainable Development Goals



No SDG link **8%**

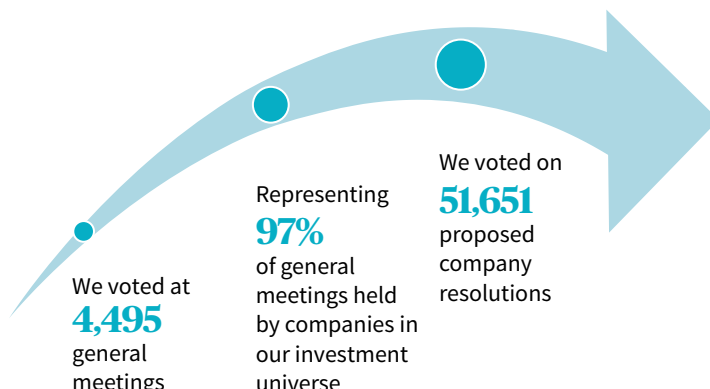
Where we have voted against company management

We did not fully support management at

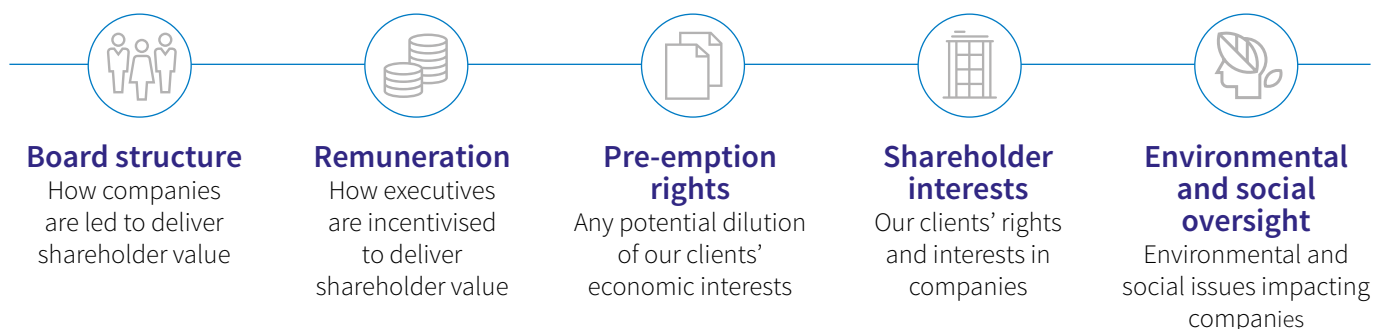
2,314 general meetings or
51% of relevant general meetings

We voted against or abstained on

5,279 resolutions or
10% of relevant general meetings



The breakdown of our dissenting vote shows that as investors we continue to focus on:



We do not vote in markets that still require investors to block shares or have imposed onerous administrative requirements on the exercise of voting rights.

Our plan for active engagement in the second half of 2019 and beyond

We believe investors have an important part to play in engaging with companies around ESG issues. And as shareholders, we have a duty to monitor and steward companies in a responsible way – which we will continue to do over the remainder of this year and beyond.

We have identified a list of target companies with which to conduct intensive engagement. These are firms in which we have notable investment exposure and where our research has identified one or more specific ESG concerns.

We have also singled out certain themes, such as climate change, biodiversity, human capital management, public health, data privacy and corporate governance, with clearly defined engagement objectives. Each one of these is then conducted as an initiative which

runs between 18 and 24 months, covering approximately 20 to 40 companies per project. These projects are ongoing and form much of our engagement plan for 2019 and beyond.

There may be cases where controversies occur, or companies breach international norms, such as the United Nations Global Compact. In these cases, we will assess the severity of the case through the ESG Monitoring and Engagement Committee and consider whether to engage or not. We also consider cases where companies are in breach of our internal ESG standards and policies. These include limits of coal usage or involvement in products and services such as tobacco, controversial weapons and palm oil.

On-the-ground research and face-to-face engagement

We use a wide range of engagement techniques but fundamentally we believe that engagement is most effective in a one-to-one meeting behind closed doors. We undertake field trips in various countries, attend conferences and write letters and emails.

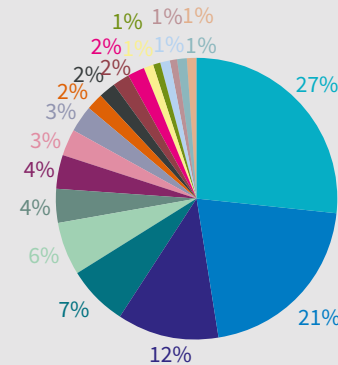
We continue to engage both senior management and board-level representatives, as well as operational specialists - topic experts in the company on relevant ESG issues - investor relations and corporate secretaries.

We systematically track engagement and where we see no discernible progress, we have processes to escalate. This can include various approaches such as going higher up the corporate hierarchy, involving other investors, and voting against resolutions at annual shareholder meetings.

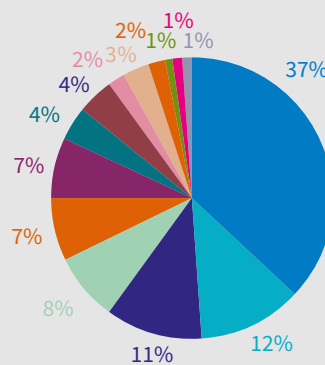
Our engagement further bolsters our ESG investment research and monitoring of existing investment holdings, while also allowing us to use our influence as active long-term investors to help steward companies in a responsible way for a better, more sustainable world.

A detailed look at where we have voted against company management*

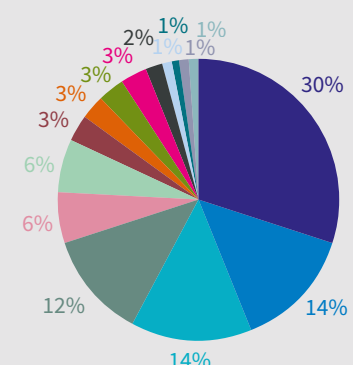
Global



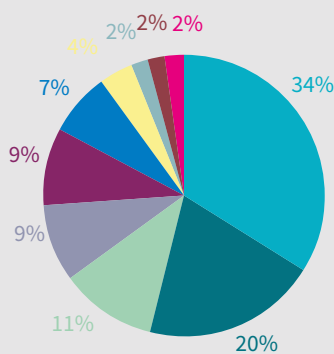
Asia Pacific (ex-Japan)



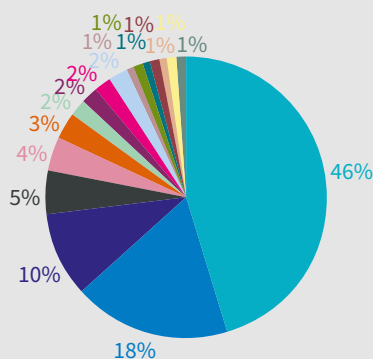
Emerging Markets



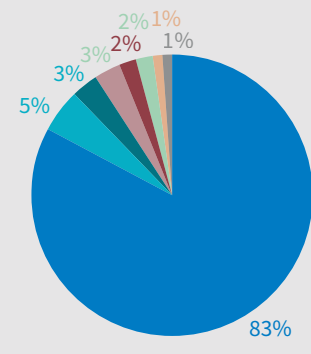
North America



Europe



Japan



- Remuneration
- Board structure
- Capital issues
- Problematic board actions
- Articles of association
- Business reorganisation/ M&A
- Diversity
- Accounts & Auditors
- ESG opportunities & risks
- Related party transactions
- Other
- Attendance
- Time commitments
- Lack of disclosure (board)
- Interest of shareholders
- Anti-takeover provisions
- Audit oversight
- Other board issues
- Dividend payout

Source for all data: AXA IM

* percentages are rounded to the nearest whole number

Not for Retail distribution: This document is intended exclusively for Professional, Institutional, Qualified or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies 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.

Past performance is not a guide to current or future performance, and any performance or return data displayed does not take into account commissions and costs incurred when issuing or redeeming units. References to league tables and awards are not an indicator of future performance or places in league tables or awards and should not be construed as an endorsement of any AXA IM company or their products or services. Please refer to the websites of the sponsors/issuers for information regarding the criteria on which the awards/ratings are based. The value of investments, and the income from them, can fall as well as rise and investors may not get back the amount originally invested. Exchange-rate fluctuations may also affect the value of their investment. Due to this and the initial charge that is usually made, an investment is not usually suitable as a short term holding.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Issued in the UK by AXA Investment Managers UK Limited, which is authorised and regulated by the Financial Conduct Authority in the UK. Registered in England and Wales No: 01431068. Registered Office: 7 Newgate Street, London EC1A 7NX.

In other jurisdictions, this document is issued by AXA Investment

Design & Production: Internal Design Agency (IDA) | 18-UK- 010430 08/2019 | Produced using stock that is FSC certified.