Active Stewardship:
Stewardship Report 2018

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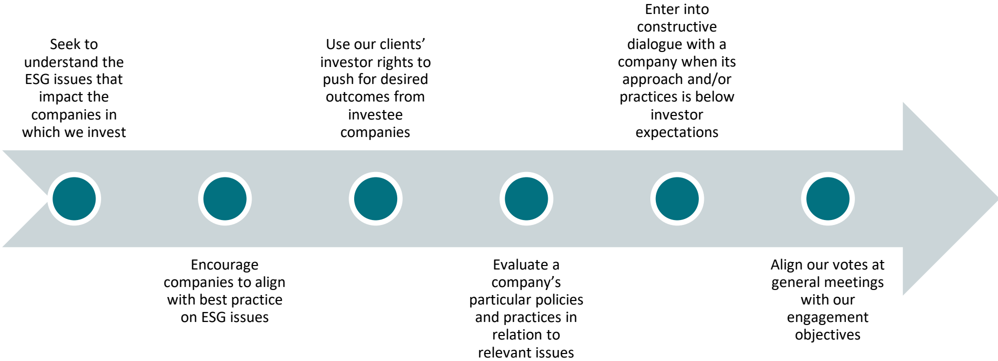
Our active approach to stewardship is grounded in our strongly held belief that both company management and investors have critical roles to play, when it comes to sustaining the health of financial markets and ensuring the efficient allocation of capital.

We firmly believe that proper consideration of environmental, social and governance (ESG) matters will impact the long-term sustainable performance of companies and benefit investors of such firms.

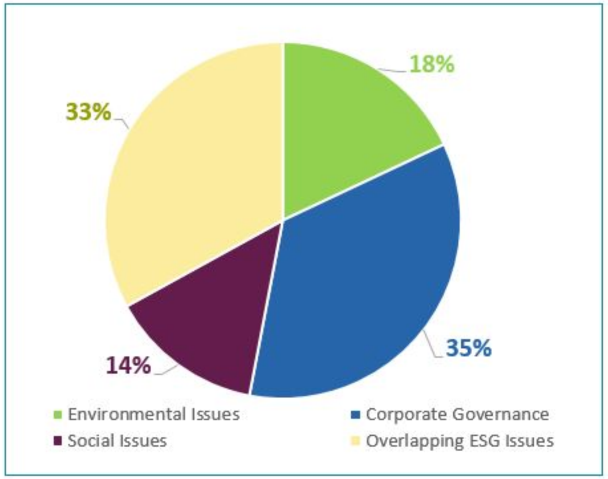
At AXA IM we:



Voting and engagement

Our global engagement activities

2018 Global Engagement Record



Engagement highlights

- Carbon Action 100+ (collaborative initiative)
- Green and social bond issuers
- Corporate governance – executive pay and board

Source AXA IM, for 12 months ending 31 December 2018

Through our engagement activities we continue to use our influence as investors to encourage companies to mitigate key ESG risks relevant to their sector.

In 2018, we continued to push our stewardship activities around climate change, diversity, executive pay and shareholder rights.

Climate Stewardship

As long-term investors, we have a key role to play in limiting global warming to well below the Paris Agreement's 2°C scenario. Our engagement aims to address climate-related risks and opportunities. We believe investors need to come together and use their collective influence to bring about necessary change - and we are members of several collective initiatives engaging with companies in key sectors.

Climate Action 100+

One of the key projects where we are active participants is Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change and help achieve the goals of the Paris Agreement.

As investors we are calling on companies to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures. As part of our work with Climate Action100+ we are leading engagement initiatives with many companies and support other businesses engaging with the oil and gas, utilities, mining and transportation sectors.

Proactive engagement on climate risks

Where we have concerns that a firm is not responding adequately to climate-related issues we engage with it directly to better understand its position and to encourage a better response.

When we have found these engagements are not progressing, we will use our voting rights to vote against a range of resolutions including, among others, director elections and remuneration.

Climate Related Voting

When engaging with companies, in line with our corporate governance and voting policy, we highlight the severity of the climate change threat, and the importance we place on businesses managing associated risks. This is reflected in our actions by voting at general meetings in favour of climate-related resolutions.

During 2018 we supported resolutions which required company sustainability reports. These documents must describe and outline in detail a firm's ESG policies, their policy performance, improvement targets, including a discussion of greenhouse gas (GHG) emissions management strategies as well as quantitative metrics. Such reports were requested from numerous businesses, including Acuity Brands, Kinder Morgan and XPO Logistics. In addition, we supported shareholder resolutions on global greenhouse gas emission reduction targets and the transition to a low carbon business model.

As has been the case in previous years, we voted in favour of identical shareholder resolutions, filed in the US, calling on companies to perform 2°C scenario analysis to demonstrate portfolio resilience.

We supported this shareholder resolution at the following companies:

- Anadarko Petroleum
- Great Plains Energy
- Kinder Morgan
- Noble Energy
- SCANA Corporation

Similarly, within the automobile sector we supported two similar shareholder resolutions at both General Motors and Ford Motor, requiring the boards to ‘publish a report, on fleet GHG emissions and sustainability in a rapidly decarbonizing vehicle market’.

Given the reputational and regulatory risks that these companies face in a carbon-constrained environment, increased disclosure relating to the company's management of its fleet emissions, including the company's updated global CO_2 reduction targets, is beneficial.

Diversity

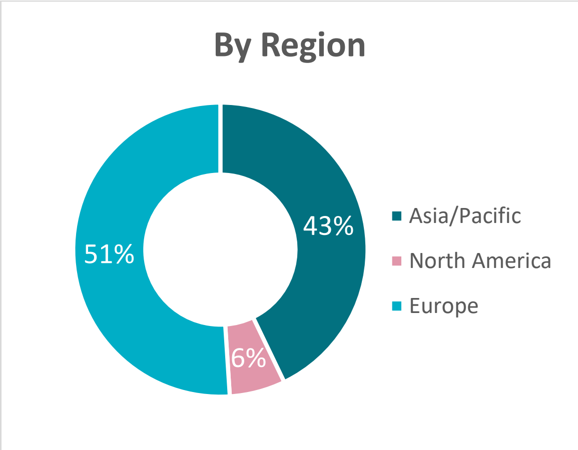
We continue to believe that the ability of a board to adequately conduct its oversight responsibilities depends on it having the right mix of directors with relevant skills, backgrounds and experience. This naturally points to the important benefits that diversity can have on the long-term success of companies. We have been engaging with boards to promote diversity, both at the leadership level and throughout the company. Discussing diversity is now a standard agenda item and the tone regarding diversity issues, particularly in terms of gender representation at board level, is very positive.

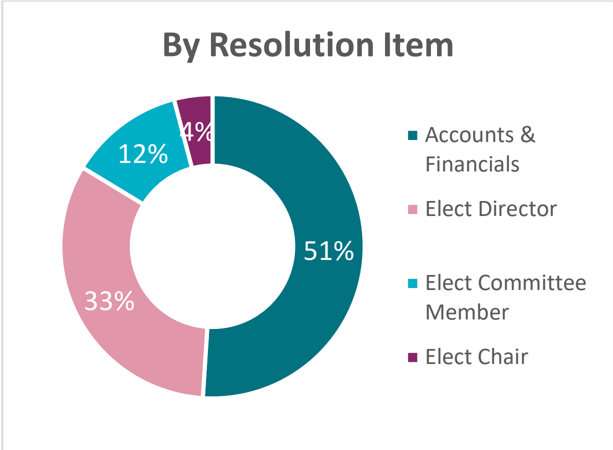
As part of a natural evolution on gender diversity, we evolved our policy to use our voting rights at companies which do not explain how they will boost the number of women on their board and workforce and where all-male boards continue to exist in developed market companies.

This follows nearly five years of engagement with companies and looks at not just leadership or the visible face of a company, but rather about the broader workforce and the progression of women to roles where they can influence strategy and performance.

In 2018, this meant that we withheld support at a number of firms where we believe that not enough was being done to address diversity.

Votes against management based on diversity concerns:





Executive pay

We believe it is necessary to ensure that remuneration policies encourage high standards of performance, aligning the interest of management with those of long-term shareholders. Levels of remuneration should be sufficient to attract, motivate and retain management of a high calibre. But equally remuneration should not be excessive by the standards of employment conditions within the company, sector or the executive's country of residence.

Globally, attention is starting to move away from a sole focus on aligning executive rewards with share price performance, to a focus on how executive remuneration aligns with the general workforce and social expectations. This includes gender pay gap reporting requirements as well as pay ratio disclosure requirements across different markets.

However, most discussions on pay continue to revolve around payout levels, targets, performance and alignment. AXA IM continues to hold companies to the highest of standards, and where we feel that there is a misalignment between pay and long-term shareholder interests, we will continue to dissent from management recommendations.

Stewardship: Engagement – Royal Dutch Shell

In our commitment to hold companies accountable regarding greenhouse gas emissions, we engaged collaboratively with Shell to discuss its plans to align with the Paris Climate Agreement to limit global warming to well below 2°C. For this goal to be achieved, large companies like Shell need to lead on setting targets.

In December 2018, Shell announced a commitment to targets and committed itself to link energy transition targets to the long-term incentive plans of senior executives. This pledge was the first of its kind in the sector.

Stewardship: Engagement – Carrefour

We engaged with Carrefour following concerns we had around the former CEO Georges Plassat's grant of a significant severance payment following his retirement.

The arrangement became controversial across France and an intervention by the French government led to change in the country's corporate governance code. The CEO eventually agreed to give up part of his severance pay-out. While we expressed our concerns to the firm around the severance pay, we also worked with the company on potential future terminations to ensure an avoidance of a similar situation in the future.

Stewardship: Engagement – Persimmon

We engaged with the company to express continued concerns around excessive remuneration of executives. The outcomes of the long-term incentive plan (LTIP) approved by shareholders in 2012 were supernumerary and led to negative headlines across the media. Given the strategic and reputational risks emerging from the consequences of the outcome of this plan, the company's executives agreed to waive part of their pay-outs.

As the plan did not include a cap on the value deliverable to participants, and the outcomes were boosted by the British Government's Help to Buy scheme of 2013, both the Board Chair and Senior Independent Director, also Chair of the Remuneration Committee, resigned acknowledging that the LTIP could, and perhaps should, have included a cap.

Stewardship: Engagement – Tullow Oil

We engaged with Tullow Oil following concerns around diversity at the company. We encouraged the company to address diversity concerns right across the business.

The company committed to broadening representation and by the end of the year had a female Chair and two female non-executive directors.

Stewardship: Engagement – Qualcomm

The takeover attempt by Broadcom of Qualcomm, contingent upon the latter's takeover of NXP Semiconductors, and the proxy contest that ensued, received significant attention.

We raised concerns around Qualcomm's approach to handling a takeover offer from Broadcom. In addition, we voiced our concerns around the company's own takeover of NXP Semiconductors, including the offering of a higher price once faced with the offer from Broadcom. We also highlighted our performance issues concerns. While the takeover failed to get regulatory approval on national security grounds, the company acknowledged and agreed to address our performance related concerns.

Voting

Voting at company meetings is an important part of the dialogue between a company and its shareholders. As an asset manager, it is a fundamental aspect of our fiduciary duty to our clients.

Our corporate governance and voting policy is based on principles of good corporate governance, which serve to protect the long-term interests of shareholders.

Global and local guidelines

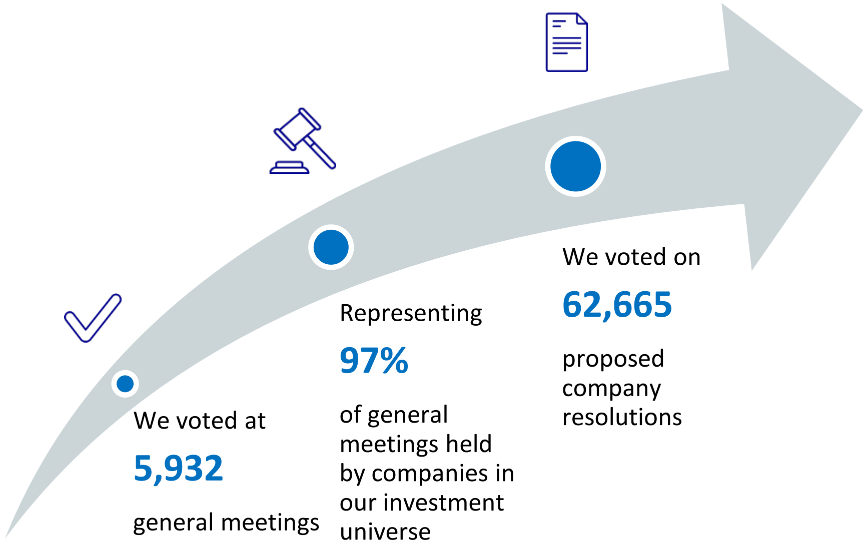
In addition to our global policy, we have voting guidelines for specific markets, recognising that practices vary between jurisdictions and the companies in which we invest are subject to different local laws and regulations on governance matters.

When reviewing resolutions proposed at general meetings we continue to judge them against fundamental principles of good corporate governance, while taking account of best practice standards pertinent to the relevant market and the company's particular circumstances.

Global Voting Statistics

During 2018, we exercised our clients' voting rights globally in line with our investment footprint.

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.

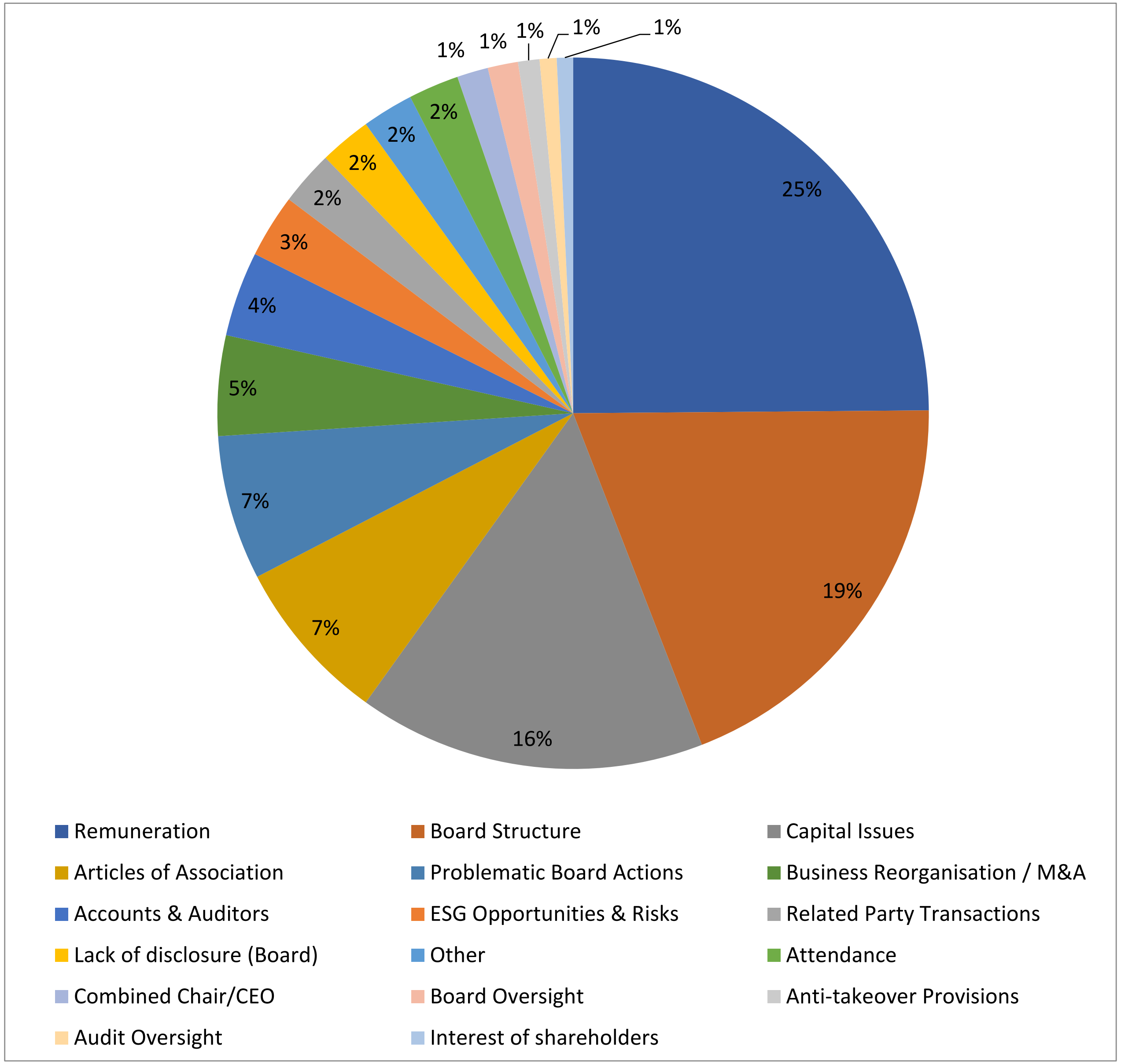


Votes Against Management

We did not fully support management at
2,467 general meetings or
42% of relevant general meetings

We voted against or abstained on
5,530 resolutions or
9% of relevant general meetings

Global Votes Against Management



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

Board Structure

How companies are led to deliver shareholder value

Remuneration

How executives are incentivised to deliver shareholder value

Pre-emption Rights

Any potential dilution of our clients' economic interests

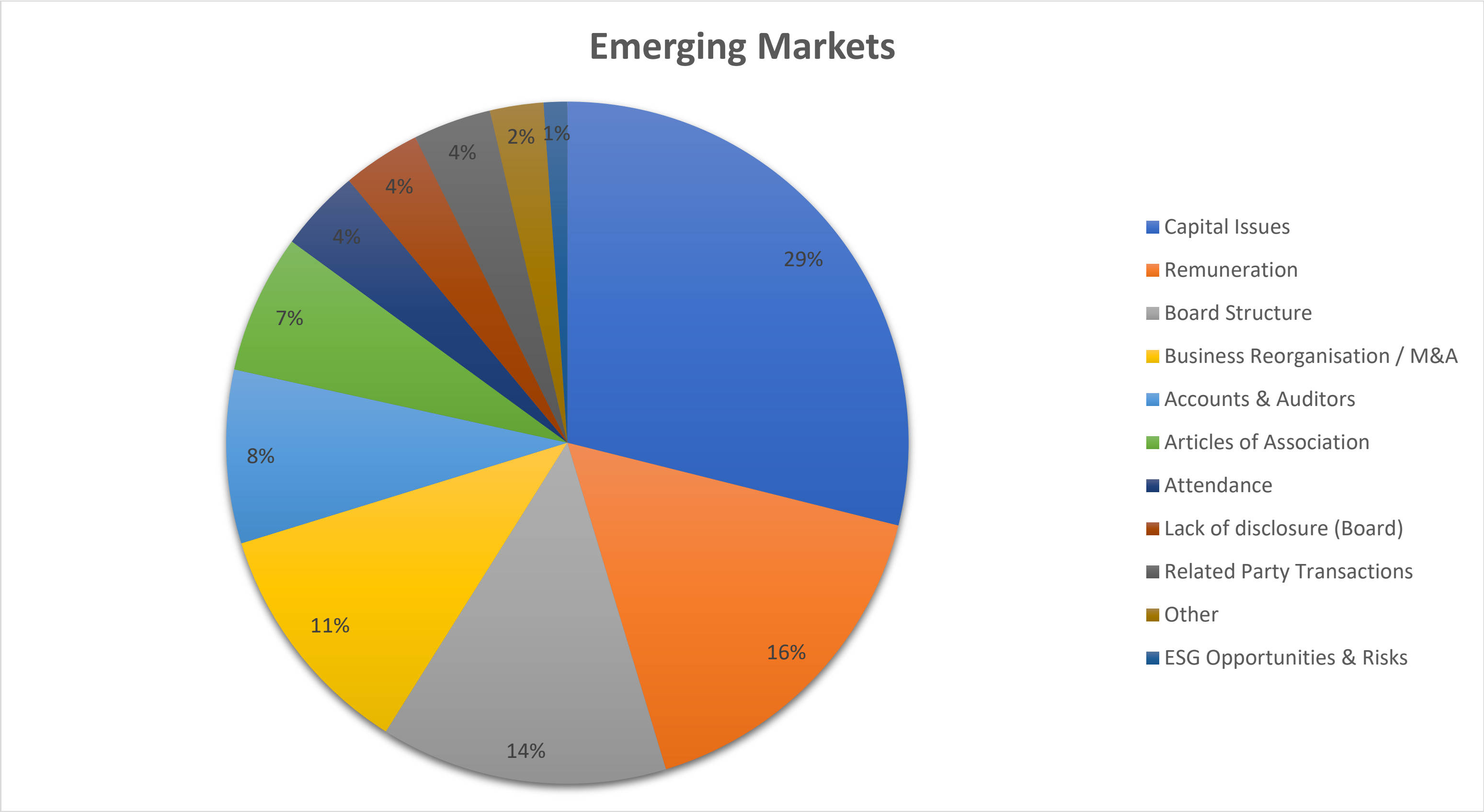
Shareholder interests

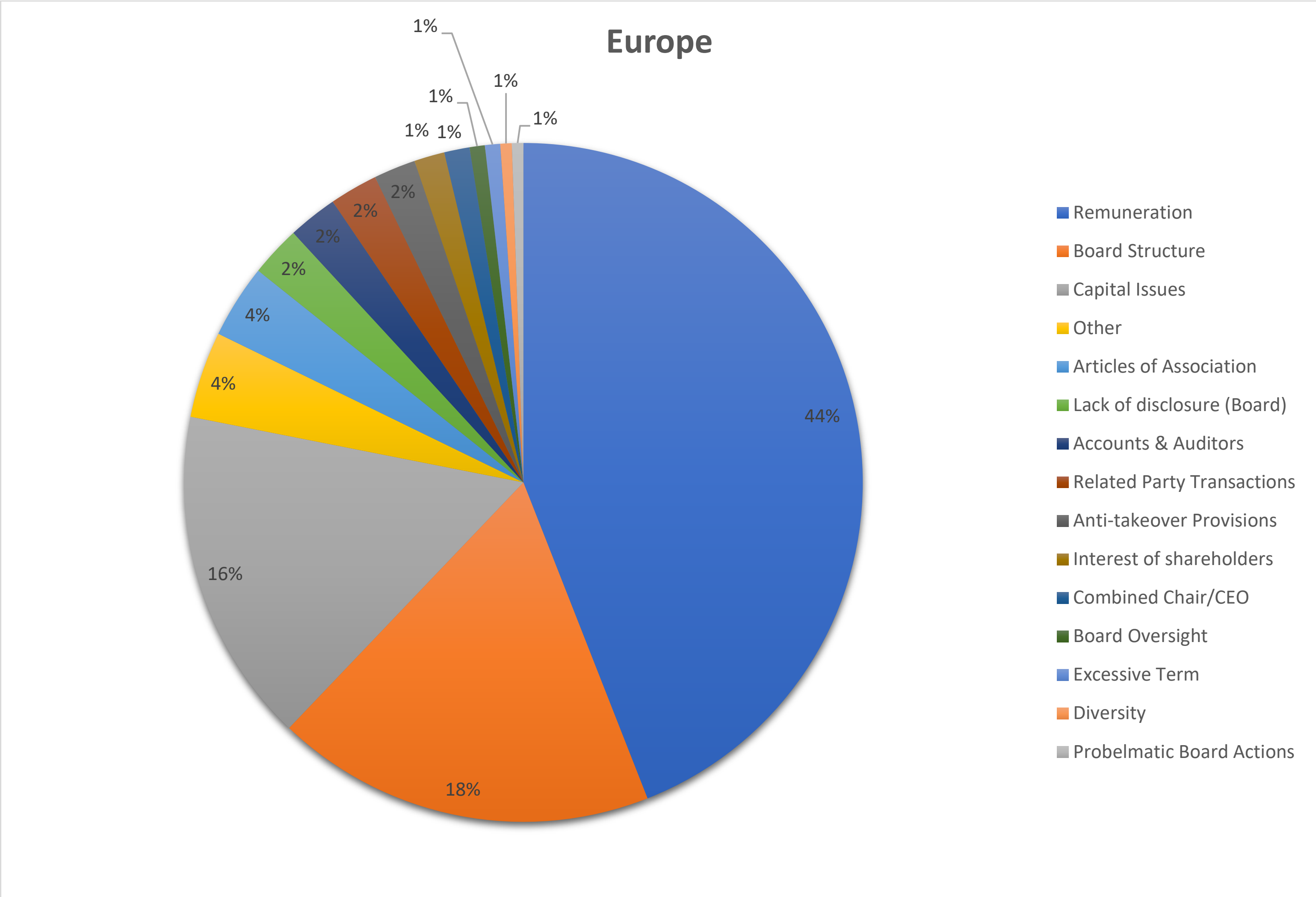
Our clients' rights and interests in companies

Environmental and social oversight

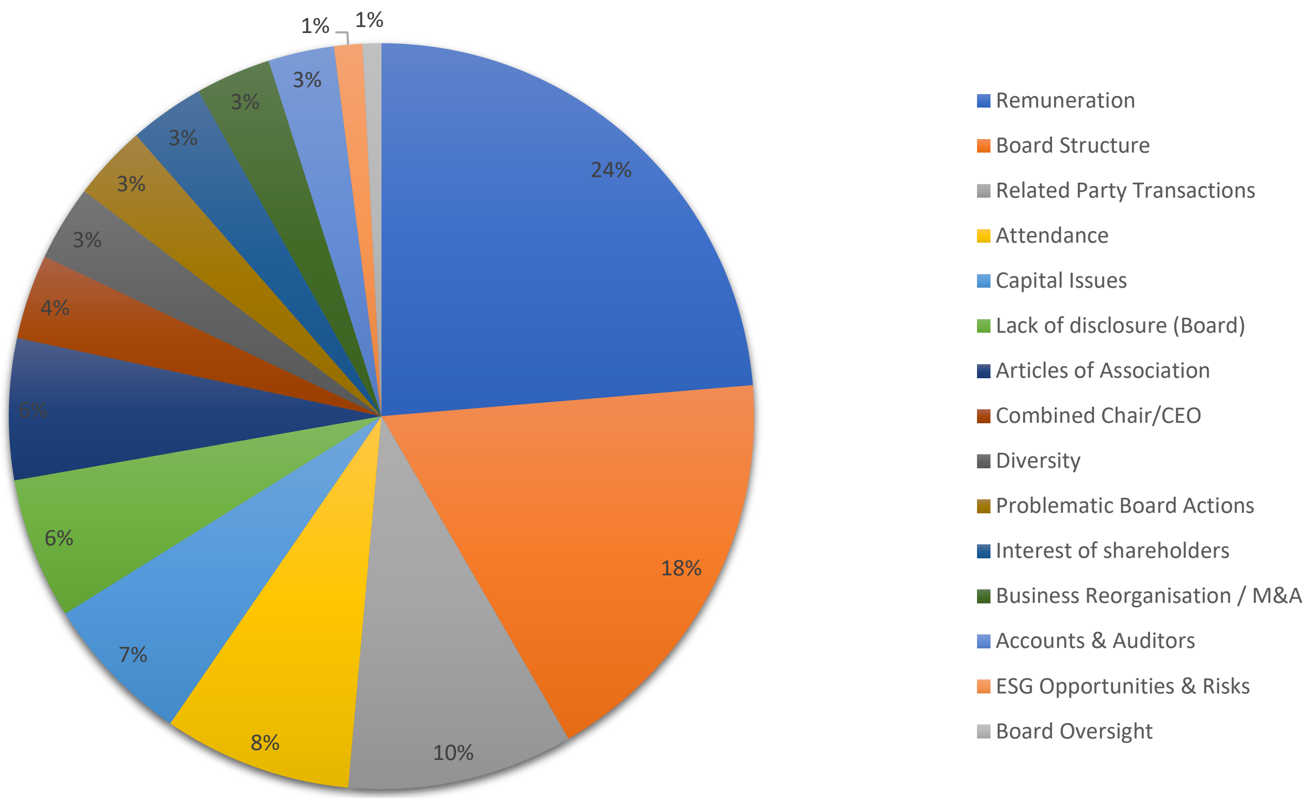
Environmental and social issues impacting companies

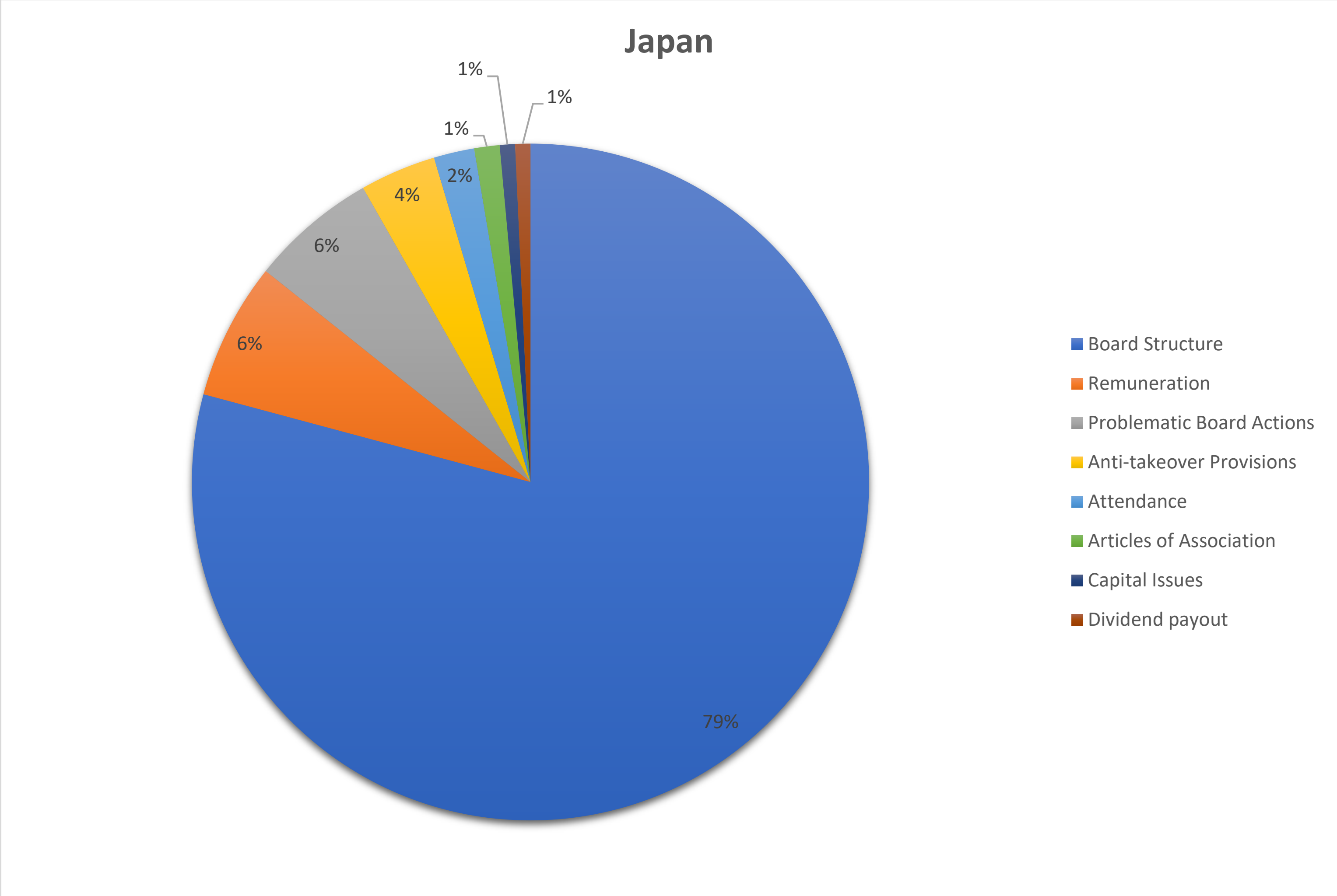
Regional breakdown of votes against management

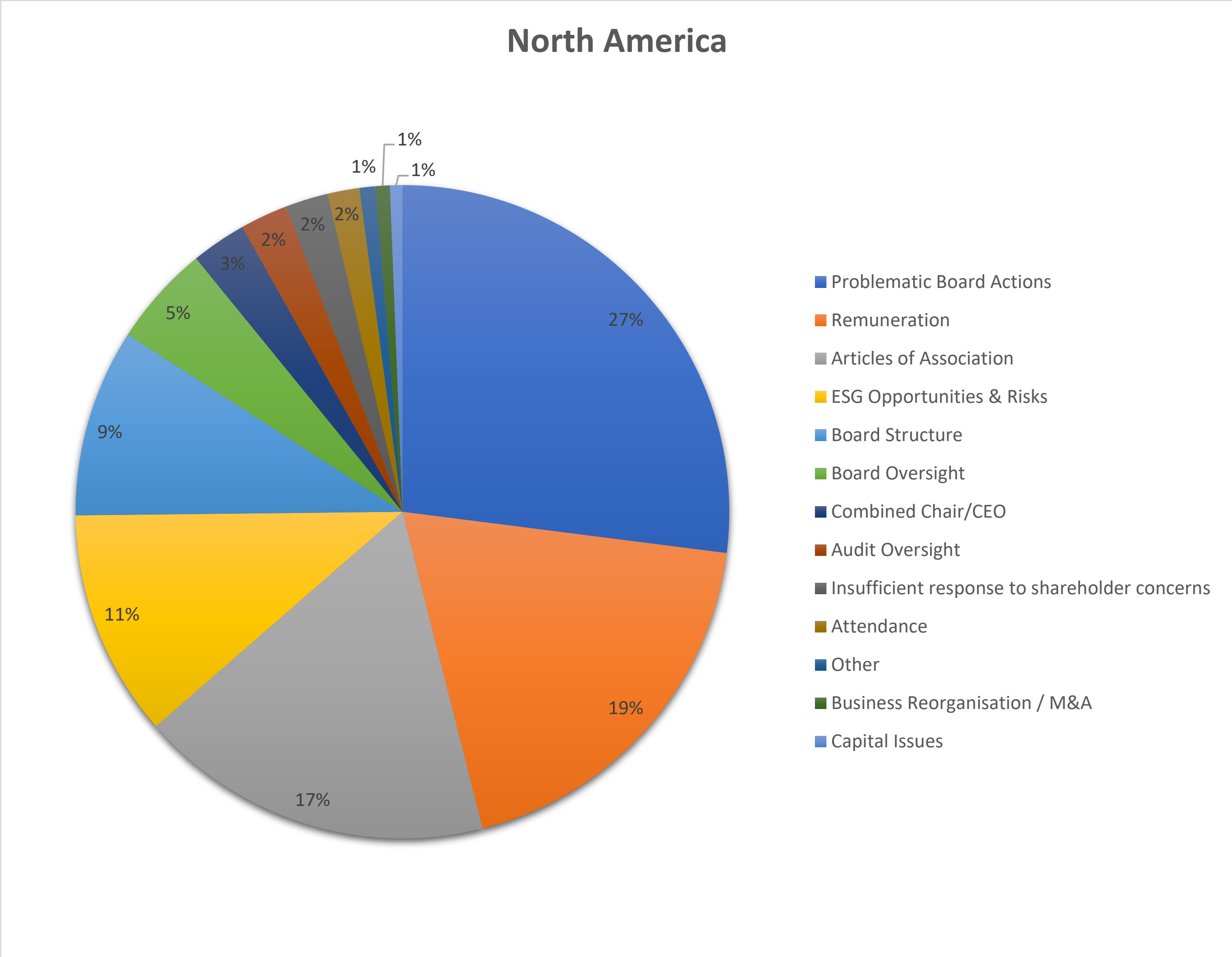



Europe
44%
18%
16%
4%
4%
2%
2%
2%
2%
1%
1%
1%
1%
1%
1%
Remuneration
Board Structure
Capital Issues
Other
Articles of Association
Lack of disclosure (Board)
Accounts & Auditors
Related Party Transactions
Anti-takeover Provisions
Interest of shareholders
Combined Chair/CEO
Board Oversight
Excessive Term
Diversity
Probelmatic Board Actions

Asia/Pacific




Japan
1%
1%
1%
2%
4%
6%
6%
79%
Board Structure
Remuneration
Problematic Board Actions
Anti-takeover Provisions
Attendance
Articles of Association
Capital Issues
Dividend payout


North America
27%
19%
17%
11%
9%
5%
3%
2%
2%
2%
1%
1%
1%
Problematic Board Actions
Remuneration
Articles of Association
ESG Opportunities & Risks
Board Structure
Board Oversight
Combined Chair/CEO
Audit Oversight
Insufficient response to shareholder concerns
Attendance
Other
Business Reorganisation / M&A
Capital Issues

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