



Responsible Investment Policy

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**Foreword by Andrea Rossi,
Chief Executive of AXA Investment Managers**

Fulfilling our ambition of consistently satisfying our clients' needs worldwide requires continued efforts to understand and anticipate changing factors which impact financial markets and our customers' objectives.

Since AXA Investment Managers' (AXA IM) first investment mandate, which incorporated environmental, social and governance (ESG) factors in 1997, we have witnessed how our clients increasingly pay attention to topics ranging from human rights to climate change.

From the start, AXA IM chose to take a client-centric approach by investing in its responsible investment (RI) expertise.

Our RI capabilities and platform enable the integrating of ESG research across all asset classes - and as such we can provide investors with a wide variety of ESG integration options, tailored to their needs and objectives.

Our ambition to bring RI into the mainstream is now becoming a reality. Reaching this stage has been possible thanks to our specialised RI team as well as the active involvement of many investment professionals across the firm, who are committed to addressing in the best way possible the evolving needs of our clients across the world.

This journey has been marked with many milestones, including recent innovations in the development of ESG integrated and impact-oriented approaches in our strategies with flagship examples from private markets, fixed income and public equities asset classes.

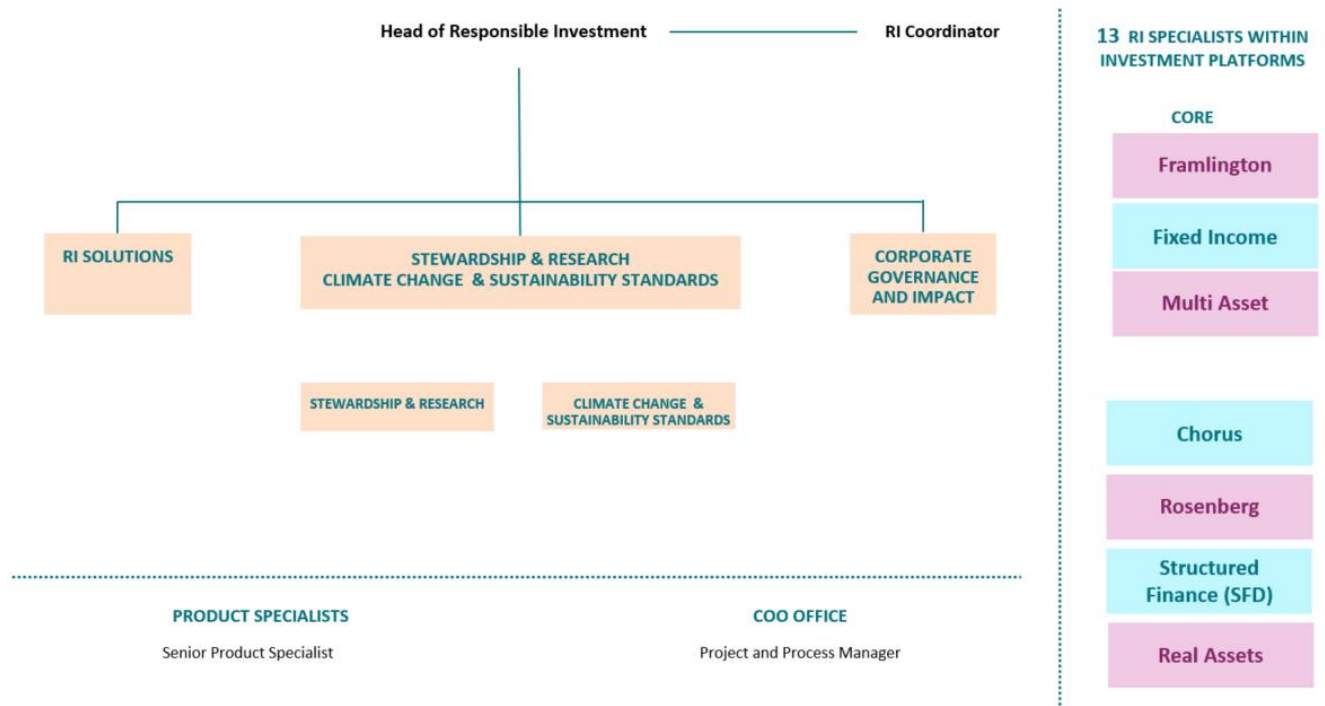
I should also add that many of our achievements have been possible through the commitment to RI that we receive from our parent company AXA Group, a long-term global investor. AXA Group recently reaffirmed its strong belief in, and commitment to, investing responsibly, and is convinced that ESG factors have the potential to positively impact investment portfolios across asset classes, sectors, companies and regions. At AXA IM, we also strongly believe that RI can help deliver superior risk-adjusted returns for our clients over the long term.

We will continue to be attentive and responsive, looking for ways to develop and enhance our RI expertise with the protection and the best interests of our clients in mind. The diversity of our clients' approaches to RI provides us with a great opportunity to continuously innovate and deliver relevant and effective solutions.

With this in mind, I am proud to present you with the AXA IM Responsible Investment Policy.

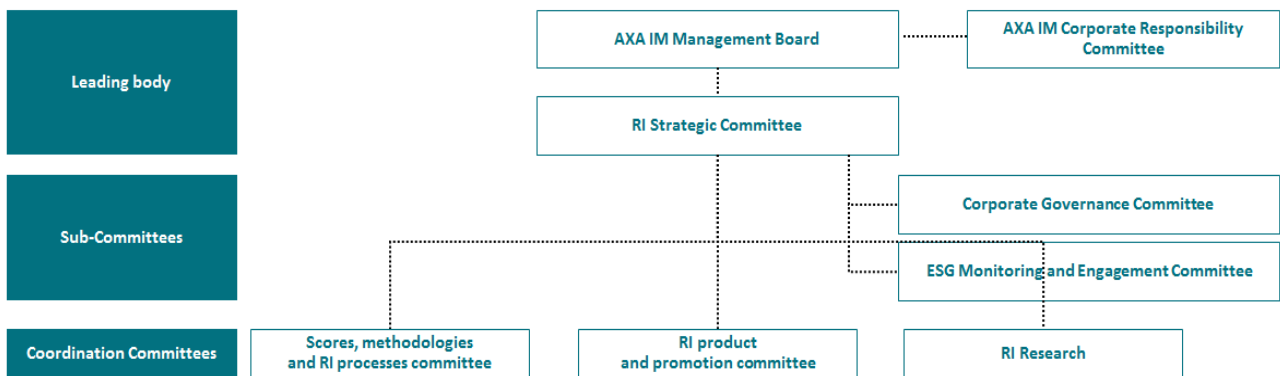
Part I: Responsible Investment organisation at AXA IM

The RI team works together with our RI representatives in each investment platform – together, this adds up to a 20-plus strong Responsible Investment community.



For illustrative purposes only

RI Governance



For illustrative purposes only

AXA IM has established a strong governance around RI as explained below:

Committee	Role
Management Board	<ul style="list-style-type: none"> • AXA IM leading body, in charge of validating AXA IM's RI strategy, as well as RI policies
RI Strategic Committee	<ul style="list-style-type: none"> • Leading body in charge of defining AXA IM's strategy with regards to RI and monitoring its delivery
Corporate Governance Committee	<ul style="list-style-type: none"> • 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
ESG Monitoring and Engagement Committee	<ul style="list-style-type: none"> • Ensures views developed on controversies and ESG engagement topics at investment team and RI team levels are discussed collegially, considering possible implications for AXA IM • Ensures coordination between various stakeholders in the implementation of the engagement strategy • Acts as a gatekeeper of AXA IM's ESG standards
RI Product & Promotion Committee	<ul style="list-style-type: none"> • Fosters AXA IM leadership in the RI space with a reinforced and distinctive product offering by gathering all relevant stakeholders
Scores, Methodologies and RI Processes Committee	<ul style="list-style-type: none"> • Ensures coordination of ESG methodological integration in an operational manner with deep use of technology into front office systems • Discusses industrialisation topics across platforms
RI Research Committee	<ul style="list-style-type: none"> • Ensures views developed on ESG research topics at both investment and RI team levels are discussed collegially, considering possible implications for AXA IM • Considers AXA IM's thematic focus – currently climate change, biodiversity, gender and health
Corporate Responsibility Committee	<ul style="list-style-type: none"> • Defines AXA IM's corporate responsibility (CR) strategy via a concrete roadmap and Aims to foster a strong CR community within AXA IM through business actions

Part II: ESG Integration

AXA IM's conviction is that RI is a key driver of value creation, and the Management Board has therefore decided to progressively integrate ESG analysis across all asset classes. AXA IM has invested significant resources into building a team of 14 experienced RI professionals. Together, the team acts as a centre of excellence, supporting the integration of ESG risks and opportunities in the investment processes of our investment platforms, by working closely with RI specialists across the teams.

Objective setting and high-level governance

Our ESG integration framework relies on the following dimensions:

- The annual target letters of each investment team head include an objective related to ESG integration
- The Management Board regularly reviews and validates AXA IM's RI strategy and monitors the implementation of its roadmap
- A RI Strategic Committee meets on a quarterly basis to monitor integration, oversee related projects and address potential issues
- Mandatory training of all investment staff through a proprietary system that leverages gamification and case study techniques

ESG integration across asset classes

- Portfolio managers and financial analysts are provided with ESG information to ensure ESG risks and opportunities are incorporated in their analysis of a company. This includes:
 - ESG scores: Calculated twice a year using a proprietary methodology developed and maintained by the central RI team. These scores are then made available to portfolio managers and analysts across the company. RI specialists within the investment teams are also able to support portfolio managers and financial analysts in their analysis of a company
 - Internal and external ESG research: Internal ESG research on themes with a focus on climate change, biodiversity, gender and health. These analyses are supported by broker research, as well as regular meetings with companies, participation in conferences and industry events. The RI team also provides analysis training on sector-related issues, as well as controversies assessment
 - Training on key ESG issues by sector done by the central RI team through physical and technology-enabled sessions
 - Exclusion policies: We monitor systematically and exclude strong ESG risks, for example controversial weapons, palm oil, soft commodities and climate risks, for all assets under management. For RI funds, we apply an additional screening on tobacco, defense as well as controversies and low ESG scores.
- In addition to this, AXA IM manages a range of RI funds for which the level of ESG integration is even more stringent, with specific ESG objectives, which are regularly monitored.

Scoring Methodologies

At AXA IM, we have developed a proprietary ESG framework structured around the three pillars of environmental, social and governance, which have been divided into six factors, below.

AXA IM’s ESG fundamental research aims to help fund managers assess how companies mitigate ESG risks and take advantage of these criteria to improve their competitive position in their own sectors. The analysis is based on the most material

ESG risks and opportunities previously identified for each sector and company. In addition, this research is integrated into equity and credit research.

Pillar	AXA IM Corporate ESG Framework	Definition
Environment	Climate Change	Impacts related to companies’ activities, products and services which mitigate climate change challenges
	Resources and Ecosystems	Use of natural resources in companies’ operations and protection of ecosystems by avoiding negative impacts
Social	Human Capital	Aggregates all social impacts generated by a company on its own workforce. For example, it measures a company’s ability to motivate, innovate and enhance productivity by managing social questions such as training, career management, recruitment and retention of skilled workforce. Human capital also assesses the management of risks and benefits of having a fluent dialogue with employee representatives, as well as potential conflicts and operational costs
	Social Relations	Reviews the social impact generated by companies in their relationships with suppliers, customers, regulators and communities. This factor includes risks related to companies’ reputation, goodwill and license to operate
Governance	Business Ethics	Focuses on bribery/corruption matters and business integrity
	Corporate Governance	Focuses on the independence and skills of the Board of Directors or the Supervisory Board governing companies on behalf of their owners and other stakeholders. It also reviews Board structure to ensure that there is a balance of power and authority. The existence and composition of specific Board committees (audit, nomination and compensation) that support specific tasks within the Board are also reviewed. Shareholders’ rights are also included to verify that companies respect the proportionality between ownership and control. Beyond reviewing the management quality of companies, integration of ESG factors at the top level is studied. Executive compensation is therefore a factor for understanding how top managers are incentivised to perform over the long term and under what conditions.

Source: AXA IM

Through the above described ESG pillars and underlying six criteria, the ESG quantitative team applies the AXA IM proprietary scoring methodology, which results in a score by issuer between 0 and 10.

In addition, the portfolio managers have access to the issuer scores and more broadly to the research output of the RI team through their front office tools.

To complement our own internal analysis and proprietary tools, AXA IM has built partnerships with a variety of external sources. These partners are selected via a thorough RFP process and are subject to regular reviews. Our ESG data providers currently supply information on close to 8,000 companies and are as follows:

ESG Data Provider	Expertise	Description	ESG Scores and Company Research	ESG Raw Data & KPIs
Beyond Ratings	Expertise in climate analysis	Climate research for sovereigns	✓	✓
Carbon Delta	Expertise in climate analysis	Climate research for corporates	✓	✓
Carbon 4	Offers a climate risk package	Measure the carbon impact of investments	Only used for green bonds reporting	
ISS - Ethix	Offers expertise across a full range of ESG issues	Ethical filters and controversial weapons	✓	
ISS - Oekom	Expertise in impact analysis	Impact research and UN Sustainable Development Goals alignment	✓	
MSCI	Strong expertise in financial materiality-focused issues	ESG research	✓	✓
Sustainalytics	Controversies analysis	Controversies analysis	✓	✓
Trucost	Full range of quantitative environmental key performance indicators (KPIs)	Full range of quantitative environmental KPIs		✓
Vigeo-EIRIS¹	Strong expertise in social issues and European small and mid-cap	Strong expertise in social issues and European small and mid-cap	✓	

More than 100 ESG criteria are scored by a selection of these external ESG rating agencies, based on their specific areas of expertise. In this way, using multiple providers gives AXA IM the best and most timely information possible on ESG matters. Broker and academic research as well as other public information such as annual reports and sustainability reports also provide us with ESG information.

For sovereign investments, AXA IM uses external data from organisations such as the United Nations (UN), World Bank and the Organisation for Economic Co-operation and Development (OECD). Presently, AXA IM covers more than 100 countries, across both developed and emerging economies.

¹ Recently bought by Moody's.

ESG integration approaches by platforms

As part of AXA IM's fiduciary duties to its clients and long term, active investment approach, we have always strongly incorporated broad non-financial criteria and guided companies towards more responsible behaviour.

This is how we integrate ESG in each investment platform:

Framlington Equities - Fundamental equity

Framlington Equities ensures a 360° approach to company evaluation through three different steps, explained below:

- 1. Quantitative:** The first step is incorporating the internally-developed ESG scores into our front office tools, internal research models and risk reports. The score of each company in the portfolio is used as a starting point for understanding how the company is positioned on each of the ESG criteria/sub-criteria and how this score has been evolving through time.

The scoring also helps on the reporting side to communicate more broadly and more systematically to our clients on the overall ESG footprint of a portfolio and impact metrics such as water intensity or carbon footprint.

- 2. Qualitative:** We go beyond pure quantitative scoring to gain a detailed knowledge of how a company is intending to deal with some of its ESG challenges. This type of "deep dive" qualitative focus forms the second pillar of our investment approach, as our goal is to incorporate ESG risks and opportunities more systematically in our portfolio construction and modelling as part of our risk/return/fair value assessment.

This type of analysis is undertaken when we visit companies; we meet them face-to-face to discuss and understand how their ESG and sustainability policies and practices are supporting their long-term strategic goals.

- 3. Engagement:** This third aspect is how we see ourselves as key influencers towards better and more responsible corporate behaviour and

disclosure, using our ongoing dialogue with company managements as an active engagement tool.

We view ESG integration as part of expressing our conviction as long-term responsible investors, avoiding negative issues that can damage portfolio returns but also influencing management to take the right steps towards enhancing their sustainability profile and practices.

Rosenberg – Quantitative equity

For aggregate company-level scores Rosenberg uses AXA IM corporate ESG framework, which provides a means to measure and analyse how companies are facing long-term trends. This framework is used in conjunction with carbon and water intensity data, as well as information on company-level controversies, to provide a holistic view of each company. In 'downstream integration' ESG scores and data are integrated into our investment process during the portfolio construction phase. Rosenberg does this using an optimiser, as this allows the portfolio to retain the risk/return attributes we seek while improving the overall ESG profile. This same approach is used for building our UNSDG-aligned portfolios that explicitly seek exposure to companies with goods and services aligned to societal and environmental goals.

ESG also enters our investment process in an 'upstream' fashion. Our fundamental research effort is aimed at understanding the relationship between ESG concepts and traditional drivers of risk and return within listed equities. We aim to improve our fundamental models through the inclusion of ESG ideas. An example of this is our use of board diversity to improve our prediction of forward change in earnings quality. We are also formally including carbon footprint in our modeling of fair value (valuation) and are experimenting with other ESG-related valuation

concepts. Over time we expect that ‘upstream’ integration will play a larger role in our investment process.

Rosenberg has a strong preference not to divest from stocks or sectors, with a few limited exceptions. They currently exclude tobacco stocks, as we believe regulatory and profitability risk to be under-represented in financial data. We also exclude the most severe controversy stocks as they present poor business practices, which we believe presents a risk to future operations. For stocks that are held, we vote proxies using our in-house policy and support the engagement activities of colleagues in AXA IM’s Responsible Investing team.

Multi-Asset

The Multi-Asset platform believes that integrating ESG analysis leads to more effective investment solutions that address global challenges and create sustainable value for our clients. That is why we have decided to make ESG integration mainstream within the equity and fixed income platform, through two major pillars:

1. Technology and quant solutions

Multi-Asset uses the AXA IM proprietary ESG scoring framework which fully covers our equity, fixed income and multi-asset classes. These scores are made available to portfolio managers and analysts across the company. We have invested in ensuring the integration of ESG scoring and key performance indicators (KPIs) in our IT systems. Our portfolio managers have access to the data in their decision-making tools and it also enables us to develop ESG reports on a vast majority of our portfolios and mandates.

2. Research

Credit research

Our approach to ESG integration into investment decisions also goes through more integration at the credit research level. That is why we have decided that all our credit analysts are now responsible for the integration of ESG factors in their financial recommendation that feed into our credit allocation/selection process.

Equity research

Our approach to incorporating ESG into our research is based on two complementary axes to ensure a comprehensive assessment of a company’s fundamental/ESG profile and a thorough understanding of the financial materiality of the ESG risks that can derail a company’s growth prospects.

- Quantitative scoring on individual holding and on the whole portfolio
- Complemented by stock by stock fundamental research

Fixed Income

Fixed Income mainstreams ESG integration, as we believe it helps deliver sustainable value for our clients. The integration of ESG criteria relies on:

1. ESG analysis

AXA IM proprietary ESG scores are directly fed into the front office portfolio management system to allow managers to measure the ESG footprint of their portfolios. This is complimented by the fact that our credit research framework provides qualitative assessments of how companies are mitigating ESG risks. Oversight of corporate governance and engagement with company management is an integral part of the credit framework and ESG is increasingly the focus of meetings with companies. This allows our credit team to assess how companies are positioned within their sectors with respect to managing ESG, alongside traditional credit risks. We also perform a qualitative analysis on use of proceeds bonds (Green, Social and Sustainability bonds).

2. Investment process

We are committed to integrating ESG criteria into our investment process. Portfolio managers are able to monitor the ESG footprint of their portfolio and dynamic adjustments to credit exposures take into account the impact on the overall ESG footprint. As part of the credit relative value process, which identifies investment opportunities in credit markets, ESG scores are integrated into financial considerations. All scores are integrated into our investment tools for issuer level analysis, sector

comparisons and at the portfolio level influencing our issuer selection and portfolio construction. Senior managers within the fixed income team are full participants in the ESG governance framework and portfolio managers undergo regular training on ESG developments. A growing number of Fixed Income funds comply with the AXA IM ESG standards policy and reporting to clients integrates ESG information in a transparent way.

Our ESG integration approach is part of a global framework supported by AXA IM Management Board and our dedicated RI team.

Real Assets

For Real Assets, ESG is integrated across three asset classes - direct real estate, commercial real estate debt and infrastructure debt. The scoring for each asset class is based on a proprietary model that combines various relevant factors of ESG risks and opportunities.

1. Direct real estate

Our automated ESG tool collects and analyses energy, water and waste data for each asset in scope. We use it to create an ESG footprint that enables us to track KPIs including CO₂ emissions, and perform an ESG rating to benchmark asset performance and identify areas of improvement by setting action plans with short, medium and long-term goals.

2. Commercial Real Estate (CRE) debt assets

We evaluate the ESG profile of underlying assets and loan sponsors and calculate ESG ratings for each loan in scope during due diligence.

3. Infrastructure debt assets

Our ESG evaluation accounts for criteria based on project sector, social utility, environmental impact and the ESG commitments of shareholding companies. We use this to calculate ESG ratings for each loan during due diligence.

For more info, you can view the Real Assets dedicated [sustainability report](#) which includes policies, approach, case studies and more.

AXA IM Real Assets' ESG strategy is set by the Real Assets Global Sustainability Team, which also manages, co-ordinates and promotes ESG across the Real Assets business. The dedicated team is supported by local correspondents – key individuals located within Real Asset management teams worldwide. The team benefits from strategic advice from the Real Assets ESG Steering Committee, comprised of senior management representatives, including five members of the AXA IM Real Assets Management Board. Primary responsibility for delivering ESG performance on a day-to-day basis lies with individual fund and asset managers.

RI Sectorial Policies

AXA IM has set its own restrictions which apply to all² its assets under management. These are set out in our controversial weapons, palm oil, soft commodities and climate risks policies, as described below.

Controversial Weapons Policy

A zero-tolerance principle is applied to the controversial weapons policy. In 2008, AXA IM implemented an investment exclusion policy for companies involved in anti-personnel landmines and cluster bombs. This exclusion policy has also been extended to exclude companies involved in the manufacture of depleted uranium, chemical and biological weapons, as well as companies in breach of the non-proliferation treaty for nuclear weapons. The scope of the AXA IM Controversial Weapons Policy involves all funds under AXA IM's management, with a specific implementation mechanism for index funds. We also decided to systematically extend the controversial weapons exclusion policy to third-party client mandates.

Palm Oil Policy

In 2014, the AXA IM Management Board decided to implement a specific sector policy regarding palm oil. The acceleration of palm oil demand poses major environmental and social challenges. Therefore, with the support of external research providers, AXA IM is using the most recognised standards of good practice and has established an exclusion list of palm oil-producing companies that have not achieved or committed to Roundtable for Sustainable Palm Oil (RSPO) certification or other internationally recognized certification, and which derive more than 5% of their revenue from palm oil production. The policy applies in principle to all portfolios under AXA IM's management, apart from index funds and funds of hedge funds. The policy is including dedicated funds and third-party mandates unless the client has given different instructions.

Soft Commodities

AXA IM has a policy not to invest in derivatives and exchange-traded funds based on food ('soft') commodities or enter into speculative transactions that may contribute to price inflation in basic agricultural or marine commodities such as wheat, meat, sugar, dairy and fish. Furthermore, AXA IM will not take delivery of any food commodities. The policy applies in principle to all portfolios under AXA IM's management, including dedicated funds and third-party mandates unless the client gives different instructions for their mandate.

Climate Risks Policy

In 2016 we developed a specific policy to contribute to a lower carbon future by divesting from the most exposed companies related to coal activities (companies with more than 50% of their revenue coming from coal).

In 2017, we decided to reinforce this strategy, implementing our Climate Risks Policy, by integrating stricter criteria for coal activities and adding tar sands activities to our ESG standards (see next section). The threshold for coal activities was reinforced (30% of revenue coming from thermal coal, 30% of coal in the energy mix, coal expansion plan of at least 3000 gigawatts and annual coal production above 20 million tons).

In 2019, we enlarged the application of our Climate Risks Policy to all open-ended funds, with implementation from September 2019.

Read more about our [sector exclusion policies](#).

² For index funds under AXA IM's management, the Soft Commodities policy applies to the extent that the objective of the fund is not compromised. The Climate Risks Policy does not apply to funds of funds composed of funds which are not under the management of AXA IM, index funds nor to funds of hedge funds.

ESG standards

As a responsible investor, AXA IM wants to encourage the best practices in ESG. Therefore, we have implemented minimum ESG criteria to our RI open-ended funds, as well as ESG Markets in Financial Instruments Directive (MiFID) funds. To encourage the dissemination of these ESG best practices, we will propose to third party mandates/dedicated funds that they adopt these guidelines.

The purpose of the AXA IM ESG standards is to apply a set of stricter policies to encourage ESG investments and be part of the growing pool of RI-labelled funds in specific markets. We have defined various major areas that we do not consider as ESG-compliant:

- Tobacco: We avoid financing the tobacco industry
- Defence: We avoid financing companies involved in the development, production, maintenance or sale of white phosphorus weapons
- United Nations Global Compact (UNGC) Principles: We avoid financing companies involved in severe violation of the 10 UNGC Principles
- ESG quality: We avoid financing companies with the worst ESG practices

Tobacco

AXA Investment Managers has excluded tobacco companies from its RI funds since 2005. The World Health Organisation (WHO) Framework Convention on Tobacco Control is the first international treaty negotiated at the initiative of the WHO in 2003 and signed by 181 parties covering more than 90% of the world population. It aims to tackle some of the causes of the epidemic, such as trade liberalisation, direct foreign investment, tobacco advertising, promotion and sponsorship and illicit trade in tobacco products. The Secretariat of the WHO said that engagement with tobacco industry conflicts with UN principles and values – notably, the sector uses child labour to produce tobacco. More than a decade after the ratification of the treaty, tobacco use remains the second cause of deadliest non-communicable disease worldwide causing 7.2 million deaths (WHO, 2014). As such, AXA IM

wants to continue to promote divestment from this sector.

Defence: White phosphorus weapons

White phosphorus incendiary weapons are explosives which spontaneously ignite in the open air and continue to burn until they disappear. When they are used in populated areas, they cause horrific injuries, burning deep into the muscle and bone.

They are covered by Protocol III of the Convention on Certain Conventional Weapons (CCW) when the “weapons [are] primarily designed to set fire to objects or to cause burn injury to persons. It is prohibited in all circumstances to make the civilian population as such, individual civilians or civilian objects the object of attack by incendiary weapons”.

White phosphorus can be used in other devices, such as illuminations, tracers, smoke or signalling systems. This use is not covered by Protocol III, where it is considered that such munitions “which may have incidental incendiary effects” are excluded from incendiary weapons. This type of device has been used more frequently in populated areas like Syria and Yemen. Given the evolution of the usage of white phosphorus and the impact on civilians, and to be consistent as a sustainable and responsible investor, we have included white phosphorus weapons in our ESG standard.

Violations of United Nations Global Compact (UNGC) Principles

AXA IM believes that the companies we invest in should be consistent with the standards and principles of the UNGC principles. We believe that a significant violation of UNGC principles by an

investee company is prejudicial and should be addressed. As a first response, we encourage dialogue and engagement with the companies in case of violations of the UNGC principles. However, when some violations of the UNGC principles are very serious and verified as such, the investment in the company becomes unacceptable according to AXA IM's RI philosophy. These companies are excluded until the violations are resolved.

The UN Global Compact - 10 Principles

Human Rights: Businesses should...

Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that they are not complicit in human rights abuses

Labour Standards: Businesses should uphold...

Principle 3: The freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

Environment: Businesses should...

Principle 7: Support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption: Businesses should...

Principle 9: Businesses should work against corruption in all its forms, including extortion and bribery.

ESG quality

AXA IM wishes to encourage robust ESG-integrated practices in companies where it is invested. As such we have decided to avoid investing in companies with the worst ESG performance. The RI team has developed its own ESG scoring methodology, to evaluate the ESG performance of companies worldwide (see Scoring Methodologies, above). AXA IM has decided not to invest in the companies with the worst environmental, social and governance practices, i.e. the companies with an ESG score below 2 (scores range between 0 to 10).³

³ Portfolio managers are authorised to keep some of the lower ESG scored issuers positions provided that a qualitative

analysis was performed to ensure there is no severe ESG risk. This is overseen by a dedicated governance body.

Stewardship: Engagement and voting

Stewardship is the concept where investors seek to promote the long-term success of companies so that the underlying beneficiaries - namely, our clients - also prosper. We believe effective stewardship benefits companies, investors and society as a whole.

AXA IM takes its stewardship responsibilities seriously and we devote significant resources and efforts to ensure our clients' assets are protected and enhanced over time. There is a dedicated team that conducts engagement and voting around the world.

We adopt an active and impactful approach to stewardship 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 drive positive impacts for our society and the environment. These are key to achieving sustainable long-term value creation for our clients.

We do this through:

- Researching ESG factors for investment and stewardship purposes
- Addressing material risks and opportunities through dialogue with investee companies
- Using our investor rights by actively voting in a considered manner at shareholder meetings
- Influencing governments, regulators and policy makers
- Collaborating with other investors and stakeholders

We believe that real change can be achieved by being an engaged and active investor. To this end, we:

- Seek to understand the ESG issues that impact companies in which we are invested
- Evaluate a company's policies and practices in relation to relevant issues
- Encourage companies to align with best practice on ESG issues
- Engage in constructive dialogue where a company's approach or practices on ESG matters is below investor expectations

- Leverage our clients' investor rights to push for desired outcomes from investee companies
- Align our votes at general meetings with our engagement objectives

AXA IM is a signatory of the [UN Principles for Responsible Investment](#) and is committed to implementing its principles to incorporate and report on ESG activities.

Engagement

We consider shareholder engagement as a change process where investors seek to improve investee companies' practices with a specific objective in mind. This can be conducted in a variety of ways but more often than not, it is based around long-term and constructive dialogue between two parties. We systematically track and record the progress of engagement. Where there is little progress, we will escalate the engagement in an appropriate fashion.

We take an active engagement approach, emphasising direct dialogue with companies on sustainability and governance issues that have a material impact on long-term financial performance. We also conduct engagement to contribute to the achievement of societal targets such as those defined by the United Nations' SDGs.

We determine our engagement priorities based on our observation of global market developments and emerging ESG practices. Our engagements are linked to our key thematic focus areas and we principally engage in a proactive fashion. We use our research and analytical ability to identify issues and companies which most merit engagement. We engage with a view to a company acknowledging the issue and improving its practices before risks materialise or opportunities are lost. Where necessary, we also engage in a

reactive fashion following controversies or breaches of international norms such as the United Nations Global Compact.

We will seek to meet and engage with representatives from all levels of the investee company. This includes the board, senior management and operational specialists, amongst others.

Below are the key ESG issues which our engagement programme focuses on, but are not limited to:

- Climate change
- Biodiversity
- Environmental resource and eco-systems
- Human capital and diversity
- Public health
- Labour, customer, supply chain management
- Human rights
- Data privacy and security
- Business ethics
- Corporate governance and executive pay
- Controversies and breaches of international norms

Voting

We consider voting to be a crucial aspect of being an active shareholder. It is an important part of the investment process and an opportunity to influence the company. Our voting and engagement activities are closely aligned. We regularly engage companies before and after the vote. Our in-house Voting Policy is reviewed annually and signed off by the Corporate Governance Committee.

During 2018 we voted at 5,932 shareholder meetings representing 97% of meetings where we had a legal right to do so. Unvoted meetings were primarily due to markets that have varying degrees of share-blocking requirements that make it difficult for AXA IM to exercise its votes in these rare cases.

We vote against items at annual meetings where we consider that the specific proposals are not in the best interests of our clients. These include wide-ranging concerns such as 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 when it is not sufficiently progressing, especially as related to our key thematic.

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. AXA IM considers these principles in conjunction with our region-specific policies in our voting and engagement activity, with all companies globally.

AXA IM publicly discloses its voting. It is updated on a quarterly basis and we provide the rationale for why we voted against management. [These reports are accessible on our website.](#)

Our voting policy can be found [here](#), or via the [Stewardship](#) page on our website.

Impact and the Sustainable Development Goals

Our Impact Investing strategies focus on directing capital to companies, businesses and projects designed to have intentional, positive and measurable impacts on society while simultaneously delivering financial market rate returns. Our objective is to catalyse solutions that directly address environmental and social challenges affecting the planet and under-served people.

The impact investing strategies of AXA IM started with private markets in 2013 focused on private equity, private debt and project finance. This was expanded in 2015 to include fixed income through green bond offerings. We now offer a range of impact strategies across the asset spectrum including alternative assets, green bonds and listed assets, providing our clients with a diverse route to impact investing. Through these strategies we contribute to closing the financing gap necessary to meet the objectives of the UN SDGs.

a. Impact framework

We have developed an overarching impact investing framework to enhance the credibility and rigour of our impact investing strategies and minimise the risk of 'impact washing'. We ensure that our impact strategies go beyond ESG risk monitoring and integration to encompass positive contributions to the needs addressed by the SDGs. Our impact strategies are aligned with the following minimum criteria:

- **Fund Identity:** The Impact fund must have a clearly defined impact objective related to stated environmental or social challenges and impact outcomes. The fund's objective must be aligned to relevant UN SDGs
- **Investments:** The fund identity and mission demonstrably guide the selection of underlying investments. Underlying investments will contribute to solutions through products, services or operations in a material way
- **Monitoring and Reporting:** The funds will actively monitor the progress of each investment relative to impact objectives and provide regular reporting on impact

achieved relative to relevant key impact indicators

In addition to these minimum criteria, we have specific asset-class impact frameworks that take account of the specificities of each strategy.

b. Alignment with external standards and bodies

We play an active and leadership role in building and shaping the impact investing industry. The initiatives where we are active are instrumental in upholding credibility and integrity of impact investing. These include:

- Operating Principles for [Impact](#) – Founding Signatory and Elected Member of Advisory Board. An initiative coordinated by the IFC and designed to push for robust impact management systems to underline credibility of impact funds
- Impact Management Project – Project Sponsor. Developing a common global consensus on how to describe, measure and manage social and environmental impact
- Global Impact Investing Network – Investor's Council. The leading network for experienced impact investors to strengthen the practice of impact investing
- IRIS 2.0 – Part of the Working group to develop a catalog of generally-accepted performance metrics that the majority of impact investors use to measure social, environmental, and financial success

The bottom line...

AXA IM believes the active consideration of ESG risks and opportunities is an important aspect of delivering long-term investment returns for our clients. We consider that responsible investment is relevant across different asset classes. Our approach is built around robustly integrating ESG assessment into our investment analysis and portfolio construction. In addition, we utilise our investor rights by engaging investee companies in dialogue and by voting at shareholder meetings.

