

Sound Progress #2

Dominic Laurie

Welcome to Sound Progress, a podcast series which explores AXA IM's journey to a better tomorrow through collaboration. Here we'll explore how collaboration drives change and show how, through dialogue with other participants in and around the asset management industry, it is possible to innovate, challenge and overcome obstacles faster and more effectively.

I'm Dominic Laurie, and today we're exploring how AXA IM has pledged half a million euros to the Access to Medicine Foundation to support its activity around the prevention and response to pandemics such as COVID-19. AXA IM has also committed to donate 5% of their impact funds range management fees to support projects with a societal impact.

To set the scene, let's listen to Gérald Harlin, AXA IM's Executive Chairman.

Gérald Harlin

As a long-term, responsible and active investor, we are committed to making positive and lasting change.

Our involvement with impact investing and the Access to Medicine Foundation began before the need to combat an unforeseen health crisis. With our latest initiatives, we aim to go a step further than this.

As we become increasingly aware of the fragility of the world, we recognise a need for the financial industry to play a different and even more impactful role in our societies.

Thanks to our two recent commitments, we are meeting our clients' expectations while having a direct impact on individuals and communities.

This is yet another way for us to bring our mission to life, investing together with our clients to build a better tomorrow for everyone.

Dominic Laurie

Gérald outlined recent initiatives pursued by AXA IM with the goal of building a better tomorrow, one of which is the half a million-euro donation to the Access to Medicine Foundation.

To discuss this further, I have Jay Iyer from the Access to Medicine Foundation and Matt Christensen, Global Head of Impact Strategy and Responsible Investment at AXA IM.

So Matt, if you just tell us a little bit about your role at AXA IM.

Matt Christensen

So my role as Global Head of Impact Strategy and Responsible Investment is to ensure that when we think about impact investing, we think about it across the firm and across asset classes, so that we have a coordinated approach and a strategic way of thinking about the different themes. They include public health, climate change and what we're looking to do is think about that in terms of our research programme, how we do engagement with industries

and how we also think about product design across anything from fixed income to public equity, investments, all the way to alternative asset management like private equity.

Dominic Laurie

Jay, please introduce yourself and the initiative.

Jay Iyer

I'm Jay Iyer, Executive Director of the Access to Medicine Foundation. The Access to Medicine Foundation is an independent nonprofit organisation that stimulates and guides pharmaceutical companies to do more for the people living in low and middle-income countries without access to essential medicine. We've been researching pharmaceutical companies, bringing up key opportunities for action, and enabling the sharing of best practices using our work. The insights we bring are used by pharmaceutical companies, over 100 institutional investors in responsible investment and engagement, governments in their policy shaping, NGOs in implementation of health care and various international media.

Dominic Laurie

And Matt, explain how the partnership works and what the goals are.

Matt Christensen

So we're committing €500,000 that will be allocated to the Access to Medicine Foundation and its activities that pertain to the prevention and response to infectious diseases and pandemics such as the current COVID-19 pandemic.

The partnership is also aimed at strengthening the index where we have played a role previously and the important work around influencing the shape of the global pharmaceutical industry. To my knowledge, we're the first asset manager in the world to support the foundation in this way and that is to make a statement about the importance of the work the foundation does and its direct influence on the pharmaceutical sector. In the context of the current crisis, our involvement is really about thinking through what a long-term partnership can be to address access to medicine.

Dominic Laurie

Jay, from your perspective, what are the benefits of the partnership?

Jay Iyer

We all want COVID-19 to go away. This could mean a coronavirus medicine or vaccine being developed and delivered to people who need them. Large institutional investors have both the interest and power to make it happen fast and responsibly. Their investment, their engagement and their voices matter in Access and I've been supporting and using our research for engagement with pharmaceutical companies on how to be more responsible and set up sustainable solutions for access to healthcare globally and now this partnership makes it particularly important as their voice is heard by strong powers such as economic and financial ministries of governments who also invest in drug and vaccine development and delivery with pharmaceutical companies.

With this partnership between the Access to Medicine Foundation and AXA IM, more investors can see best-in-class practice to steer what the future of investment means for society and individuals. I believe that AXA IM, with their voice, their investment and their engagement, and the Access to Medicine Foundation with our independent research and insights and our network can lead to powerful and tangible action by the industry.

Dominic Laurie

So Matt, what was your motivation to get involved in this project? How did it come about?

Matt Christensen

My motivation was driven by my professional background prior to joining AXA IM because I worked in impact investing previously and when I came to AXA IM in 2012, one of the thoughts I had was that we needed to start an impact investment programme and we got AXA Group to support that through a thematic focus that touched health, gender, financial inclusion and climate change. And as we've grown that from 2012 over the last seven years to where we are today, one of the things we thought about was: how do we start to link our investment activities and impact to our philanthropic activities?

So, by 2020, when we really felt good about where we'd come and where we were going with our impact investor approach, and that combined with a very real crisis, which is COVID-19, it made it a critical moment for us to officialise a more strategic way to think about impact.

Dominic Laurie

So Jay Iyer, tell me what was your motivation to get involved? Where have you come from on this?

Jay Iyer

We have been working with over 100 institutional investors since our inception. This is the first partnership that shows trust from an important investor on the usage of our research and insight in influencing the actions of pharmaceutical companies on improving access to healthcare.

Dominic Laurie

Matt, what are your priorities for the future of this partnership?

Matt Christensen

In terms of where we're looking to go, we really hope that the partnership is going to make the Access to Medicine Index even stronger. We're looking to continue to evolve the work that we've already started. We see how the findings of the index have influenced practices at the major pharma companies already. It has definitely been a force for good in the past decade and we want to see it go even further over the next 10 years. We also think that the Foundation in terms of the work it can do on creation and development, on key performance indicators and case studies is something where we want to have an influence because we think that this is an area that is going to help the entire investment market to come around and start engaging on a

similar set of criteria that we can start to have as a collective body and a voice that is more shared with a common understanding when we go meet with the pharma sector and talk about Access to Medicine.

We view that as a direct part of what is going to come out of this partnership over the years to come.

Dominic Laurie

And Jay, what are your priorities for the future?

Jay Iyer

This partnership will demonstrate to other institutional investors their power and responsibility to engage with governments and pharmaceutical companies to translate principles into practice so we don't have to become victims of another outbreak of the size and magnitude of COVID-19 and feel helpless. I see success as a year from now in understanding what lessons can help shape the post-COVID world that we live in, what it means to companies, government policy, impact investment .

I don't think there's any way we can go back in terms of both financial and societal performance. By next year, I hope that COVID will be behind us and that investors will continue to support and carry the torch for supporting responsible and sustainable behaviour by the pharmaceutical industry. Our work includes over 70 other diseases that still need to be developed and delivered to the two billion people who still lack access to medicine today and I think that this partnership shows that we are at the beginning of an important turning point in how investments affect pharmaceutical company behaviour and what that means for better health outcomes and financial returns.

Dominic Laurie

In addition to the partnership with Access to Medicine, AXA IM has also committed to donate 5% of its impact funds management fees to fund additional projects aimed at developing solutions with a societal impact. To explore what this means in the context of COVID-19 and beyond, I have AXA IM's Jon Dean, Head of Impact Investing, and Marie Walbaum, Solutions Expert, to discuss how AXA IM will leverage impact investing to further benefit people and the planet.

Jon, I'll start with you. What's your role at AXA IM exactly? What do you do?

Jon Dean

I lead the impact investing team which is focused mainly on the private market approach. So we invest across private asset classes looking at different impact themes globally from healthcare through to climate change and we're looking to try and achieve portfolio constructions for our clients which deliver market rate financial returns whilst also delivering in parallel intentional and measurable impact outcomes that we can be accountable for.

Dominic Laurie

Marie Walbaum, Solutions Expert, just describe exactly what that does.

Marie Walbaum

“Yes, I'm the responsible investment product specialist for the Core platform, in charge of the ESG and impact business development for the Core platform, as I said. My role is to support AXA IM in developing new solutions for our clients around responsible investment in general and it's true that these past months and years we have been working hard on impact business solution development.

Dominic Laurie

So what would you say impact investing is, Jon? What does it mean? You hear the term a lot, but what does it mean to you personally?

Jon Dean

Yeah, I think we've got to be clear on the definition and the best way to present this is to probably start with what it is not. Impact investing is not ESG. It's not an approach where we screen out negative impacts in our portfolio, negative potential companies, negative footprints in our portfolios. It's much more about the positive side. But it's also not philanthropy. It's not charity. The investments that we make need to be designed to deliver a market rate financial return.

So, it's really an approach which goes out to the market looking for where the problems are problems with society or problems with the environment. Looking at the solutions to those problems which we can invest in. Backing those initiatives, whether they're companies or projects, and therefore measuring our success at solving the problem. So essentially being accountable for the change. Doing all of that whilst targeting a market rate financial return for our investors.

Dominic Laurie

Marie, can you give maybe some examples of how it's worked well?

Marie Walbaum

Sure, and maybe I can define in simple terms what impact investing is to us. It's very simple to understand that it's about investing in prosperity for people and prosperity for the planet. Today, our purpose at AXA IM is to help and support the transition. There is today an intense debate as to how impact investing can be effective when implemented via listed assets.

Here at AXA IM, we believe that impact investing can be carried out robustly across all listed asset classes. This is how it helps investors move from seeking short-term financial gains to creating long-term value. For a truly sustainable future, we must invest in companies that actively contribute to a healthy planet and sustainable societies.

Dominic Laurie

Tell us a bit about the donation, how it works.

Marie Walbaum

Yes, of course. AXA IM decided to give back to some projects and foundations 5% of the management fees that we get from our whole impact fund range. This means that even for private or listed funds, we will dedicate 5% of all our management fees on that fund range.

Dominic Laurie

Jon, tell us more about this commitment and why you decided to do it.

Jon Dean

I think it's a commitment that as a business really shows the purpose of our activities, beyond just a typical philanthropic commitment which would be made by most companies globally. The source of the capital for this commitment, firstly, is being derived from the impact investing activities themselves, so there's clearly an alignment with our investment activity to the philanthropic approach that we're taking. So that's the first feature. But the second feature is the kind of projects and initiatives that we're supporting are those that have been sourced because of our impact investing approach and I think that's unique because we're coming across projects and foundations and initiatives that we can support, that we couldn't do with investment capital because we don't see the financial return, but now we can support them in a different way. That's really trying to show an alignment and a unique access to the kind of interventions we want to make and now we have a feature we can support them with and bringing that together as a platform is really showing the purpose of what we're doing. Linking philanthropic activity to the direct principles of our impact investing programme.

Dominic Laurie

Marie, what type of projects are you looking to support and how close will the relationships with the projects be?

Marie Walbaum

Yes, for sure we will look for projects that are aligned with our philosophy and our thematics here at AXA IM. Probably around climate change because it's a big concern for AXA IM and AXA Group, probably around healthcare, as it is already the case with the Access to Medicine Foundation of course, and probably around education, gender equality, all those thematics that are very important to us at AXA IM.

Dominic Laurie

So this is clearly a long-term commitment. Why is the approach unique? Why is AXA IM's approach unique?

Marie Walbaum

Once again, we have to think larger than this philanthropic action. AXA IM has been a committed player in responsible investment for 20 years now and has always wanted to support the evolution of our society and our industry, making every effort to offer innovative and adapted solutions.

Dominic Laurie

The commitment to responsible investing and impact is clearly hugely important to AXA IM. Jon, how do you see that continuing to evolve in the post-COVID-19 world?

Jon Dean

I think in terms of a response, healthcare is certainly at the front and centre of an investor's mind when you're driven by impact investing. How can we invest today to help support the global health crisis that we're going through and find solutions to the problem that we're facing? Next to that, we think financial inclusion and financial services and access to them are going to be very important areas to help catalyse a recovery, so we also believe that there are areas and opportunities there which should be a focus of an impact investing programme looking forward. But as a general comment as to what change we are going to see in the world post-COVID, our reaction as investors today is just a significant increase in deal flow, a significant increase in opportunities that are investable, that are driven by finding solutions to problems and therefore we can reconcile that to our impact investing definition, which has always been about creating intentional and measurable impact outcomes whilst delivering a market rate financial return. So, in response to that, it's simply an increase in those opportunities.

Dominic Laurie

Thank you Marie and thank you Jon. And thank you to all of our podcast participants: Gérald Harlin, Jay Iyer and Matt Christensen. For this, and all other Sound Progress episodes, please visit the AXA IM Progress section of axa-im.com.

Goodbye.