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AXA IM 2020 Corporate Governance and Voting Policy Updates

AXA IM's approach to corporate governance and voting derives from our strongly held belief that company management, directors, and investors all have critical and unique roles to play in sustaining the health of financial markets and ensuring the efficient allocation of capital.

Our Responsible Investment Policy and voting guidelines are reviewed annually by AXA IM's Corporate Governance Committee in order to reflect evolving market practice and to ensure we remain at the leading edge of industry thinking in this area.

This document sets out the key changes that have been made to our voting policy, for 2020 onwards, and our associated approach to shareholder engagement and voting.

Board-Related Topics

AXA IM has tightened its voting policy on several board-related topics as part of our commitment to be good investment stewards. These changes are in line with our belief that we must hold boards accountable to best governance standards in their role as guardians of sustainable performance.

1. Gender Diversity

A number of markets have established some level of soft or hard regulation on minimum board representation for female directors, or at executive committee level. As a result we have updated our policy as follows:

- From 2021 we will target companies in developed market economies where women do not make up **at least one-third of the board.**
- From this year we will be targeting companies in the developing world, including India, where the board does not include a **minimum of one female director** (or 10% of the board for larger boards). This approach will also apply to companies in Japan.

AXA IM will oppose the election or re-election of the Nomination Committee Chair where these minimum requirements are not met.

This year AXA IM will push companies to disclose and report against their *executive committee gender diversity policy and targets*. We will be holding companies accountable with respect to these targets and will seek to put pressure on companies that continue to fall short of their defined target.

2. Over-boarding

We recognise the increasing commitments placed on directors serving on publicly listed company boards. As such we are enhancing our policy on over-boarding and time-committed directors as follows:

- Any director who holds more than four mandates at listed companies will be considered over-boarded. AXA IM may oppose the election of these time-committed directors.

Different positions have their own demands and so we will count non-executive directorship as one mandate, a non-executive chairmanship position as two mandates, and a position as executive director or comparable role as three mandates.

Auditors

At AXA IM we see the rotation of audit firms and audit partners as a means to improve the independence and objectivity of the audit process. We support periodic rotation as a means to enhance the integrity and reliability of the external audit process.

AXA IM supports re-tendering for audit services and considers that companies that have retained the same

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auditor for 20 years or more should rotate audit firms. We are updating our policy as follows:

- We will vote against company auditors where they have been **retained for more than 20 years** and the company does not disclose plans to tender for audit services.

Remuneration

As we continue to push companies to ensure alignment between executive pay and company performance, this year we will also be enhancing our policy on the link between executive pay and non-financial environmental, social, and governance (ESG) criteria. We are updating our policy as follows:

- Companies on the SBF 120 index in France and the UK's FTSE 100 should include **a non-financial ESG performance metric** in their short-term or long-term variable remuneration.

This metric should be easily understood and coherent with the company's extra-financial KPIs, engagement with investors, and with long-term commitments.

Similarly, companies committing and reporting against carbon emissions targets are encouraged to link these targets to executive remuneration as best practice.

In addition, in the US market we are updating our policy and:

- Will no longer support pay packages where **less than two-thirds** of share-based remuneration is conditional upon the achievement of challenging performance conditions.

The practice of awarding solely time-based awards to executives constitutes an increasingly archaic form of incentivisation and makes pay for performance alignment more opaque.

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