

**AXA IM
RESPONSIBLE
INVESTMENT
POLICY**

**RESPONSIBLE
INVESTMENT
POLICY**

VOTING

GOVERNANCE

PROTECTION

SOCIAL

GOVERNANCE

CLIENT-CENTRIC

ENVIRONMENT

SOCIAL ENGAGEMENT

CLIMATE CHANGE

RESPONSIBLE



**INVESTMENT
MANAGERS**

redefining / investment solutions

FOREWORD

Fulfilling our ambition of consistently satisfying our clients' needs across the globe requires continued efforts to understand and anticipate changing factors that impact financial markets and the objectives of our clients.

Since AXA IM's first investment mandate incorporating 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 early days, AXA IM chose to take a client-centric approach by investing in its responsible investment (RI) expertise. Our RI capabilities and platform enable the embedding of ESG research across all asset classes and thereby provide investors with the opportunity to select the level of ESG integration that best fits their needs, objectives and constraints.

Our ambition to mainstream RI is now becoming a reality. Reaching this stage has been possible thanks to our specialised RI team, but also to 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 geographies in Europe, America and Asia-Pacific. Many milestones have marked this path including recent innovations such as the launch of our first Impact Investing fund, along with the development of ESG US High Yield and ESG Smart Beta Equity strategies.

These achievements have also been possible thanks to the dedicated support for RI that we receive from our parent, the AXA Group, a long-term global investor. The AXA Group recently reaffirmed its strong belief in and commitment to responsible investment and is convinced that ESG factors have the potential to impact investment portfolios across asset classes, sectors, companies and regions and therefore affect risks and returns. 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 responsible investment provide us with a great opportunity to continuously innovate and deliver relevant, innovative and effective RI solutions.

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



*Andrea Rossi,
Chief Executive Officer AXA Investment Managers
Member of AXA Group Executive Committee*

OUR PHILOSOPHY

We believe that responsible investment consists of an array of factors that will shape the future. Such factors can be sources of risks but can also create opportunities.

We believe that being a responsible asset manager is fundamental for sustainable, long-term investment success. In our view, ESG factors have the potential to impact not only investment portfolios across asset classes, sectors, companies and regions but also a multitude of other clients' and stakeholders'

interests. As a leading actor in the financial services industry and one that can therefore make a difference, AXA IM conducts its business in a responsible manner.

At AXA IM, we believe that it is important to actively protect our clients' interests. Given the diversity of investors' objectives, strategies and specific portfolio requirements, we aim to provide clients with the opportunity to select the level of ESG integration that best fits their needs, objectives and constraints.

OUR VISION - MAINSTREAMING RI

Responsible investment has a long history stretching back to the earliest years of AXA IM's existence. AXA IM's vision is that delivering RI expertise should not be limited to an offering of RI 'labelled' funds only. Since early days, we believed that RI can be materially relevant to all investments and that the attention paid to ESG issues should be shared and integrated across all asset classes and specialist investment teams. This vision to mainstream RI across portfolios has guided the deliberate and purposeful development of our RI expertise for nearly two decades.

One embodiment of this vision is our proprietary ESG research platform, RI Search® – launched in 2008 – that enables ESG factors to be aggregated and disseminated to all portfolio managers throughout AXA IM's specialist investment teams.

The main objectives of our RI strategy set by AXA IM's Management Board are to integrate, embed and monitor ESG criteria across the different investment teams and to develop specific innovative and pragmatic Core RI & Impact funds, RI solutions and RI advisory services for clients.

AXA IM's Management Board formally defined and endorsed this RI mainstreaming strategy in the mid-2000s. The main objectives of this strategy are to:

- Continuously identify ESG themes and factors that impact financial performance and risks
- Integrate and embed ESG criteria and monitoring across the different investment platforms within the firm
- Diligently defend our clients' interests by rigorously acting upon our fiduciary role as asset managers and shareholders through our Corporate Governance and Engagement activities

Today, AXA IM fund managers are capable of integrating ESG considerations into their underlying investment processes by applying a range of methodologies offered by the AXA IM RI team in line with our clients' requirements. This is achieved by ensuring that AXA IM's specialist investment teams are provided with easy access to a 'one-stop-shop' for ESG data through the AXA IM RI team and its proprietary ESG framework and RI Search® platform. AXA IM is and will remain a leader in this field.

GOVERNANCE AND IMPLEMENTATION

The AXA IM management board sets the responsible investment policy and strategy. AXA IM's dedicated responsible investment team of experts conducting

quantitative and qualitative research along with corporate governance and engagement activities is charged with the implementation of this policy.

Responsible Investment - Accompanying and Protecting Clients

Recognising that responsible investment can impact portfolio performance in terms of both risks and returns, investors increasingly wish to integrate the monitoring of ESG issues throughout their investments.

To meet this growing investor demand we have created a range of RI advisory services that encompass custom RI policy design, ESG screening and scoring, ESG research, voting, engagement and monitoring. Our RI advisory services complement the suite of responsible investment solutions constructed to suit clients' objectives across asset classes and at different levels of ESG integration.

ACTIVE STEWARDSHIP

We take an active approach in monitoring companies and act as stewards of investments made on our clients' behalf. Stewardship entails our considered and careful approach to the management of our clients' assets on their behalf, keeping in mind their long-term interests and protection. High standards of corporate governance protect our clients' interests, assist in risk management, contribute to the maximisation of investor value and underpin the integrity and efficient operation of financial markets. Our corporate governance principles, enshrined in our [Corporate Governance and Voting Policy](#), promote:

- Transparency
- Board independence
- Accountability to owners and other stakeholders
- Fair treatment of all shareholders

Our [Corporate Governance and Voting Policy](#) provides the foundation for AXA IM's proxy voting and engagement activities as well as for our participation in related public policy discussions. The [AXA IM Annual Stewardship Report](#) highlights the key engagement and voting activities carried out during the year, including specific themes and statistics for each year.

SENSITIVE SECTORS AND EXCLUSIONS

Controversial weapons

The production and use of certain weapons have been deemed unacceptable under international conventions, AXA IM considers that investing in companies that are involved in controversial weapons or in provision to such companies should be avoided. AXA IM set up a specific weapons policy to exclude controversial arms such as anti-personnel landmines and cluster bombs in 2008 and extended it in 2014 to also exclude chemical and biological arms and to prevent the proliferation of nuclear weapons.

Palm oil

In 2014, the AXA IM Management Board decided to implement a specific sector policy regarding palm oil. The palm oil industry poses unique environmental and social challenges including biodiversity, unsustainable land use as well as labour and human rights issues. Palm oil producers are not systematically excluded. The objective of our palm oil policy is rather to avoid investing in companies which do not commit to responsible and sustainable palm oil production.

The sector is analysed according to relevant ESG issues such as the violation of human rights and illegal land acquisitions. Companies which are seriously in breach of the UN Global Compact principles or of the Roundtable on Sustainable Palm Oil principles are excluded.

Soft commodities

In 2014, the AXA IM Management Board decided to implement a specific sector policy regarding soft commodities. Although the debate has not been settled about whether financial markets' use of food commodity derivatives artificially inflates food prices, the issue was of sufficient concern for AXA IM to take a formal position. Therefore, AXA IM approved a policy to not invest in derivatives and ETFs based on food ('soft') commodities or enter into speculative transactions that may contribute to price inflation in basic agriculture or marine commodities (e.g. wheat, meat, sugar, dairy, fish). Furthermore, AXA IM will not take delivery of any food commodities.

RESPONSIBLE INVESTMENT
ENVIRONMENT POLICY
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GOVERNANCE STEWARDSHIP CLIENT
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COMMITMENTS

Since 2007, AXA IM has been a charter signatory to the UN-supported Principles for Responsible Investment (PRI). AXA IM is committed to the six PRI principles:

- **Incorporate:** AXA IM is able to integrate ESG considerations into underlying investment processes by applying a range of methodologies in line with our clients' requirements. Our objective is to provide clients with the opportunity to select the level of ESG integration that best fits their needs and objectives.
- **Be active:** AXA IM takes an active RI role when it comes to the protection of clients' interests. Voting and engagement are essential parts of our dialogue with invested companies.
- **Seek disclosure:** AXA IM insists on disclosures about financial and extra financial risks. On the latter, attention is focused on high risk sectors on different topics such as safety, environmental management, carbon emissions, impact on biodiversity, etc.
- **Promote:** AXA IM regularly finances and supports events on RI issues. AXA IM RI team members are active in working groups which promote responsible investment.
- **Collaborate:** AXA IM works with regulatory authorities and policy makers to ensure that public policy supports a business and regulatory environment that is favourable to responsible investment.

- **Report:** AXA IM produces and publishes detailed RI reporting on voting and engagement activities including rationales for votes. These reports are provided to clients and also publicly disclosed on AXA IM websites. In addition, we publish other reports such as our [RI Annual Review](#) and our [RI Annual Stewardship Report](#).

AXA IM has also aligned itself with the principles of the Oslo and Ottawa Conventions. AXA IM is committed to transparency and meets the full recommendations of the European SRI Transparency Guidelines as well.

In addition, AXA IM is a signatory and member of other international and national initiatives supporting RI and sustainable investing. Our view on participating in RI-related initiatives is that they should be influential in the relevant market, be a source of expertise on RI issues, build credibility with clients and peers for our RI offerings, share our common objective of improving the market environment for RI and reflect our geographical footprint.

The table below provides a list of some of the organisations and initiatives where AXA IM participates.

Organisations & Initiatives		
EUROPEAN FUNDS AND ASSET MANAGEMENT ASSOCIATION (EFAMA)	EUROSIF AND LOCAL SIFs - FRENCH SIF, VBDO	GLOBAL IMPACT INVESTING NETWORK (GIIN)
INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)	GLOBAL INVESTORS GOVERNANCE NETWORK (GIGN)	COUNCIL OF INSTITUTIONAL INVESTORS (CII)
ASSOCIATION FRANÇAISE DE GESTION FINANCIÈRE (AFG)	ASSOCIATION OF BRITISH INSURERS (ABI)	GREEN RATING ALLIANCE (GRA)
GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)	UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE (UNEP FI)	INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC)

AXA IM RI POLICY - AN EVOLVING FRAMEWORK

While our RI Policy provides us with a robust framework of beliefs and principles for ESG integration, we recognise that we are operating in a constantly changing world in terms of regulatory, environmental, technological as well as macro and micro economic issues. These changes will present

new risks and new opportunities. Our objective is to consistently satisfy our clients' needs on ESG topics and therefore our RI Policy will also be evolving by not only incorporating and adapting to new changes but also by anticipating long-term trends, risks and opportunities in ESG integrated investing.

RESPONSIBLE INVESTMENT
ENVIRONMENT POLICY
PROTECTION SOLUTIONS
VOTING CLIENT ENGAGEMENT
SOCIAL CLIMATE CHANGE
RESPONSIBLE CLIENT-CENTRIC
POLICY GOVERNANCE

Responsible Investment AXA Investment Managers

Our Mission

Transform investing

We believe that RI can help deliver superior risk-adjusted returns for our clients. That is why we embed global ESG research across all asset classes and provide investors the opportunity to select the level of ESG integration that best fits their needs and objectives. It is how we redefine investment solutions.

Our Differentiation



Our Team

The RI team is composed of **12 professionals with 14 years experience on average** in both ESG and traditional financial analysis.

We use **RI Search®**, AXA IM's proprietary ESG platform, to integrate fundamental qualitative and quantitative ESG research into our investment decisions.

As at 31st March 2015

www.axa-im.com/ri

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