

2020 Active Ownership and Stewardship Report



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Actively
investing
to secure
a thriving,
sustainable
future for
people and
the planet”

AXA IM's 2020 Active Ownership and Stewardship Report details our engagement and voting activity in a year marked by the COVID-19 pandemic. We believe that in moments of crisis, it is more important than ever for responsible investors to make their voices heard. The report also explores how environmental, social and governance (ESG) factors are integrated into strategies, and sets out some of our priorities for 2021 as we seek to help businesses and countries take on the climate challenge.

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Responsibility is at the heart of our business

Our purpose is to act for human progress by investing for what matters. This is central to every decision we make. As a responsible asset manager, we actively invest for the long term to help our clients prosper and to secure a thriving future for people and the planet.



by Marco Morelli,
AXA IM Executive Chairman

The responsible mindset is integral for AXA IM as a business, as an investor and as an employer. We seek to embed and champion this mindset in our day-to-day activities, allowing us to align with the values of our clients.

I am now marking my first six months at the helm of this company, and in my time here I have seen how deeply the concept of responsibility is engrained across the whole organisation and how my colleagues stand united in its cause. Where in the past we had one central team overseeing Responsible Investing (RI), there is now accountability embedded across our business units, investment platforms and RI experts. True ESG integration has become a reality – the era of sustainability is reaching into every asset class, every portfolio.

We are not a passive partner for clients. We are an active owner of assets on their

behalf. We vote with conviction at company meetings, and engage with intent. As you will see in this report, **climate change** was again the most significant theme for our engagement with corporates and sovereigns in 2020, as it was in 2019.

We have already seen signs that the global economy will move to a more sustainable and equitable model over the next decade. It would have been easy to think that given the pandemic, climate change may have come off the agenda. COVID-19 has instead increased scrutiny of ESG factors and sharpened the understanding of how global risks like climate must be fought.

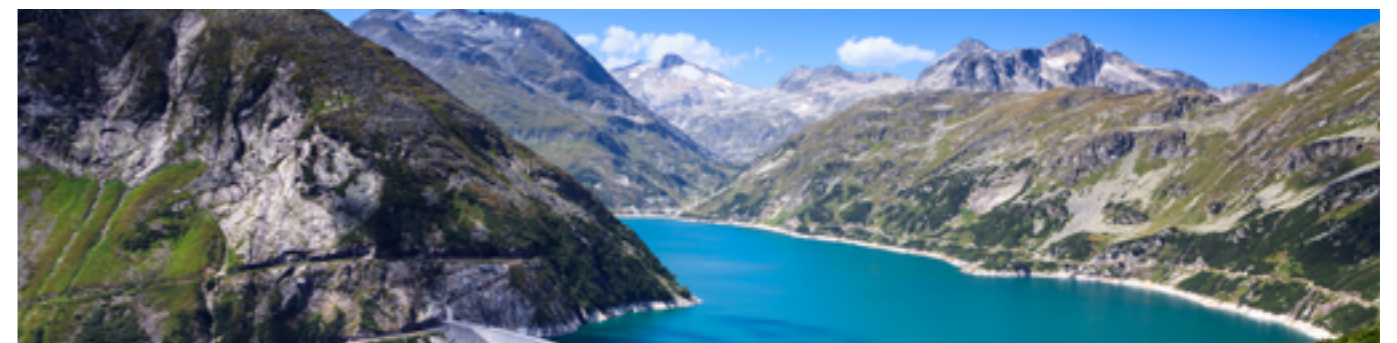
We in the asset management industry are uniquely placed to wield influence as major investors in this area – exercising our fiduciary duty to help accelerate the transition to a more sustainable world. Our wholehearted participation in this extends not only to our stewardship and engagement activity, but through to our green investment strategies and our leading role in spearheading market evolutions such as transition bonds.

We seek partnerships that allow us to actively power this transition and in 2020, despite the pandemic providing a notable drop-off in carbon emissions, we remained keenly focused on efforts to combat climate change, largely through several collective engagement initiatives. Alongside many of

our peers, we committed to bring carbon emissions across portfolios to net zero by 2050, or sooner.

We engage where we think we can have an impact, but we must hold a mirror up to our own company. Beyond responsible investment lies our role as a responsible business and employer which is central to our objective of enhancing AXA IM's impact on society. We want our employees to share in our vision and ambition so that we can build role models from the inside out. To help us towards that goal we are taking an active role in developing careers and professional trajectories, nurturing an inclusive culture and ensuring our employees understand the mechanics and importance of Responsible Investing through mandated training. We are supported in all of this by the scale and ambition of our parent company, AXA Group, which has made clear its commitment to reducing the AXA global carbon footprint by 25% by 2025¹. We know that, together, we can make a real difference.

We are by no means perfect and our journey still has distance left to run, but we recognise that every action we take has a consequence. We are serious about ensuring that we uphold the same high standards as an employer, partner and company that we expect to see in others as an investor.



¹ [Environmental footprint management](#). Source: AXA Group

Engagement in the grip of a pandemic



Hans Stoter
Global Head of AXA IM Core

Engagement is central to responsible investment at AXA IM. Our dialogue with companies allows us to actively monitor our investments, and to ensure we maintain open channels that can enable change to the benefit of society, the planet – and ultimately our clients. We want to provide transparency around investments, so that clients can ensure their holdings align with their own values. And we aim to be both a leader and a partner as the wider investment community addresses key challenges.

Our work is framed by the expectations set in the UK Stewardship Code, the United Nations-backed Principles for Responsible Investment (PRI), the Task Force on Climate-related Financial Disclosures (TCFD) and many other industry initiatives which we support. We focus in particular on the ESG themes we consider to be most material to investors and wider stakeholders. We conduct extensive research on these issues² and deploy the insights gained to manage our investments, engagement and voting.

In 2020, of course, our engagement activities took on a dramatic new challenge. The COVID-19 pandemic forced companies into urgent action,

made in-person meetings impossible and heightened the importance of issues like human capital management. In this environment it has been critical that long-term investors help companies to keep long-term challenges in mind while delivering rapid responses to a live crisis.

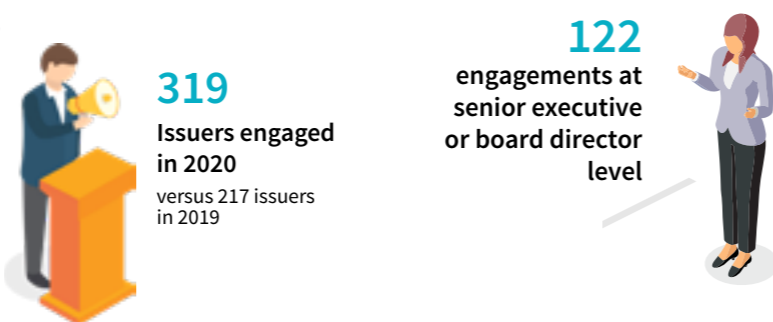
It is a testament to the dynamism of our Responsible Investment experts and portfolio managers that over this tough 12 months we managed to increase the total number of engagements by 47%. And it was noteworthy that our deep association with the Access to Medicine Foundation meant we were in a position to drive investor pressure in the healthcare sector. We made sure companies knew

we expected solidarity – including the sharing of manufacturing capacity and intellectual capital – in the fight against the virus.

AXA IM is a committed, active, long-term investor across all markets. These characteristics underpin our role as responsible investors too. Our scale gives us influence, and our deep experience means we know to wield that influence with care. For us, engagement can help protect our clients from ESG risks right now – and help drive industries towards a sustainable future in which we can all thrive.

Engagement highlights in 2020³

Our engagement in 2020 was naturally affected by the coronavirus pandemic. Our key observation was that investee companies acknowledged that the crisis brought public scrutiny on their ESG-related practices, whether it was public health, human capital management or shareholder rights-related issues. Our discussions with companies often revealed the strain this placed on boards of directors and senior management as they navigated an unprecedented crisis.



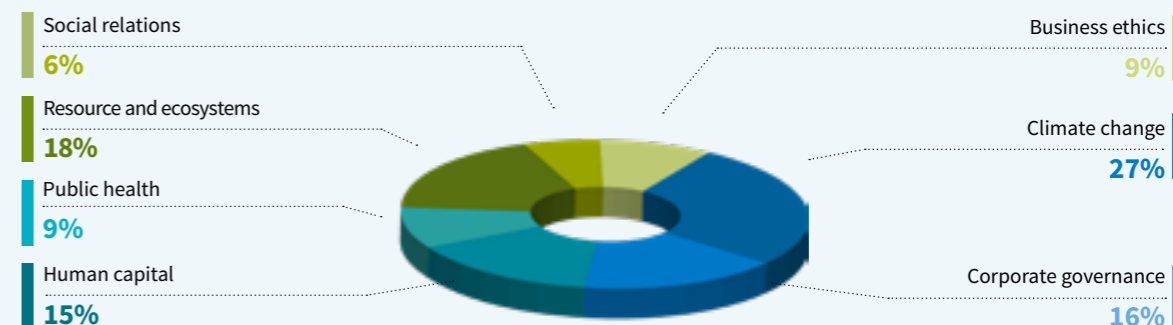
The engagement case studies following this section reveal more about our COVID-19-related engagements. Our engagements, despite the pandemic and lockdown, remained driven by our long-term conviction in key thematic areas that

we consider most urgent and material for investors – climate change, biodiversity and human capital, alongside gender diversity, public health, data privacy and corporate governance.

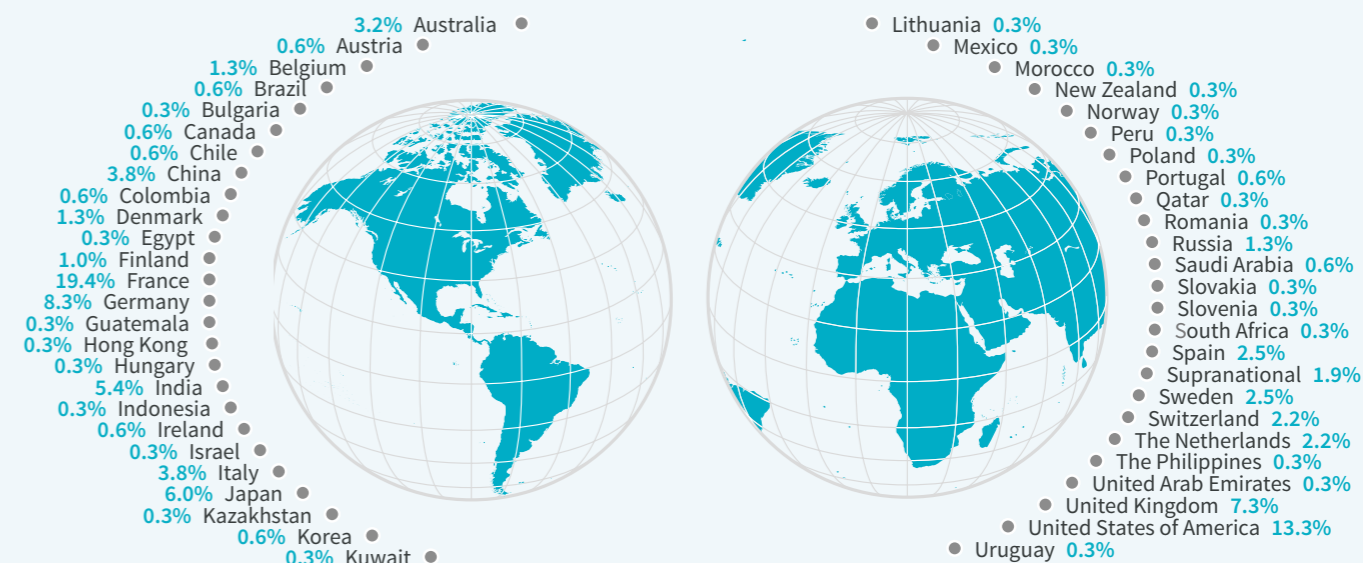
² The full list of Responsible Investment research published in 2020 can be found in the Appendices.
³ Figures in this section may be rounded

2020 Data Overview

Our engagement with companies covers a broad spectrum of key ESG themes



In 2020, we engaged with companies across the world:



More than 80% of our engagements in 2020 were linked to the UN Sustainable Development Goals (SDGs). The breakdown is as follows:



Engagement in action

Climate change



The coronavirus pandemic was extremely harmful for economies worldwide but at the same time it delivered a sharp drop-off in carbon emissions. With climate change at the forefront of policy and investment discussion as the recovery takes shape, the question now is whether the world can use this moment to build a less carbon-intensive economic and demand model that could help achieve the temperature goals of the Paris Agreement. It is a sobering thought that we would need to replicate – and more – the effects of the outbreak on carbon emissions if we are to keep global warming to within +1.5°C of pre-industrial levels.

At AXA IM, we believe investors have a key role to play here through their stewardship efforts. More than ever, they need to scale up their engagement activities. We have argued in our research⁴ that investors should be using a 360° view – engaging with energy and power producers but also with end-use, demand-side sectors – to promote both the shift of energy supply mix and efficiency gains from consuming sectors.

Our engagement goals and activity

Through the Climate Action 100+ investor group and through dedicated bespoke engagement projects, we have been in dialogue with energy suppliers (across the

oil and gas, power and metals and mining industries), but also with demand-side sectors (industrials, auto, airlines, real estate among others).

These discussions have had three areas of focus:

- **Governance:** Lobbying practices and remuneration
- **Strategy:** Intermediary targets and capital expenditure (capex) plans aligned with science-based verification
- **Disclosure:** Clear articulation of climate objectives and progress.

Results and next steps

On the supply side, we have been particularly focused on the first net zero target announcements⁵ in the oil and gas industry, where we have seen good initial commitments (for example from BP, Total, Repsol, ENI, Equinor, Royal Dutch Shell) and on coal engagement (from Engie, Fortum, RWE, EnBW, BkV and Albioma). We also believe we have made significant progress in getting companies committed to science-based intermediary targets (Renault, Alstria, RWE, for example).

However, companies also need to show progress and raise the bar of their climate objectives. First, we think that over the coming months and years they should set not only objectives for 2050 but also intermediary goals aligned with science-based targets, as well as engaging in ad hoc, effective actions in the short term. Second, very few companies, especially in the oil and gas industry, are already reporting on their Scope Three emissions – those created indirectly through the use of products/services, or in the supply chain. Third, we would like to see net zero targets accompanied over time by transparency on the strategy, on related investments and on rollout plans. According to the Climate Action 100+ progress report, more than two-thirds of oil and gas capex is still judged as inconsistent with the Paris Agreement and the transportation sector is still not considered to be investing enough in electric vehicles.

As we continue to promote the new Climate Action 100+ Net Zero Benchmark, we will continue engaging with companies, including those already committed, to understand in detail how they intend to achieve their climate objectives.



At AXA IM we follow TCFD framework recommendations in terms of climate-related disclosure and integration of climate risks and opportunities in our business. In 2020, we worked on the notion of investment alignment principles and as part of that assessed the global warming potential of certain AXA IM investments. The warming potential of the AXA IM assets reviewed was calculated to be +2.8°C, compared to +3.5°C for a corresponding benchmark.

We also continued testing new alignment metrics and decarbonisation protocols while supporting AXA Group as member of the Net Zero Asset Owner Alliance. Thanks to our collaboration in the exploratory phase, in December 2020, AXA Group committed to an intermediate target of a 20% reduction of its carbon footprint by 2025 versus 2019.

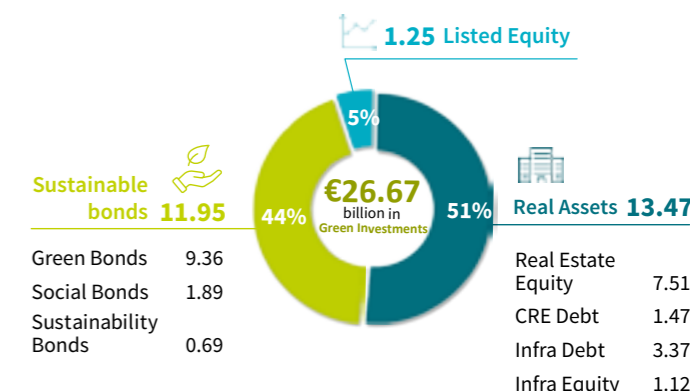
AXA IM Climate Dashboard: A combination of historical and forward-looking metrics

	Warming potential [°C]	Carbon footprint	Green Share [%]	Physical cost VaR (Average scenario) [%]	Transition cost VaR (1,5°C scenario) [%]	Cost of climate VaR (1,5°C scenario) [%]	Technology opportunity VaR (1,5°C scenario) [%]
	2019	2019	2019	2019	2019	2019	2019
AXA IM	2.8	181	14.1	-1.2	-5.4	-6.4	2.5
Weighted benchmarks by AUM	3.5	270	9.5	-1.3	-5.4	-6.8	2.1
Asset Class							
Government bonds	2.7	157	26.2				
<i>JPM GBI Global</i>	4.0	239	14.5				
Corporates	2.8	225	4.4	-0.1	-4.3	-4.5	0.1
<i>BofAML Global Aggregate Corporate</i>	3.1	305	5.1	-0.2	-3.8	-4.0	0.1
Equities	3.0	162	8.4	-3.3	-6.6	-10.2	7.0
<i>MSCI World ACWI</i>	3.0	251	7.9	-4.2	-9.5	-13.8	7.3

Source: TCFD Report. Data as of Dec 2019

This process of embracing carbon neutrality will continue after we joined the Net Zero Asset Managers Initiative in December 2020. Along with other investors, AXA IM will explore how that route to net zero emissions might look. A more precise announcement of the initiative's rollout strategy should be announced in November 2021.

While these exciting projects develop, AXA IM has already implemented an active green investment programme of close to €27bn across various asset classes including sustainability bonds, thematic impact listed equities and real assets.



Source: AXA IM as of 31 Dec 2020

⁴ COVID-19: Greening the recovery. AXA IM. April 2020

⁵ AXA IM announced in December that it was joining the [Net Zero Asset Managers initiative](#) and will work in collaboration with clients to achieve a net zero goal by 2050 or sooner.

Engagement case studies

Biodiversity collapse



We began 2020 by joining a call to find partners who could help develop and implement a tool that measured the impact of investments on biodiversity⁶. It supports our efforts to better address the need for more biodiversity-related data, as well as more defined metrics and targets. We believe such insights will be crucial as this issue gains prominence. Our wealth and our health are intimately connected to our sustainable management of the world's biodiversity, and only by respecting it will nature provide us with our life support system.

We see COVID-19 as a wake-up call. Scientists have predicted this kind of pandemic for many years and they foresee other major threats if we are not able to make transformative changes that address biodiversity depletion.

Our engagement goals and activity
Our engagement on biodiversity in 2020 was research-led, following the publication of our paper which discussed

the impact of agricultural activities and dependencies. In line with our findings, among the 34 companies we engaged with on biodiversity issues, we focused on commodity traders⁷. Six traders control around 60% of all soy exports from Brazil which is identified for deforestation risks⁸. In collaboration with other investors we encouraged traders to increase efforts on no-deforestation commitments, traceability and reporting.

Results and next steps

We saw a positive response to this engagement, both from companies and other investors. Many companies provided evidence of a heightened awareness of the risks from biodiversity loss. We will continue our engagement discussion with most of these companies and expect to broaden the scope of our engagement in 2021 and beyond. This engagement will be supported by the selection of our biodiversity data provider which was announced in September 2020. It will help us better assess our biodiversity impact in 2021, target the companies with the greatest impact and further feed our discussions. Robust data can be the fuel for productive engagement on responsible investment themes.



Gender equality



Last year saw us harden our commitment to drive better gender diversity in our investments. Besides our own gender-related engagement programme in various markets (following on from our work in 2019), AXA IM launched the 30% Club France Investor Group which it will co-chair until the end of 2021. This is the first investor coalition of its kind looking to engage on improving women's representation in senior executive teams in the French market. We will collaboratively engage with companies on the SBF 120 stocks index with a target to make their executive management teams at least 30% female by 2025. That will compare to just 21% in 2020.

While the stated objective is to improve gender diversity at leadership level, our engagement with the main French-listed companies will go much deeper. We want to gauge the internal culture and understand how a company is developing and building its female talent pipeline internally. We want to avoid a 'barbell' situation where only senior leadership and the wider employee base are relatively diverse, but where there is a clear disconnect at the intermediate management level.

Our engagement goals and activity

The coalition, which formally began its work in mid-November, has designed a two-fold strategy for 2020-2021. First, we have established a restricted list of target companies for which active engagement will be used, based on their gender diversity performance. We started to meet companies from this priority list in December and have a series of meetings planned for early 2021.

Second, we have sent a letter to all SBF 120 companies, addressed to board members or executives, to ensure they are aware of the initiative and its goals. The creation of the investor group is timely: The revised version of the French Corporate

Governance Code (AFEP-MEDEF)⁹ in 2020 requires companies in France to define their own quota of women in executive governing bodies. As there is no precision on what a reasonable quota would be, we aim to raise awareness around what investors consider the minimum appropriate level.

We had a surprisingly strong response rate from companies congratulating us on the initiative, while others were interested to know more ahead of potential engagement.

Results and next steps

We saw that the topic resonated with the market around the launch of the coalition, and in 2021, the 30% Club France Investor Group will welcome new joiners, both international and from France. As we grow, we will be able to expand the list of target companies so that we are on track to achieve our 30% objective by 2025.

We will also report on our activities and keep developing and strengthening connections with relevant stakeholders including the 30% Club UK Investor Group, business experts and government representatives.



⁶ AXA IM, BNP Paribas AM, Sycomore AM and Mirova launch joint initiative to develop pioneering tool for measuring investment impact on biodiversity. [Jan 2020](#).

⁷ [Biodiversity crisis, AXA IM](#). September 2020.

⁸ [Transparency for Sustainable Economies \(TRASE\) Insights](#).

⁹ Code Afep- MEDEF révisé de gouvernement d'entreprise des sociétés cotées. [January 2020](#)

Engagement case studies

Data privacy

Collection of personal data has fuelled the rapid growth of internet-based technology companies. Firms that rely on the handling and processing of personal data are under intense scrutiny from customers and regulators. As a global asset manager with extensive investments in the technology sector, we believe that we can have a positive role to play in encouraging good data privacy practices¹⁰ and helping protect clients from associated investment risks.

Our research found that companies collecting personal data are exposed to regulatory, operational and reputational risks, and that a fine line separates success from failure in terms of privacy policies and practices. It framed our 2020 engagement discussions with firms exposed to data privacy issues.

Our engagement goals and activity

In 2020, we engaged with 20 companies exposed to privacy risks around how their way of working compares to the good practices we identified around:

- Transparency on data privacy policies and practices
- Oversight of the issue at board level
- Data collection minimisation
- Privacy by default

As part of this we sent an engagement letter to the board chair at 12 of those firms, requesting information on their data privacy policies and practices and inviting them to begin constructive and open dialogue on the topic. Most companies responded positively – we had direct discussions with 16 out of 20. We were glad to see that technology companies were open to discussion and willing to learn about investors' expectations around data privacy.

Results and next steps

We found that most of the firms we targeted acknowledge the materiality of data privacy and are taking steps to mitigate risks. We often received positive responses from companies with regards to management of privacy issues and day-to-day practices. Some of the best practices we have seen through our engagement include:

- A company that established a dedicated privacy committee at board level
- A company applying strict non-content based and behavioural targeting, meaning that users' data is not used to propose personalised advertising
- A company that published a human rights policy that encompasses privacy issues.

We were also glad that the tech companies we engaged with were aligned with our central message on data privacy – that responsible privacy practices are key in building and maintaining user trust. We believe that this allows responsible firms to create and deliver sustainable, long-term value through the collection and processing of data.

In 2021, we will continue our engagement programme with firms exposed to privacy risks, as work still needs to be done. In addition, we believe that scrutiny around corporations collecting personal data will be even greater in 2021. Most notably, the US Federal Trade Commission recently ordered some technology companies to share information about how they collect and use data, while the European Commission targeted digital economy firms in its recent Digital Services¹¹ and Digital Markets Acts¹².



COVID-19 and public health



The scale of the COVID-19 pandemic is unprecedented but the dynamics of the disease – how it spreads and affects patients – were arguably predictable. Coronavirus has exploited well-established inequalities in society and vulnerabilities in healthcare systems. So although this highly infectious disease has impacted all our lives in some way, it has not affected us all equally. These have been long-running concerns in our engagement with investee companies on global health.

Our engagement goals and activity

AXA IM is a member of the Expert Review Committee of the Access to Medicine Foundation, a well-regarded not-for-profit organisation which conducts research into pharmaceutical companies' sustainability practices. We have leveraged this position to conduct extensive in-depth engagement with the sector in recent years. This meant that when the pandemic struck, we were able to engage companies on their COVID-19 response in an efficient and positive fashion.

We engaged with 28 healthcare companies on these issues in the first half of 2020, calling for them to share coronavirus-related intellectual capital, assist with manufacturing capacity to scale-up production of effective treatments and to set affordable prices. This included a collaborative investor initiative which saw us write to major pharmaceutical firms alongside more than 60 other financial institutions. We also made a direct positive impact by becoming a major donor to the Access to Medicine Foundation¹³.

We also published an open letter in the media alongside fellow investor Legal & General Investment Management and the Access to Medicine Foundation. We publicly called on fellow global pharmaceutical investors to step up their engagement activities and ask all governments and pharmaceutical companies to fully embrace the principles of collaboration and solidarity in our response to COVID-19. The process of developing, manufacturing and

distributing new medicines and vaccines will be faster and more efficient if governments and pharmaceutical companies work cooperatively and avoid a competitive race based on medical nationalism.

We urged pharmaceutical companies to undertake the following practical steps to accelerate research and development efforts and overcome potential barriers to rapid and widespread access to COVID-19 medicines and vaccines:

- Share intellectual capital – including molecule libraries, patented compounds, processes or technologies – across the industry and with research institutions to facilitate the development of the most effective technologies
- Work with governments across all levels of income, not just higher-income countries, to ensure rigorous but accelerated marketing authorisation processes
- Share manufacturing capacity if their own clinical trials are not successful to help speed up production of effective products from other companies
- Set affordable prices based on different countries' ability to pay to empower rapid government procurement
- Agree to non-exclusive voluntary licensing agreements with quality-assured generic medicine



manufacturers to mitigate the risk of supply constraints in low- and middle-income countries

- Work with governments and international organisations, in particular the Access to COVID-19 Tools Accelerator and the COVAX Facility, to develop and implement a global allocation mechanism to distribute medicines and vaccines with the objective of maximising the reduction of COVID-19-related deaths and protecting health systems

Our goal is not only to promote responsible behaviour at the companies in which we invest, but also to boost the pace and resilience of the global economy's recovery from this crisis, to the ultimate benefit of our clients.

Results and next steps

We saw positive responses to our engagement from companies and other investors, which was encouraging, and many healthcare companies provided evidence of senior-level commitments to helping overcome the COVID-19 pandemic. However, we continue our discussions with companies which are working through exactly how these commitments will accelerate into impactful practices and what the results of these actions will be in 2021 and beyond.

¹⁰ [Data privacy: Trust is hard earned, easily lost](#). AXA IM. Dec 2019

¹¹ [The Digital Services Act package](#). European Commission AXA IM. Dec 2019

¹² [The Digital Markets Act: ensuring fair and open digital markets](#). European Commission

¹³ AXA IM to partner with the Access to Medicine Foundation and develop a philanthropy mechanism on its impact fund range. [May 2020](#)

Active ownership in fixed income

Green, social, climate transition and sustainability linked bonds

Engagement with bond issuers is an important aspect of our active ownership programme as we are long-term investors and often hold bonds to maturity. Engaging on ESG issues is a critical way to ensure we manage the value of our bond investments over time.

Our engagement goals and activity

In 2020, we engaged with 30 issuers of green, social, climate transition and sustainability-linked debt instruments, many of which were bond-only issuers – that is, organisations that do not issue shares. These were sovereign issuers and supranational entities such as development banks as well as privately held companies.

We held extensive discussions about their commitment to a robust climate and sustainability strategy and their provision of clear, ongoing reporting on how a bond's proceeds are used. We also used this opportunity to discuss other thematic areas of interest to us. Given upcoming developments on the green, social and sustainability bonds market – notably the EU sustainable finance taxonomy¹⁴ and the European Union (EU) green bond standard – we discussed how bond issuers are preparing and adapting to new standards.

Separately, we co-chaired the Climate Transition Finance Working Group under the auspices of the International Capital Market Association's (ICMA) Green and Social Bond Principles. It consisted of more than 80 market participants including many corporate bond issuers. We shared our views and expectations on how issuers from carbon-intensive industries can raise money to finance their transition to a greener, Paris Agreement-aligned business model. As a result of this working group, the ICMA published a [Climate Transition Finance Handbook](#)¹⁵, which will help bond issuers in structuring transition bonds.

Results and next steps

We generally had high quality engagement discussions with bond issuers – particularly green, social and sustainability bond issuers. Principles and guidelines for issuing such transactions are well understood. Therefore, the main

topic on which we challenged issuers was to make sure that debt raised is used as part of a robust sustainability strategy where actions are taken to align business models with the objectives of the Paris Agreement. We believe our desire to be a leader in this field has pushed many fixed income issuers to seek our views on ESG topics. We are pleased that many have taken tangible steps in the transition to a low-carbon economy.

In 2021, we will establish a list of green, social and sustainability bond issuers where we have identified what we believe to be weaknesses in their framework and sustainability ambitions. We will push them to align with best practices on the market. We will also establish a framework for assessing transition and sustainability-linked bonds, which will allow us to engage and share our expectations with bond issuers on these types of transactions.



Sovereign bond issuer engagement

Engagement on sustainability between investors and sovereign issuers is still in its early stages. Sovereign issuers have traditionally focused mainly on the needs of the government and the country's citizens rather than those of the global institutional investors who are buying their bonds. However, we are seeing sovereign issuers becoming more open to engagement and to taking on the views of investors – this has been particularly noticeable around green bond issuances in recent years.

During the summer of 2020, we initiated engagement with 40 sovereign issuers¹⁶. We sent a survey aiming to establish a dialogue that encourages concrete progress in terms of sustainable development. This is part of a multi-year engagement plan to better understand how our investments into sovereign issuers are considering ESG matters and the UN SDGs as part of their debt issuance programme.

We consider that the sustainability-related health of sovereign nations contributes significantly to the capacity of governments to issue debt and repay it. We want the financial health of countries to be aligned with broader policy aims – such as those described in the UN SDGs.

Our 38-question survey was sent to representatives of the Treasury/ debt management agency in order to understand their:

- ESG strategy
- SDG-related priorities
- Bond issuance programme (Green, Social and Sustainable)
- Openness to be engaged

We want to engage with sovereigns on AXA IM's priority UN SDGs. These include: SDG 13 – Climate Action; SDG 15 – Life on Land; and SDG 14 – Life Below Water. We will also look at specific SDGs where we believe the sovereign is lagging, based on our research.

Results of the survey

One in four of the sovereigns targeted responded to our survey, most of whom answered the questions directly, while others responded in a dialogue by telephone or mail. One key finding was that the respondents had not received other surveys or information around an engagement programme from other investors. AXA IM's engagement outreach was unique.

Three-quarters of respondents viewed our approach positively and said they were ready to engage on the UN SDGs or ESG issues. The SDGs most often mentioned were: SDG 6 – Clean Water and Sanitation; SDG 13 – Climate Action; and SDG 16 – Peace, Justice and Strong Institutions.

This survey was a first step in AXA IM's engagement with sovereigns. This year we will reinforce our dialogue with those that answered our survey and develop the relationship with the others.



¹⁴ [EU taxonomy for sustainable activities](#), European Commission

¹⁵ [Climate Transition Finance Handbook](#), ICMA

¹⁶ Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Czech Republic, Finland, France, Germany, Hungary, Italy, Japan, Kazakhstan, Korea Republic, Kuwait, Lithuania, Morocco, Netherlands, New-Zealand, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, United States, Uruguay.

How we conduct our engagement with companies

AXA IM's active and long-term approach means our relationship with investee firms can continue for many years – decades in some cases. We have a duty to our clients, our colleagues and wider stakeholders in society to monitor and engage with companies for the entire time that we hold their stocks and bonds – and in a fashion that helps protect all our interests long into the future.

At the heart of this is our ambition to achieve a clear 'win-win' of improving risk-adjusted returns while contributing to broader societal and environmental objectives as defined in the UN SDGs.

For us, active ownership is about making the most of our rights as an investor to engage investee companies in productive dialogue that makes a tangible difference. So how do we do this?

We are proactive: We strive to engage companies before concerns materialise that can potentially harm investors. We commit our efforts to those ESG issues which we consider to be the most strategically and financially material for long-term investors. These are climate change, biodiversity, human capital management, public health, data privacy and corporate governance.

We are research-driven: As a truly active investment manager, we conduct in-depth analysis of companies and the broader macroeconomic backdrop and incorporate ESG factors into that research from the very start. That ensures ESG can shape investment outcomes. Our engagement and voting are built on the knowledge and insights we have developed.

We create impact: Investors can drive impact in their investment activities by pressing for change at corporations – influencing the way they behave and do business. We focus our engagement where we believe it can have the greatest impact and consider how it can align with the UN SDGs.

We are an industry leader: Taking a bold stance on difficult issues and committing resources to delivering engagement

outcomes helps us reach our goals for clients and society in the long term. We also seek to work collaboratively with other investors to achieve shared objectives¹⁷.

We are responsive and alert: Although our core engagement approach is to be proactive, we recognise that there are cases where major controversies occur, or international norms are breached. Such norms include the UN Global Compact (UNGC) – a set of principles based on corporate commitments to implement sustainability principles. In these cases, we will assess the severity of the cases through our ESG Monitoring and Engagement Committee and consider whether to engage on a reactive basis or take other decisions such as to divest.

We also act quickly and decisively in cases where companies are in breach of our internal ESG investment exclusion standards and policies. These include limits on coal usage or involvement in products and services such as tobacco, controversial weapons and palm oil¹⁸.



At AXA IM, responsibility for stewardship falls on a wide range of teams. These include (but are not limited to):

- Active ownership specialists – ESG engagement analysts
- ESG stock/bond analysts and impact investment specialists within investment platforms
- Fund managers and analysts
- Public policy and regulatory professionals

The ultimate responsibility for stewardship lies at AXA IM board level.

Nevertheless, our RI specialists have a responsibility to formulate the broader engagement programme and make a significant contribution to engagement with issuers. Engagement by the RI specialists is performed across asset classes. We also provide leadership and input on stakeholder communication, client reporting, and internal training.

Investment teams empower their analysts and portfolio managers to engage companies on ESG issues – in a similar vein as they do for financial analysis. This covers ESG analysts, impact investment analysts, and stock/credit analysts. Many of the engagement meetings are conducted in collaboration with the RI specialists.

Drilling down into engagement approaches

We have rolled out a clear process for selecting priorities, which can be addressed in combination:

Proactive: We engage in a proactive fashion on material ESG areas. There are two main approaches in place to facilitate proactive engagement:

- ▶ **Focus list:** Every 12-18 months, we produce a list of companies for which intense and repetitive engagement is conducted on one or two key issues. Objectives are set upfront and resources allocated. This is the priority list for which we expect regular individual engagement meetings, updates and action
- ▶ **Thematic projects:** In addition to the focus list, we also conduct engagement projects on specific themes. These projects cover a wider universe of companies in any relevant market, sector or asset class. On average 20-40 companies will be targeted through this approach.

Annual general meeting voting: Before and after votes, we conduct extensive discussions with companies on corporate governance matters, voting resolutions at upcoming meetings and, increasingly, on sustainability issues which are a focus of shareholder proposals. We also provide full transparency on our voting actions with companies and our voting records. This is a fundamental aspect of our fiduciary duty to clients.

We vote in a manner that is intended to be beneficial to the long-term, sustainable value of the companies in which we invest. Areas of support or dissent can relate to a number of sustainability-related issues, such as executive remuneration, climate and diversity – which we have captured within our dedicated voting policy. Voting may occasionally be used as an escalation option if we believe engagement on a thematic issue has stalled. For more detail, see the **Escalation** section.

Reactive: While our core engagement strategy is proactive, there are some cases when we need to engage in response to a specific event. These can relate to:

▶ **Severe controversies¹⁹ and UNGC breach²⁰:** For AXA IM's ESG-integrated/sustainable/impact strategies, we exclude investments in issuers which are impacted by a severe controversy – where holding securities from that issuer could pose a significant financial and/or reputational risk. Severe controversies are largely defined as UNGC breaches, but we can also exclude investments where issuers have been involved in other types of controversies. In certain cases, we decide to engage to discuss with the company the credibility of corrective actions put in place to resolve the issue, instead of divestment. Such an exemption is decided by the ESG Monitoring and Engagement Committee after a qualitative review of the stock and internal agreement between the stakeholders of the Committee

▶ **Sectoral ban lists:** Any update of our sectoral ban lists can also lead to some companies being automatically excluded. Again, the ESG Monitoring and Engagement Committee can advise to engage rather than exclude

▶ **Negative news flow:** We often hear negative news flow from our investee companies. While these are not necessarily ranked as 'severe' controversies by our controversies research service provider, we might want to engage with the company to obtain a better understanding of the issue and assess the quality of its response.

Opportunistic: Our relationships with companies mean we are often invited to attend conferences, roadshows or field trips. This is an opportunity to learn more about companies' actions, policies and performance while at the same time updating them on our areas of focus and scrutiny.

The common thread in all the above engagement approaches lies in the way they are conducted. Conversations with companies are generally confidential and do not go beyond AXA IM and/or specific stakeholders. This stems from our belief that long-running confidential and constructive discussions based on trust are the most effective route to create change over time.

¹⁷ See Collaboration Section below

¹⁸ The full list of our ESG investment exclusion policies and standards [can be found here](#).

¹⁹ As per AXA IM's ESG standards, a severe controversy is when our ESG data provider Sustainalytics rates a controversy as level five (out of five).

²⁰ There are [10 UNGC principles](#) in the areas of human rights, labour, the environment and anti-corruption. Any breach would hint a lack of integrity and responsibility within companies that we want to avoid.

Collaboration

Most of our engagement is based solely on our own efforts, but we also believe that collaborating with other like-minded investors and stakeholders can help us to achieve our goals. We participate actively in key industry initiatives such as [Climate Action 100+²¹](#), and the [Access to Medicine Index²²](#).

When deciding which initiatives to participate in or support, we focus on topics and groups where we believe our involvement

will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, so we use a combination of collective and individual engagement.

We play a proactive role in several industry initiatives and groups and take a leadership role as often as possible, as shown in the Appendices.

Tracking engagement progress

We track engagement progress on a scale of zero to five, which sets out the range of possible outcomes:

Every engagement has its objectives established upfront. We conduct the engagement with issuers and track progress over time. We usually consider 36 months to be a reasonable timeframe to achieve an outcome from the inception of engagement. This obviously differs according to the nature of the objective, the country of the issuer and the thematic area.

In 2020, we recorded 23 milestones – instances of achieving our engagement objectives or what we label Stage 5 in the chart below. These were with 21 issuers. We recorded no engagement failures (Stage 0) in 2020. However, we have escalated our engagement with 30 issuers (see next

section for further details) due to a lack of progress. Some of these may be recorded as engagement failures in the coming year or two.

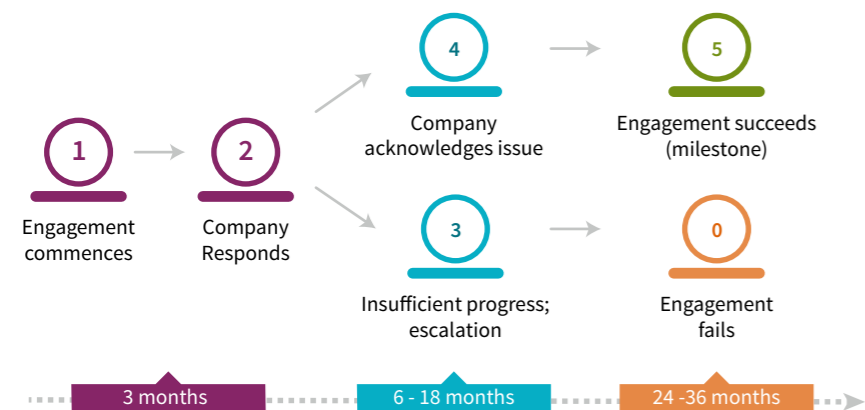
Examples of milestones where our engagement, alongside those of other responsible shareholders, has coincided with corporate action include:²³

- **Climate change – Repsol:** Spanish oil company Repsol aims to achieve net zero emissions by 2050, making it the first oil and gas company in the world to assume this ambitious goal. At the same time, it is setting a decarbonisation path with intermediate targets for 2020 to 2040. We have already been engaging

with Repsol intensively in recent years on this issue both through one-to-one dialogue and through collaborative initiatives.

- **Business conduct – Novartis:** The Swiss pharmaceutical giant announced key steps to resolve all outstanding legacy compliance breach cases. These settlements resolve longstanding major litigation and investigations related to professional practices in certain Novartis businesses around the world that date from 2007-2016 and an antitrust investigation into the US generic drug industry that focused on the period between 2013 and 2015. We have been engaging the company on this issue for a number of years but intensively so in 2019 when we visited the company at its Basel headquarters and also met the chief executive in London with other investors to discuss these issues.

- **Board independence – Fanuc:** The Japanese factory automation and robotics company has made significant reforms in recent years to its governance practices including its board structure. It has gone from an all-insider board in 2013 to establishing one-third board independence in 2020. Also, the new independent director is female – which is a first for the company. We have been engaging Fanuc over several years through meetings and our voting.



Source: AXA IM

²¹ [Climate Action 100+](#).

²² [Access to Medicine Index](#). Access to Medicine Foundation

²³ These examples are provided for illustrative purposes only and do not constitute investment advice or an investment recommendation

Escalation

Engagement does not always progress smoothly. Responses given by companies can be either unsatisfactory or slow. It is crucial in such cases to escalate the issue to keep the process moving and maximise the chance of meeting our engagement objective. Here again, there are multiple options available for escalation:

- **Targeting more senior input:** We may seek to move the discussion up the corporate chain, ultimately through to chief executive/chair level
- **Collaborating with other investors:** Working with other investors can send a unified message through formal industry groups or via ad-hoc associations
- **Voting against resolutions at annual general meetings (AGMs):** We use voting as a mechanism to escalate engagement concerns. When engagement on key themes has stalled, we show dissent through a vote against specific resolutions. Alternatively, we may consider co-filing a resolution on specific ESG issues

- **Public policy engagement:** Involvement with policymakers is a key part of our active ownership strategy. As interest in ESG grows among clients and regulators in many geographies, the need for clearer definitions and usable standards is a top priority for the financial industry. We aim to play a proactive role in helping to shape public policy in areas where we have seen a reluctance from companies to seek progress.
- **Divestment:** In certain cases, we consider divestment as a means to put pressure on the company to change its practices (see case study).

These escalation options are not exclusive and can be used in combination. In 2020, we escalated our engagement with 30 issuers.

Escalation case study: State Bank of India²⁴

We invested in the State Bank of India's green bonds in 2018. We then engaged the company to end lending activities related to coal mines including the large Carmichael project in Australia. We explained that such major new mines will bring volumes of coal output to the market which are misaligned with the carbon budgets defined by scientifically

credible +1.5° C global warming scenarios. Despite our efforts (and those of other investors), the company was not responsive to the engagement. Following further analysis and review of the bank environmental lending practices, we took the decision to divest from the company's green bond.



²⁴ This example is provided for illustrative purposes only and does not constitute investment advice or an investment recommendation

How we exercised our voting rights in 2020

Extraordinary and unprecedented. These now familiar words describe all our private and working lives over the last 12 months – and they also capture the nature of corporate activity. Companies have been forced to adapt at a faster rate than at any time in living memory as the impact of the pandemic and its aftermath became clear.

We would argue that the engagement work carried out by responsible shareholders over the preceding years helped prepare companies to do that successfully. Investors have pushed executives to define their corporate purpose and put it into action. They have challenged companies on worker rights, encouraged robust risk mitigation and strong board oversight, and argued for the alignment of executive pay with the broader workforce.

Voting at company meetings has been an important part of that process to build sustainable businesses. The way we use our voting rights to hold companies to account reflects whether firms have normalised these topics as part of everyday good governance. Our votes also reflect how companies have treated employees, respected shareholder rights, adapted executive rewards and positioned corporations in society during these challenging times.

Voting, therefore, is an important part of how we exercise our investor rights and engage with investee companies. AXA IM is a global asset manager with a commitment to market-leading practices in stewardship, so we consider voting to be a fundamental aspect of our fiduciary duty to clients. We vote in a manner that is intended to be beneficial to the long-term sustainable value of the companies in which we invest.

We recognise the need for flexibility and prudence in our voting approach during a global crisis, however, our commitment to strong governance

remains steadfast and we continue to hold investee companies to high governance standards. These are defined by our in-house voting policy²⁵.

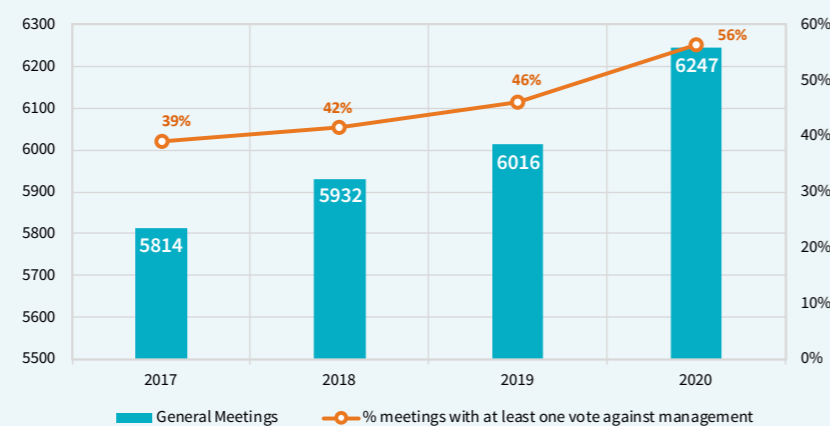
2020 highlights and voting statistics

During the year we exercised our clients' voting rights globally in line with our investment footprint.

Some key points from the year include:

- Social lockdowns imposed by governments globally made it hard for companies to hold the usual in-person AGMs. Many moved to online meetings on an exceptional basis – with varying degrees of success
- The pandemic has forced many companies to ask themselves what they stand for beyond profit. There is a greater emphasis on corporate purpose and how this is integrated into the business
- The pandemic has also amplified the need for companies to act urgently to address climate change. COVID-19 has highlighted how critical it is for businesses to act rapidly to address a threat. Climate is accepted as one of the most pressing issues of the decade and corporate leadership has now seen the tremendously high cost of being too slow to react
- COVID-19 has also highlighted the importance of board oversight of management. Executives have been forced into quick decisions to cope with the short-term impact of the pandemic whilst maintaining thoughtful consideration of the longer-term implications, and of the need to keep shareholders and stakeholders informed
- We voted against management on at least one resolution at 56% of company meetings. This was a notable increase

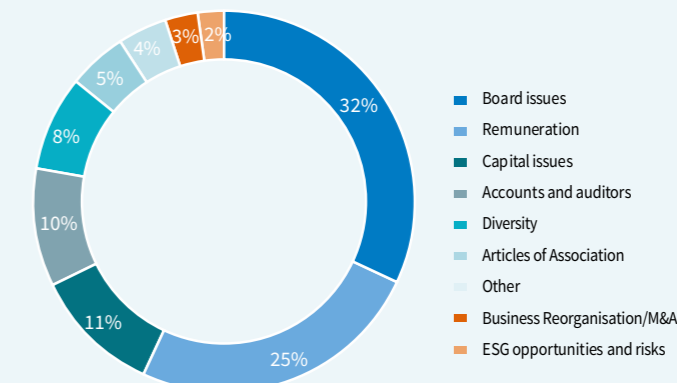
Meetings voted and level of dissent



from last year (see chart on preceding page)²⁶

- We enhanced our voting policy on key topics including board gender diversity, time commitment of directors, auditor rotation, and the integration of non-financial ESG metrics into executive compensation²⁷
- We continued to challenge company boards on worker rights and employee safety in the face of the pandemic

Our votes against management by topic



Our voting priorities for 2021

Much of the focus this year will be on how companies have responded to the pandemic. The themes will include employee safety and protection, dividend policy and capital raisings, how executive pay has aligned with the wider workforce impact and how board actions during the year were able to manage systemic risks.

Similarly, as we look beyond the short term, much of the next decade will continue to be defined by our collective ability to turn ambition into action on global issues like climate change, biodiversity loss, gender diversity and data privacy. On voting and engagement this will mean:

- Driving companies to raise the bar on their climate objectives by providing transparency on their strategy, investments and rollout plans to meet broader 2050 climate neutrality objectives²⁸. This will include pushing companies to disclose intermediary targets on the route to that ultimate goal
- Engaging the financial sector on its climate commitments and financing of the energy transition
- Using a climate voting policy to target those companies considered climate laggards
- Enhancing our gender diversity voting policy in developed market economies where women do not make up at least one-third of the board. In addition, engaging companies on the topic of racial diversity on boards and across the organisation
- Engaging companies on systemic risks and human capital issues as a top priority
- Challenging companies on supply chain optimisation and transparency on data privacy policies and practices
- Generally enhancing the use of voting as a tool to escalate stalled engagement on key themes identified by our research specialists, including climate, biodiversity, public health, and data governance

²⁶ In absolute terms, 13% of votes cast were dissenting. Source: AXA IM

²⁷ 2020 Voting Policy Updates. AXA IM

²⁸ 2050 long-term strategy. European Commission

²⁵ Corporate Governance & Voting Policy. AXA IM

Voting case studies

Engagement with banks around business ethics, corporate governance, and climate commitments

With our engagement priorities for 2021 in mind, we have already been laying the foundations for important discussions with banks and financial institutions on business ethics, corporate governance, and climate commitments.

Our engagement goals and activity

We believe that our voice and our expectations as responsible investors are vital at a time when the sector faces a difficult macro and competitive environment, after experiencing high-profile controversies around failures in internal controls and business ethics. Most importantly, investor voices must be heard on the sector's crucial role in financing the transition towards a low-carbon economy²⁹.

Our engagement has therefore continued through 2020 and into 2021. Reactions have ranged from positive and constructive to

some situations where change has been slow to materialise. At one major Nordic bank, the engagement process led to an enhanced dialogue at a board leadership and executive level, where the identified issues were acknowledged, progress explained, and reporting against identified metrics led to us reaching an engagement milestone. At a peer bank, however, the engagement did not yield such positive results. While the issues we noted were acknowledged, change or progress was not observed. This may lead to a voting escalation if objective reporting against identified key performance indicators (KPIs) is not observed and where no progress is verified on the identified issues.

Results and next steps

We will continue this engagement effort through 2021, with an increased attention to banks' climate commitments and to any concrete steps taken to finance the transition to a low-carbon economy, and to ensure that climate risk is accounted for. We expect to see progress against clearly set expectations.

Executive remuneration linkage to ESG metrics

We engaged in constructive dialogue with an Italian company that consulted us to hear our views on executive remuneration and followed up with an end-of-year meeting to provide a review.

Our engagement goals and activity

During our meeting with the company, we conveyed our view that linking ESG metrics to executive remuneration is an important demonstration of a commitment to tackling ESG risk management at a Board level.

We had been pushing for the inclusion of ESG metrics in executive pay at this company for a couple of years, asking for tangible ESG metrics, in line with the strategic ESG goals the company has set in its extra-financial disclosures, and in a way that cannot be construed as an addition of ESG goals to adjust remuneration upwards. In this case, ESG metrics were added to both the short and long-term remuneration components which we deemed to be robust, stretching, and in alignment with the company's KPIs. At

a general level we have also made the integration of ESG metrics into executive remuneration a key focus of our engagement with companies generally.

Results and next steps

We will continue our engagement and voting demands at this company and others, seeking to secure disclosure around the achievement of extra-financial performance against ESG targets and to monitor the stringency of the targets set under those metrics.

More broadly, the continued integration of ESG metrics into executive remuneration will remain a key focus of our engagement with companies generally and may impact how we vote on remuneration related proposals in 2021. Increased focus will also be placed this AGM season around executive pay-outs, closely monitoring the use of discretionary Board decisions in determining pay awards this year.

The voting process

We consider voting to be a crucial aspect of being an active shareholder. It is a vital part of the investment process and an opportunity to influence companies. Our voting and engagement activities are closely aligned. We regularly engage companies before and after the vote. AXA IM has established a Corporate Governance Committee which is responsible for overseeing the implementation of AXA IM's Corporate Governance & Voting Policy. The Policy is reviewed and updated annually by the Committee prior to voting season to apply to all meetings going forward.

The Committee comprises regulatory compliance and responsible investment (RI) specialists as well as representatives of investment teams, who bring their hands-on investment perspective to the Committee's deliberations. Our RI specialists oversee the implementation of the regular policy and guidelines. Where there are complex, controversial or non-routine cases, or where we may wish to deviate from our policy, our RI experts consult with and make recommendations to the Committee.

The relevant RI specialists will set out an explanation of the issue in question and make their recommendation. The Committee members deliberate independently on any issue of concern and provide their views and/

or recommendations. For pooled and segregated accounts – where clients have delegated the exercise of voting rights to us – these would be voted in line with the AXA IM Corporate Governance & Voting Policy.

In 2020 we updated our policy on gender diversity and over-boarded directors, long-tenured auditors, and on links to ESG-performance criteria in remuneration, reflecting some of our key thematic priorities as an organisation.

During 2020 we voted at 6,247 shareholder meetings representing 98% 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 believe the proposals are not in the best interests of our clients. This covers a wide range of concerns such as the 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 where sufficient progress has not been made.

While local best practice codes may adopt different approaches, we expect all companies to seek to closely align with our core global governance principles



²⁹ [Financing brown to green: Guidelines for Transition Bonds](#). Source: AXA IM

The voting process (continued)

which set out the fundamentals of corporate governance. With all companies, AXA IM considers these principles in conjunction with region-specific policies in our voting and engagement activity.

AXA IM publicly discloses its voting. It is updated on a quarterly basis and we provide the rationale for why we voted against management. The records contain the historical voting record at company level and a rationale for all votes cast against management recommendations. These reports are available on our website³⁰.

Voting research

AXA IM uses voting information services from Institutional Shareholder Services (ISS), Proxinvest, and Institutional



Voting Information Service (IVIS). The research received is used to augment knowledge of companies and resolutions at forthcoming general meetings – it is one input among many. When making voting decisions, we also incorporate internal knowledge and research, intelligence gathered from engagement with the company, fund manager input and committee considerations. All voting decisions are made by AXA IM and are based on our Corporate Governance & Voting Policy.

In order to assure quality, we carry out an annual service review with each of our voting research providers which includes an evaluation of the research and service received as well as any necessary discussion about upcoming changes to policy and service.

Stock lending

Some clients have decided to participate in stock lending programmes. The attendant transfer of voting rights along with the lent shares means that additional scrutiny is required to ensure that lent shares are not put to purposes that are detrimental to the long-term interests of shareowners. Shares will not be lent where the objective of such activities is to vote at general meetings. More fundamentally, AXA IM recalls all shares, ahead of record date, in advance of general meetings to exercise our full voting right for open-ended funds and mandates.

Conflicts of interest

AXA IM has adopted a set of guidelines to identify circumstances which may give rise to conflicts of interest.

In general, we consider that a conflict of interests can occur especially between a client and:

- Another client
- AXA IM, or one of its collaborators (or any person or company directly or indirectly linked to them)
- A related company, one of its delegates or subdelegates, a service provider or another entity of the Group (AXA IM or AXA), an introducer or any commercial intermediary

By 'conflict of interest' we mean a situation where the interests of AXA IM, of AXA IM's employees, of a third-party delegate or a related company are, directly or indirectly, in competition with the interests of one or several clients. It also pertains to potential conflicts that may occur between AXA IM's clients.

In relation to stewardship activities, including engagement and voting, AXA IM has adopted a set of guidelines to identify circumstances which may give rise to conflicts of interests. These guidelines include relationships with listed affiliates such as our parent company, AXA Group, key clients, and significant suppliers.

We manage conflicts within our voting and engagement activities using the following approach.

First, the engagement programme at AXA IM is a proactive approach with a clear process for selecting priorities – including planning, prioritisation, execution, and reporting. The engagement programme is supervised and governed by the ESG Monitoring & Engagement Committee. This ensures that decisions taken to engage are aligned with the engagement strategy of AXA IM and are free from any outside influence.

Second, the Corporate Governance Committee has sole responsibility for taking voting decisions in identified situations of conflict on behalf of clients who have given AXA IM full discretion to vote. Voting decisions are taken prior to any reference or discussions with clients who have not delegated voting rights to the Corporate Governance Committee or have their own policy. This seeks to ensure that decisions are free from outside influence.

We aim to align our voting and engagement practices with best practice in the markets in which we operate. Where potential conflicts of interest have been identified, recommendations to vote in support of management resolutions contrary to our regular policy position will be escalated to the Corporate Governance Committee. Any decision by the Committee to vote contrary to the policy position in these cases will be supported by a written record.

A full copy of our conflicts of interest policy is available on our website³¹.



³⁰ [Voting results site](#). ISS

³¹ [AXA IM Conflict of Interest Policy](#)

Putting ESG to work in portfolios



Chris Iggo
Chief Investment Officer, AXA IM Core

AXA IM is a long-term, responsible investor with the aim to deliver sustainable returns for clients. Over time, our investment processes have evolved to reflect the ever-greater focus on non-financial factors. We believe that by building a powerful understanding of the environmental, social and governance (ESG) risks to an investment we can better target those sustainable returns while contributing to better outcomes for people and the planet.

We aim to achieve this goal via in-depth research, data analysis and the construction of portfolios which look to optimise both financial and non-financial factors. Our investment process reflects our core belief that a focus on sustainability can ultimately deliver the best economic and financial performance over the long term.

As part of that process we have developed a proprietary ESG scoring methodology which combines third-party data with our own analysis to help us identify best-in-class companies – and laggards too. We have also worked to identify the ESG priority themes of most pertinence to portfolios. Our goal is to protect clients from ESG risks across all strategies and

asset classes, and to uncover investment opportunities within those themes. In more focused strategies – such as green bonds or clean economy equities – we aim to hit tough ESG targets while delivering financial returns.³²

Meeting with company management teams is another vital part of the investment process. It allows us to drill down into sustainability issues and fully understand how they integrate with a company's overall corporate strategy. For management, meeting with investors also stresses the importance of reporting key metrics and gives an understanding of how sustainability assessments drive investment decisions. As owners of equity, or creditors through corporate bonds, investment

managers have the responsibility to influence corporate behaviour.

Asset owners and portfolio managers have a vital role to play in delivering better environmental and social outcomes. Our careful and committed ESG analysis helps guide portfolio construction throughout our businesses – and is the defining factor in those more focused strategies. Through our allocations and engagement, responsible investors such as AXA IM can not only help shape the narrative around sustainability, but also commit capital to reward businesses that drive social opportunities and equality, take on the challenge of climate change and demonstrate new standards for business model transparency.



³² The ESG data used in the investment process are based on ESG methodologies which rely in part on third-party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different.

Active Fixed Income

Effective fixed income portfolio management seeks to maximise risk-adjusted returns. Given the asymmetric risk profile of this asset class, AXA IM's Active Fixed Income investment teams believe limiting downside risk is a key driver of long-term performance – and that ESG plays an important part in that.

Our credit analysts use ESG to identify material concerns that could impair the credit quality and long-term sustainability of the issuers in our markets. This process helps to identify those risks most relevant to credit investors, which we believe can help to reduce downside risk. Analysts and portfolio managers incorporate a wide range of ESG factors into credit analyses, focusing on those most relevant to a given credit.

ESG factors are also important for sovereign and quasi-sovereign debt and are also completely integrated into our investment process, with different quantitative indicators for sovereign issuers to corporate issuers.

Our investment process applies several AXA IM sectorial exclusion policies to our funds. One of these is our climate risk ban list, which bars coal and oil sands exposure above certain thresholds.

How we achieve this

ESG analysis is embedded into our active fixed income research process and credit analysts incorporate ESG analysis in their internal research reports. These reports highlight the relevant ESG strengths and weaknesses as well as an issuer's performance on specific issues. Analysts also comment on actions that management is taking to mitigate ESG weaknesses and its targets to improve ESG performance.

Within our credit process, analysts also include a qualitative ESG template in their models, assigning a view with respect to company management and momentum of ESG issues related to industry and peers. In the template, credit analysts highlight ESG strengths as well as concerns and mitigating actions, ESG KPIs, and comments on governance structure.

Within both credit and sovereign research, the key ESG topics, risks, and KPIs highlighted are at the discretion of the analyst, allowing them to select topics and risks most relevant to the issuer. Each credit and sovereign analyst has been trained by our dedicated RI leader on ESG issues relevant to their assigned sector(s) or region, drawing from several third-party sources, including the Sustainability Accounting Standards Board (SASB), TCFD, MSCI, Sustainalytics and others including rating agencies and sell-side research.

Analysts have access to multiple sources of ESG data scores (internal and third party), including MSCI and Sustainalytics. Among the key ESG topics, risks and KPIs recently highlighted were greenhouse gas emissions and details of any issuer plans and targets to reduce those emissions, as well as water intensity, labour relations and board diversity. For sovereigns we have

particularly targeted carbon dioxide emissions, energy use, renewable energy consumption and the water exploitation index. Portfolio managers have access to AXA IM's proprietary quantitative scores and a selection of ESG KPIs.

All credit analysts have been trained in ESG engagement by AXA IM RI specialists and continue to increase engagement efforts. Discussions are also taking place with sovereign issuers on ESG topics during regular meetings with Treasuries. In addition, our RI leader dedicated to active fixed income participates in multiple AXA IM RI committees and collaborates closely with the global RI other RI specialists on a regular basis.

Portfolio managers integrate the AXA IM RI sectorial policies, AXA IM ESG Standards and AXA IM qualitative ESG scores into their decision making. Analysts and portfolio managers discuss these scores as well as particular ESG issues they view as significant.

In Asian high yield, where existing products are not ESG integrated by our internal standards, we adhere to the AXA IM RI sectorial policies and discuss ESG risks identified by the analysts as being significant to credit quality.

Looking forward

In active fixed income, a number of strategies adopted AXA IM ESG standards and began incorporating our quantitative ESG scores into their decision-making process during 2020, while continuing to adhere to the AXA IM RI sectorial policies. These include Global Strategic Bonds, Euro Credit Plus, Euro Credit Total Return, Euro Credit Short Duration, Global Short Duration, Asian Short Duration, Emerging Markets Bonds, Short Duration Emerging Markets and China Short Duration. We expect this trend to continue over the coming 12 months.

We have also participated in an increasing number of green, social or sustainability bond deals in 2020 and expect to continue to do so over the next year.

In 2021, our investment teams intend to expand their focus on water, carbon intensity and the proportion of women on boards. These three factors were selected for several reasons including the availability of data across a wide range of debt issuers and the objectivity of those metrics.

Framlington Equities

We believe that fundamental non-financial factors, as seen in AXA IM's ESG priorities, put us in a far better position to deliver on our aim of providing sustainable equity returns over the long term. There are four key reasons for this:

- They can help reduce exposure to companies with serious ESG risks
- They improve our understanding of how long-term issues are integrated into a company's strategy
- They allow us to refocus portfolios around companies that have implemented good practices in terms of their governance and their environmental and social impacts
- They can help to improve companies' performance through active dialogue around the management of ESG issues, thereby limiting our ongoing exposure to reputational risks

How we achieve this

At Framlington Equities we seek out a 360° approach to company evaluation through three steps:

- **Quantitative** – The initial step relies on incorporating the internally developed ESG scores into our front-office tools, internal research models and risk reports. In addition, investment professionals have access to voting/AGM results, carbon emissions data, comparative tables by sector and details of alignment with the UN SDGs.
- **Qualitative** – It is our intention to go beyond pure quantitative scoring and to gain a detailed and nuanced understanding of how a company is intending to deal with its ESG

challenges. This type of deep-dive qualitative focus forms the second pillar of our investment approach. It is our goal 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, meet them face-to-face to discuss and understand how their ESG and sustainability policies and practices are supporting their long-term strategic goals. The responsibilities of Framlington Equities' dedicated ESG analysts include consideration of ESG factors at corporates and the pro-active monitoring of related risks and opportunities ahead of portfolio

construction. In addition, we analyse securities with no or low ESG ratings, complementing AXA IM quantitative scoring with an in-depth qualitative analysis.

- **Engagement** – We see ourselves as key influencers towards better and more responsible corporate behaviours and disclosure. Our engagement with corporate management is central to genuine active asset management. This dialogue on ESG integration expresses our conviction as long-term responsible investors, seeks to avoid negative issues that can damage portfolio returns and also aims to influence management to build resilience by taking the right steps to enhance their sustainability profile and practices.

Case Study

Our Clean Economy strategy adopts an impact investing approach and has been specifically designed to have a direct and positive effect on the environment. The strategy objective is to contribute to the reduction of global greenhouse gas emissions by investing in best-in-class companies within the sectors that contribute most.

As such, the strategy typically invests in listed companies whose activities we believe can improve resource sustainability, support the energy transition (from fossil-based to zero-carbon energy production and storage) or address the issue of water and food scarcity. The strategy focuses on several themes identified as main drivers of clean economy growth over the coming years including low carbon transport, smart energy, agriculture, water, recycling and waste reduction. The definition and the

number of themes may evolve going forward since we are still at an early stage of the clean economy adoption growth.

When defining the investment universe for the strategy, we apply a specific environment filter, excluding from the available universe companies that are in the bottom 10th percentile on AXA IM's proprietary 'Environment' score. We also apply a proprietary thematic filter on companies' exposure to the clean technology theme, to target the areas defined above. Within this identified universe of circa 500 stocks, the managers look for multi-year sub-themes which are already investable with proven commercial viability while seeking to avoid chasing short-term niches.

Rosenberg Equities

We believe that ESG insights enhance our traditional financial analysis. Our research shows that ESG data can help identify potential risks and opportunities beyond technical valuations, allowing us to better understand the possibility of reputational damage and identify how firms are adapting to meet new market challenges.

At Rosenberg Equities, ESG is not just an additional factor to consider at the portfolio construction stage. Our research into the link between ESG information and the fundamental drivers of long-term risk and return has been coded into our proprietary factor models.

We believe that integrating ESG information complements our fundamental insights and may change our opinion of the economic worth of a stock. Accordingly, we believe that the thoughtful use of ESG insights can help investment outcomes, help reduce risks and potentially improve long-term returns for our clients.

How we achieve this

Our investment approach enables us to systematically incorporate non-financial information directly into our models alongside traditional financial data. We take data from a variety of external vendors and we incorporate the ESG scoring framework that is maintained centrally and used across AXA IM's investment teams.

Once the data is in our system, we can work with it in a variety of ways, including research, analysis and reporting. However, using this information to help construct portfolios, ensures that ESG data directly contributes to investment outcomes.

We add ESG scores and key performance indicator targets alongside our traditional alpha and risk measures when we optimise portfolios. This approach ensures that in our systematic construction of portfolios, when faced with two stocks of identical alpha scores, our optimiser will favour the one with the highest ESG rating, all other considerations being equal.

Beyond optimisation, our research into the links between ESG and the fundamental drivers of long-term risk and return has led to innovative enhancements of our stock selection models. For example, the impact of company's carbon footprint on its share price is included within our proprietary value factor model and the diversity of a company's board contributes to our view of its future earnings quality.



Our latest research leverages our Natural Language Processing capability to help identify companies that are truly committed to ESG or are aligned with the sustainable development goals of the United Nations.

Our approach allows us to build portfolios with a better-than-benchmark ESG score and lower carbon/water intensity in a consistent and repeatable manner.

Case study

Where we construct portfolios with explicit climate targets, we apply additional processes that balance the objectives of decarbonisation today with investing in a future low-carbon economy. Through working with clients who wish to address climate change through their investments, we have come across a common challenge - an ambitious target on current portfolio carbon intensity reduction may limit exposure to transitioning and best-in-class companies within high-stake industries. These companies often contribute a high proportion of the world's carbon emissions.

Our climate-focused strategy manages this complex trade-off by using a combination of divestment and investment allocation within our optimisation framework. This allows us to reduce portfolio carbon intensity whilst actively investing in companies that are committed to a path of improvement or contributing to the mitigation of climate change through their 'green' revenues.

We believe that aligning portfolio allocation with both reported and forward-looking measures of climate awareness sends a strong

message to companies that adopting emissions targets and accelerating their transition to a low-carbon economy is an important investment consideration for us and our clients.

In 2021, we have plans to launch a strategy that builds on this and further aims to neutralise its emissions using carbon offset contracts. Our clients are demanding more action on climate, and we will continue to evolve our offering to meet these needs.

US Active Investment Grade and High Yield

Effective fixed income management seeks to maximise risk-adjusted returns. Given the asymmetric risk profile of these assets, we believe limiting downside risk is a key driver of long-term performance in AXA IM's active US investment grade (IG) and US/European high yield (HY) investments. ESG plays an important part in this.

Our credit analysts use ESG to identify material concerns that could impair the credit quality and long-term sustainability of issuers in our markets. This process helps to identify those risks most relevant to credit investors, which can potentially help to minimise downside risk. Analysts and portfolio managers incorporate a wide range of ESG factors into credit analysis but focus on those most relevant to a given credit.

Our investment process applies several AXA IM sectorial exclusion policies to our strategies. One of these is our climate risk ban list – i.e. bans on coal and oil sands exposure above certain thresholds.



How we aim to achieve this

As part of our US active IG credit research process, analysts incorporate ESG analysis into their internal research reports. These reports highlight the relevant ESG strengths/weaknesses as well as an issuer's performance on specific issues. Analysts also comment on mitigating actions that management teams are taking with respect to ESG weaknesses and detail any issuer-announced, forward-looking targets to improve ESG performance.

Within our HY credit process, analysts also include a qualitative ESG template in their models, assigning a score with respect to company management and on the momentum seen around ESG issues. In the template, credit analysts briefly highlight ESG strengths as well as concerns and mitigating actions, ESG key performance indicators (KPIs) and comments on governance structure. Our HY ESG analysis process continues to evolve as the market changes.

Within both IG and HY research, key ESG topics, risks, and KPIs highlighted in research are at the discretion of the analyst, allowing them to select the topics and risks

most relevant to the credit in question. Each IG and HY credit analyst is trained by our dedicated ESG Specialist/Credit Analyst on ESG issues relevant to their assigned sectors, drawing from several third-party sources, including SASB, TCFD, MSCI, Sustainalytics, as well as credit rating agencies and sell-side research.

Analysts have access to multiple sources of ESG data (internal and third party), including MSCI and Sustainalytics. Among the key ESG topics, risks and KPIs recently highlighted were greenhouse gas emissions and details of any issuer plans and targets to reduce those emissions, alongside other themes including water intensity, labour relations and board diversity. Portfolio managers have access to AXA IM proprietary quantitative scores and a selection of ESG KPIs.

All IG and HY analysts have been trained in ESG engagement by AXA IM's RI specialists and continue to increase engagement efforts. In addition, an ESG Specialist/Credit Analyst dedicated to US active IG and US/European HY participates in multiple AXA IM RI committees and collaborates closely with the global RI experts on a regular basis.

Case Study

In IG, a number of strategies adopted AXA IM ESG standards and began incorporating our quantitative ESG scores into their decision-making process during 2020, while continuing to adhere to the AXA RI sectorial policies. These include US Corporate Bonds, US Credit Short Duration IG and FIIS US Corporate Intermediate. Analysts and portfolio managers discuss the quantitative scores as well as any ad hoc ESG issues that they view as significant. We have also participated in several green or sustainability bond deals in 2020 and expect to continue to do so over the next year.

On the HY side, the AXA IM RI sectorial policies are applied and the ESG risks identified by analysts as significant to credit quality are factored into portfolio decision making. In 2021, both IG and HY teams intend to expand their focus on water and carbon intensity. These factors were selected for several reasons: First – data availability for a wide range of debt issuers (including some private companies); second – the objectivity of these metrics and finally; the prevalence of energy (and fracking) in the US credit universe and the relevance of these environmental KPIs with respect to that industry.

Real Assets (Real Estate Direct Equity)

Responsible investment sits at the core of AXA IM Real Assets' approach to business. We actively consider both financial and non-financial criteria during the origination of opportunities, through our investment assessment and decision-making process at acquisition and through the active ownership of our investments.

This integrated approach is fundamental to the good stewardship of our investments. By making specific non-financial considerations part of our investment processes, we ensure better visibility of sustainability-related risks and potential adverse impacts on our investments. This visibility provides us with a broader perspective on asset and sector-specific risks which informs our underwriting and asset selection. Ultimately, it also helps to shape our view on investment risk, returns and liquidity, enabling our teams to better identify and unlock opportunities to enhance value for our clients.

How we achieve this

For direct real estate investments, our asset and fund management teams receive guidance from a dedicated ESG group which supports the business in developing and achieving platform-specific ESG objectives such as energy performance and building certifications. They also get support from the deployment of tools, both proprietary and from external sources, on our data management platform.

When acquiring assets, five key factors are formally assessed as part of our investment decision-making process to provide an initial view on asset-level sustainability risk. This assessment forms the basis of key actions for the ongoing strategic asset plan for each investment.

- **Regulatory Risk** – reviewing the estimated level of transitional or regulatory risk associated with the asset, primarily through asset-level Energy Performance Certificate (EPC) rating, or equivalent for non-European assets
- **Physical Risk** – reviewing the estimated level of physical risk associated with natural catastrophe and climate change, in conjunction with the AXA Group Natural Catastrophe modelling team
- **Independent certification** – reviewing the appropriate level and type of independent certification for a relevant market, and providing a view on the relative level of asset quality and underlying management
- **Counterparty Risk** – reviewing appropriate counterparty governance risk, including checks against our anti-money laundering and know-your-client reviews in addition to AXA IM exclusion policies
- **ESG score** – reviewing the estimated performance of the asset relative to the AXA IM Real Assets portfolio at a sector and country level, assessed using AXA IM's proprietary ESG scoring tool

As part of our active ownership, three primary tools assist us in managing asset level performance, contributing to the three pillars of the Real Assets sustainability strategy: Decarbonisation, Resilience and Building Tomorrow³³. First, we use the Deepki³⁴ platform, which stores, visualises and reports on asset and fund level environmental data; second, we increasingly use the Carbon Risk Real Estate Monitor (CRREM³⁵) tool to assess our relative level of alignment with a 1.5°C or 2°C decarbonisation trajectory for each asset. And lastly, through our property managers, we increasingly use an annual **tenant satisfaction survey** to engage with tenants and to assess performance of our property managers.

These tools provide us with visibility of performance and progress against targets and are used regularly by the asset management team and their property managers to actively measure, manage and report on their underlying asset performance. They also build a clearer picture of tenant concerns and throw up opportunities for further engagement.

Data from Deepki is provided to our asset and fund management teams on a regular basis, providing updated performance metrics against specific strategy-level targets such as certification levels, CO2 emissions, water consumption or waste production in addition to examples of specific initiatives undertaken at asset level.

Case Study

In one Pan-European strategy, integration of ESG has resulted in increased coverage of data, leading to better understanding of potential adverse environmental impacts of the strategy. Through engagement with local property managers, we have increased the coverage of environmental data ranging from energy, water, and waste performance metrics to plot against decarbonisation pathways established by the Paris Agreement objectives in the CRREM model. Successful engagement with teams on the ground has provided asset managers with sufficient visibility on environmental performance to determine short, medium and long-term action plans to begin to align asset performance with Paris Agreement targets.

More specifically, in Nordic residential assets held in the strategy, we have deployed an innovative technological solution to optimise heat consumption, leading to reduced operational expenditure and increased net revenues. This asset-level example demonstrates how our asset managers are actively finding opportunities to create and enhance value from a financial and environmental perspective while reducing cost and increasing comfort levels for residents in these assets.

³³ [Real Assets ESG highlights, Dec 2019. AXA IM.](#)

³⁴ [Deepki](#)

³⁵ [Carbon Risk Real Estate Monitor.](#)

Responsible Investment organisation at AXA IM

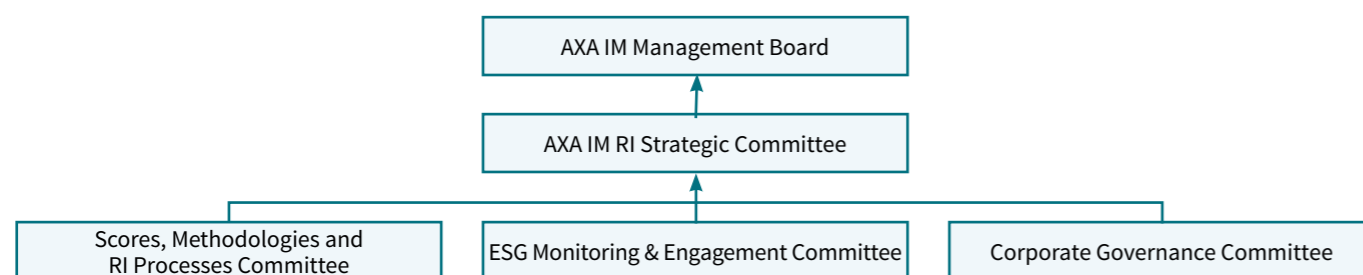
Across AXA IM we have close to 40 dedicated experts embedded within our investment and research teams who are responsible for responsible investment (RI) activities. These experts sit across both our Core and Alternatives businesses, covering all related aspects including research, due diligence, data/scoring, analytics, stock and credit analysis as well as active ownership and engagement.

The organisation of RI functions within the business is in line with our principle that responsible investment must be fully embedded within our investment functions, to ensure that ESG is not an ‘add on’, but simply part of everything we do.

For more details on our RI governance and capabilities, refer to our RI policy³⁶. For a more detailed look at our RI structure, please see page 51 in the Appendices.

Responsible Investment Governance

To ensure consistency and co-ordination between RI experts, investment teams and support functions, the following ESG-specific committees meet on a quarterly or bi-annual basis:



Committee descriptions

Committee	Objectives	Frequency
AXA IM RI Strategic Committee	The main body responsible for defining AXA IM's responsible investment strategy and monitoring its implementation. This includes defining sectoral policies and the framework for RI products, as well as leading efforts on selected themes, such as climate change. The RI Strategic Committee reports to the AXA IM Management Board which regularly validates and reviews the RI strategy. The Committee includes three Management Board members. For example, in 2020, the committee looked at our approach to implementing new regulations including the EU's Sustainable Finance Disclosure regulation and it took the decision to join the Net Zero Asset Managers Initiative ³⁷ .	Quarterly
AXA IM Corporate Governance Committee	The Committee guides and supervises the application of the corporate governance and voting policy. Its members include AXA IM Core fund managers and senior executives who have a well-established corporate governance profile in their respective markets. The RI co-ordination and governance specialists, under the direction of the Corporate Governance Committee, actively monitor resolutions submitted for shareholder approval at general meetings and vote on behalf of clients. As an example, in 2020 the Committee reviewed proposed updates to the voting policy and met on an ad hoc basis to discuss several high-level proxy fights.	Bi-annual
AXA IM ESG Monitoring & Engagement Committee	The Committee focuses on discussions around key ESG themes and controversies, discussing possible implications at an AXA IM level and coordinating engagement actions. The Committee is also responsible for the direction and nature of AXA IM's RI investment/restriction policies, including their implementation. In 2020, it discussed evolutions in our coal exclusion and engagement strategies, as well as the thematic focus for engagement activities.	Quarterly + ad-hoc as required
AXA IM Scores, Methodologies and RI Processes Committee	This committee ensures the coordination of ESG integration in a more operational manner, with a specific focus on ESG scoring methodologies, quantitative tools and reporting. In 2020, the Committee looked at proposed evolutions in our corporate ESG scoring methodologies with a focus on sustainability bonds, as well as proposed evolutions in our Sovereign ESG scoring methodologies.	Quarterly + ad-hoc as required

³⁶ AXA IM Responsible Investment Policy.

³⁷ Net Zero Asset Managers Initiative.

Resourcing and Remuneration at AXA IM

The AXA IM Remuneration Policy sets out the principles relating to remuneration, which take into account AXA IM's business strategy, objectives, risk tolerance, and the long-term interests of AXA IM's clients, shareholders and employees. It also seeks to ensure sound and effective risk management and behaviour which is consistent with the risk profile, strategy, objectives and values of the managed portfolios.

AXA IM's Risk Management Department validates and assesses risk-adjustment techniques (which are used in assessing performance, determining AXA IM target variable pay and ex post risk adjustment) taking into consideration all relevant types of current and future risks – including financial and non-financial (e.g. reputation, conduct and client outcomes).

Variable remuneration must account for appropriate qualitative criteria, such as sound and effective risk management (including regulatory compliance) and client service that delivers fair, high-quality outcomes.

Risk and compliance factors, including adherence to risk and compliance policies, are taken into account to determine the target variable pay for employees in investment platforms, including investment professionals and portfolio managers.

In 2021, the sustainability risk (an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment) has been integrated into the Remuneration Policy. As of January 2021, individual objectives for investment teams include elements related to the sustainability risk framework and updated investment processes include the monitoring of these risks.

In the 2021 version of the Remuneration Policy, the importance of equality has been re-emphasised. AXA IM must make remuneration decisions that are consistent and free from discrimination or irrelevant personal factors such as age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status or disability.

Third-party service providers and due diligence

We use the research of ESG specialists like MSCI, Sustainalytics, Vigeo and Institutional Shareholder Services (ISS) to complement the information provided by AXA IM proprietary ESG scores. A thorough due diligence process is in place for the selection of these providers, involving quantitative experts as well as investment and risk teams, and we regularly meet with the providers over the duration of our partnership, to review, propose or challenge methodological evolutions. We are particularly attentive to the limitations in methodologies, linked to the unavailability of comparable, exhaustive data reported by issuers.³⁸

Investment professionals also have access to external qualitative research through brokers, for instance.

AXA IM third-party providers

ESG Data Provider	Expertise	ESG Scores and Company Research	ESG Raw Data & KPIs	Start Date
Sustainalytics	Controversies Analysis	✓	✓	11/2012
Vigeo-EIRIS	Strong expertise in social issues and European small & mid cap	✓		09/2007 07/2004
GMI – MSCI	Strong expertise in Governance issues	✓	✓	04/2004
Trucost S&P	Full range of Quantitative Environmental KPIs		✓	03/2012
Carbon 4	Offers a climate risk package	Only used for Green Bonds reporting		01/2017
ISS – Ethix	Offers expertise across a full range of environmental, social and governance (ESG) issues	✓		01/2003 02/2011
ISS – Oekom	Expertise in Impact analysis	✓		06/2018
Carbon Delta	Expertise in Climate analysis	✓	✓	11/2018
Beyond Ratings	Expertise in Climate analysis	✓	✓	08/2018
Bloomberg ESG	ESG KPIs. Used for investment and reporting purposes		✓	12/2018
Ethifinance	Strong expertise in European micro and small caps	✓	✓	03/2019
Iceberg Data Lab	Biodiversity-related data			01/2021

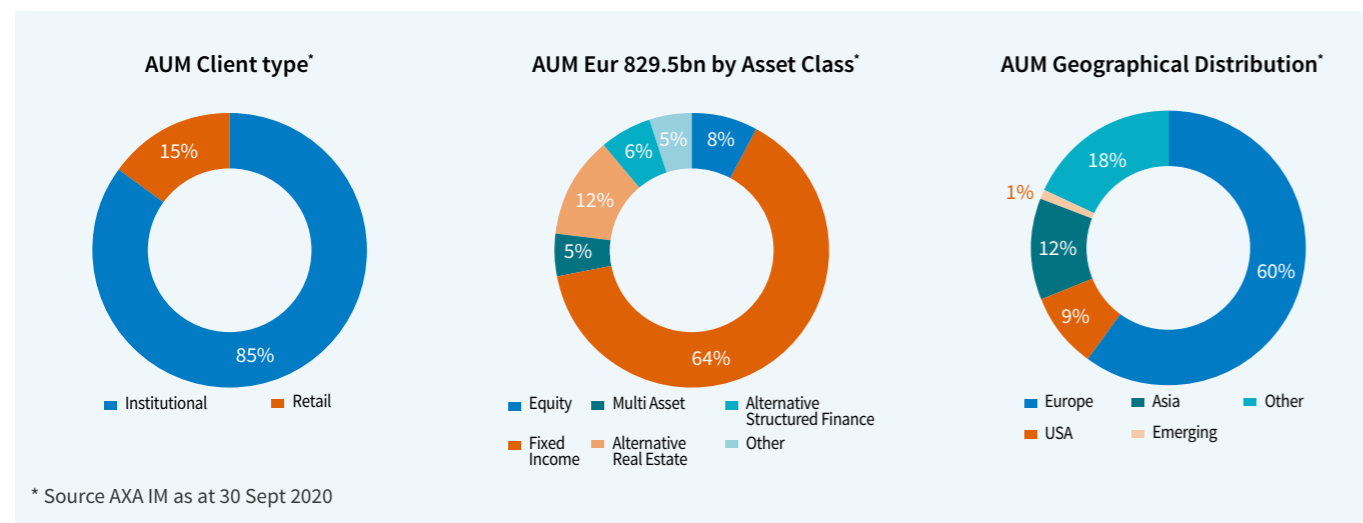
³⁸ The ESG data used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonised definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar but which should be distinguished because their calculation method may be different

Supporting Client Needs

We believe it is vital to communicate with clients in the most transparent and comprehensive way possible in order to give them a complete analysis of responsible investment and help them understand it. All the main financial and non-financial information on every fund that has integrated ESG criteria into its investment process is available on our Fund Centre. This is in accordance with the regulations governing undertakings for collective investment (UCIs) and Article 173 of the Energy Transition for Green Growth Act.

To help our clients measure the integration of ESG criteria into funds and to communicate in a clear and transparent manner, AXA IM has taken the initiative to display three ESG indicators in Business-to-Business and Business-to-Consumer reports for all our funds. The ESG score (absolute and relative) and the Carbon Footprint (CO2 relative intensity) are integrated into our reports and have been since January 2019.

AXA IM At a Glance – A breakdown of the assets under management across asset classes and geography:



Company level

The following content is available on our website:

- Annual and mid-year Active Ownership and Stewardship Report
- Annual TCFD and Article 173 report
- Annual Principles for Responsible Investment (PRI) report
- Policies

Going into more detail about our stewardship reports, we are committed to provide transparency and regular reporting on active ownership, both internally and externally. AXA IM's RI activities are published and available publicly. Our full voting records are accessible publicly and detail how we voted

at general meetings of companies held on our clients' behalf. In addition, we publish annual and mid-year Active Ownership and Stewardship Reports which include information on RI issues, engagement with companies, and aggregated voting records for the relevant period.

We also provide bespoke and customised reports aligned with specific client requests – the decision whether to make the report public or private is made by the clients. This includes a statistical overview and analysis of engagements conducted including breakdowns by theme and by the UN SDGs. There is also information on progress made through engagement and details of where we consider success has been achieved. We also provide a list of all issuers engaged with and on which specific themes.

Fund level

We have mentioned broader fund content above. For **open-ended funds** classed as sustainable and impact in the AXA IM range³⁹, the following content is made available to clients on our Fund Centre:

- Transparency code
- Voting Report (for equity and multi asset funds only) – with the AGMs voted and rationales for any vote against the management
- ESG Report
- Engagement Report
- Legal documentation (prospectus, KIID, annual reports, semi annual reports)
- Monthly comments from the portfolio manager

On top of this standard reporting, an RI newsletter is sent quarterly to clients. The objective of this newsletter is to inform clients about responsible investment topics. The RI newsletter is a summary of the latest developments in responsible investment/ESG in the market and more specifically within AXA IM.

In addition, we communicate with our clients on an ad-hoc basis about the evolution of our responsible investment policies and practices.

At AXA IM, we regularly use our social media channels and website to communicate with our clients. The thematic and ESG research papers written by our RI analysts and our AXA IM RI policies are published on our global website and relayed on our social networks. Recent research highlights have included papers on biodiversity⁴⁰ and climate change⁴¹.



³⁹ Those open-ended funds are categorised as products which promote ESG characteristics ("Article 8") or which have sustainable investment as their objective ("Article 9") according to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Details of our RI categories are available on the AXA IM website.

⁴⁰ Why agriculture threatens biodiversity, and how responsible investors can respond. AXA IM. [Sept 2020](#).

⁴¹ Climate Alignment Principles: How to invest in line with a +1.5 °C goal. AXA IM. [Dec 2020](#).

Public Policy

At AXA IM we adhere to the principles, standards and codes which govern the policies and practices in the markets where we are active.

We work with regulatory authorities and policymakers to ensure that public policy supports an investment environment which takes seriously sustainability and responsible investment issues. In addition, AXA IM is an active member of several industry initiatives – at global and local level – which pursue the same objective. Involvement with policymakers and industry groups is a key part of our active ownership and stewardship strategy.

As interest in ESG grows among clients and regulators in many geographies,

the need for common, clear and usable standards is a top priority for the financial industry. This forms an important area for our public policy engagement. We actively participate in industry bodies, and interact with regulators to share our views on sustainability-related regulatory changes – in 2020 this led us to focus notably on the revision of the Non-Financial Reporting Directive, and on the definition and implementation of the Sustainable Finance Disclosure Regulation. For those regulations, we worked closely with industry associations in France and at

European Union level, with industry groups such as Sustainability Accounting Standards Board (SASB) and submitted our own responses to the related consultations.

We adopt a selective approach when deciding which initiatives we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, so we use a combination of collective and individual engagement. In 2020, we contributed to and supported a number of initiatives. A list of these can be found on page 38.

Systemic risk, extra-financial risk and climate risk

AXA IM's approach to sustainability risks is derived from the deep integration of ESG criteria in our research and investment processes. AXA IM has implemented a framework to integrate sustainability risks in investment decisions based on:

- Sectorial and normative exclusions – in order to manage ESG and sustainability tail-risks, we have implemented a series of exclusion-based policies across our assets. All our policies are available on our website⁴²
- Proprietary scoring methodologies

Our climate strategy, organised around four pillars, is aligned with the framework proposed by the TCFD:

- Screening and risk management
- Reporting and integration in portfolio management
- Active ownership (proxy voting and engagement)

We are deeply committed to tackling the impact of climate-related risks and as a large investor we have a role to play in

limiting global warming. We believe it is our duty to provide the relevant expertise to help our clients better understand climate change and how it may impact their portfolios, and to support them in adapting their investment decisions accordingly. As part of mandatory disclosure requirements, we publish a combined Article 173 – TCFD report⁴³. Here we report on our ESG methodologies and tools, on the contribution of our investments to emissions and on how we measure climate risks and opportunities through quantitative indicators such as warming potential, as well as the ESG score by asset class.

Accountability

AXA IM's Management Board is accountable for the responsible investment (RI) strategy across the organisation, including focusing on the integration of relevant RI considerations into our investment and stewardship processes, and it regularly reviews the strategy and stewardship undertaken across the business. This implementation strategy is endorsed by the Executive Committee.

AXA IM has also established three major ESG committees: The RI Strategic Committee, the Corporate Governance Committee and the ESG Monitoring and Engagement Committee which all play a key role in reviewing and approving the annual and mid-year Active Ownership Reports. The committees also play a crucial part in reviewing and approving relevant policies and processes related to RI and stewardship.

Internal controls ensure alignment with the AXA IM Responsible Investment Policy, the AXA IM

Corporate Governance & Voting Policy, the AXA IM Conflicts of Interest Policy and other relevant policies. These are also monitored and reviewed by internal compliance teams and subject to periodic internal audit.

In addition to this, AXA IM manages a range of strategies for which the level of ESG integration is significantly deeper, with specific sustainable objectives that are regularly monitored. These open-ended vehicles are categorised as products which have sustainable investment as their objective ("Article 9") according

to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Details of our RI categories are available on the AXA IM website.

An annual audit is performed by external auditors on the vast majority of these funds to ensure adherence with those objectives, and to ensure that engagement and stewardship responsibilities are fully met.



⁴² [Exclusion Policies](#). AXA IM Global

⁴³ [Article 173 – TCFD combined report](#). AXA IM

Issuers engaged in 2020

We view engagement as a fundamental part of our role as active investors. As such, our engagements focus on those ESG issues which we consider to be the most strategically and financially material for the long term. Our goal is to work closely with executives to ensure that threats are addressed before they damage investor value.

The list below details the issuers with which we engaged in 2020. We are fully transparent about our voting activities. The full 2020 voting record can be found [here](#).

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Australia Government Bond	Australia	✓	✓	✓	✓	✓		✓
Australia & New Zealand Banking Group Ltd	Australia	✓					✓	
Commonwealth Bank of Australia	Australia	✓		✓	✓		✓	✓
CSL Ltd	Australia			✓	✓	✓		
IDP Education Ltd	Australia				✓			
Macquarie Group Ltd	Australia						✓	
National Australia Bank Ltd	Australia	✓					✓	
Westpac Banking Corp	Australia	✓		✓			✓	✓
ANDRITZ AG	Austria			✓			✓	
Republic of Austria	Austria	✓	✓	✓	✓	✓		✓
Befimmo SA	Belgium			✓			✓	
Kingdom of Belgium	Belgium	✓	✓	✓	✓	✓		✓
Groupe Bruxelles Lambert SA	Belgium						✓	
Ontex Group NV	Belgium						✓	
Federative Republic of Brazil	Brazil	✓	✓	✓	✓	✓		✓
Petroleo Brasileiro SA	Brazil	✓	✓				✓	
Bulgaria Government Bond	Bulgaria	✓	✓	✓	✓	✓		✓
Canada Government International Bond	Canada	✓	✓	✓	✓	✓		✓
Toronto-Dominion Bank/The	Canada	✓						
Banco del Estado de Chile	Chile		✓	✓	✓			
Republic of Chile	Chile	✓	✓	✓	✓	✓		✓
Agricultural Development Bank of China	China	✓						
Alibaba Group Holding Ltd	China				✓		✓	
Baidu Inc	China			✓	✓		✓	
CGN Power Co Ltd	China	✓						
People's Republic of China	China	✓	✓	✓	✓	✓		✓
CPMC Holdings Ltd	China	✓	✓		✓			
Ctrip.com International Ltd	China			✓				
ICBC Financial Leasing Co Ltd	China	✓						
JD.com Inc	China				✓		✓	
Ping An Insurance Group Co of China Ltd	China			✓				
TAL Education Group	China			✓				
Tencent Holdings Ltd	China			✓	✓		✓	
Yum China Holdings Inc	China			✓				

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Republic of Colombia	Columbia	✓	✓	✓	✓	✓		✓
Ecopetrol SA	Columbia	✓	✓				✓	
Danske Bank A/S	Denmark	✓		✓	✓			✓
AP Moller - Maersk A/S	Denmark	✓	✓				✓	
Novo Nordisk A/S	Denmark					✓		
Orsted A/S	Denmark	✓	✓					
Arab Republic of Egypt	Egypt	✓						
Republic of Finland	Finland	✓	✓	✓	✓	✓		✓
Fortum Oyj	Finland	✓	✓				✓	
Nordic Investment Bank	Finland	✓					✓	
Valmet Oyj	Finland	✓	✓	✓			✓	
Albioma SA	France	✓	✓				✓	
Credit Agricole SA	France						✓	
Air France-KLM	France	✓	✓	✓			✓	
Air Liquide SA	France	✓	✓				✓	
Arkema SA	France	✓	✓		✓			
Atos SE	France	✓		✓			✓	
Banque Federative du Credit Mutuel SA	France	✓	✓					
Danone SA	France	✓	✓					
BNP Paribas SA	France			✓			✓	✓
BPCE SA	France	✓						
Caisse des Depots et Consignations	France	✓				✓		
Carrefour	France	✓					✓	
Council Of Europe Development Bank	France	✓						
Covivio	France				✓		✓	
Vinci SA	France	✓	✓				✓	
Dassault Systemes SE	France				✓		✓	
Edenred	France						✓	
Electricite de France SA	France	✓						
Elior Group SA	France						✓	✓
Engie SA	France	✓	✓				✓	
Europcar Mobility Group	France	✓					✓	
La Francaise des Jeux SAEM	France			✓			✓	
French Republic	France	✓	✓	✓	✓	✓		✓
Gaztransport Et Technigaz SA	France	✓	✓	✓			✓	
ICADE	France	✓	✓				✓	
Region of Ile de France	France	✓						
Iliad SA	France			✓				
Ingenico Group SA	France						✓	
Kering SA	France		✓	✓	✓		✓	
Natixis SA	France			✓			✓	
Korian SA	France			✓			✓	

Issuers engaged in 2020 (continued)

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Klepierre SA	France			✓			✓	
Legrand SA	France			✓			✓	
Maisons du Monde SA	France			✓			✓	
Mercialys SA	France			✓			✓	
Cie Generale des Etablissements Michelin SCA	France			✓			✓	
Lagardere SCA	France			✓			✓	
Metropole Television SA	France			✓			✓	
Neoen SA	France	✓	✓	✓	✓		✓	
Nexans SA	France			✓			✓	
Nexity SA	France	✓		✓			✓	
Orange SA	France	✓		✓			✓	
Orpea	France			✓			✓	
L'Oreal SA	France			✓			✓	
Peugeot SA	France			✓				
Regie Autonome des Transports Parisiens	France	✓						
Teleperformance	France			✓	✓		✓	
TF1	France			✓				
Renault SA	France	✓	✓		✓		✓	
SNCF Reseau	France	✓						
Pernod Ricard SA	France			✓	✓	✓	✓	
Sanofi	France			✓	✓	✓	✓	
Suez SA	France						✓	
Societe Generale SA	France	✓						
Societe Du Grand Paris EPIC	France	✓						
Sopra Steria Group	France			✓			✓	
Schneider Electric SE	France	✓	✓					
Sodexo SA	France		✓	✓	✓			✓
Tarkett SA	France	✓	✓					
TOTAL SA	France	✓	✓	✓	✓		✓	
Ubisoft Entertainment SA	France			✓				
Unibail - Rodamco - Westfield	France			✓			✓	
Veolia Environnement SA	France						✓	
Vivendi SA	France			✓			✓	
Worldline SA/France	France				✓		✓	
adidas AG	Germany			✓				
Vonovia SE	Germany			✓				
alstria office REIT-AG	Germany	✓	✓				✓	
BASF SE	Germany	✓	✓					
Bayer AG	Germany					✓		
Bayerische Motoren Werke AG	Germany			✓				
HUGO BOSS AG	Germany			✓				
Continental AG	Germany			✓				

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Covestro AG	Germany	✓					✓	
Daimler AG	Germany	✓	✓					
Deutsche Bank AG	Germany	✓	✓	✓				✓
Deutsche Hypothekenbank AG	Germany	✓						
EnBW Energie Baden-Wuerttemberg AG	Germany	✓					✓	
Federal Republic of Germany	Germany	✓	✓	✓	✓	✓		✓
Henkel AG & Co KGaA	Germany	✓		✓			✓	
LEG Immobilien AG	Germany			✓			✓	
LANXESS AG	Germany			✓				
Merck KGaA	Germany					✓		
Muenchener Rueckversicherungs Gesellschaft AG in Muenchen	Germany	✓						
Nemetschek SE	Germany			✓				
NRW Bank	Germany			✓	✓			
RWE AG	Germany	✓	✓	✓	✓		✓	
SAP SE	Germany	✓			✓		✓	
Siemens AG	Germany				✓			✓
TAG Immobilien AG	Germany			✓				
Volkswagen AG	Germany	✓			✓		✓	✓
Republic of Guatemala	Guatemala			✓				
AIA Group Ltd	Hong Kong			✓			✓	
Hungary	Hungary	✓	✓	✓	✓	✓		✓
Apollo Hospitals Enterprise Ltd	India			✓				
Aurobindo Pharma Ltd	India					✓		
Bandhan Bank Ltd	India			✓				
Cipla Ltd/India	India					✓		
Dr Lal PathLabs Ltd	India			✓	✓			
Future Retail Ltd	India			✓				
Godrej Consumer Products Ltd	India			✓				
HDFC Bank Ltd	India			✓				
Housing Development Finance Corp Ltd	India			✓				
Novelis Inc/Old	India	✓	✓				✓	
ICICI Bank Ltd	India			✓				
Infosys Ltd	India			✓				
Marico Ltd	India			✓	✓			
Reliance Industries Ltd	India			✓	✓			
State Bank of India	India	✓	✓					
Tata Consultancy Services Ltd	India			✓				
Zee Entertainment Enterprises Ltd	India			✓				
Bank Rakyat Indonesia Persero Tbk PT	Indonesia		✓	✓				
Endo International PLC	Ireland					✓		
Kingspan Group PLC	Ireland						✓	
Kerry Group PLC	Ireland						✓	

Issuers engaged in 2020 (continued)

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Radware Ltd	Israel						✓	
Assicurazioni Generali SpA	Italy						✓	
Buzzi Unicem SpA	Italy	✓					✓	
DiaSorin SpA	Italy			✓				
Enel SpA	Italy	✓		✓				
Eni SpA	Italy	✓	✓				✓	
Ferrovie dello Stato Italiane SpA	Italy	✓						
FinecoBank Banca Fineco SpA	Italy	✓	✓				✓	
Infrastrutture Wireless Italiane SpA	Italy			✓				
Intesa Sanpaolo SpA	Italy	✓	✓	✓				
Republic of Italy	Italy	✓	✓	✓	✓	✓		✓
Prysmian SpA	Italy	✓					✓	
Snam SpA	Italy	✓					✓	
Calbee Inc	Japan			✓				
Daiichi Sankyo Co Ltd	Japan					✓		
Eisai Co Ltd	Japan			✓	✓	✓		
FANUC Corp	Japan			✓			✓	
Fujitsu Ltd	Japan			✓				
Japan	Japan	✓	✓	✓	✓	✓		✓
Kao Corp	Japan			✓				
Kirin Holdings Co Ltd	Japan						✓	
Mitsubishi Corp	Japan			✓				
Mizuho Financial Group Inc	Japan	✓						
Nomura Holdings Inc	Japan			✓				
NTT DOCOMO Inc	Japan			✓	✓			
Shiseido Co Ltd	Japan			✓				
SoftBank Group Corp	Japan			✓			✓	
Sumitomo Mitsui Financial Group Inc	Japan	✓		✓				
Takeda Pharmaceutical Co Ltd	Japan			✓		✓		
Toyota Motor Corp	Japan	✓		✓			✓	
Astellas Pharma Inc	Japan					✓		
Yushin Precision Equipment Co Ltd	Japan			✓				
Republic of Kazakhstan	Kazakhstan	✓	✓	✓	✓	✓		✓
Kuwait International Government Bond	Kuwait	✓	✓	✓	✓	✓		✓
Republic of Lithuania	Lithuania	✓	✓	✓	✓	✓		✓
European Investment Bank	Luxembourg	✓					✓	
United Mexican States	Mexico	✓				✓		
Kingdom of Morocco	Morocco	✓	✓	✓	✓	✓		✓
Euronext NV	Netherlands				✓		✓	
Louis Dreyfus Co BV	Netherlands	✓	✓		✓			
Kingdom of the Netherlands	Netherlands	✓	✓	✓	✓	✓		✓
Koninklijke Philips NV	Netherlands						✓	✓

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Royal Dutch Shell PLC	Netherlands	✓	✓				✓	
Stedin Holding NV	Netherlands	✓	✓					
TenneT Holding BV	Netherlands	✓						
New Zealand Government Bond	New Zealand	✓	✓	✓	✓	✓		✓
Equinor ASA	Norway	✓	✓				✓	
Republic of Peru	Peru	✓	✓	✓	✓	✓		✓
Asian Development Bank	Philippines	✓						
Republic of the Philippines	Philippines	✓	✓	✓	✓	✓		✓
Republic of Poland Government Bond	Poland	✓	✓	✓	✓	✓		✓
EDP - Energias de Portugal SA	Portugal	✓	✓				✓	✓
Portuguese Republic	Portugal	✓	✓	✓	✓	✓		✓
State of Qatar	Qatar	✓	✓	✓	✓	✓		✓
Republic of Korea	Republic of Korea	✓	✓	✓	✓	✓		✓
Korea Electric Power Corp	Republic of Korea	✓						
Romania	Romania	✓	✓	✓	✓	✓		✓
Gazprom PJSC	Russia	✓	✓				✓	
Rosneft Oil Co PJSC	Russia	✓						
United Co RUSAL PLC	Russia	✓					✓	✓
Russian Federation	Russia	✓	✓	✓	✓	✓		✓
Saudi Arabian Oil Co	Saudi Arabia	✓						
Kingdom of Saudi Arabia	Saudi Arabia	✓	✓	✓	✓	✓		✓
Slovak Republic	Slovakia	✓	✓	✓	✓	✓		✓
Republic of Slovenia	Slovenia	✓	✓	✓	✓	✓		✓
Amadeus IT Group SA	Spain				✓		✓	
Iberdrola SA	Spain	✓	✓	✓			✓	
Autonomous Community of Madrid Spain	Spain	✓	✓					
Repsol SA	Spain	✓	✓				✓	
Banco Santander SA	Spain				✓		✓	
Siemens Gamesa Renewable Energy SA	Spain		✓	✓	✓			✓
Kingdom of Spain	Spain	✓	✓	✓	✓	✓		✓
Telefonica SA	Spain						✓	
Avanza Bank Holding AB	Sweden						✓	✓
Kommuninvest I Sverige AB	Sweden			✓	✓			
Sweden Government Bond	Sweden	✓	✓	✓	✓	✓		✓
Kingdom of Sweden	Sweden	✓						
Swedbank AB	Sweden						✓	✓
Tele2 AB	Sweden			✓				
Vattenfall AB	Sweden	✓	✓					
Volvo AB	Sweden	✓						
Belimo Holding AG	Switzerland	✓					✓	
BKW AG	Switzerland	✓					✓	
Glencore PLC	Switzerland	✓	✓		✓			

Issuers engaged in 2020 (continued)

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
LafargeHolcim Ltd	Switzerland	✓					✓	
Nestle SA	Switzerland	✓	✓					
Novartis AG	Switzerland					✓	✓	✓
Roche Holding AG	Switzerland					✓		
Swiss Confederation	Switzerland	✓	✓	✓	✓	✓		✓
Emirate of Abu Dhabi United Arab Emirates	United Arab Emirates	✓	✓	✓	✓	✓		✓
AstraZeneca PLC	United Kingdom	✓	✓			✓		
Barclays PLC	United Kingdom	✓					✓	
BAE Systems PLC	United Kingdom						✓	
Tritax Big Box REIT PLC	United Kingdom	✓						
BP PLC	United Kingdom	✓	✓				✓	
Burberry Group PLC	United Kingdom	✓	✓	✓	✓			
Central Asia Metals PLC	United Kingdom			✓			✓	
Cadent Finance PLC	United Kingdom	✓	✓				✓	
European Bank for Reconstruction & Development	United Kingdom	✓	✓	✓	✓		✓	
easyJet PLC	United Kingdom	✓						
GlaxoSmithKline PLC	United Kingdom					✓	✓	✓
Linde PLC	United Kingdom	✓	✓		✓		✓	
Lloyds Banking Group PLC	United Kingdom			✓	✓		✓	
National Grid PLC	United Kingdom	✓	✓					
Ocado Group PLC	United Kingdom				✓		✓	
Persimmon PLC	United Kingdom			✓	✓		✓	
Rio Tinto Ltd	United Kingdom	✓	✓				✓	
Rolls-Royce Holdings PLC	United Kingdom	✓			✓		✓	✓
Segro PLC	United Kingdom	✓	✓					
St James's Place PLC	United Kingdom			✓				
Thames Water Utilities Ltd	United Kingdom	✓	✓					
United Kingdom of Great Britain and Northern Ireland	United Kingdom	✓	✓	✓	✓	✓		✓
Unilever NV	United Kingdom		✓					
Sabre Insurance Group PLC	United Kingdom						✓	
Airtel Africa PLC	United Kingdom				✓			
Anglo American PLC	United Kingdom	✓					✓	
Apple Inc	United States				✓		✓	
AbbVie Inc	United States					✓		
Abbott Laboratories	United States					✓		
Archer-Daniels-Midland Co	United States	✓	✓		✓		✓	
Amazon.com Inc	United States	✓	✓	✓	✓		✓	
Bunge Ltd	United States	✓	✓		✓			
Bausch Health Cos Inc	United States					✓	✓	
Booking Holdings Inc	United States				✓		✓	

ISSUER	COUNTRY	CLIMATE CHANGE	RESOURCE & ECOSYSTEMS	HUMAN CAPITAL	SOCIAL RELATIONS	PUBLIC HEALTH	CORPORATE GOVERNANCE	BUSINESS ETHICS
Bristol-Myers Squibb Co	United States					✓		
Cheesecake Factory Inc/The	United States			✓			✓	
Cargill Inc	United States	✓	✓		✓			
Clorox Co/The	United States			✓				
CVS Health Corp	United States			✓		✓	✓	
Dow Inc	United States	✓	✓					
eBay Inc	United States				✓		✓	
Edison International	United States			✓			✓	
Enable Midstream Partners LP	United States			✓			✓	
Facebook Inc	United States				✓		✓	
Gilead Sciences Inc	United States					✓		
General Mills Inc	United States		✓		✓	✓		
General Motors Co	United States	✓					✓	
Alphabet Inc	United States	✓			✓		✓	
Goldman Sachs Group Inc/The	United States			✓			✓	
International Finance Corp	United States					✓		
Johnson & Johnson	United States				✓	✓	✓	✓
JPMorgan Chase & Co	United States			✓			✓	
Microsoft Corp	United States				✓		✓	
Murphy USA Inc	United States	✓	✓				✓	
Mylan NV	United States					✓		
Netflix Inc	United States				✓		✓	
ServiceNow Inc	United States				✓		✓	
Oracle Corp	United States				✓		✓	
Ovintiv Inc	United States	✓	✓	✓			✓	
Pfizer Inc	United States	✓				✓		
Procter & Gamble Co/The	United States		✓	✓	✓		✓	
PTC Inc	United States				✓		✓	
Valvoline Inc	United States	✓	✓					
Verizon Communications Inc	United States	✓						
Wells Fargo & Co	United States			✓			✓	✓
Williams Cos Inc/The	United States	✓					✓	
Walmart Inc	United States	✓		✓	✓			
United States of America	United States	✓	✓	✓	✓	✓		✓
Oriental Republic of Uruguay	Uruguay	✓	✓	✓	✓	✓		✓

Regulatory Review

The UK Stewardship Code

Purpose and governance	
1. Purpose, strategy and culture	3
2. Governance, resources and incentives	30-31
3. Conflicts of interest	22
4. Promoting well-functioning markets	34, Appendices
5. Review and assurance	35
Investment approach	
6. Client and beneficiary needs	32-33
7. Stewardship, investment and ESG integration	24-29
8. Monitoring managers and service providers	22, 31
Engagement	
9. Engagement	4-16
10. Collaboration	16, 46-50
11. Escalation	17
Exercising rights and responsibilities	
12. Exercising rights and responsibilities	18-23

PRI

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.	24-29
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.	4-23
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.	24-29, 30, 34, Appendices
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.	4, 50, AXA IM website
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.	Assessment Report
Principle 6: We will each report on our activities and progress towards implementing the Principles.	Assessment Report

Japanese Stewardship Code

1. Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	Full Report
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	22
3. Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	14-17, 24-29
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	4-13
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	18-23, voting disclosure site
6. Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	Full report
7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	30-35
8. Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	N/A

Responsible Investment Research and Publications 2020



- [How will investors tailor portfolios to tackle the climate crisis?](#)
- [How have the UN SDGs helped to change the investment landscape?](#)
- [How does AXA-IM adapt portfolios to reflect the transition theme?](#)
- [Bringing an ‘impact’ mindset to listed equities](#)
- [Coronavirus: How ESG scores signalled resilience in the Q1 market downturn](#)
- [How responsible investing standards and policies affect returns](#)
- [COVID-19: Greening the recovery](#)
- [COVID-19: How a new breed of bonds can help finance the fight](#)
- [COVID-19: Has your workplace changed forever?](#)
- [AXA IM Taskforce for Climate-related Financial Disclosure Report highlights](#)
- [Strategic Asset Allocation for a +1.5°C World: a proposed framework](#)
- [COVID-19: Stewardship and the pandemic](#)
- [ESG and financial returns: The academic perspective](#)
- [2020 Proxy Voting Season Review: Beyond ‘business as usual’](#)
- [Why agriculture threatens biodiversity, and how responsible investors can respond](#)
- [COVID-19: Accelerating the energy transition](#)
- [Impact Engagement Principles: Delivering on the UN SDGs](#)
- [Green bonds: How active management aims to make the most of a dynamic sector](#)
- [COVID-19: Investors find new ways to drive positive social outcomes](#)
- [Climate Alignment Principles: How to invest in line with a +1.5°C goal](#)

Investor initiatives supported in 2020

	Involvement
<p>Human Capital</p> <p>Investor Statement on Luxury, Transparency and Living Wage</p> <p>Letter to call for increased transparency around the identification and management of material ESG issues in the luxury industry (operations and supply chains) with a special effort on the living wage. The letter also called for more collaboration on supply chains between brands, investors and stakeholders.</p>	Co-signatory
<p>Tech</p> <p>Tech giants and human rights: Investor expectations</p> <p>Statement developed by the Swedish Council on Ethics of the Swedish national pension funds and the Danish Institute for Human Rights. It calls for big tech companies to integrate human rights into board oversight, business strategy and policies, and into risk management. It also presses tech companies to disclose and report on human rights, as well as to interact on these issues with stakeholders, policymakers and regulators.</p>	Co-signatory
<p>Human Capital</p> <p>Human Capital Research Project (SASB)</p> <p>The Human Capital Research Project aims to assess the scope and prevalence of various human capital management themes across the SASB's 77 industry standards; the final step being for SASB to publish a new version of its human capital framework. AXA IM participated in one key consultation phase designed to seek key stakeholder feedback on issues presented in the preliminary framework to inform potential revisions to its general issue taxonomy for human capital issues.</p>	Consultation
<p>ESG Data</p> <p>Open Letter to Data Analytics Providers (SASB)</p> <p>Just as we rely on data from financial statements to inform investment decisions, we need equally reliable, transparent ESG information to help inform investment decision-making. The letter invited data providers to meet this market need through the collection and provision of company-reported data, following the SASB framework as well as framework from other leading initiatives from the "Group of 5".</p>	Signatory
<p>Climate</p> <p>Total Climate Action 100+ Joint Statement</p> <p>Investors belonging to the Climate Action 100+ pushed the global energy company Total, through a collaborative engagement, to achieve net zero emissions by 2050, or sooner. Consequently, Total and the Climate Action 100+ members published a joint statement where Total committed to achieve net zero by 2050 across its operations and products (covering scope 1, 2 and 3 emissions) through action plans which will be revised at least every five years.</p>	Signatory
<p>Climate</p> <p>BP Climate Action 100+ Joint Statement</p> <p>Influenced by investor engagement led by the Climate Action 100+, BP announced early in 2020 that it was targeting net zero emissions by 2050, or sooner. To deliver on this, BP said it is reviewing its organisation to embed sustainability in its group-wide strategy. In May, BP and investors within the Climate Action 100+ came up with a new joint statement providing more detail on the decarbonisation strategy implementation plan with the announcement of a decrease in oil and gas production. As investors in the engagement programme, we will continue to ensure BP integrates climate change in its business strategy and look forward the publication of its report illustrating the company's alignment to the Paris Agreement goals.</p>	Signatory

	Involvement
<p>Climate</p> <p>Fortum Investor Coal Engagement Letter</p> <p>In March 2020, investors including AXA IM called on Fortum to stop lobbying against the Paris Agreement, and to phase out coal generation in line with the requirements consistent with a trajectory to meet net-zero emissions by no later than 2050.</p>	Signatory
<p>Climate</p> <p>CA100+/PRI Investor Engagement Guide on Climate for Aviation Companies</p> <p>The PRI and Climate Action 100+ joined forces to call on airlines and aerospace companies to address their climate risks and opportunities. This includes the implementation of action plans and targets for achieving net-zero emissions by 2050. In addition, investors urged airlines and aerospace companies to establish robust strategies for developing and commercialising sustainable alternative aviation fuels and technologies with much lower carbon emissions compared to conventional jet fuels.</p>	Signatory
<p>Human Rights</p> <p>Investor Letter on Indigenous Engagement</p> <p>Following the destruction by Rio Tinto of the 46,000 year old Aboriginal heritage site in Juukan Gorge, we joined an investors' initiative and sent a letter to top mining companies on indigenous community rights and the social license to operate. The investor letter requires companies to provide further information on the action they are taking to understand and manage social risks related to communities at global level. The statement recommends companies in the mining industry consider some risk management principles. Applying these principles should bring more transparency and confidence to investors around how companies are managing their social license to operate.</p>	Signatory
<p>Climate</p> <p>Investors Expectation for Paris-aligned Accounts - IGCC</p> <p>Alongside 38 other investors, we signed a letter to companies operating in the energy, materials and transportation sectors to ask them to align their financial statements with Paris Agreement goals. The letter sets out five steps signatories expect companies to take to ensure climate risks are properly considered in their accounts, including the associated risks.</p>	Signatory
<p>Public policy</p> <p>Non Financial Reporting Directive revision</p> <p>AXA IM responded to the EU Consultation on the Non Financial Reporting Directive revision</p>	Consultation
<p>Public policy</p> <p>Sustainable Finance Disclosure Regulation - Regulatory Technical Standards</p> <p>AXA IM responded to the EU Consultation on the SFDR RTS, along with its parent company</p>	Consultation
<p>Public policy</p> <p>EU Renewed Sustainable Finance</p> <p>AXA IM responded to the EU Consultation on the Renewed Sustainable Finance strategy, along with its parent company</p>	Consultation

Investment industry partnerships and collaborations in 2020

30% Club Investor Group	The 30% Club Investor Group's purpose is to co-ordinate the investment community's approach to diversity. This includes explaining the investment case for more diverse boards and senior management teams, exercising our ownership rights – including voting and engagement – to effect change on company boards and within senior management teams. In addition, it encourages all investors to engage on the issue of diversity with chairs of boards and senior management teams.	“Chair of the French group Member of the UK group”
Access to Medicine Index	The Access to Medicine Index covers seven areas of corporate behaviour. In each one, the Index evaluates 20 of the world's largest research and development-based pharmaceutical companies against a list of responsibilities for improving access to medicine as they enter low and middle-income countries.	“Expert Review Committee member Donor”
Access to Nutrition Initiative	Initiative to support and spur greater investor engagement with companies to address global nutrition challenges and deliver the Sustainable Development Goals.	Member
Association Française de la Gestion Financière (AFG) - Responsible Investment and Corporate Governance Committees	The AFG is the French industry body for asset management.	Member of the RI and CG Committees
CDP (Carbon Disclosure Project)	CDP works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations.	Member
Climate Action 100+	The Climate Action 100+ coalition aims to engage and work with companies and industry members to communicate the need for greater disclosure around climate change risk and company strategies aligned with the Paris Agreement.	Signatory
Climate Bonds Initiative	Climate Bonds Initiative is an international organisation working solely to mobilize the largest capital market of all, the \$100 trillion bond market, to create climate change solutions. It promotes investment in projects and assets necessary for a rapid transition to a low carbon and climate resilient economy.	Member. Particular involvement in the “brown to green initiative”
EC B@B (European Commission Business@ Biodiversity)	The EU Business @ Biodiversity Platform provides a unique forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level. It was set up by the European Commission with the aim to work with and help businesses integrate natural capital and biodiversity considerations into business practices. The EU Community of Practice Finance@Biodiversity workstream will serve as a forum of dialogue between participants to share experiences, raise awareness and promote best practices at EU level on how to integrate biodiversity and natural capital into mainstream financial activities and foster investments in natural capital as a new asset class.	Member
European Fund and Asset Management Association (EFAMA) Stewardship and ESG Standing Committee	The EFAMA is the European industry body for asset management.	Member of the ESG and Stewardship Committees

Eurosif (European Sustainable Investment Forum)	Eurosif's mission is to promote sustainability through European financial markets. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices. Eurosif works as a partnership of Europe-based national Sustainable Investment Fora (SIFs). Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world.	Through member organisations
Finance for Biodiversity "Investor Statement" calling for the creation of biodiversity metrics (Joined 2020)	Call for experts to create biodiversity impact metrics.	Co-lead - Ad hoc initiative
FIR (Forum pour l'Investissement Responsable)	The FIR's purpose is to raise awareness on social and responsible investing, and to encourage investors to integrate social cohesion and sustainable development considerations in their work. The FIR is member of the European network Eurosif.	Chair of the Research commission
GIIN (Global Impact Investing Network)	The GIIN focuses on reducing barriers to impact investment so more investors can allocate capital to fund solutions to the world's most intractable challenges. We do this by building critical infrastructure and developing activities, education, and research that help accelerate the development of a coherent impact investing industry.	Member of the Investor Council Group. Active participant of the Network including speaking at GIIN events on compelling topics
GRESB (Global Real Estate Sustainability Benchmark)	An industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe.	Fund Member, Investor Member, Benchmark Committee member, Infrastructure Debt working group member
ICMA - Climate Transition Finance working group	The Working Group will consider the concept of transition financing in the context of the green bond market.	Co-Chair
ICMA - Green and Social Bond Principles	The Group has an oversight role on the Green Bonds Principles. The Green Bond Principles and Social Bond Principles, as well as the Sustainability Bond Guidelines, referred to as the “Principles”, have become the leading framework globally for issuance of green, social and sustainability bonds.	AXA IM has been at the Executive Committee since 2017 and reelected at the 2019 AGM for 2 years. We also participate actively to the following working groups: Impact Reporting, Green Projects Eligibility and Social Bonds
IIGCC Paris-Aligned Investment Initiative (Joined 2019)	PAII looks at how investors can align their portfolios to the goals of the Paris Agreement.	Member
Net Zero Asset Management Initiative	The Net Zero Asset Managers initiatives will play a critical leadership role in directing the asset management industry towards a net zero future. A signatory commits to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°Celsius. It also commits to support investing aligned with net zero emissions by 2050 or sooner.	Founding Member

Investment industry partnerships and collaborations in 2020 (continued)

One Planet Asset Management WG

Following the 2015 Paris Agreement to collectively mitigate the effects of climate change, the One Planet Summit was held on 12 December 2017, which was followed by the Climate Finance Day, recognising the important role played by this key sector. Given both their influence and long-term investment horizons, SWFs are uniquely positioned to promote long-term value creation and sustainable market outcomes. Accordingly, the “One Planet Sovereign Wealth Fund Working Group” was established at the event in order to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools.

Member

PRI (Principles for Responsible Investment)

The PRI is the world’s leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Member

SASB - Sustainability Accounting Standards Board

The mission of the SASB Foundation is to establish industry-specific disclosure standards across environmental, social, and governance topics that facilitate communication between companies and investors about financially material, decision-useful information.

Member of the Investor Advisory Group

ULI (Urban Land Institute)

The Urban Land Institute, or ULI, is a nonprofit research and education organization with regional offices in Washington, D.C., Hong Kong, and London. Its stated mission is "to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide".

Sustainability council Member

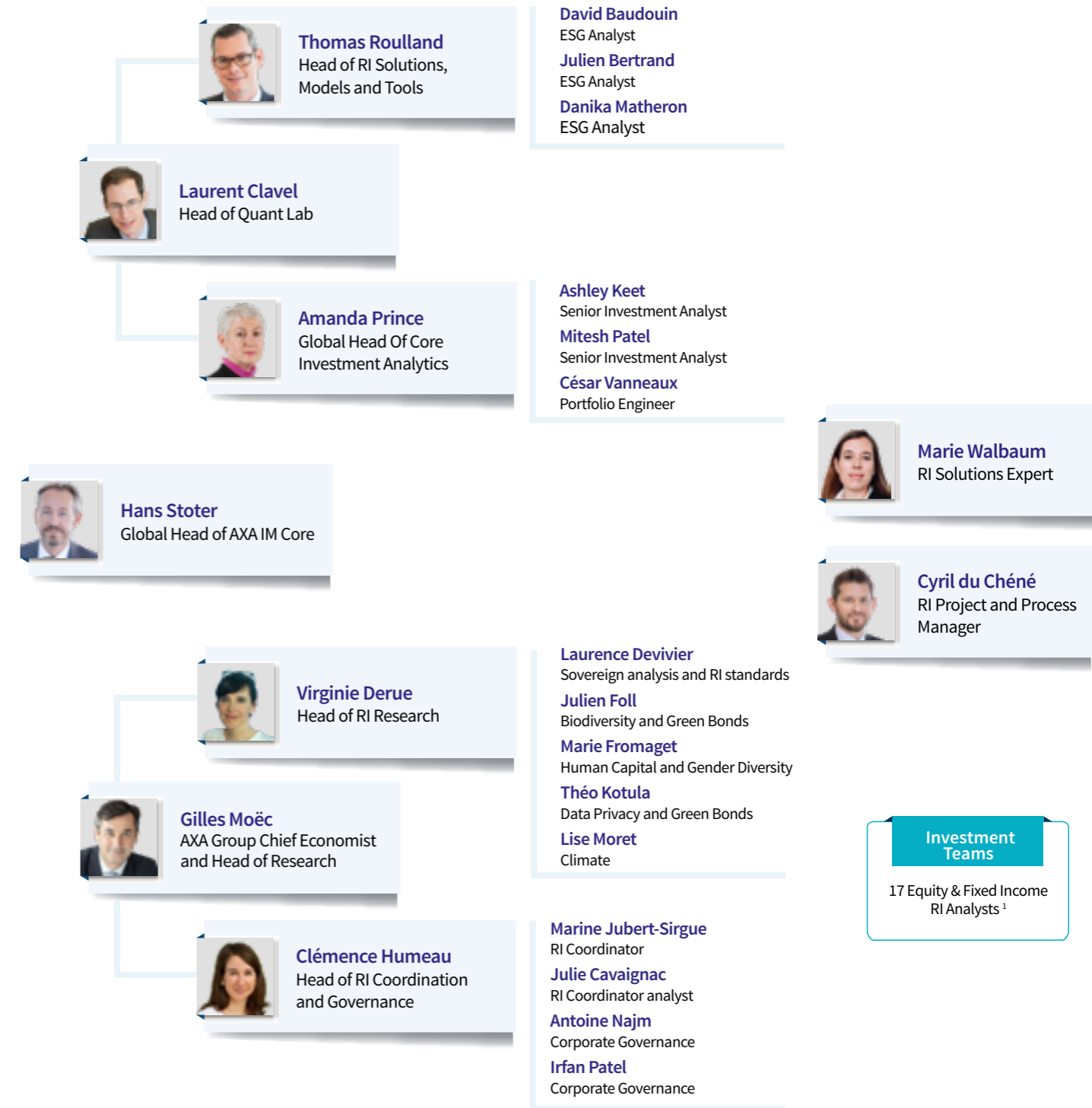
UNEP FI (United Nations Environmental Program Finance Initiative)

Global partnership between UNEP and the financial sector, working with UNEP to understand the impacts of environmental and social considerations on financial performance.

Property working group

RI and Impact Excellence Center

38 dedicated RI professionals embedded within our investment processes



Source AXA IM as of 01/03/2021.

Some resources are shared by the entire AXA IM Organization. There is no assurance that any particular individual will be involved in the management of the portfolio for any given period of time, if at all. We do not guarantee the fact that staff remain employed by AXA Investment Managers and exercise or continue to exercise in AXA Investment Managers.

¹ FTEs who devote at least 70% of their time to ESG analysis and responsible investment.

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