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Conflict of Interests policy in relation to our stewardship activities

The Markets in Financial Instruments Directive (MiFID, 2014/65/UE), Directive 2009/65/EC (UCITS Directive) and Directive 2011/61/EU (AIFM Directive) require from asset managers to take necessary specific arrangements, in terms of organization and controls, to prevent conflicts of interests and, when they cannot be avoided, to identify, manage and monitor them in order to avoid damaging clients' interests and should they arise, disclose these situations of conflicts of interests to the clients.

The UK Stewardship Code 2020 under its third principle provides that its signatories disclose their conflicts[1] policy and how it has been applied to stewardship.

Finally, under the Shareholder Rights Directive, asset managers are required to disclose certain information to unit holders and to some institutional investors in the aim of increasing transparency with regard to their investment strategy.

This information includes whether and, if so, which conflicts-of interests have arisen in connection with engagement activities and how they have been managed.

This document aims at explaining AXA Investment Managers ("AXA IM") entities' approach to conflicts of interests arising from its stewardship activities in listed asset classes and is complementary to AXA IM's general conflict of interests policy.

AXA Investment Managers Paris conflict of interests policy in French is available here: https://particuliers.axa-im.fr/nos-politiques-internes-et-autres-informations-importantes

[1] The UK Stewardship Code 2020 defines a conflict of interest by the following:
"Conflicts may arise as a result of:

- *Ownership structure;*
- *Business relationships between asset owners and asset managers, and/or the assets they manage; • differences between the stewardship policies of managers and their clients;*
- *Cross-directorships;*
- *Bond and equity managers' objectives; and*
- *Client or beneficiary interests diverging from each other."*

AXA Investment Managers UK Limited conflict of interests policy in English is available here: https://retail.axa-im.co.uk/mifid

What is a conflict of interests?

By "conflict of interests" we mean a situation whereby 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 interest of one or several clients, or among those parties. It also pertains to potential conflicts that may occur between AXA IM's clients.
An "interest" means an inducement of any kind, material or immaterial, professional, commercial, financial or personal.

AXA IM undertakes to identify, with reference to the stewardship activities carried out by or on behalf of AXA IM, circumstances which constitute or may give rise to a conflict of interest involving a risk of prejudice to the interests of AXA IM's clients. In response, AXA IM will take all reasonable steps to ensure that such conflicts do not adversely affect the interests of its clients.
AXA IM have identified the following major potential conflicts of interest with respect to its stewardship activities, but are not limited to:

- With its parent company, AXA SA, that owns, controls AXA IM, may have different interests or views from those of AXA IM or its clients, and may try to influence AXA IM's decisions or activities. To prevent this, AXA IM has strict controls and information barriers to protect its independence and integrity.
- With a sponsor company that provides assets to be managed by AXA IM and may have a conflict with AXA IM's clients if AXA IM exercises its proxy voting or engagement rights on behalf of the clients in a way that may affect the sponsor company's interests. To mitigate this, AXA IM delegates the decision making on voting and engagement to governance bodies that are insulated from other business functions.
- With a client that advocates a voting position on a company that is different from the position that AXA IM considers best for its other clients may create a conflict between AXA IM and its clients, or among its clients. To resolve this, AXA IM separates its proxy voting and client relationship functions, and follows its own voting policy and guidelines.
- A company that is a significant distributor of AXA IM's products may have a conflict with AXA IM's clients if AXA IM invests in that company and has to vote or engage on issues that may affect the company's performance or reputation. To avoid this, AXA IM discloses its potential conflicts of interest to its clients and acts in their best interests.
- Between clients an investee company that is also a client of AXA IM may have a conflict with AXA IM's other clients if AXA IM has to vote or engage on issues that may impact the client's interests as a company. To manage this, AXA IM has a clear policy and process for identifying and handling such situations and ensures that its voting and engagement activities are based on objective criteria and analysis.
- AXA IM, or one of its collaborators (or any person or company directly or indirectly linked to them): an investee company where a director, officer or employee of AXA IM is also a director of that company may have a conflict with AXA IM's clients if AXA IM has to vote or engage on issues that may involve the director's role or responsibility. To deal with this, AXA IM has a code of conduct and ethics that requires its directors, officers and employees to disclose and recuse themselves from any potential conflicts of interest, and to act in the best interests of AXA IM and its clients.

Identification and remedial process

In relation to stewardship activities, including engagement and voting, AXA IM has a system for identifying and mapping the various scenarios of conflicts of interest that may arise and that may harm the interests of clients. These guidelines include relationships with listed affiliates such as our parent company, AXA SA, key clients, and significant suppliers.
AXA IM manage conflicts within voting and engagement activities using the following approach:

- Via an engagement programme with clear process for selecting priorities. This engagement programme is supervised and governed by the ESG Monitoring & Engagement Committee and Sustainability Strategic Committee. This seeks to ensure that decisions to engage are aligned with the engagement strategy of AXA IM and are free from any external influence. Engagement priorities at AXA IM are defined and driven at company level, benefiting different investment products, with portfolio managers kept informed through a reporting system and regular discussions in governance forums. Regular dialogue with investee companies around their sustainability practices ("sustainability dialogue") is encouraged for sustainability focused funds, but is different from active engagement with specific, identified objectives ("engagement with objectives"). The overall process is defined in the AXA IM Engagement Policy (LINK)

- Aligning voting and engagement practices with best practice in the markets in which AXA IM operate. Where potential conflicts of interest have been identified, recommendations to vote in support of management resolutions contrary to AXA IM regular policy position will be escalated to the Corporate Governance Committee. Any decision to vote contrary to the policy position will be communicated to compliance teams and supported by a written record. An independent voting advisory service has been appointed to take voting decisions on behalf of our third-party clients at the general meetings of our parent company, AXA SA.
- The Corporate Governance Committee has sole responsibility for making 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 is to ensure that decisions are free from outside influence.

Examples

Voting-Company 1: CEO Remuneration

Situation: We have identified the company as a case where the remuneration granted raised structural concerns and we viewed the CEO's remuneration report as not in line with our voting policy. It was due – among other things – to a significant exceptional award, and a lack of transparency on performance conditions attached to part of the variable pay. It has led us to conclude the materialization of our concerns and the need to translate them to a voting decision.
The company maintains business relationships with AXA SA, our parent company, and one of the board members is a previous senior executive of AXA SA, leading to a situation of conflict of interest.

Identification and mitigation process: Our internal processes had identified the company where a conflict of interests situation arises. As soon as we received the meeting material and voting recommendations from two of our three service providers, we analyzed the resolutions internally and decided to vote against the remuneration report in line with our voting policy, with no deviation.

Outcome: The facts and voting decision were presented to and approved by the Corporate Governance Committee, and the votes were executed accordingly.

Voting Company 2: Board-level diversity

Situation: The level of female representation on the company's board fell below the minimum required by our voting policy, which should have led to a vote against the re-election of the Chair of the Nomination Committee at the 2022 AGM.
We took note of the fact that prior to the AGM, the level of board diversity was above our minimum policy requirement, and that the company has committed to achieve a 40% diversity level by 2023. We therefore decided to vote against our policy position and support the reelection of the Nomination Committee Chair.
The company is a client of AXA IM and we decided to vote contrary to our Voting Policy position, which leads to a conflict of interest.

Identification and mitigation process: The facts and voting decision were communicated to the Compliance teams.

Outcome: We supported the re-election of the Nomination Committee Chair, and a few days before the AGM, the company announced the appointment of a new female director. Thus meeting our policy requirement.

Engagement Company 3

Situation: Our long-standing engagement effort at Company 3 has allowed us to identify climate risk as one of the most important challenges facing the company on the long-term. We have been engaging with the company both individually and via a collaborative initiative. While the company has been taking some positive steps in addressing shareholders' ESG concerns, it was deemed that a major shift in practices will be needed in the future to match actions and commitments. Company 3 has an ongoing business relationship with AXA SA, our parent company, which leads to a situation of conflict of interest.

Identification and mitigation process: Our engagement is proactive and the identified ESG priority was clearly set before any engagement started. This ensured that no conflict was present at that stage. As engagement progresses, milestones were set and reported against to the ESG Monitoring & Engagement Committee. We balanced our engagement results with the analysis of Company 3's Annual General Meeting material and decided to vote on ESG issues in line with the recommendations under our policy and the main policy recommendations issued by proxy advisory firms, and not deviate, recognizing the positive direction of travel and pending future engagement milestone achievements.

Outcome: Engagement prioritization and reporting were presented to the ESG Monitoring & Engagement Committee. The facts and voting decision were presented to and approved by the Corporate Governance Committee, and the votes were executed accordingly. Our voting recommendation was tested against main proxy advisory firms' recommendations on annual general meeting to verify the robustness of our analysis.