



AXA Investment Managers - Engagement Policy

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Table of Contents

- 1. Preamble3
- 2. Engagement.....5
- 3. Reporting and Transparency7
- 4. Collaborative Engagements7
- 5. Voting8

1. Preamble

At AXA IM, we consider investor engagement as a change process where investors seek to improve investee companies' practices with a specific objective in mind. We do this on behalf of our equity and bond holdings.

This can be conducted in a variety of ways but more often than not, it is based around long-term and constructive dialogue between two parties. We systematically track and record the progress of engagement. Where there is little progress, we will escalate the engagement in an appropriate fashion.

We take an active engagement approach, emphasising direct dialogue with companies on sustainability and governance issues that have a material impact on long-term financial performance. We also conduct engagement to contribute to the achievement of societal targets such as those defined by the United Nations' SDGs.

We determine our engagement priorities based on our observation of global market developments and emerging ESG practices. Our engagements are linked to our key thematic focus areas and we principally engage in a proactive fashion.

We use our research and analytical ability to identify issues and companies which most merit engagement. We engage with a view to a company acknowledging the issue and improving its practices before risks materialise opportunities are lost. Where necessary, we also engage in a reactive fashion following controversies or breaches of international norms such as the United Nations Global Compact.

We will seek to meet and engage with representatives from all levels of the investee company. This includes the board, senior management and operational specialists, amongst others.

Some of the key ESG issues which our engagement programme focuses on, but are not limited to include:

- Climate change
- Biodiversity
- Environmental resource and eco-systems
- Human capital and diversity
- Public health
- Labour, customer, supply chain management
- Human rights
- Data privacy and security
- Business ethics
- Corporate governance and executive pay
- Controversies and breaches of international norms

The engagement we do is also framed by the expectations set in the UK Stewardship Code, the UN-backed Principles for Responsible Investment (PRI), the Taskforce for Climate-related Financial Disclosure (TCFD) and the many other industry initiatives which we support. The revised Shareholder Rights Directive (SRD2) also requires asset managers to publicly disclose a shareholder engagement policy.

Whilst the scope of AXA IM's engagement policy applies to traditional listed assets, including equities and fixed income instruments globally, we acknowledge the importance of engagement and transparency across the alternative investment sector, including Real Assets and Structured Finance. These sectors operate in fundamentally different ways and many do not benefit from market norms or benchmarks enjoyed by traditional listed assets.

However, the principles of transparency and performance improvement act as important drivers of change. As part of our integrated approach to responsible investment, each investment team seeks to increasingly engage with their markets to build greater transparency and visibility of underlying performance to enable more effective management.

2. Engagement

Engagement is about change and the AXA IM engagement programme is set up with achievable milestones, deliverables and reporting. We acknowledge changing cultural behaviour rarely happens overnight. Some companies might be more willing to listen to us than others. In most cases, it will need several interactions before reaching any concrete progress.

As a result, at AXA IM We have rolled out a clear process for selecting priorities and a system for tracking engagement progress, with a range of possible outcomes and escalation points.

Selection of Priorities

- Proactive: AXA IM will engage in a pro-active fashion on some of the key ESG issues, highlighted above in page 3, which our engagement programme focuses on.
- Focus list: An evolving list of companies for which intense engagement is expected. The list is extracted from a broad engagement universe put together by investment platforms across asset classes and based on various inclusion criteria. This is the priority list for which we expect regular individual engagement meetings, updates and progresses.
- Reactive: Cases when we need to engage in response to a specific event. These may relate to severe controversies and UNGC (UN Global Compact) breach, negative news flow or ban list updates.
- Opportunistic: 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.

- AGM/Voting Driven: Engagement driven by AGM and voting falls under two main possibilities:

1. Engagement through pre-AGM call: Calls with top leadership and/or the Board of investee companies ahead of the AGM to gain clarity around governance issues and let companies know about our voting intentions at the upcoming AGM.
2. Voting: Voting at company meetings is an important part of how we communicate with investee companies. 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.

Voting may occasionally also be used as an escalation option if we believe that engagement on a thematic issue has stalled.

How we Engage

All the 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 is the most effective way to create change over time.

We seek to engage companies across our thematic in a constructive manner with identified and achievable goals. We challenge companies on their strategy and risks, financial and non-financial performance, and their commitments to strong environmental, social, and governance philosophies.

We seek to engage companies at the most appropriate level for our engagement objective. This may mean we seek to target higher levels of the corporate hierarchy where we feel it is deemed necessary.

Governance Committees

The deployment and success of the engagement efforts across AXA IM is overseen by two Committees:

- *The ESG Monitoring and Engagement Committee*

Committee members include representatives of investment platforms and meetings are held on a quarterly basis. It will review controversies impacting holdings and discuss possible decisions. In some cases, severe controversies will not necessarily translate into an automatic exclusion but will rather call for a dedicated engagement to assess breadth of the controversy and quality of corporate responses. The Committee will ensure coordination of engagement actions, while maintaining the protection of AXA IM ESG standards.

- *The Corporate Governance Committee*

Committee members are drawn from investment teams, RI Research and Active Ownership team, Compliance and Middle Office. Its over-arching role is to oversee AXA IM's corporate governance, stewardship and voting activities in relation to investee companies and ensure clients' rights and obligations are exercised in line with good practice standards. It is the body in charge of updating the Corporate Governance and Voting Policy as well as the Stewardship Policy while making sure they are consistent with market developments. Evolution of thematic voting policy is closely tied to the engagement work that is undertaken.

Tracking, Escalation, and Conclusion

The RI Research and Active Ownership team has established a system for tracking engagement progress, with a range of possible outcomes. We usually leave companies up to 36 months since engagement inception before closing an engagement chapter. An engagement report is uploaded and made visible to all AXA IM investment platforms each and every time an engagement interaction is logged.

Sometimes the engagement stalls and we need to escalate. Escalation of the discussion through other means and/or at other levels of the hierarchy are options we can utilise in order to progress on our engagement asks. These may include:

- Targeting higher level of the corporate hierarchy;
- Collaborating with other investors;
- Co-ordinating with fund managers;
- Voting against resolutions at the AGM; or
- Public policy engagement.

Whilst an engagement may not result in the desired outcome of an engagement initially, this would not automatically lead to a formulaic process of exclusion or under-weight. The engagement result would be discussed and shared in detail with portfolio managers, and it would ultimately be up to the portfolio manager to decide whether to include/under-weight/exclude the name in their portfolio based on their specific investment strategies.

3. Reporting and Transparency

At AXA IM, we are committed to providing transparency and regular reporting on active ownership, both internally and externally.

Every engagement is recorded following the event. We ensure that our engagement activities and their progresses are available across asset classes. The concentration of engagement reports on a dedicated platform is key to provide our internal stakeholders and our clients a fund-specific reporting on engagement.

For external stakeholders and clients, we report on our engagement activities through a dedicated

Active Ownership Report. It is published annually on the AXA IM website and updated periodically within the year. The annual version is also available in French. The intention of this report is to demonstrate the evolution and impact of our engagement programme through our activities during the current year.

For those funds which have met the requirements under the French Label ISR, we will also report on our engagement activities at a fund level.

Lastly, we also have a dedicated Active Ownership section within the Responsible Investment Part of the AXA IM website.

4. Collaborative Engagements

While most of our engagement is based solely on our own efforts, we also believe that collaborating with other likeminded investors and stakeholders can help us to achieve our goals. Indeed, using a collective voice is a powerful engagement tool.

In most cases, we think collaborative initiatives should serve to bolster and not replace individual engagement. This explains our decision to use a well-thought combination of the two.

We adopt a selective approach when deciding which collaborative initiatives we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact.

We seek to take a leadership role as often as possible. In 2019 and 2020, we have been contributing to/or supporting a number of initiatives, such as: Climate Action 100+, 30% Investor Club, Access to Medicine Index, Climate Bonds Initiative etc.

5. Voting

At AXA IM we consider voting to be a crucial aspect of being an active shareholder. It is an important part of the investment process and an opportunity to influence the company. 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 to the companies in which we are invested on our clients' behalf. The Committee's role is to ensure that our votes are pragmatic and take account of the investment perspectives and particular circumstances of relevant companies.

We vote against items at annual meetings where we consider that the specific proposals are not in the best interests of our clients. These include wide-ranging concerns such as 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 when it is not sufficiently progressing, especially as related to our key thematic.

While local best practice codes may adopt different approaches, we expect all companies to seek to closely align with our core global governance principles which set out the fundamentals of corporate governance. AXA IM considers these principles in conjunction with our region-specific policies in our voting and engagement activity, with all companies globally.

AXA IM publicly discloses its voting. It is updated on a quarterly basis and we provide the rationale for why we voted against management. These reports are accessible on our website.

Our voting policy can be found [here](#), or via the Stewardship page on our website.

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