April 2024

AXA IM Stewardship Report 2023

“Our purpose is to act for human progress by investing for what matters. This report is our purpose in action and evidence of our commitment to transparency”

Marco Morelli,
AXA IM Executive Chairman

Contents

Introduction

....
Marco Morelli, AXA IM Executive Chairman
page 3

Engagement, collaboration and escalation

......
Gilles Moëc, AXA Group Chief Economist and AXA IM Head of Research
page 5

Engagement in 2024: Research thematics
Virginie Derue, AXA IM Head of RI Research
page 6

Engagement in 2023: Highlights and data
page 9

Engagement themes:
Climate change, Biodiversity, Gender diversity,
Responsible technology, Social, Governance
page 12

Protecting our shared interests
page 34

Promoting well-functioning markets

Public Policy
Clémence Humeau, AXA IM Head of Sustainability Coordination and Governance
page 40

Voting

Voting: Key 2023 Data
Héloïse Courault, Constance Caillet and **Alexandre Prost**
AXA IM Corporate Governance & Stewardship Analysts
page 44

Voting: Our priorities and plans
page 52

ESG Integration into platforms

Putting ESG to work
Identification of Risks
AXA IM Core
AXA IM Alts
AXA IM Prime
page 54

Governance, resources, incentives and monitoring

How the Responsible Investment team is organised
Inclusion and diversity
Learning and development
Performance management and remuneration
Third-party service providers and due diligence
page 74

Client and beneficiary needs

Supporting client needs
About us and about our funds
page 82

Review and assurance

Accountability
page 85

Appendices

page 87

We remain steadfast in driving progress to a sustainable future

Marco Morelli
AXA IM Executive Chairman

Investment does not have to be a binary choice between sustainability and strong financial performance. Clients need clarity on Responsible Investing (RI) – and they also want to see their assets perform. This 2023 Stewardship Report sets out how AXA Investment Managers works to meet both these goals and how, in doing so, the company reinforces its purpose, 'to act for human progress by investing for what matters'.

As an investor, AXA IM's primary goal is to deliver returns and outcomes for its clients, whilst keeping responsibility central to everything it does. This includes enabling the transition to a more sustainable future and continuing to develop a distinctive industry-leading offering to enable clients to invest in sustainable strategies, or in sectors that will benefit from the transition.

The company also believes that proper consideration of Environmental, Social and Governance (ESG) factors are additive to performance, which is why a robust and measurable stewardship and engagement strategy is fundamental to its approach; and why AXA IM's RI teams advocate with industry bodies and regulators, vote with conviction at company meetings, and maintain dialogue with companies.

I am proud of AXA IM's record of engaging with companies across a considerable spectrum of ESG themes. In 2023, a substantial percentage of engagements focussed on climate change (37%), followed by corporate governance (17%), human capital (17%) and resources & ecosystems (16%). AXA IM's teams also prioritise social relations, business ethics and public health. In addition, they ensure that engagements happen across a range of asset classes. This Stewardship Report includes case studies that demonstrate the impact of investor dialogue, and I was delighted to see the CFA has referenced AXA IM in their CFA ESG learning, as good practice for disclosure on engagement activity.

Looking ahead to the next three years of the company's strategic plan, AXA IM will continue to be an advanced responsible investor, ensuring continued emphasis on stewardship as a key element of its approach to RI. The company will prioritise transparency, assertive engagement, and a focus on critical issues such as biodiversity loss, pollution and human and worker rights - as defined by the RI team and by the Portfolio Managers who are in regular dialogue with market participants.

As AXA IM strives to provide the highest level of transparency to all its stakeholders, in 2024 the company will start disclosing the rationale for all votes against ESG-related shareholder proposals and against shareholder resolutions. In addition, it will provide clients with enhanced portfolio level Engagement Reports, giving more details on the content of those discussions, level of progress and objectives. As a business, now more than ever, it is important that the company is open about what it does and why it does it. Regular and public self-monitoring of RI efforts – through stewardship reporting and through tools such as the AXA IM for Progress Monitor – ensures that AXA IM holds itself to account.

Progress on sustainability also requires collective action and AXA IM is committed to remaining active within a range of collaborative initiatives, such as Climate Action 100+ initiative and Nature Action 100 (NA100) to help foster change.

I am confident that by maintaining the emphasis on transparency, commitment to a more sustainable future, and engagement with likeminded stakeholders, AXA IM will strengthen its ability to deliver sustainable long-term performance for clients.

Performance at the heart of Responsible Investment

Gilles Moëc
AXA Group Chief Economist and
AXA IM Head of Research

Responsible investment is coming under attack.

Some critics argue that investors should only care about financial returns and that ESG is a distraction. Others simply believe that anything related to ESG is, to some extent, greenwashing.

We disagree with both points of view.

The reason AXA IM focuses on RI is that we believe it will be beneficial from a financial standpoint, especially looking at medium to long-term horizons. There is no contradiction between non-financial commitments - contributing to mitigating climate change, for example - and generating sustainable performance. Said differently, as a diversified investor which invests in the whole economy and multiple asset classes, we believe that over the long-term financial materiality and double materiality converge.

Indeed, we believe that in the medium to long-term, businesses which are low on carbon, socially aware and display the best governance practices are likely to over-perform their peers, and help improve the risk profile of portfolios.

There will, of course, be times when ESG funds underperform – 2022 being a notable example. But ESG indices during that period were negatively impacted by a sectoral bias amid temporarily high energy prices. The subsequent underperformance of the energy sector versus the MSCI Europe Index in 2023 proved the doubters wrong.

There will always be short-term periods of weaker returns. But over the long-term we believe the evidence is clear: ESG works as an investment approach.

The cost of ignoring reality

Not everyone agrees on the extent or cause of climate change. But there is a financial cost to paying no heed to the governmental response to it.

For us, ignoring the transition to net zero is equivalent to forfeiting the impact of the billions which governments are going to spend - and are already spending - to transform our economies, support the decarbonisation of high emitters, and assist those companies providing solutions necessary to the transition.

In the US, the Inflation Reduction Act, the largest piece of federal legislation ever to address climate change, provides massive subsidies to help support the transition. Do investors really want to forego exposure to these handouts? It is, after all, free money.

If it pays to be mindful of the benefits associated with efforts to tackle climate change, however, we must also recognise physical and social risks will necessarily impact the financial performance of several sectors.

Carbon taxes are already a reality in Europe and will likely extend geographically, as well as across industrial sectors. This means the usual measures of financial performance will be directly impacted by firms' carbon intensity. With the price of carbon rising, at least in some countries, these financial realities represent a further risk that investors simply cannot afford to ignore. This will exceed the strict boundaries of Europe. The introduction of the carbon adjustment at EU borders will affect the price of heavily carbonated products originating from non-European producers.

Clarity on RI principles

The central role of the financial sector in supporting an effective transition towards climate neutrality has meant sustainable finance policies came into force in several geographies over recent years. Often with different approaches and criteria, these brought complexity and some confusion in recent years. A multiplicity of different metrics, targets and definitions litter the ESG landscape, and more simplicity, comparability and inter-operability is needed.

Against this backdrop, we want to be very clear about our policies, and about the framework which guides our engagement with companies.

Our 'Three Strikes and You're Out' policy, for instance, makes plain to companies we deem climate laggards that, unless they make sufficient progress within three years on emissions reduction targets and investment in renewables, we will vote against management and ultimately divest.

Supported by our engagement within this framework, we are pleased to say that two companies were recently removed from our Climate Laggards list, after they enhanced their strategies and met our engagement objectives.

Our robust engagement policy and governance is a key pillar of our ambition to remain an advanced player in responsible investing. We are also deeply convinced that public, regular and quantified monitoring of our ESG commitments – e.g. through our AXA IM For Progress Monitor, organised around 8 KPIs - is key to maintaining such positioning. Consistency, clarity, and transparency guide our approach, and help us shape the investment solutions which best address the investment and sustainability objectives of our clients.

[1] Source: MSCI as at 29 December 2023

Engagement in 2024: Research thematics

Virginie Derue
AXA IM Head of RI Research

This year will be an extraordinary 12 months on the political front, as [more than 60 countries are going to the polls,](#) and this backdrop will undoubtedly impact the course of sustainable finance. Polarisation around key environmental, social and governance (ESG) issues is therefore set to increase globally, injecting uncertainty into climate policies.

Meanwhile, transition should become the key area of focus, echoing COP28 in its call to support the whole ecosystem's transformation. Green investments are important, but what needs to be financed is the transition to a greener economy and what actually supports the shift of companies towards more sustainable businesses.

There is still no precise framework defining what transition finance is, and this will clearly slow the transition of high emitting sectors. This is even more an issue as companies in some sectors will have to contend with increasingly stringent emissions reduction policies that will raise operating costs going forward through the European Union's (EU) emissions trading scheme for instance.

Transition focus on engagement

As such, the focus on transition will drive specific attention on engagement, echoing a broader request to prevent 'engagement washing'. Asset managers will have to share more about their assessment of transition plans, what they focus on, and how they adjust their approach to the different sectors and different regulations. This year should accordingly mark a turning point in the field of climate assessment/engagement with the beginning of a second phase, moving from objectives setting, to deliverability and track record on first interim targets. No doubt it will trigger some shifts in assessments and investments, as investors will be scrutinised on how their engagements effectively bear fruit.

Biodiversity loss in greater focus

Beyond climate, ecosystem vulnerability and biodiversity loss are set to rise up investors' agendas, supported by the release of the Taskforce on Nature-related Financial Disclosures (TNFD) framework and the coming into force of the EU deforestation regulation that will start to apply from the end of 2024[2]. Deforestation, water, waste and pollution should accordingly be the key aspects tackled by investors and engagers, including as a potential risk for litigation. Sector wise, the food industry is likely to see increased scrutiny, driven by its contribution to environmental degradation and interplay with climate change, as echoed at COP28. It represents risks, but also opportunities for companies targeting specific activities in the field of regenerative agriculture for instance, but also various segments such as water consumption monitoring, waste avoidance and recycling.

Human and workers' rights

Finally, social aspects and more specifically human and workers' rights should continue to gain traction, driven by ramifications of transition plans, due diligence regulations and client demand over broader sustainability claims. Living wages, work conditions, unionisation and social dialogue are structural issues that have been to some extent overshadowed by climate concerns until recently, but now investors are starting to consider them more seriously. In the same vein, we believe the focus on human rights will keep on intensifying in 2024 in tandem with regulatory pressure.

A qualitative review of controversies and of what is at stake is necessary, as at the end of the day, investors will have to take their own view around the severity of the cases, the red lines they have, and ultimately, the need to exclude or engage. Beyond any tick-box exercise on codes of conduct or existence of grievance mechanisms, what matters to us is concrete evidence of what is done on the ground by corporates to prevent, alleviate and remedy issues at stake.

More broadly, responsible investment is likely to broaden its lens, shifting from a net zero focus to a more holistic perspective of sustainability, integrating the different environmental and social negative externalities driven by the transition.

All this translates into a very busy 2024 agenda for the team in terms of research and engagements.

[2] Deforestation, water, waste and Pollution

Engagement in 2023: Highlights and data[3]

At AXA IM, our purpose is to act for human progress by investing for what matters. Responsible allocation and oversight of capital is therefore a key pillar of our corporate purpose. By considering sustainability factors throughout the investment process, we aim to create sustainable investment outcomes for our clients, which would in turn lead to broader societal and economic benefits over the long term.

An important way to achieve it involves investor engagement, which can be defined as a process based on long-term and constructive dialogue where investors seek to influence investee companies' practices with the aim of preserving or enhancing long-term value on behalf of their beneficiaries. Investor engagement also enables a better understanding of companies' management of sustainability risks, contributing to a more comprehensive assessment of the company's risk profile, hence to effective investment decision making. Our Responsible Investment (RI) thematic research on key ESG issues such as climate change, biodiversity, responsible technology, human capital and human rights, and corporate governance feeds our stewardship strategy.

Since 2022, AXA IM has distinguished between 'engagement with objectives' and 'sustainability dialogues'. The former seeks to influence change at investee companies, by defining specific objectives related to the key ESG issues at stake for the targeted company and is most often led by the Responsible Investment Research and the Corporate Governance Research teams, often with the participation of fixed income and/ or equity teams. The latter, often led by investment teams, aims to have a better understanding of the sustainability-related risk profile of a position held in portfolios, potentially feeding into future targeted engagement.

In 2023, we conducted 681 engagements with 503 entities, representing a 14% increase in engagements compared to 2022 – showcasing the importance of stewardship in our responsible investment strategy, and its integrated approach. The increase was observed both for engagement with objectives, with 298 'engagement with objectives' with 207 issuers in 2023, and for sustainability dialogue, with 383 sustainability dialogues with 328 issuers, an increase of 60%. Engagement and dialogue are often conducted in collaboration with various teams, providing both strategic and technical views of the company's practices but also demonstrating AXA IM's integrated stewardship approach, which allows the information gained during engagement to be fed into investment-decision making.

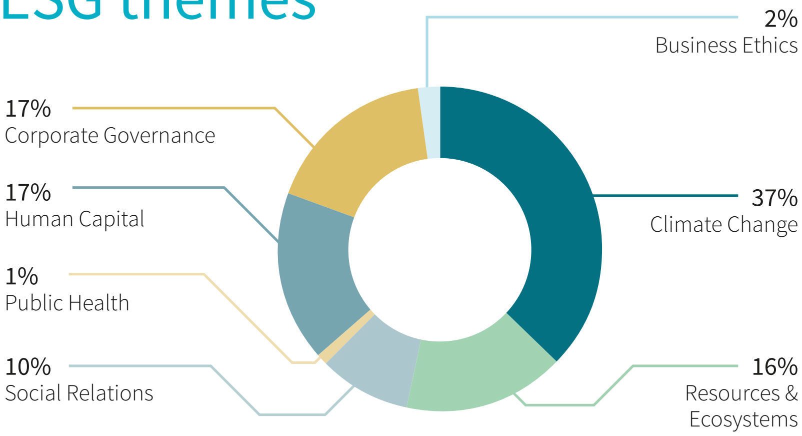
Climate change remains our main theme of engagement, representing 37% of the overall engagements compared to 28% of 2022 engagements. This increase was largely driven by higher - frequency sustainability dialogues, for which climate change represents 46% of engagements - and is a good illustration of the integration of climate considerations in investment teams' activities, in line with AXA IM's net zero commitment.

Regarding 'Engagement with objectives', demonstrating the strong interlinkage between themes, 38% of climate change engagements also address corporate governance-related topics, notably focusing on the articulation of the climate strategy and objective as well as with companies' management structures and incentives. In addition, more than 29% of climate-related 'engagements with objectives' also addressed biodiversity issues, an increase on 2022, due to synergies between greenhouse gas (GHG) emissions and deforestation ('the climate-biodiversity nexus').

Corporate governance and human capital are the second most targeted themes followed by resources and ecosystems, business ethics and public health.

Our engagement with companies covers a broad spectrum of key

ESG themes



Approach	Number	%
Engagement with objective	**298**	**44**
Sustainability dialogue	**383**	**56**

Source: AXA IM, end-2023

[3] Figures in this section may be rounded

Engagement in 2023:
Highlights and data

Engagement with objectives

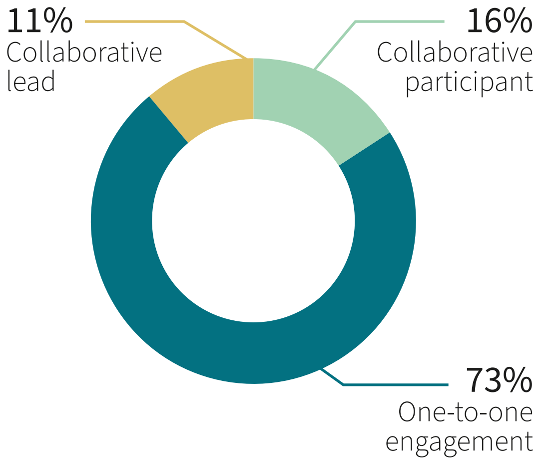
Climate change, corporate governance and resources and ecosystems were the main themes addressed by Engagement with Objectives in 2023.

We believe that collaborating with other likeminded investors and stakeholders can help us to exercise good governance over the companies in which we have invested. Indeed, using a collective voice is a powerful engagement tool. In that context, 27% of the 'engagement with objective' in 2023 was conducted in collaboration with other investors, an increase compared to 2022.

AXA IM has been a founding member of a number of such collaborative initiatives in 2023 and 2022, contributing to the framing and definition of initiatives' objectives and then starting to engage with pre-selected issuers. In 2023 for example AXA IM co-founded with Sycomore Asset Management an initiative focused on mental health and wellbeing risks related to technology companies' products and services. We were also part of the Nature Action 100 (NA100) launch investor group, which seeks to engage companies in key sectors deemed to be systemically important in reversing nature and biodiversity loss by 2030.

Furthermore, we used more escalation techniques in 2023 when analysing absolute numbers, to push companies to achieve their engagement targets. Vote escalation is the main escalation technique used (63%), in particular on remuneration-related resolutions. Other escalation techniques include collaborative engagement, and joining forces with other investors to aim to influence issuers

Engagement category (EWO)



Escalation Type	Number	%
Vote Escalation Non-Communicated	2	12,5
Vote Escalation Communicated	8	50
Collaborative Escalation	6	37,5

+14%
engagements
compared to 2022

200
engagements
at senior executive or board director level

Source: AXA IM, end-2023

Highlights and data

Sustainability Dialogues

In light of further ESG integration at portfolio level, an increasing number of investment teams are contacting companies to get additional information on their sustainability strategy in order to build a comprehensive ESG analysis of companies. This complements ESG-related data we receive from external data providers.

A large part of our sustainability dialogues is conducted as part of our global net zero strategy, to get a better understanding of companies' GHG emissions reduction targets and articulation of their operational and capital expenditure to achieve those targets. This aims to focus our portfolio on companies which are reducing their GHG emissions to achieve our carbon intensity reduction objectives, reported in our AXA IM For Progress Monitor.

As further described in this report, a few sustainability dialogues are also conducted with Green, Social, Sustainability and Sustainability-Linked bonds issuers at the pre-issuance level, to better understand the relation to articulation of the issuance with the global issuer's sustainability strategy, but also post-issuance, notably to verify use of proceeds are in line with the objective of the issuance.

Reporting

Finally, in 2023 we worked on increasing disclosure of our engagement activities at portfolio level. We will release in early 2024 an enhanced version of our Engagement Report at portfolio level, providing additional qualitative information on the content of discussions, level of progress and objectives asked of investee companies which were subject to engagement.

Outlook for **2024**

We will continue to roll out the robust policy and processes for listed assets we have developed over the past years for engagement with objectives and sustainability dialogue. This will allow us to leverage our position as an equity and a bond holder to use the different interactions with the investee companies to maximise the impact of our engagement and likelihood it will effect change

As an investor active in real assets, private markets and fund selection we will also increasingly aim to create sustainable value by encouraging the managers and partners we work with to adopt best practices when it comes to integrating sustainability in their strategy. We will also look at ways to leverage some of the best practices developed as part of our engagement in traditional asset classes for this purpose

Policy advocacy will also remain an important priority, and among other sustainable finance themes we will focus on issues which could impede the effectiveness and influence of shareholder engagement and voting in the European Union and the UK.

Highlights and data

In 2023, we engaged with companies

across the world

Argentina	0.15%
Australia	2.22%
Austria	0.15%
Belgium	2.66%
Bermuda	0.15%
Brazil	1.18%
Canada	2.22%
Chile	0.59%
China	1.33%
Colombia	0.59%
Denmark	0.74%
Finland	1.18%
France	18.02%
Germany	5.47%
Hong Kong	0.15%
Hungary	0.15%
India	0.30%
Indonesia	0.30%
Ireland	1.18%
Italy	4.14%
Japan	4.14%
Kazakhstan	0.30%
Korea (the Republic of)	0.30%
Luxembourg	0.89%
Malaysia	0.15%
Mexico	0.44%
Netherlands (the)	4.14%
Norway	0.74%
Portugal	0.74%
Qatar	0.15%
Romania	0.30%
Saudi Arabia	0.15%
South Africa	0.15%
Spain	2.66%
Sweden	2.95%
Switzerland	2.81%
Thailand	0.15%
Türkiye	0.15%
Ukraine	0.15%
United Arab Emirates (the)	0.89%
United Kingdom of Great Britain and Northern Ireland (the)	11.82%
United States of America (the)	22.90%
Uruguay	0.15%

Source: AXA IM, end-2023
(figures may not total 100% due to rounding)

More than

69%

of our engagements in 2023 **were linked to the UN SDGs.** The breakdown is as follows:

SUSTAINABLE DEVELOPMENT GOALS

1 No poverty	0.21%
2 Zero hunger	0.21%
3 Good health and well-being	1.71%
5 Gender equality	4.49%
6 Clean water and sanitation	0.64%
7 Affordable and clean energy	4.27%
8 Decent work and economic growth	15.60%
9 Industry, innovation and infrastructure	1.07%
10 Reduced inequalities	0.85%
11 Sustainable cities and communities	4.27%
12 Responsible consumption and production	12.61%
13 Climate action	44.87%
14 Life below water	0.21%
15 Life on land	7.91%
16 Peace, justice and strong institutions	1.07%

Source: AXA IM, end-2023.

SDGs shown for illustrative purposes only

Engagement themes

Climate change

Olivier Eugène
AXA IM Head of Climate Research

Last year was another 12 months of record coal and oil consumption[4] – and greenhouse gas emissions. It was also a period when extreme weather events occurred all over the planet and, according to the World Meteorological Organization, it was the warmest year on record[5]. More positively, it was also a year when record solar and wind capacities were installed and when clean energy investment continued to pull ahead of fossil fuel investment.[6]

COP28 was held in Dubai at the end of 2023 and while the outcome was, as always, a subject of debate[7], we would stress the final stocktake[8] fully acknowledges the work and conclusions of the Intergovernmental Panel on Climate Change. It highlighted the necessity to differentiate countries depending on their development levels, connected climate, biodiversity and social justice, and for the first time recognised the need to transition away from fossil fuels. In other words, nearly 200 countries have signed an official document stating that climate change is real, it is man-made, and it is necessary to transform society to tackle it.

The next phase

The next step is however the most crucial. Beyond acknowledgments and intentions, it is time for more action, more ambitious policies, and acceleration. Not enough was done in recent years – and this is a global and collective failing. The final stocktake makes it clear the world is not on track to achieve the goal of the Paris agreement[9] and the window to do so is closing quickly. In this same report a year ago, we questioned whether 1.5°C was still achievable. We believe the question is even more valid today. However, while moving the goalpost might become unavoidable, keeping alive the Paris Agreement's spirit is paramount. It implies facing the obstacle instead of bickering in front of it. It implies being clear and transparent, that the energy transition is wide and large, and will impact everyone, everywhere.

In 2023, our research efforts continued to focus on several aspects of the energy transition and touched on specific events. We published the following reports:

- Understanding scope 3: How responsible investors can wrestle with the unruliest of emissions, in February
- Feeding the world and protecting the planet: A biodiversity and climate challenge for investors, in May, in collaboration with our biodiversity expert
- Biofuels and the energy transition: Green sprouts or biowashing?, in September
- A preview – COP28: What can investors reasonably expect? – and a post view – COP28: Limited expectations met with some progress on climate finances – of COP28, in October and December.

4 Coal 2023 - Analysis and forecast to 2026, IEA, December 2023
Oil Market Report - January 2024, IEA, January 2024
5 WMO Provisional State of the Global Climate 2023, WMO, November 2023
6 World Energy Investment 2023, IEA, June 2023
7 COP28: Limited expectations met with some progress on climate finance | AXA IM Core (axa-im.com)
8 Outcome of the first global stocktake, UN, December 2023
9 The 2015 Paris Agreement, signed at COP21, sought to limit global warming to well below 2˚, and preferably to 1.5˚ Celsius, above pre-industrial levels

Our engagement goals and activity

Engaging with companies on climate and their decarbonisation strategies remained a top priority of our 2023 engagement strategy, given AXA IM's objective to reduce the greenhouse gas footprint of our investments in line with our net zero by 2050 commitment. This makes climate change the most common theme of our engagement activities, representing 37% of our total efforts in 2023.

While this theme is universal and relevant to all firms from all sectors, we focus our efforts where materiality is greatest, notably energy (hence the relevance of United Nations Sustainable Development Goal (UN SDG) 7 and SDG 13), but also banks – through their lending policies – as well as the building materials industry. Engagement with companies operating in these sectors represented more than half our total climate-related engagements in 2023. Companies engaged are selected based on their absolute emissions and on the exposure in the portfolios we manage for our clients.

We also participated in collective engagements, mostly within the Climate Action 100+ (CA100+) initiative[10], and we held meetings with the three companies where we are a co-lead investor - Ecopetrol, Renault and Saudi Aramco. While the engagements with Renault and Ecopetrol have been constructive and progressed for several years now, the relationship with Saudi Aramco has been patchier. After more than a year of silence, we managed to meet with its head of sustainability in autumn 2023 following the publication of the company's second Sustainability Report. We expressed our expectations in terms of improvements in scope 1, 2 and 3 reporting and details on the company's approach to nature-based solutions (NBS) and carbon capture and storage (CCS). We cautiously look forward to a more constructive discussion with the oil giant.

Case Study – Ecopetrol

Engagement status
Engagement Progress

Engager: Responsible Investment Research

Asset Class: Fixed Income, Multi-Asset

As co-lead investor within CA100+, we have been engaging with Ecopetrol, a Colombian state-owned oil and gas integrated company, since 2019. After a slow start, the relationship became one of trust, of straightforward discussions, and of progress.

Initially, as for most of its national oil company peers, Ecopetrol had limited goals and poor reporting on climate related issues. Over the past four years, we met nine times with the company which progressively upped its game, first reporting under the Task Force on Climate-related Financial Disclosures (TCFD) framework, then setting a long-term net zero ambition for its own emissions and intermediary targets. This occurred while it faced specific challenges linked to the differentiated pace of the energy transition for Colombia and its status as a state-owned company, especially following the 2022 political elections. In 2023, we held three meetings with Ecopetrol, both individual and collaborative.
An individual meeting held in 2023 was a reactive one, upon the request of Ecopetrol's decarbonization manager , asking for AXA IM's input on the company's scope 3 targets. During this meeting, we made several recommendations as part of the company's fine-tuning of its climate strategy. We communicated clear expectations related to setting intermediary targets on a 10-to-12-year horizon, with both intensity and absolute metrics, which should be framed into a broader energy transition narrative.

We also proactively met twice during the year as part of the CA100+ coalition during which we discussed details on decarbonisation capital expenditure, scope 1 and 2 actions and targets, and scenario analysis. We were pleased to see the company's progress in terms of scope 3 mapping, but also its new methane targets and ambition to be at net zero methane by 2030.

Overall, Ecopetrol has significantly progressed in its policies and actions in just a few years, and we look forward to further improvements. We will continue engaging the company in 2024, focusing on setting robust scope 3 emissions measurement and targets as well as monitoring its new methane emissions policy.

[10] Climate Action 100+ is an investor-led initiative that seeks to ensure the largest corporate greenhouse gas emitters take necessary action on climate change

Climate change

Engagement status

Success

Case Study – Martin Marietta

Participant: Corporate Governance Research

Asset Class: Multi-Asset, Fixed Income, Equity

Martin Marietta is a US building materials company, producing mostly aggregates, and owns two cement plants in Texas. We initiated a dedicated engagement with the firm in 2022 to push it to enhance its climate ambition, observing it was lagging versus a number of peers. We specifically requested for the company to set a long-term net zero ambition, formalise a business-wide climate strategy, and to submit its targets to the Science Based Targets initiative (SBTi).

In late 2022 and early 2023, we held two meetings with the company, each time with the entire C-suite, including the Chairman and Chief Executive. In our 2023 meeting, we discussed the upcoming publication of Martin Marietta's Sustainability Report and recommended an SBTi certification now the methodology for cement had become available. We also discussed climate governance and the Board's environmental expertise. Following the publication of the new Sustainability Report, we were pleased to see significant improvements in Martin Marietta's climate strategy, notably setting a net zero scope 1 ambition for its entire operation, enhanced intermediary targets, and improved TCFD disclosure. The company also announced its commitment to seek an SBTi certification.

Given the evolution of Martin Marietta's strategy, we deem this engagement a success. We will continue to monitor the implementation of their newly announced strategy.

Engagement status

Engagement Fails

Case Study – Chevron

Engager: Responsible Investment Research

Asset Class: Fixed Income, Multi-Asset, Equity

Chevron – an American multinational energy corporation headquartered in California – is one of the world's largest oil and gas integrated companies. In our view, the company appears reluctant to commit to net zero for its downstream activities, and demonstrates a lack of ambition in its intensity emission reduction targets for energy sales, which we think sets it behind its main peers.

As we consider these ambitions to be insufficient, and considering the company's business, Chevron was included in our priority list for engagement on climate issues.

Discussions have taken place with the company's sustainability teams since 2022, and notable progress has occurred (including the publication, at the end of October, of a methane report). However, we believe that Chevron's evolution in its climate strategy does not match the pace of the climate urgency.

Therefore, to push Chevron to further enhance its energy transition ambition, we have used multiple escalation techniques since 2022, including:

- Voting against the re-election of Sustainability Committee members and supporting a climate-related resolution filed by non-governmental organisation Follow This at the 2022 AGM
- Co-filing a Follow This climate-related resolution ahead of the 2023 AGM
- Publicly pre-disclosing our decision to vote against several resolutions at the 2023 AGM

We also continued privately engaging with Chevron and had one meeting in autumn 2023, reiterating our initial requests that the company should have stronger goals for its own emissions and for the emission intensity of its sales. Despite that, we understood that no change in the company's climate strategy was considered, and despite our repeated requests, the company will not upgrade its scope 1 and 2 ambition.

Therefore, we will re-consider in 2024 the relevance of continuing engagement given the likelihood of success and may consider more drastic steps in our escalation strategy.

Our approach to climate laggards: the 'Three Strikes and You're Out' Policy

In 2023, we continued to pursue our climate laggards engagement initiative that we announced in 2021 and initiated in 2022. We held at least one meeting with each of the companies identified as laggards, including the one that had not responded in 2022. Overall, we were pleased to see progress on many fronts: two companies set new formal net zero ambitions; many improved their targets, policies, and reporting; and banks are gradually rolling out dedicated policies for the most material sectors. There is still more to be done but the momentum is positive. However, one company is not progressing at all, falling further behind its peers.

We reviewed the list at the end of 2023 and concluded that two companies no longer fit the laggard definition after having significantly enhanced their strategies and met our engagement objectives. As such, the list will evolve in 2024 with new companies, which have fallen behind their peers since the launch of our 'Three Strikes and You're Out' policy, entering the list.

The 2024 reporting and Annual General Meeting (AGM) season will be another opportunity to engage, update our analyses and potentially escalate.

How we applied our 'Three Strikes' policy in 2023 (anonymised examples):

Sector	Geography	Nature of Issues	Engagement Requirements	Engagement Activity	Intermediary Conclusions
Agri-food	US	• The company already has committed to SBTi and set a specific target for its scope 3 emissions • However, there is no long-term ambition and intermediary targets (2025) are weak • The company consumes large quantities of thermal coal in a specific industrial process	• Set a long-term net zero ambition • Set more ambitious scope 1 and 2 targets • Exit coal as a fuel	• One meeting held with the Head of Sustainability in 2022 and another in 2023	• Between our two meetings, the company announced a long-term net zero aspiration • In the second meeting we felt the company was more open on the different options – all rather long dated – regarding exiting coal than it had been during our first meeting
Banking	Japan	• Sizeable exposure to controversial sectors • Exclusion policies lagging versus global peers • Net Zero Banking Alliance signatory, but does not yet disclose financed emissions and has not set intermediate targets for publication of scope 3 financed emissions	• Disclose scope 3 financed emissions and set intermediate reduction targets • Strengthen coal exclusion policies and extend coal exit targets to mining • Set up exclusion policies in the field of unconventional or controversial energy sectors • Articulate long-term commitments with clear policies in place	• Three meetings held in 2022, including one with the Chief Financial Officer and an in-person meeting with the Chief Executive in our Paris office; another meeting was held in 2023 with the sustainability team	• The company started relatively late in integrating climate change into its strategy. Last year, we noted that it was now doing so in a very disciplined and rigorous manner, with more improvements expected to come in the coming years. This was confirmed in 2023 as the bank improved its reporting and disclosure, confirmed that three new sectorial policies would be announced in the near future, and integrated non-financial elements in management's long-term compensation
Information technology	US	• No targets beyond 2025	• Formalise a climate strategy, with a long-term net zero ambition and intermediary targets on a five-to-10-year horizon • Accelerate further in renewable electricity and set time-bound targets on the share of overall electricity consumption • Delineate more precisely a policy and targets to reduce emissions of special gases such as perfluorochemicals and nitrogen trifluoride • Seek a SBTi validation	• One meeting held with the investor relations team in 2022, and two meetings in 2023, including one with a senior counsel to the Board	• Initially, our requests remained largely unanswered. The discussions were constructive and the answers precise, but the company was only focusing on its 2025 targets • In our most recent meeting with the company in December 2023, it said a new plan was in progress and that several of our requests – namely a net zero ambition, new targets and SBTi – were all being considered • We will monitor future developments to ensure this translates into effective public commitments and continue to engage

Climate change

Just Transition

We continued to work with the *Institut de la Finance Durable,* formerly known as Finance for Tomorrow, on the 'just transition' theme. AXA IM is the lead investor of the energy sector investor working group and member of the agriculture and food sector working groups. The objective of this initiative is to ensure the social implications of a transition to a low-carbon economy are sufficiently anticipated by companies.

This requires different approaches for different sectors, the energy sector being one of the most at stake. In line with the International Labour Organization's definition, the transition would seek to leave no-one behind and ensure the consequences of associated changes are fairly distributed.

Moving to low-carbon energy, buildings, transportation and industrial production will bring dramatic adjustments and challenges to countries and industries – and therefore to workers and their communities. A failure to anticipate the social implications of these challenges could stall climate progress and contribute to political instability because of increasing inequality. This would risk disrupting the fragile equilibrium between developing and developed economies.
At AXA IM, we increasingly tackle the just transition theme in our dialogue with companies. It is a risk factor which needs to be closely monitored – as risks include social unrest, strikes, supply chains disruptions, and decline in employee engagement. Although we acknowledge the lower level of maturity on this issue, we encourage companies particularly exposed to such risk to consider the notion of a just transition in their climate strategy, as formalised in the 2024 expectations of our Corporate Governance & Voting Policy. We also systematically supported shareholder proposals linked to the just transition that were submitted in 2023 at the AGMs of several US companies.

Case Study – TotalEnergies

Engagement status: Engagement Progress

Engager: **Responsible Investment Research**

Asset Class: **Fixed Income, Multi-Asset, Structured Assets, Equity**

Building on our previous dialogue with the company on climate and governance issues, we started to engage TotalEnergies in 2022 on the topic of the just transition, reflecting our position as lead investor of the energy sector working group of the Just Transition initiative. We had several meetings with the company's investor relations team, with a primary goal of raising the company's level of awareness on this issue and detailing the objective and expectations of the Just Transition investor initiative.
We also recommended the company elaborate on its own definition of the just transition; commit to identifying all stakeholders negatively impacted by the energy transition; and deliver a detailed action plan to alleviate such impacts.

We were pleased to see increased transparency as in 2023, it dedicated for the first time a specific section of its annual Climate Progress Report to its just transition ambition.

We continued engagements and dialogues in 2023 via individual meetings dedicated to climate-related issues and by attending working groups. One example was our participation in the collaborative initiative for a just transition by the energy sector coordinated by sustainability consultancy BSR[11]. It was an opportunity to present our views and discuss directly with the people responsible for just transition strategies in each energy company via small working groups.

We will continue to engage the company on this issue with a focus on transparency and reporting of specific just transition data.

Outlook for **2024**

Our focus in 2024 will remain on the systemic nature of the energy transition. We are more convinced than before that all companies – and all stakeholders – have a role to play for the transition to move forward. The recurring debate on value-chains – i.e., scope 3 emissions – is a testimony to this. We will hence engage with companies across sectors to better understand and assess individual decarbonisation strategies and how they interconnect with those from their suppliers and customers.

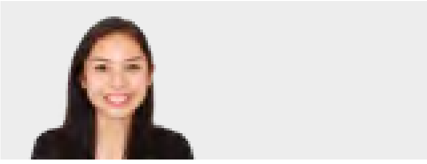
We will nonetheless continue to have targeted engagements with companies from the most material sectors in terms of emissions, whether though individual engagements or through a collective approach. In the same logic, we will actively pursue our Climate Laggards engagements.

In our engagements as in our research efforts, we will continue to explore the practical levers making the transition possible, from well established technologies to nascent solutions and from policy needs to behavioural changes.

[11] Energy for a just transition collaboration, BSR

Engagement themes

Biodiversity collapse



Mariana Villanueva,
Responsible Investment Analyst

At AXA IM, we remain committed to biodiversity protection. Human life and economic prosperity are dependent on the benefits provided by nature. Biodiversity loss puts ecosystems upon which societies depend at risk; in addition, it also threatens economic loss. We believe investors must integrate nature and biodiversity considerations into their research, engagement, and investment processes.

The engagement context

The year following the 2022 adoption of the Global Biodiversity Framework, a landmark agreement to halt and reverse nature loss by 2030, saw several important developments which will no doubt contribute to shaping private sector action to come.

Two key international standards were issued in 2023. The Science Based Targets Network (SBTN) released beta target-setting guidance which companies began pilot testing. In addition, the Taskforce on Nature-related Financial Disclosures (TNFD) published a highly anticipated framework outlining a set of disclosure recommendations and guidance for assessing, reporting and acting on nature-related dependencies, impacts, risks and opportunities. These help to illustrate that we are in a period of foundation setting as well as knowledge and capacity building.

The landscape of biodiversity integration is an evolving one, and both companies and investors are still at the early stages. New data, metrics, and methodologies are currently being tested and developed by various market actors. While some companies have begun working on this complex and relatively new topic, the responses to the 2023 CDP Climate Questionnaire's biodiversity section highlight that biodiversity integration – particularly assessments and indicators – are still at their nascency, although many are willing to consider advancing on this topic.

To help galvanise greater momentum among corporates, Nature Action 100 (NA100) was officially launched in September 2023. AXA IM was part of the Launching Investor Group and we are a member of the Steering Group. This global investor initiative seeks to engage companies in key sectors deemed to be systemically important in reversing nature and biodiversity loss by 2030.

Our engagement goals and activity

Our engagement approach to the complex and nascent theme of biodiversity has been to start aligning our greatest efforts in such a way that incorporates the knowledge established but also emerging on negative impacts and the sectors which matter most for biodiversity and nature. In 2023, our greatest efforts focused on companies implicated in the agrifood value chain – predominantly the food products sector but also consumer staples distribution and retail – as well as the chemical industry. The food and chemical industry figure among the top three industries with the highest potential negative biodiversity impact according to a recent multi-tool study[12].

Our primary engagement activities encompassed a programme we began piloting in 2022 by using a biodiversity footprint tool developed by our partner Iceberg Data Lab (IDL), as well as engagement programmes targeting specific themes, namely deforestation and pollution. As a result of the programmes and profiles of companies we engaged, over half of the engagements we carried out touched upon biodiversity pressures related to land use change which includes the theme of deforestation.

2023 Engagement activities mapped to biodiversity pressures[13]

Pressure	Share of Total Engagements
Land Use Change	61%
GHG Emissions	9%
Pollution	48%
Over exploitation of Natural Resources	3%
Invasive Species	0%

[12] Top 10 biodiversity ranking of company industries, Finance for Biodiversity
[13] The total amount is not equal to 100% as a single engagement can target several biodiversity pressures.

Engagement programme driven by biodiversity footprint data

Engagements underpinned by a biodiversity footprint represented a third of our activities. We used this innovative and still evolving biodiversity-specific data to help us select and prioritise sectors and companies which present a significant biodiversity footprint, and to help inform our dialogues by considering a company's main pressures on biodiversity illustrated by its biodiversity footprint. We describe this metric and its limitations [in our TCFD - Article 29 Report.]

Given the state of market maturity described above, the aim of these engagements has principally been to accompany issuers as they seek to develop robust and effective biodiversity approaches. These are opportunities to share industry best practices with companies as they set up action plans, and to ensure that these are coherent with available knowledge on impacts, including biodiversity footprint reduction, and dependencies. The ultimate goal is for companies to develop a comprehensive biodiversity strategy which effectively mitigates biodiversity risks – including from upstream and downstream activities – and supports a 'nature-positive' transformation, as well as to improve disclosure. An example of one such engagement is provided here.

Case Study – Carrefour

Engagement status

Company responds

Engager: Responsible Investment Research

Asset Class: Fixed Income, Multi-Asset, Equity

We started engaging with French retail distribution group Carrefour in 2022 as part of our biodiversity footprint-guided engagement programme. Carrefour is in a sector identified as having potentially significant impacts on biodiversity and the company was specifically identified as a key issuer contributing to the biodiversity footprint of the fixed income fund that was assessed. Our engagement objective is for Carrefour to develop a robust approach to biodiversity.

Carrefour has begun working on defining a biodiversity strategy following a pilot to assess its negative impacts and dependencies. This exercise served to confirm the relevance of certain focus areas and shed light on a few new subjects. Carrefour is now using these results to assess possible measures to be taken by country and by biodiversity pressure. Based on the results of Carrefour's biodiversity footprint provided by IDL, a focus of our discussions in 2023 was how Carrefour addresses its raw materials supply chain – namely pressures from upstream land use – and engages suppliers. Carrefour has several initiatives in place on themes like agriculture, fisheries, waste and plastics. To halt biodiversity loss, it will need to effectively deliver on its 2026 zero deforestation commitment where traceability is a key challenge. We will continue to hold discussions with Carrefour on progress in its biodiversity strategy and deforestation commitment.

We aim to provide investor feedback to companies like Carrefour that are in the process of assessing their impacts and dependencies on nature, with the aim of developing a meaningful and robust biodiversity strategy. In this way, we can accompany companies on this journey aiming to ensure their approaches remain consistent with findings on the way that they interact with nature.

Engagement themes

Biodiversity collapse

Engagement on deforestation
As an extension of our Ecosystem Protection and Deforestation policy[14], we continued our existing engagement activities with a selection of companies involved in the supply chain of agriculture and/or forestry products, more specifically the value chain of key raw materials associated with deforestation and ecosystem conversion (soy, palm oil, cattle, and timber). We focused on those with a material impact on deforestation and natural ecosystems conversion, and those we view as needing to make greater progress in managing existing risks and impacts. We published an update of this policy in 2023 to include details on our engagement approach including our process and general expectations.

2023 saw some adequate progress in our dialogues, while a few engagements moved to an escalation phase over the year. We used voting and collaboration to signal the need for more advancement and enhanced dialogue. An example of an escalation is provided here.

In addition, the high level of animal waste produced by industrial farming annually can lead to nutrient and water pollution, posing significant risks to ecosystems. In response, the FAIRR initiative on Waste & Pollution aims to drive pork and poultry producers to conduct meaningful risk assessments around animal waste and put in place action plans to reduce their corresponding impact on biodiversity. We participated in several company engagements in 2023.

Case Study – Food company

Engagement status
Engagement Progress

Engager: **Responsible Investment Research**

We first reached out to a Brazilian food processing company in 2022 to start engaging on deforestation. We did not receive any response to our repeated attempts to start a dialogue, so escalated via voting against the re-election of the company's Board of Directors at its 2023 AGM. We communicated our voting decision to the company and its relation to our engagement on deforestation.

This led to our first dialogue in mid-2023, where we conducted a deep dive into its approach to eliminating deforestation.

We discussed the company's strategy and the feasibility of achieving zero deforestation and conversion in the Amazon by 2025 and the Cerrado region by 2030.

We found the response to the engagement to be adequate as targets appeared feasible, thanks to progresses on traceability and feasibility to achieve targets and the creation of protocols for tracking and identifying suppliers breaching their policies, and there was potential for accelerated efforts in the Cerrado region which was later confirmed by a public announcement. The engagement progressed to a more constructive phase.

Case Study – Cranswick

Engagement status
Company responds

Engager: **Responsible Investment Research**

Asset Class: **Equity**

As part of the FAIRR collaborative engagement on Waste & Pollution, we met with Cranswick, a UK pork and poultry producer. This was our first dialogue with the company, where we asked Cranswick to detail its approach to assessing biodiversity risks stemming from nutrient pollution as well as the actions it has in place to mitigate these risks and improve circularity.

While Cranswick undertakes a range of environmental risk assessments, the dialogue revealed that water quality risks may be viewed as separate from biodiversity risk and treated as a regulatory compliance issue. This is similar to the approach we have found from some other companies engaged with through FAIRR on this subject, suggesting that even for issuers with a direct operational impact on biodiversity, this is still a relatively new topic that is not yet addressed holistically. Cranswick did, however, share that it considers some activities to have been associated with biodiversity net gains and is exploring ways to de-risk its manure in relation to carbon reduction targets. We will continue engaging with Cranswick through FAIRR, encouraging the company to improve risk assessments for water quality and biodiversity, disclose the results including the impacts of nutrient pollution, and better detail mitigating actions systematically undertaken at the livestock farm level.

[14] AXA IM Ecosystem Protection & Deforestation policy

Engaging collaboratively on pollution

We joined two collaborative engagement programmes related to pollution in 2022, the Investor Initiative on Hazardous Chemicals (IIHC) and the FAIRR initiative on Waste & Pollution and started engaging with companies in 2023. Examples of these engagements are provided in this section.

The IIHC initiative addresses pollution and health issues related to the production and use of hazardous substances by investee companies. The IIHC engages a number of the world's largest chemical companies, advocating for them to increase transparency on their exposure to hazardous chemicals; to phase out hazardous chemicals particularly persistent chemicals; and to develop safer alternatives. We are a member of several company engagements, including as co-lead.

Case Study – BASF

Engagement status: Company responds

Engager: **Responsible Investment Research**

Asset Class: **Multi-Asset, Fixed Income, Structured Asset, Equity**

We co-led a collaborative engagement through the IIHC with German chemical producer BASF, which has a particularly large portfolio of hazardous substances as reported by the NGO, ChemSec, and is exposed to persistent chemicals like per – and polyfluorinated substances (PFAS). The investor group sought for BASF to increase transparency, phase out persistent chemicals, and develop safer alternatives, in line with the IIHC's three asks.

We held our first dialogue with the company in 2023 after co-signing a letter in 2022 introducing the initiative and summarising the IIHC's position. We discussed BASF's current approach to phase-out, notably through its new Triple S approach. BASF has existing initiatives to measure health and environmental impacts linked to its products via lifecycle analysis, and hazardous characteristics are considered under products labelled as 'challenged' which it is aiming to phase-out. Like other chemical companies BASF adopts a risk-based approach focused on applications and not a pure hazard-based approach. At present BASF does not have a strategy to phase out persistent chemicals, which remains a material topic for the company. We also discussed the need to enhance transparency, conveying specific recommendations for disclosure that would be most useful for investors, for BASF's consideration.

We will continue to engage with BASF through the IIHC on phase-out measures and enhanced transparency, in light of growing investor concerns around persistent chemicals and the evolving regulatory landscape.

Outlook for 2024

Our engagement approach remains unchanged. We will continue incorporating available biodiversity-specific data to help prioritise and inform our engagement activities and expect our efforts to be further guided by the TNFD pilot we are carrying out on the agrifood and auto sectors.

Deforestation remains a priority. We will continue encouraging issuers to strengthen deforestation and conversion-free commitments and disclosure to track progress. For issuers that have reinforced their commitments, the focus will be on concrete actions and implementation mechanisms to deliver on objectives. We expect recent developments such as the EU deforestation regulation and the progressive adoption of SBTi forest, land and agriculture guidance to contribute to progress.

We remain committed to carrying out collaborative engagements on pollution through the IIHC and FAIRR and expect collaborative engagement activities to intensify with our participation in NA100 during 2024. We hope to increase our nature-related engagements with emerging market issuers through our participation in the Emerging Markets Investors Alliance working group on consumer staples.

We will continue our active participation within the Finance for Biodiversity (FfB) Foundation under the pledge we signed in 2021 as well as in other biodiversity-focused initiatives to support work related to the development of strategies, transparency standards, and practices around the protection of biodiversity. In 2024, the work around target setting is expected to advance with the roll out of SBTN for corporates and further guidance from the FfB for financial institutions.

Engagement themes

Responsible Technology

Théo Kotula
AXA IM Responsible Investment Analyst

Personal data collection has helped fuel 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. At the same time, artificial intelligence (AI) has drastically transformed the business environment. As AI's use in business continues to grow, responsible AI practices will be paramount to maintaining this growth and contending with its potential ethical and socio-technical repercussions.

We have also witnessed growing concerns around technology companies' potentially negative human rights and societal impacts, as well as around society's trust in them – which is key for sustainable, long-term value creation.

Trust in technology companies is also at risk regarding the potential detrimental impacts their products and services can have on end-users' mental health and wellbeing. As a global asset manager with extensive investments in the technology sector, we believe we have a role to play in encouraging responsible technology practices and helping protect clients from associated investment risks.

Our research found that companies collecting personal data and developing AI systems are exposed to human rights, regulatory, operational and reputational risks, and that a fine line separates success from failure in terms of responsible technology policies and practices. This work framed our 2023 engagement discussions with firms exposed to such risks.

Our engagement goals and activity

In 2023, we engaged with companies exposed to responsible technology issues to examine how their ways of working compare to the good practices we identified around:

- Transparency on data privacy policies and practices
- Disclosure around responsible AI and alignment with best practice
- Human rights policies and inclusion in business practices
- Mental health and wellbeing risk mitigation
- Oversight of these issues at board level

Tech companies do acknowledge data privacy, responsible AI and human rights are material risks for their business models – but we felt, based on our experience of engagement, that most firms were perhaps not willing to make the necessary changes to fully mitigate these risks. Therefore, we are expanding and enriching our engagement discussions with tech companies through collaboration with other investors and organisations as we believe it makes our message stronger and helps us to achieve our engagement objectives. As part of that, we continued our active participation in the, Tech giants and human rights: Investor expectations' collaborative initiative.[15] We also continued our active participation in the ICT (information and communication technology) and Human Rights working group of the Investor Alliance for Human Rights in 2023.

[15] The Council on Ethics of the Swedish National AP-funds signals its expectations for tech giants on human rights, Fjärde AP-fonden, December 2020

In 2023, AXA IM also co-founded – together with Sycomore Asset Management – an investor coalition to address and engage with mental health and wellbeing risks related to technology companies' products and services. It currently gathers 31 global institutional investors representing US$2.5bn in assets under management. Our main objective is to push technology firms to define robust policies and implement concrete measures to mitigate risks of addiction and potential adverse effects on end-consumers' mental health and wellbeing. Through this initiative, we expanded the scope and sectors of companies we engaged with. We notably acted as a lead investor to engage with videogames firms, and initiated discussions on mental health, addiction and wellbeing risks with Nintendo for example.

We also continued voting escalation tactics in our engagement and co-filed two shareholder resolutions at the 2023 AGM of two different companies (Meta Platforms and Alphabet) to show our disappointment regarding the lack of progress in our engagements. We made one proposal asking for an independent human rights impact assessment, and another requesting more quantitative and qualitative information on algorithmic systems.

Next steps

In 2024, we will continue engaging with tech companies on responsible technology and carry on with escalation tactics – through voting notably – if we feel there is a need to do so. We will also continue the collaboration with other investors to make our messages stronger.

Engagement status

Escalation

Case Study – Alphabet

Engager: **Responsible Investment Research**

Asset Class: **Equity, Fixed Income, Multi-Asset, Alternative Credit**

Given the influence Alphabet – holding company of Google – has on society, we have been engaging with the company on responsible technology issues since 2019, with a specific focus on:

- Board oversight of data privacy and human rights
- The implementation of best-in-class privacy policies and practices
- Integration of relevant human rights and privacy-related indicators in executive pay

As part of this engagement, in 2019 we co-signed a letter to the Board Chair requesting a meeting to discuss the management of human rights issues and the implementation of the UN Guiding Principles on Business and Human Rights across the company's operations and value chain. In the absence of a satisfactory response, we decided to co-file a shareholder resolution at Alphabet's 2020 general meeting requesting the company to establish a Human Rights Risk Oversight Committee of the Board of Directors.

Since then, we have continued to regularly meet with the company to discuss human rights issues. As part of the Global Network Initiative, Alphabet's human rights and privacy risk assessments are reviewed by an external third party, and the board and audit committee are frequently updated by the chief privacy officer and the privacy counsel. Moreover, the company decided in 2022 to integrate ESG objectives – encompassing human rights and privacy issues notably – in its new executive bonus programme.

While these are effective oversight measures, Alphabet remains under high scrutiny on human rights and privacy issues. Regulatory and reputational risks are increasing, especially with the growing adoption of AI systems that may increase privacy violations and discrimination risks.

We therefore decided to co-file another shareholder proposal at Alphabet's 2023 AGM, asking the company to provide more quantitative and qualitative information on its algorithmic systems. We also publicly disclosed our voting intentions beforehand in support of other responsible tech-related proposals as well as the 'one share one vote' proposal, to maximise the impact of our votes on future resolutions and promote enhanced board accountability.

Moreover, to maximise the chances of engagement success, we decided in 2023 to start engaging collaboratively through our support investor role within the Big Tech and Human Rights initiative. We wrote to Alphabet detailing our expectations for it to take concrete measures to address human rights risks pertaining to its products and business model and to related impacts and efforts. We focused on human rights key performance indicators (KPIs) related to:

- Culture and business model
- Content
- Vulnerable groups
- Access to remedy
- Stakeholder engagement

We will start discussions with the company based on this letter over the course of 2024.

Engagement themes

Social

Matthieu Firmian,
AXA IM ESG Analyst

We believe it is key to consider the 'S' in ESG investing, to ensure companies act responsibly as employers, suppliers of goods and services and as stakeholders in society. Our view is that companies failing to adequately do so are likely to face higher risks in terms of productivity, litigation (with heightened regulatory risks due to upcoming new regulations in Germany, US, and the EU[16]), and reputation – which could ultimately affect financial performance and investment returns.

Moreover, in line with a double materiality lens to ESG, social topics are the most represented among the United Nations Sustainable Development Goals. People and respect for human rights are at the heart of sustainable development. The broad definition of human rights encompasses many sub-themes, including modern slavery, living wages, gender equality, freedom of association, as well as health and safety. These risks cannot all be handled in the same way, but all require a deep dive into corporates' policies and actions. Ongoing dialogue with companies therefore remains crucial, to go beyond public communications and better understand and reduce controversy-related risks for companies.

We must acknowledge the complexity of the issues at stake, depending on the sectors, markets, or national regulations involved. We believe it is more effective to concentrate our efforts on a few sectors or countries where risks are the most material. This can range from health and local communities' rights in the energy sector to working conditions and labour rights in the textile and agri-food sectors.

Furthermore, we started to engage in 2023 via the stewardship initiative 'Advance' – launched by the Principles for Responsible Investment at the end of 2022, aimed at acting on human rights and social issues with a specific focus on metals and mining and renewable sectors.[17]

Outlook for 2024[18]

The integration of social considerations is bound to keep growing as a transversal theme, reflecting regulatory pressure such as the CSRD implementation in Europe as well as the development of due diligence regulations across regions. Both will contribute in our view to a gradual shift from a purely net zero focus to a more holistic perspective, aimed at ensuring that transition efforts are not made at the detriment of the planet and of people. Scrutiny on workers' rights will span all sectors, particularly in those most affected by a profound change of skills, such as automotive where we are seeing a shift to electric vehicles. It has already triggered costly strikes in this sector especially in the US, illustrating the need to also involve public stakeholders on broader issues such as reskilling or training. Living wages, working conditions, unionisation and social dialogue are structural issues that have been to some extent overshadowed by climate concerns until recently – but investors are starting to consider these more seriously, as echoed by a growing number of shareholder resolutions at company annual meetings. Those resolutions do not yet tackle to a large extent the 'just transition' theme, but no doubt we will see more of this in due course.

We believe this means an increased need for qualitative assessment of the materiality of risks, in terms of economic activities and geographies. Data providers assessing compliance with international norms and standards can help investors to screen exposures and exclude obvious infringers in the field of human rights. However, data does not provide a qualitative review of controversies and of what is at stake. Ultimately, investors will have to take their own view around the severity of the cases, the red lines they have and ultimately, the need to exclude or engage. We urge companies to demonstrate concrete evidence of how they address these topics, beyond merely stating they have codes of conduct or grievance mechanisms and instead show what they are doing on the ground to prevent, alleviate and remedy those risks. Technology giants will not be immune and will be facing increasing scrutiny into their practises as artificial intelligence further develops.

16 German law on due diligence adopted in 2022, Uyghur Forced Labour Prevention Act (UFLPA) introduced in the US in 2022, which prohibits the import of products from Xinjiang and its affiliates linked to forced labour, and upcoming Corporate Sustainability Due Diligence Directive (yet to be adopted as of February 2024) and directive on the import of products alleged to have benefited from forced labour in the EU
17 Advance: A stewardship initiative for human rights and social issues - Investor statement, PRI, May 2022
18 Sustainability in 2024: From net zero to a more holistic approach, AXA IM, February 2024

Human Capital Management, Freedom of Association

Case Study – Tesla

Engagement status

Company responds

Engager: Responsible Investment Research

Participant: Corporate Governance Research

Asset Class: Equity, Fixed Income, Multi-Asset, Structured Asset

We started engaging Tesla in 2022 based on allegations of racial discrimination and a poor inclusive culture. This followed our support for a shareholder resolution filed at the 2022 AGM requesting the company to report on efforts to prevent harassment and discrimination in the workplace.

After several meetings with the company in 2022 and 2023 where we clarified our expectations in terms of diversity, equity and inclusion (DEI) reporting and practices, we note improved disclosure in its new impact report. For example, Tesla now discloses the breakdown of the type of complaints filed in its grievance mechanism called 'Integrity Line' and stepped up its workplace trainings. The company also confirmed that new data will be included in the next impact report, which we will carefully monitor upon publication in 2024. However, given the persistence of human capital controversies, we decided to oppose the re-election of the CEO at the company's 2023 AGM over concerns around governance and corporate culture.

Last year, we also started to discuss with Tesla ongoing allegations of anti-union practices in the context of massive strikes in the US in the automotive sector and the role of the main United Auto Workers union.

We will continue the dialogue with the company on this topic in 2024.

Forced Labour, Child Labour

Case Study – Stellantis

Engagement status

Company responds

Engager: Responsible Investment Research

Asset Class: Equity, Fixed Income, Multi-Asset, Structured Asset

We co-led an engagement with automotive company Stellantis in 2023, as part of an initiative led by the French Sustainable Investment Forum (FIR) and non-governmental organisation Human Resources Without Borders. The initiative aims to reduce the risk of child labour and forced labour in supply chains in French companies by implementing robust human rights policies. Considering the increased level of risk stemming from the complex supply chains of the automotive sector, Stellantis was selected among the priority companies to engage with.

We held two meetings with the company in 2023. The first was to introduce the coalition's goals and better understand how Stellantis governs human rights-related risks. The second meeting, held with the Head of Corporate Social Responsibility, was an opportunity for the company to explain in more detail how it tackles forced labour and child labour-related risks.

We co-designed an analysis grid with Human Resources Without Borders to assess companies' level of maturity regarding child and forced labour risks. On this basis, dialogue with Stellantis will continue in 2024 to help the company improve its practices and policies to reduce the risks of modern slavery in its supply chains.

Engagement themes

Social

Gender diversity

We believe gender diversity is a key factor in achieving and maintaining a healthy and efficient working environment. We believe it can boost the emergence of talent, the generation of innovative ideas and business performance overall.[19]

Therefore, we continued last year to reinforce our engagement activities around gender diversity, particularly via our participation in the 30% Club France Investor Group (which AXA IM co-founded in 2020), encouraging large French companies to commit to promoting gender diversity at a senior management level. We also continued our gender diversity-related engagement efforts in Japan, focusing on board-level gender diversity which continues to fall behind that seen in other markets (including elsewhere in Asia), building on the positive momentum resulting from hard and soft law evolution in Japanese corporate governance.

Engagement status
Company responds

Case Study – Vivendi

Engager: **Responsible Investment Research**

We started engaging French media holding group Vivendi in 2021 as lead investor of the 30% Club. Since then, the company has developed stronger disclosures on gender diversity and has put in place new actions to advance towards gender equality goals over time (including by adding two new key performance indicators linked to the share of women in new recruitments and in internal promotion). However, since 2022 our dialogue has been focused on harassment claims which occurred at one of the company's entities, Havas.

Last year, we sought to understand the remediation measures taken by the company following the allegations, in particular the changes made to its internal control mechanisms to better detect and prevent potential harassment cases. Vivendi presented actions it has taken both at Havas (including a renewed training programme) and at group level. We also touched upon broader gender diversity-related themes, including measures taken to address the gender pay gap, shared best practices on taking action on gender diversity, and encouraged the company to continue its work on developing a pipeline of female talent.

Public Health

In line with our commitment to improving access to medicine, we believe that access to affordable insulin is essential to the survival of millions of people, even in developed countries like the United States. The year 2023 was marked by a considerable drop in insulin prices in the United States, including by Novo Nordisk.

Engagement status
Company responds

Case Study – Novo Nordisk

Engager: **Responsible Investment Research**

Asset Class: **Equity, Fixed Income, Multi-Asset, Structured Asset**

We have engaged with healthcare company Novo Nordisk on public health since 2019. As the producer of around half the world's insulin supply[20], the company has a major role to play by giving access to this vital treatment for millions of people around the world. In 2022 and 2023, we pushed Novo Nordisk to disclose more information on the breakdown of people benefiting from low-price programmes in the US and were pleased the company announced it would lower US prices of several pre-filled insulin pens and vials by up to 75% in January 2024. This is a massive step for people suffering from diabetes.

Last year, we also started to address a potential future risk of misuse of a new treatment, Ozempic. Intended as a drug to treat type 2 diabetes, the medicine was also found to be effective in weight loss and fighting obesity, attracting significant social media attention and customer demand. We expect Novo Nordisk to implement efficient guardrails such as prevention programmes for doctors and will continue to discuss this issue with the company in 2024.

[19] Why Diversity and Inclusion Has Become a Business Priority, Josh Bersin, March 2019
[20] Position on access to diabetes care (novonordisk.com)

Case Study – Gender diversity in Japan

Diversity levels in Japanese listed companies across senior management and boards of directors vary by company and industry. In general, though, they remain below that seen in other developed markets, as well as most other markets in Asia. We have been encouraged, however, by several positive developments in recent years, such as the reform of the Tokyo Stock Exchange's listing classifications, the revision of Japan's Corporate Governance Code, a regulatory requirement[21] to address sustainability, and ongoing plans by the current Japanese administration to mandate gender diversity-related disclosure.

In compliance with the Japanese Stewardship Code, AXA IM stepped up engagement efforts in Japan in 2022 to further promote diversity at board and top management positions. This ultimately led to a public letter co-signed with the Asian Corporate Governance Association, calling for improved gender representation at top management level.

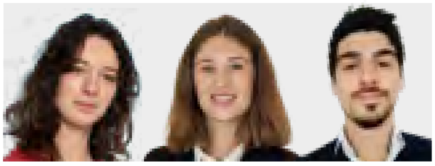
In 2023, we continued our engagement efforts on diversity-related issues, including sending companies a questionnaire, drawn up in 2022 jointly by our Japanese credit team and Responsible Investment team, based on KPIs included in the 30% Club France survey. The Japanese credit team then reached out to 24 companies, followed by face-to-face meetings (individually as well as, in some cases, collaboratively with other global investors) or email communications to discuss the responses to the survey.

These engagements enabled us to confirm our view on the degree of maturity and credibility of companies with most advance DEI policies, while increasing awareness on the importance of such issues for companies that are lagging.

[21] Sustainable Finance, Financial Services Agency, December 2022

Engagement themes

Corporate Governance



Héloïse Courault, Constance Caillet and **Alexandre Prost**
AXA IM Corporate Governance & Stewardship Analysts

Our engagement goals

At AXA IM, we believe sound corporate governance creates the framework to ensure a corporation is managed in the long-term interest of its stakeholders. It is a pre-requisite for sustainable performance and the successful integration of environmental or social issues in corporate strategy. This is why engagement on corporate governance represents such a large chunk of our engagement activities (25% of our engagement with objectives in 2023).

When engaging with investee companies, we focus on the main themes described in our Corporate Governance & Voting Policy – including board composition and effectiveness, sound remuneration structure and preservation of shareholder rights. We prioritise our largest holdings, or companies where we have identified a material change in governance.

Among the overarching principles of our Corporate Governance & Voting policy lies our strongly held belief that we must use our influence as a responsible investor to actively promote the highest governance standards, while considering as much as possible local and company specificities. We do this by:

- Contributing to industry working groups and technical committees, such as the Global Governance Committee of the International Corporate Governance Network (ICGN) or the Corporate Governance Committee of the French Asset Management Association (AFG)
- Actively participating in local investor groups to deepen our knowledge of a specific market, such as the Investment Committee of Italy's Assogestioni, or the Dutch association Eumedion

Our engagement activity

During 2023, we focused our discussion with companies around themes that shaped the 2023 season, including:

- Executive pay and the notion of social acceptability, considering workforce-related views and experience when discussing chief executive pay in a time of economic and cost of living crisis
- Sustainability governance, ensuring effective board oversight of sustainability issues while navigating conflicting views on ESG in an increasingly polarised world
- Protecting shareholder rights in relation to potential evolution of the format of company AGMs.

Social acceptability of executive pay

Globally, executive pay attracted renewed attention during the 2023 AGM season. After two financial years impacted by the COVID-19 crisis, we have seen some significant spikes in pay packages, mainly driven by an increase in quantum and windfall gains. Many responsible investors, including AXA IM, advocate for fairer compensation structures, especially in a time of economic crisis, which has prompted a cautious approach towards this issue in our analysis and engagements.

Our view is that the cost-of-living crisis presents a risk to investment performance due to its potential impact on worker productivity, which in turn could negatively impact economic performance and overall market returns for investors. In turbulent times, protecting the most vulnerable employees and insisting on retention could be key to navigating through the crisis as an employer.

To avoid widening the gap between average worker pay and the total remuneration available to executives, we asked whether companies had taken steps to support their lowest paid employees and pushed for increases in executive base salary to be proportionally lower than the overall workforce. In terms of escalation, if the approach taken by the company was not aligned with our expectations, we withdrew our support from resolutions to approve the remuneration report or, in egregious cases, to reappoint the chair of the remuneration committee.

Engagement status

Escalation

Case Study – Marshalls

Engager: Corporate Governance Team

Asset Class: Equity

We met with Marshalls' Chair and Remuneration Committee Chair for the first time in November 2022 to discuss the company's remuneration policy, more specifically our concerns regarding the significant increases in base salary for both the Chief Executive (CEO) and Chief Financial Officer (CFO). The CEO and CFO received salary increases of 8% and 5% respectively for the 2022 financial year, followed by a further 12.2% and 5.5% increase in April 2022 following the acquisition of Marley.

We questioned this decision in the light of the increased cost of living in the UK, especially considering the single-digit increase in base salary that was offered to employees. The company confirmed the employee benefits package would also be increased, that it had considered the interest of the global workforce, and it had held dialogue with unions.

However, following the announcement of yet another 5% increase in base salary for the 2023 financial year, we decided to vote against the remuneration report at the 2023 AGM. After sharing our voting intentions with the company, Marshalls reached out to provide more details.

During our second meeting held before the 2023 AGM, the company reiterated its increased responsibilities since the acquisition of Marley and highlighted that profits had also increased significantly from 2021 to 2022. We questioned the rationale considering the steep decline in the company's share price over the previous 12 months and explained we believe that annual increases in salary for executives should be low and ideally proportionally lower than general increases across the broader workforce.

We had significant concerns about Marshalls' approach and questions around what we perceived as a potential lack of awareness of the current economic context, as well as the risks attached to the proposed changes in executive remuneration. As such, we decided to maintain our opposition to the remuneration report. Considering the 25% of shareholders voting against the remuneration report at the AGM, the company is expected to consider and respond to shareholder dissatisfaction, which we will carefully monitor in 2024.

Engagement themes

Corporate Governance

Engagement status

Engagement Progress

Case Study – Apple

Lead Engager: Corporate Governance Team

Participants: Responsible Technology Analyst

Asset Class: Equity, Multi-Asset, Fixed Income, Alternative Credit

Executive remuneration has been a topic of concern for Apple shareholders for a number of years. Following the substantial (nearly 40%) opposition[22] from shareholders to CEO Tim Cook's $99m pay package at the 2022 AGM, we reached out to the company early last year to detail, among other things, our expectations on executive pay ahead of the 2023 AGM.

We explained to Apple the reasons behind our 2022 vote against the remuneration, primarily linked to the size and the structure of Cook's 2021 and 2022 equity grants. The company explained that, in response to shareholder criticism, Cook's pay would be cut by more than 40% in 2023, leading to a $36m reduction in his salary. Apple has also introduced a new bonus formula for executives, which includes an ESG bonus modifier that can vary the total bonus amount by up to 10%.

We acknowledged the board's efforts and responsiveness to investor feedback. However, we sought to better understand how this reduction had been decided and whether it will be maintained in the long term. Moreover, although we welcome the inclusion of ESG criteria in remuneration, we explained to Apple that we would prefer to see measurable ESG KPIs as standalone performance criteria, and not just as a discretionary modifier, as is currently the case.

Based on what we considered as some positive response to the shareholder dissent, we decided to support the 2023 remuneration package, but clearly communicated the rationale behind our votes ahead of the AGM. We also set out our expectations with respect to future evolution in the remuneration package and structure, and we may reconsider our support in 2024.

Engagement status

Escalation

Case Study – Universal Music Group

Lead Engager: Corporate Governance Team

Asset Class: Equity, Multi-Asset

We first reached out to Universal Music Group (UMG) in 2022, upon publication of its first remuneration report as independent company following its spin-off from French company Vivendi. While UMG is listed in the Netherlands, its remuneration practices are more similar to those of the US, where the company's key executives were initially located.

We expressed our concerns to UMG's investor relations teams regarding the CEO's pay (valued at approximately €275m, largely due to initial public offering-related bonuses) which we deemed disconnected from European standards. We also communicated our intention to vote against the remuneration report ahead of the company's first AGM in 2022. We then reached out again in early 2023 to request a discussion to share our expectations on executive pay. Following publication of the 2022 remuneration report and the company's decision to grant a €100m "transition award", we told UMG we intended to repeat our opposition to the remuneration report and to escalate our concerns by voting against the re-election of the Remuneration Committee Chair.

The company's 2023 AGM saw substantial shareholder dissent on the remuneration report and rejection of the Remuneration Committee Chair's re-election.

This year we will continue to try to engage on executive remuneration and share our concerns on the risks of excessive pay.

[22] Apple Inc. form 8-K, United States SEC, March 2022

Governance of Sustainability

Appropriate governance, including at board level, is key to ensuring sustainability is embedded in strategic decisions. Board directors must be capable of identifying ESG risks and opportunities and challenging management on sustainability issues.

Therefore, we seek to ensure the boards of our investee companies are sufficiently skilled and adequately structured to establish proper oversight of the company's ESG risks and opportunities. Our expectations, detailed in our Corporate Governance & Voting Policy, include full transparency on the governance chosen to oversee ESG issues, as well as adequate coordination between board committees on transversal ESG topics. Moreover, we regularly discuss board sustainability expertise, through directors' skills or dedicated training. From 2023, we have also begun formally asking for transparency on governance of climate-related issues at board level, in line with the TCFD recommendations. Insufficient disclosure would lead to a vote against the Chair of the Governance Committee or the Board Chair.

Board oversight of ESG issues is therefore a key component of our stewardship efforts and is addressed in more than 40% of our corporate governance-related engagements. These are selected examples of issues we discussed last year when engaging investee companies on their sustainability governance.

Case Study

Sustainability committee composition

We discussed various governance topics with the lead director of a France-based construction company as part of the company's governance roadshow. This gave us an opportunity to request more information on the level of board oversight of the company's vigilance plan and human rights-related risks, following a labour rights-related controversy leading to a recent indictment of the company. Among other things, we sought to understand whether the board's assessment of human rights-related risks was updated following the controversy as part of the company's broader vigilance plan, as well as which committee was tasked to monitor human rights-related risks. The company provided updates on the legal proceedings as well as the level of board oversight on this issue, which was closely monitored especially by the Sustainability Committee.

We then followed up with a dedicated meeting with the Corporate Secretary as we had concerns around the composition of the Sustainability Committee, which included a representative of the country involved in the human rights controversy. This raised questions over a potential risk of conflict of interest and the appropriateness of the committee's involvement in the oversight of the controversy. Although the company confirmed the director's independence, we will continue to scrutinise the committee's composition and encourage a more independent oversight of this issue, for example by the Audit & Risk Committee.

Case Study

Sustainability expertise

As part of regular meetings held with the Corporate Secretary of a large Spanish bank, we started discussions around its level of board expertise on sustainability in 2022. We asked for further disclosure on directors' skills (especially as the company's board skills matrix combines corporate governance with other sustainability skills, which in our view encompasses vastly different expertise), as well as the type of training offered to board members. Our goal was to better understand the level of experience of certain directors on specific ESG issues considered as a priority for the bank (particularly climate and DEI), as well as ensuring that the overall knowledge of the board on sustainability was regularly reviewed and updated including via dedicated training.

We met again with the Corporate Secretary in 2023 and followed up on this issue. The company confirmed it would split corporate governance and sustainability into two different areas of the skills matrix, as well as differentiating between high expertise (board members with extensive professional experience in specific sustainability areas) and low to medium expertise gained via dedicated training. The company then gave details on the training sessions, organized for a significant period of time on specific issues where gaps have been identified during the board evaluation. This discussion gave us further confidence in the credibility of the process followed by the board to assess its sustainability expertise, and we will monitor future improvements in the skills matrix.

Engagement themes

Corporate Governance

The future of the AGM format
Technological developments, combined with the impact of the COVID-19 pandemic, have driven the use of virtual meetings. In 2023, we witnessed a wave of legislative changes in Europe leading companies to amend their bylaws to be able to hold hybrid and/or virtual-only AGMs.

In line with the International Corporate Governance Network's view, we have a preference for a hybrid AGM model as a way to boost shareholder attendance, while allowing international shareholders an effective means of participating. We think that virtual-only meetings, if badly executed, diminish the ability of all shareholders – both retail and institutional – to effectively participate and engage the board without management exerting some type of control.

The way companies conduct their meetings is a good indication of their attention to shareholder rights and the importance they give to stewardship and dialogue. With a number of high-profile demonstrations from non-governmental organisations and civil society representatives at 2023 general meetings, we worry that the virtual-only AGM could become the preferred option for companies to pre-empt the risk of potential disruptions, ultimately undermining the quality of shareholder and stakeholder dialogue.

Case Study

Committee collaboration on key ESG issues

We have held discussions with the Corporate Secretary and Head of Corporate Social Responsibility (CSR) of a Belgian pharmaceutical company on its sustainability governance since 2022. Health equity is considered among the most material sustainability issues for the business, and we are seeking to understand how it is overseen by the board.

The company does not have a dedicated committee at board level but rather has an external committee, acting as an adviser to the company's management and the board. Our area of focus was therefore to understand the level of interaction between the external committee and the board to ensure adequate collaboration between the two (including via the organisation of joint sessions on dedicated ESG topics and the presence of certain board members at the external committee meetings).

Last year, the company organised its first dedicated physical meeting during which the external committee and the board were able to engage on health equity and access to medicine issues. We were pleased to see this type of dedicated interaction enabling effective information sharing so that the board can benefit from the external expertise. We continue to encourage this type of collaboration as well as further transparency in the company's public disclosure including around activities of the external committee, topics discussed during the dedicated meeting with the board, and eventually the committee's annual report which is presented to the Board. We will also continue to scrutinise the composition of the external committee since changes are expected this year.

Outlook for **2024**

Corporate governance will remain a key focus of our engagements in 2024, as we remain committed to evolving our practices and policies over time, integrating thematic issues in our Corporate Governance & Voting Policy to reflect evolution in market practice and trends. Hence, in 2024, updates to our policy and principles will include:

Climate lobbying

The intensifying political backlash on climate-related regulation, in contrast with the urgent need for effective policy intervention to enable a just and orderly transition, highlights the importance of climate lobbying issues. Moreover, we believe alignment between publicly-stated sustainability goals and private policy engagement is a good indicator of the level of credibility of a company's sustainability commitment and strategy.
Therefore, from now on, we will seek to hold to account the highest emitting companies which have been actively lobbying against the goals of the Paris Agreement on climate change. We will also encourage disclosure on lobbying activities from companies that voluntarily submit their sustainability plans to a shareholder vote.

Virtual AGMs

For the reasons stated above, as of 2024 we will generally oppose bylaw amendments that seek to introduce a virtual-only AGM format except in cases of strictly exceptional circumstances and provided that shareholders' rights remain intact.

Executive pay fairness

We believe investors should advocate for fairer compensation structures as inequalities can have unintended consequences for society, create instability and reduce economic growth. This is perhaps of even greater importance in times of economic hardship, when high inflation, especially in energy and food costs, has caused a cost-of-living crisis that will take time to ease. Given the current economic context, we believe responsible investors must step in where needed, with a thoughtful approach on compensation.

We will therefore have a particular focus on any change that could, for example, potentially widen the pay gap between top management and the rest of the workforce, increase challenging labour relations, bring higher scrutiny from evaluators, or favour a steep rise in inequalities.

As of 2024, we will further consider wider workforce experience when voting on executive pay proposals, particularly when the company's board is proposing a pay increase to its chief executive.

Protecting our shared interests

Governance

AXA IM's 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 United Nations Sustainable Development Goals (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[23]. We do this in several ways:

- **We are proactive:** We strive to engage companies before concerns materialise that can potentially harm investors. We commit our efforts to ESG issues which we consider to be the most strategically and financially material for long-term investors. These include climate change, biodiversity, human capital management, 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 which shape investment outcomes. Our engagement and voting are built on the knowledge and insights we have developed.
- **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 objectives.
- **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 (a set of principles based on corporate commitments to implement sustainability principles), the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. 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 make other decisions, such as to divest.
- **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 in selected cases, in line with the double-materiality lens promoted by the EU as part of its Green Deal. We focus our engagement where we believe it can have the greatest impact and consider how it can align with the UN SDGs.

Our full Engagement Policy can be found here.

Responsibilities

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

- Within the RI Centre: The Corporate Governance and Stewardship team and the RI research team – including analysts focused on themes such as climate, biodiversity or social, as well as corporate governance and stewardship experts and others involved in advocacy
- Within AXA IM Business Units (AXA IM Core, AXA IM Alts, AXA IM Prime, AXA IM Select):
  - Sustainability teams
  - Fund managers and analysts
- Public policy and regulatory professionals

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

Nevertheless, the Corporate Governance and Stewardship, RI research and RI Coordination teams have a responsibility

[23] This approach applies in principle to portfolios under AXA IM's management, subject to asset classes specificities described in the policy, including dedicated fund and third-party mandates, unless the client has given different instructions for its mandate.

to formulate the broader engagement programme and orchestrate the related governance (including progress tracking and use of escalation, reporting, etc.). These teams make a significant contribution to engagement with issuers.

Engagement is performed across asset classes. Investment teams empower their analysts and portfolio managers to engage companies on ESG issues – in a similar way 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 RI experts from research, corporate governance, ESG and impact teams.

Forms of engagement

In listed markets, we clearly distinguish regular dialogue with investee companies regarding their sustainability practices (referred to as 'sustainability dialogue') from active engagement, where we have specific, identified objectives (referred to as 'engagement with objectives') in terms of our tracking and reporting. Our aim is to ensure robust engagement governance while properly reflecting the breadth of our dialogue with companies on ESG topics.

We consider the former to be key in establishing, developing and maintaining a constructive relationship, as well as gaining insight into a firm's policies and practices. However, while it may feed into future potential targeted engagement, this type of dialogue is less intensive and is largely an information-gathering exercise. It is generally led by credit research or portfolio managers looking to have a better understanding of the sustainability-related risk profile of a position held in portfolios, and so they can in certain cases be conducted at fund level, prioritising certain ESG issues depending on the specific sustainability objectives of the fund or asset class type.

In the case of engagement objectives, which seek to influence change at investee companies, these are generally conducted by the responsible investment and corporate governance research teams at entity level, regardless of the asset class type held in the engaged investee company.

Selection of priorities

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

- **Proactive:** We proactively engage on material ESG areas
  - Proactive engagement is conducted in the case of engagements with objective for which repetitive interaction is conducted on one or two key issues, with the list being adjusted on an annual basis and validated by the AXA IM ESG Monitoring & Engagement Committee. Objectives are set upfront and resources allocated. This is the list for which we expect regular individual engagement meetings, updates and action. Engagement progress with these companies is regularly tracked by the ESG Monitoring and Engagement Committee, leading to the use of engagement techniques when required.
  - AXA IM's **'Three Strikes and You're Out'** policy would fall into that category, as a forceful, proactive, climate-focused engagement policy. It aims to apply sufficient pressure to affect timely change within a selection of companies which are considered to be materially lagging versus their peers, or failing to meet baseline expectations, hence representing a higher risk. It includes a selection of companies which do not have net zero commitments, or which have quantified emissions reduction targets which are deemed not be credible or demanding enough. Clear objectives are defined for each of those companies, which follow our climate risk and engagement policies, and are tailored to their activities and communicated to their management at the inception of the engagement. AXA IM engages regularly with those companies to steer them to achieve progress on those objectives, using escalation techniques when necessary (e.g. voting against management). If the objectives have not been achieved after three years, we will divest.
- **Annual general meeting/ voting driven:** Before and after votes, we conduct extensive discussions with a number of companies on corporate governance matters, voting resolutions at upcoming meetings and increasingly, on sustainability issues which are a focus of shareholder proposals. 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:** Cases when we need to engage in response to a specific event. These may relate to severe controversies and violations of international norms and standards such as the OECD

Protecting our shared interests

Governance

Guidelines for Multinational Enterprises, a breach of the United Nations Global Compact, negative news flow or ban list updates.

- Objectives of our reactive engagement may include ensuring adequate materiality assessment of the controversy-related risk, the company's oversight of such risk and its remediation plan
- **Negative news flow:** Our investee companies are sometimes the subject of negative news stories. While these are not necessarily ranked as 'severe' controversies by our 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. In certain cases, we may also decide to exclude certain issuers on this basis, if we feel the risks are material and the response from management is insufficient
- **Exclusion policies:** Any update of our ban lists can also lead to some companies being automatically excluded (e.g. companies with severe controversies or in breach of international norms and standards). Again, the ESG Monitoring and Engagement Committee can advise to engage rather than exclude under certain conditions described in related policies

- **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 also updating them on our scrutiny and focus areas. Pre-issuance roadshows, earnings, or strategy update calls may also be appropriate opportunities to discuss a company's wider sustainability strategy

- **Green, social and sustainability-linked bond (GSSB) engagement:** We engage with a few GSSB issuers before issuance to discuss their framework and alignment with their overall sustainability strategies and ambitions. Post-issuance, we then carry out an ongoing dialogue, prioritising issuers that did not fully meet our initial expectations, with the aim to help them improve their GSSB offering and ensure they publish impact reports and effectively allocate the proceeds to green and social projects. We also continuously review opportunities to influence the development of the GSSB market and framework, through regular discussions with other market participants which are part of the bond market ecosystem, such as underwriting banks

Collaboration

Much of our engagement is based solely on our own efforts, but we also believe that collaborating with other investors and stakeholders can help us to achieve our goals. In 2023, although 73% of our engagements with objectives were carried out individually, we remained an active participant in key industry initiatives such

as Climate Action 100+ [24]. We were also part of the NA100 launch investor group and are now a member of its steering group. Started in September 2023, this global investor initiative seeks to engage companies in key sectors deemed to be systemically important in reversing nature and biodiversity loss by 2030.

2023 also saw the start of human rights-related engagements as part of the Principles for Responsible Investment (PRI)-led collaborative initiative Advance, which we joined in late 2022.

In 2023, AXA IM also joined the Investment Managers Committee of the Italian association of asset managers Assogestioni. It aims to promote collective engagement initiatives, facilitating the appointment of members of boards of directors and statutory auditors' boards through the slate voting system. As a member of the Investment Managers Committee, AXA IM contributed to selecting potential candidates and submitting minority slates at the 2023 AGMs of six Italian companies, resulting in increased levels of independence within company boards of directors.

We also continue to use collaboration to support our policy advocacy efforts, working notably with the Institutional Investors Group on Climate Change (IIGCC) as co-chair of its policy programme, and as a member and co-rapporteur of the EU Platform on Sustainable Finance since March 2023.

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 – as such we use a combination of collective and individual engagement.

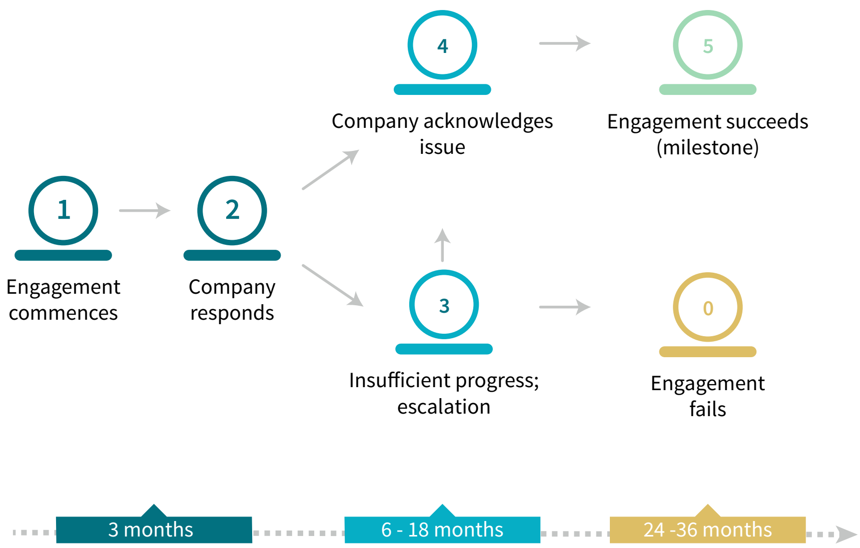
We play a proactive role in several industry initiatives and assume leadership roles as often as possible, as highlighted in Appendix III.

Case Study

In 2023, we started our engagement with Siemens Energy – formerly Siemens Gamesa – as part of PRI-led Advanced collaborative initiative on human rights. Our main objectives relate to the implementation of a robust and transparent governance for overseeing human rights-related risks and commitments, particularly given the merger of Siemens Energy and Siemens Gamesa, as well as proper management of human rights-related risks throughout the company's supply chain.

Tracking engagement progress

For 'engagement with objectives', we systematically track engagement progress using five stages that set out the range of possible outcomes:



Source: AXA IM

1. The engagement commences, often by requesting to discuss specific issues with an issuer's representatives
2. Upon approving to meet with us, the issuer recognises the presence of the issue and accepts to discuss with us
3. The issuer has not provided a satisfactory response to the initial engagement request and/or does not demonstrate adequate accountability. We must now scale up our engagement effort. An escalation strategy is therefore determined for every engagement activity
4. We made tangible progress in our engagements, and we are seeing the issuer taking more decisive step sin addressing the issue we initially contacted them for
5. A positive milestone is reached as the issuer has effectively resolved our initial concern, while demonstrating full accountability

0. The issuer failed to address our concerns

[24] Climate Action 100+

Protecting our shared interests

Governance

All our engagements have their objectives established upfront. We engage with issuers and track progress – achieving effective change can take time, and we define the timeframes which we consider reasonable to achieve these objectives, depending on their nature and the underlying concerns. These also differ according to the objective's nature, where the issuer is based and the theme it concerns.

In 2023, we recorded 14 milestones – instances where we believe we achieved our engagement objective (stage five). We have escalated our engagement with 16 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.

Escalation

Engagement does not always progress smoothly, and responses given by companies can be unsatisfactory or slow. It is therefore crucial in such cases to escalate the issue to keep the process moving and continue to make progress towards our 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 to formal industry groups or ad-hoc associations
- **Involve portfolio managers:** Portfolio managers often have in-depth knowledge of investee companies and may have useful connections. Working with portfolio managers on specific cases can therefore be an efficient way to ensure our messages reach the right people
- **Voting against resolutions at AGMs:** We use voting as a mechanism to escalate engagement concerns. When engagement on key themes stalls, we can show dissent by voting against specific resolutions
- **Co-filing shareholder resolutions:** We may also consider co-filing a resolution on specific ESG issues

Selected anonymised examples of escalation

Sector	Geography	Nature of issue	Escalation technique
Retailer	US	Human capital	**Targeted senior input** by sending a letter, **together with other investors**, to the chair of the board, requesting the implementation of a shareholder resolution on a worker health and safety audit
Food	Brazil	Deforestation	**Voting against** the board and privately disclosing our vote intentions to the company ahead of the AGM, following an unsuccessful request to meet and discuss their biodiversity strategy
Financial	Canada	Climate change financing	**Voting in favour** of climate-related shareholder proposals submitted at several Canadian banks over concerns regarding their fossil fuel financing policies
Technology	US	Data privacy	**Publicly pre-disclosing** our intention to support tech-related shareholder proposals to ensure appropriate board oversight of human rights and privacy issues
Oil and Gas	UK	Climate change	**Co-filing a shareholder proposal** to signal our concerns on the company's climate strategy ahead of the 2024 AGM
Real Estate	Germany	Governance	**Downgrading the company's ESG rating** which resulted in its **exclusion** from ESG-integrated portfolios following recurring and structural concerns of business ethics and fraud

- **Downgrading the company's ESG rating:** This could then lead to reducing exposure or fully divesting from certain funds

- **Divestment:** We consider the threat of divestment as a means of putting pressure on companies to change their practices. In the most severe cases, we may divest when we deem that no material change can occur.

The use of a specific escalation technique may vary depending on various factors, such as the severity of the concerns raised during engagement, the degree of responsiveness of the company, but also the market where the company operates, and the type of asset class held.

For example, we may be more prompt to file or co-file a resolution at companies in the US, Canada or the UK compared to other markets, considering the applicable filing requirements. In other markets, we may prefer to use other rights available to us, such as by raising questions at general meetings.

Where possible, we will seek to integrate ESG-related concerns raised by fixed income teams or during GSSB-related engagements into our equity-linked voting decisions. We will also seek to use other tools at our disposal.

Public Policy

Supporting the development of robust and usable policies to facilitate the transition to a more sustainable world

Clémence Humeau
AXA IM Head of Sustainability Coordination and Governance

At AXA IM we adhere to the principles, standards and codes which govern policies and practices in the markets where we are active, while recognising the challenges that diverging approaches to ESG can create in terms of understanding and implementation. We strive to give transparency on our approaches and the footprint of our investments and have aimed to do so for several years.

The past years have marked a step change for the financial industry in many of the countries and regions where we operate, as major sustainable finance policies have entered into force. These have had material impacts on financial institutions in terms of disclosures, as well as product design, for instance the EU Sustainable Finance Disclosure Regulation. The new regulations have also resulted in new disclosure requirements for corporates, for instance with the introduction of the EU Taxonomy, a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and broader environmental goals other than climate.

The EU Taxonomy, which has inspired the development of similar initiatives in many other geographies[25], is at the heart of the EU Green Deal. The Green Deal will be completed from 2024 by the EU Corporate Sustainability Reporting Directive (CSRD), which requires all large companies and all listed companies to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment[26], while other geographies may rely on the standards developed by the International Sustainability Standards Board, a baseline of sustainability disclosures focused on the needs of investors and financial markets[27].

This wave of new regulations continues to present challenges in terms of implementation, some due to usability issues in the regulations themselves. Other simply reflect the fact that these regulations are aimed at transforming the way the financial sector but also the real economy operates to ensure they support the transition to a Paris Agreement-aligned world – requiring structural changes to happen across the value chain. Ultimately, we are convinced the long-term goals of many of those regulations are aligned with AXA IM's net zero commitment and can help facilitate the allocation of capital to support decarbonisation of high-impact sectors as well as innovation in the sustainable solutions necessary for the transition to happen – which shapes our policy views.

We have started to see illustrations of this virtuous circle and consider that the EU Taxonomy, the CSRD and the EU Corporate Sustainability Due Diligence Directive (CSDDD) have the potential to help us to implement our net zero targets more effectively as highlighted in the EU Platform on Sustainable Finance Compendium of Market Practices[28] which AXA IM contributed to as member and co-rapporteur for the platform's sub-group on Usability and Data.

We also recognise that usability issues and the sequencing of regulations and guidance have led to significant costs and difficulties for investors in interpretating and implementing the legislation. We therefore consider that usability issues will need to be addressed quickly and in an orderly manner, bearing in mind the inter-operability challenges faced by global, diversified investors. We also believe that they should be accompanied by the appropriate real economy policies to enable an effective real-world transition towards more sustainable practices, consistent with the goals of the Paris Agreement.

With a few years since the introduction of the Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy, users across the value chain have gained an enhanced, shared understanding of the key expectations but also challenges to be addressed to make the framework more usable. They have been able to share their views as several consultations were issued throughout the year. We contributed to these discussions through different channels, participating in technical working groups such as the EU Platform on Sustainable Finance, engaging directly with policymakers or jointly with peers as part of industry working groups such as the IIGCC Policy Advisory Group, the PRI Global Policy Reference Group, or the EFAMA ESG and Stewardship Committee. Our advocacy efforts in 2023 have focused notably on the following:[29]

Addressing the current shortcomings of SFDR within the European sustainable finance ecosystem. While we support

25 https://www.climatebonds.net/files/reports/cbi_taxonomy_ukpact_2022_01f.pdf
26 https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
27 AXA IM is a member of the ISSB Investor Advisory Group
28 https://finance.ec.europa.eu/publications/platform-sustainable-finance-report-compendium-market-practices_en
29 This list does not intend to be exhaustive, and we have as an example contributed to industry associations' responses on approaches being developed at local level, including in the UK with the Sustainable Disclosure Requirement Discussion Papers

its overarching objective of providing increased transparency and comparability to our clients, several of the SFDR's key concepts have remained too vague, in our view. These include the definition of what a sustainable investment is, resulting in uneven implementation across the market. We would also see benefits in the development of a complementary categorisation regime with clearer minimum criteria which could be based on metrics including some of the SFDR Principal Adverse Impacts and the EU Taxonomy, for example – provided the usability of those metrics continues to be improved (e.g. clarification of calculation formulae, use of estimates for non-EU companies, etc.). We believe this could address the needs of some of our clients and help facilitate the channeling of flows towards transition and sustainable investments to fund the current investment gap to reach EU net zero goals.

We also encourage further simplification and proportionality in the disclosure templates, acknowledging that SFDR templates are complex to prepare, and to understand, and may have not had the intended effect in terms of facilitating end-investors' understanding. Finally, we believe it will be essential to ensure an effective articulation between any revision made to the SFDR and the new sustainability preferences framework introduced in the EU's Markets in Financial Instruments (MiF) regulation in August 2022.

Our advocacy efforts on SFDR have taken place within the EU Platform on Sustainable Finance, as well as within various industry groups in public consultations on the revision of the Regulatory Technical Standards, and the revision of the Level 1 regulation. There have also been individual engagements with the French Treasury and selected local supervisory authorities.

In the UK, we also contributed to industry groups on the Sustainability Disclosure Requirements (SDR) and engaged directly with policymakers on this regulation, sharing our experience at EU level. We welcome the introduction of clearer rules in the UK.

Another priority relates to the promotion of a regulatory environment which does not impede, and even supports shareholder engagement and voting in having an effective impact on investee companies' governance and sustainability strategies. When it comes to voting, at EU level some progress was achieved with the revision of the Shareholders Rights Directive II (SRD II) in 2020, including with regards to voting transparency and votes on executive pay. However, investors have continued to face technical obstacles in exercising voting rights. We highlighted them in our contribution, individually as well as through several industry groups, to a call for evidence on the implementation of SRD II provisions from the European Securities and Markets Authority in 2022.

We continued to express those concerns in 2023, contributing again to the responses, individually as well as through several industry groups to the European Commission's SRD II Impact Assessment study conducted to highlight key priorities to consider in the revision of the regulation. Another regulation we focused our efforts on in 2023 was the revision of the Listing Act, which in our view introduces a risk of dilution resulting from dual class shares, which could undermine the level of board accountability towards the concerns raised by minority shareholders. On a similar topic, we provided via one of our UK industry associations our concerns in relation to the FCA Consultation Paper on Primary Markets Effectiveness. We also responded to the consultation from the Vote Reporting Group on shareholder voting and vote transparency, calling for

Public Policy

Supporting the development of robust and usable policies to facilitate the transition to a more sustainable world

higher quality reporting while making recommendations to alleviate the reporting burden, among other things. Turning to shareholder engagement, to effectively support change within investee companies we believe robust stewardship policies and frameworks are essential. We have welcomed an increasing understanding from clients and certain regulators of the importance of quality of dialogue as a lever of change beyond, or even above, quantity.

At EU level, guidance arising from SRD II is lighter, as the regulation states that investors are expected to have an engagement policy in place at entity-level, with implementation remaining largely voluntary at this stage. There is no EU-level guidance similar to the UK Stewardship Code either at this stage. While many large EU asset managers as AXA IM are signatories to the UK Stewardship Code which has contributed to reinforcing their shareholder engagement policies, practices and disclosures, we believe further guidance at EU level, including a common definition and understanding of reporting that is practicable and effectively supports stewardship understanding on all sides would be beneficial. We will aim to further convey this stance in 2024.

On corporate governance more broadly, we also provided our comments to the FRC as part of its public consultation on the updates to the UK Corporate Governance Code, welcoming further outcome-based reporting, as well as recommending increased transparency on climate governance at board level and stressing the importance of challenging ESG KPIs in executive pay.

We continue to advocate for issuers to adopt the best governance and sustainability-related policies and practices through our involvement in the Global Governance Policy Committee of the International Corporate Governance Network. This resulted in the publication of viewpoints dedicated to virtual general meetings and board governance of sustainability, as well as a statement highlighting investors' concerns over announcements in the UK which may be detrimental to corporate governance standards and shareholder protections, potentially undermining the UK's economic growth and attractiveness as a global financial center[30].

We have continued to advocate for relevant and comparable sustainability-related information to become available for a broader scope of issuers. This data is absolutely crucial to allow investment teams to embed ESG into their decisions in a robust manner, and to enable us to provide meaningful, comprehensive reporting to clients and regulators – thus satisfying new disclosure requirements at fund and entity level in the EU and beyond. In particular, we called for a double-materiality lens – looking at the impact ESG factors may have on financial performance, but also at the impact investments may have on the environment and the planet. This reflects our role as responsible investors, and our wish for a better convergence at a global level, building where possible on existing and viable standards. In 2023 our advocacy efforts have in particular focused on highlighting the need for ESG data distributed by data providers to be sufficiently robust, consistent, and reliable (see below for details).

As we enter 2024, we will closely monitor the impact upcoming elections, including in the US and EU, could have on the policy landscape. When it comes to sustainable finance and real economy policies, we acknowledge that a more proportionate and targeted approach may be beneficial on a few targeted issues, based on lessons learnt from the first years of implementation. For example, sustainability disclosures with fund level disclosures adapted to the fund objectives. Beyond this, momentum must be maintained on the EU Green Deal, and on similar policies at a global level which look at sustainable finance and real economy in a complementary manner. This is important if investors are to be able to achieve their net zero commitments, and also implement the regulatory requirements which apply to them.

[30] https://www.icgn.org/icgn-statement-high-standards-corporate-governance-and-investor-protections-pre-requisites-uk

Against a backdrop made more complex by upcoming elections, there remains a need for stakeholders to come together and regroup to find robust and workable solutions, from asset managers to corporates, auditors and consultants, policymakers and supervisors. This is essential if the EU is to achieve its 2040 climate targets, and for the asset management industry to continue to successfully implement net zero commitments[31].

We hope to see further momentum on the real economy policy side, while acknowledging the impact and influence of macroeconomic events. We aim to continue to engage with our investor base, providing educational content on those important and evolving policies, to encourage an understanding of how these may change our way of working and change the nature of portfolio investments.

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. Our public policy engagement is achieved through direct engagement with policymakers and regulatory authorities, participation in industry working groups, and responses to consultations. A list of these can be found on page 100.

Labels

AXA IM held more than 100 sustainability – related labels as of end 2023 and has contributed to public consultations organized in France and Belgium as part of their revision of the Label ISR and the Towards Sustainability Label rulebooks. Those contributions took the form of written responses to the consultations, participation to industry group discussions as well as direct engagement with policy-makers or bodies in charge of the rulebook.

Overall, we were supportive of efforts to ensure the credibility of the labels, therefore helping to maintain the trust of end-investors, particularly retail. We feel the labels should avoid too much complexity and costs for the end clients, but first and foremost should facilitate clients' understanding. We were also in favour of an effective articulation of other sustainable finance regulations (e.g. SFDR PAI and the EU Taxonomy), which we consider could ultimately, if properly functioning, replace local labelling regimes.

Finally, we advocated in favour of meaningful, but also usable, criteria and rules adapted to the objectives targeted by the labels. In France for instance we are supportive of a label which would have different branches, depending on the sustainability objectives (e.g. transition), with common foundations to ensure investments meet the objective of 'Do No Significant Harm'. In keeping with our focus on effective stewardship practices, to support real-world decarbonisation, we advocated for the use of engagement with clear deadlines communicated to investee companies, and use of escalation techniques. We were happy to see this proposal retained in the new Label ISR rulebook.

ESG ratings - Stéphane Janin,

Head of Global Regulatory Developments and Public Affairs

We have been actively engaging within industry groups, as well as directly with policymakers and supervisors to share our expectations on the EU ESG ratings regulation proposal, as well as a UK working group set up by the Financial Conduct Authority (FCA) supporting a Code of Conduct for ESG ratings and ESG data providers. We highlighted issues that we see in terms of robustness and transparency of the ESG datasets that are distributed, which can make their use complex when producing regulatory disclosures (e.g. PAI statements related to SFDR), or when they are considered them in investment decisions (e.g. in relation to the Taxonomy Regulation). When doing so, we recommended that the principles enunciated by the International Organization of Securities Commissions (IOSCO) should be followed.

We were highly satisfied with the outcomes of the UK working group which we contributed to that led to the publication of a Code of Conduct in December 2023, already signed by 15 ESG data or rating products providers. In the EU, we also advocated for the regulation to include ESG data products beyond ESG ratings, noting that raw data was increasingly re-disseminated and more and more used by investors, gaining traction over ESG ratings for the purpose of sustainability performance monitoring or sustainability objective definition. We were disappointed by the limited outcomes of the legislative process only capturing ESG ratings but not ESG data products, and we will continue to advocate for a wider framework at EU level, in line with the level of ambition and requirement already in place at EU level for the rest of the ESG value chain as well as requested at a worldwide level by IOSCO.

[31] AXA IM For Progress Monitor

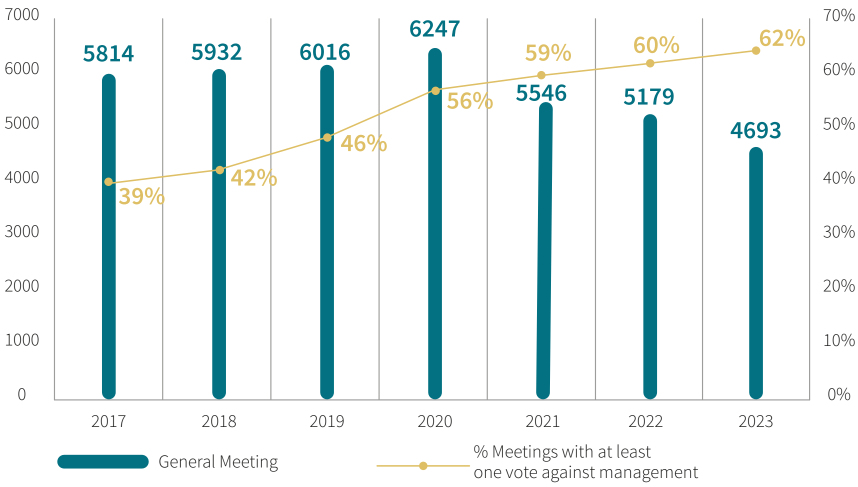
Voting: Key 2023 Data

Our 2023 voting activity in figures

Héloïse Courault, Constance Caillet and **Alexandre Prost**
AXA IM Corporate Governance & Stewardship Analysts

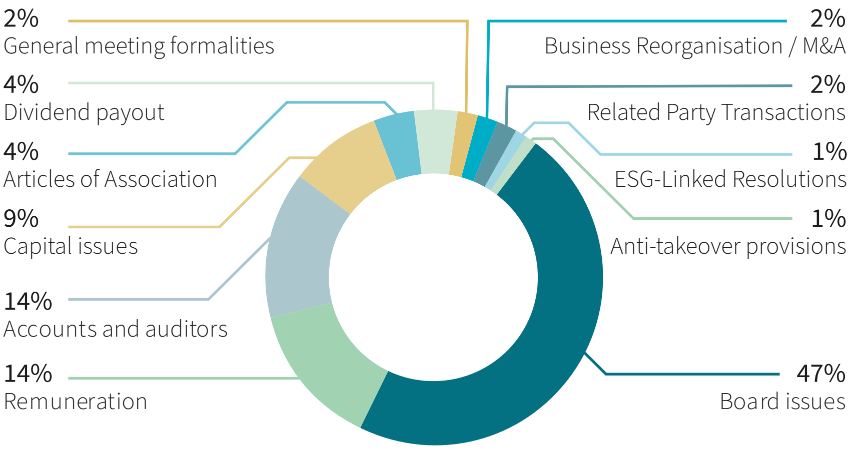
We consider voting an integral part of our ESG integration, and more specifically, stewardship approach. But we want to ensure we have ample engagement and dialogue with issuers to ensure we cast a quality and informed vote. Although we review our Corporate Governance & Voting Policy annually, notably to continuously strengthen the link with our thematic engagement policies, we also allow clients in segregated mandates to apply their own voting policies depending on their ESG preferences or market regulation.

Meetings voted & level of dissent



Source : AXA IM, end 2023

Breakdown of votes by topic



Source : AXA IM, end 2023

During 2023, AXA IM voted on a total of 54,782 proposals at 4,856 meetings, representing 97.6 % of the meetings we could vote at. Meetings where we were not able to vote were those in markets where processing votes would be too costly or would impede the investment process.

Nearly 97% of those proposals and meetings voted at were in accordance with AXA IMs' Corporate Governance & Voting Policy. They resulted in:

- An average opposition rate of 15.08%, with at least one vote against cast in 62% of the meetings where we voted
- The highest level of opposition remains for board issues (38% of votes against management), followed by executive remuneration (27% of votes against)

In applying our policy when voting, we are cognizant of the fact that companies are dynamic and a 'one size fits all' approach is not appropriate. Therefore, our voting approach is based, above all, on our regular dialogue with the firms we invest in, an understanding of their activities, their sector and the challenges they face, so we can vote in a highly-informed manner.

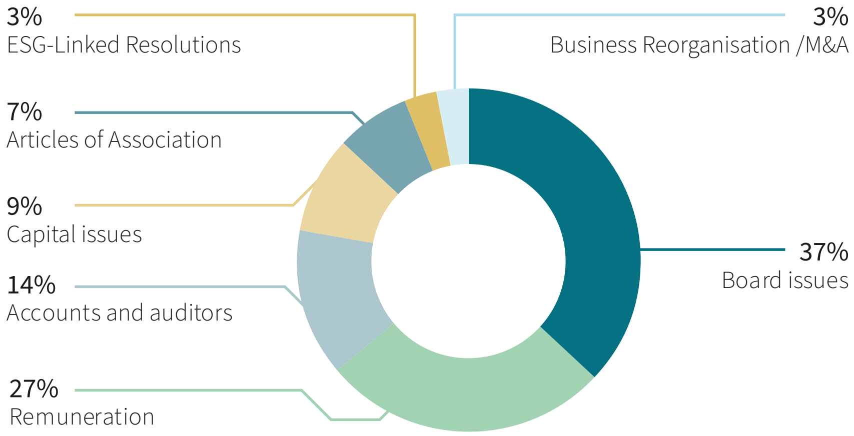
To reflect this, in 2023 we started to record all votes influenced, either positively or negatively, by our dialogue and engagement, with investee companies:

- We recorded 123 votes linked to engagement, 53% of which were influenced negatively (either because a company's explanations were not deemed convincing, our expectations and recommendations had not been considered, or because voting was used as an escalation technique). On the other hand, this also means that 47% of our votes were positively influenced by the dialogue we had with our investee companies, illustrating the importance of a quality dialogue between issuers and their shareholders

- Most of the recorded votes were linked to corporate governance-related engagements (74%, primarily on executive pay-related issues, as well as board composition and shareholder rights) although climate-related engagements also fed into our voting decisions (in 19% of cases)

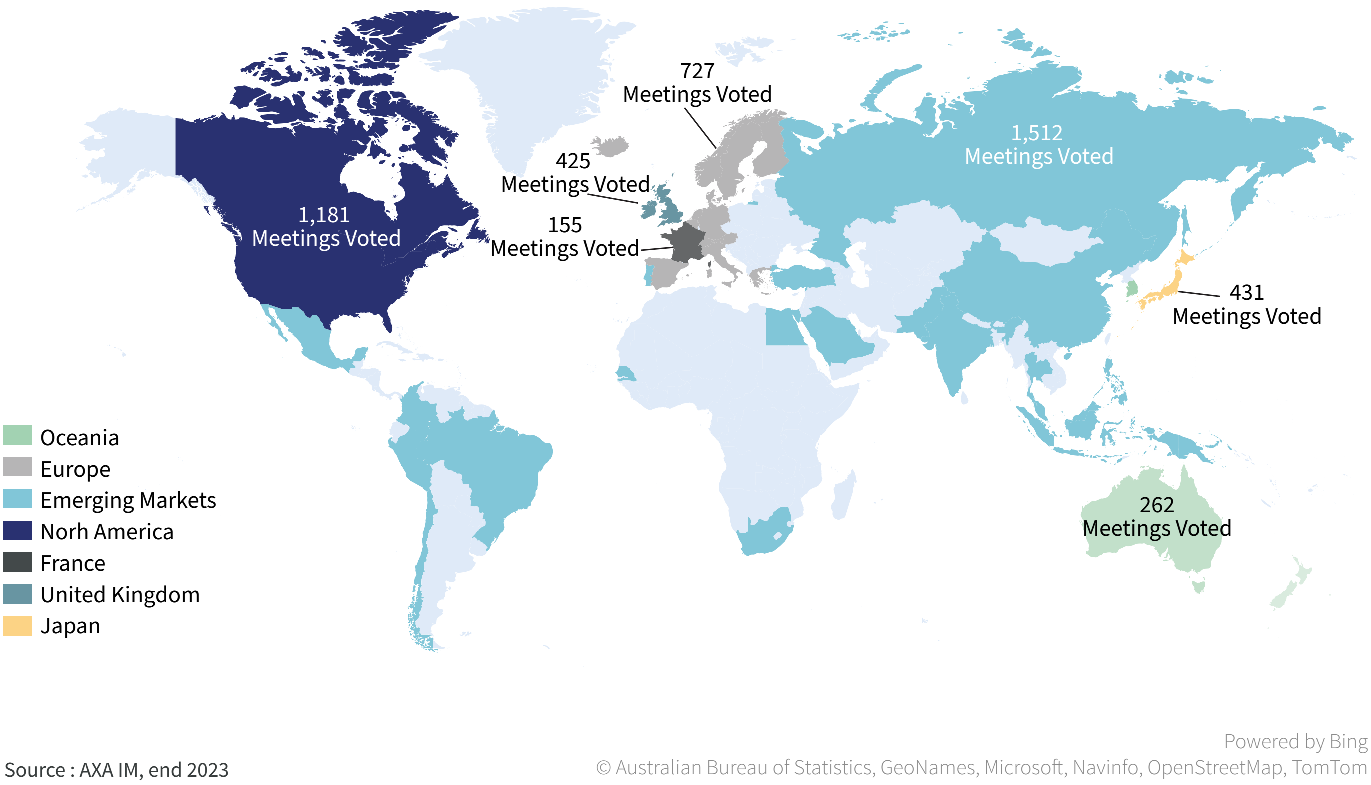
- This is even more striking when looking at votes used as engagement escalation, in which case 61% of them were linked to climate

Our votes against management by topic



Source : AXA IM, end 2023

Our Global Voting Footprint



Source : AXA IM, end 2023

Voting: Key 2023 Data

Our 2023 voting activity in figures

- **North American** markets were characterised by a higher level of recorded dissent, particularly on board-related resolutions (representing 45% of our votes against management on board issues), and on remuneration-related resolutions (representing 48% of our votes against management on remuneration).
  - Despite this high dissent level – reflecting the fact that executive pay practices continue to fall behind our standards – we have observed encouraging signs of responsiveness from companies addressing their shareholders' concerns raised under previous 'say-on-pay' votes
  - Transparency of ESG oversight continues to be lower than in European markets, leading to opposition on board election for insufficient disclosure of climate governance or on executive pay for lack of ESG criteria
  - On a more positive note, board diversity (gender and ethnic) continues to improve

- **UK:** In the UK, companies with higher shareholding levels tend to provide board members with easier access to information, enabling us to make better-informed decisions and guide the company's strategy, especially in contentious situations, and this is correlated with the level of maturity in the UK's governance topics. In 2023, the UK's cost-of-living crisis worsened, with inflation rates reaching record levels, affecting daily life and household consumption. This crisis had a significant impact on the voting season, leading AXA IM to ask companies how they supported their employees and vote against 15 executive remunerations, whose increases were decorrelated from those granted to the wider workforce

- **France:** Executive pay in France is, by far, our main area of opposition, representing 38% of our votes against management. Although nearly all companies are compliant with our policy on ESG KPIs in executive pay, we continue to raise concerns on the level of transparency as well as the pay-for-performance link

- 2023 also saw a significant drop in the number of 'say-on-climate' votes (AXA IM voted on 24 proposals, compared to 33 in 2022), which is likely attributed to the fact that most companies opted for a three-year frequency in the vote on their climate transition plan, as well as a 'wait-and-see' approach from other companies waiting for regulatory evolution around sustainability disclosure, including the upcoming transposition of CSRD. Nevertheless, France and the UK remain, as in 2022, the main markets where we observed 'say-on-climate' votes, with 13 such resolutions submitted by **French or UK companies**

- **Japan:** Nearly all our votes against management cast in Japanese companies were linked to election to the board or the board of the statutory auditor, due to a persistent lack of independence and gender diversity - although we are encouraged by positive momentum caused by evolution in the Japanese corporate governance code.

Our approach to environmental and social proposals

ESG Shareholder Proposals

We consider supporting ESG shareholder proposals as an effective escalation tool and supported 68% of them in 2023, among which:

- 55% were related to corporate governance issues, and AXA IM supported 76%
- 28% were related to social issues, and AXA IM supported 53%
- 17% were related to environmental issues, and AXA IM supported 63%

As in prior years, the vast majority (72% of shareholder proposals) were put forward in North America. Interestingly, France saw two climate-related shareholder proposals submitted at energy companies, including the first advisory-only shareholder proposal at TotalEnergies' AGM. Japan, as in 2022, continues to be a market where a limited but notable number of environment and social resolutions are filed, mainly by non-governmental organisations, at company AGMs (including large financial groups). Another interesting development is the rise of anti-ESG shareholder proposals, as AXA IM voted on (and opposed) a record number of such proposals in 2023.

AXA IM follows a tailored approach to voting on shareholder resolutions, as we seek to carefully examine each proposal on its own merits. We believe that it does not always make sense to support such shareholder resolutions if they are not well targeted for the company in question or if they fail to acknowledge efforts and commitments in progress, or in slightly different forms. We have a clear stewardship approach which frames how we decide whether to support ESG resolutions.

The main reason not to support a shareholder resolution is when the most material requests of the proponents are already disclosed by the company. Moreover, we have witnessed a growing number of proposals with a higher degree of prescriptiveness. In some cases these may interfere with the board's responsibilities, not be in the best interests of shareholders, or even have an unwanted impact on society (e.g., a climate-related resolution requesting a drastic shift in the company without considering the broader societal impact of the energy transition).[32] Other common reasons not to support a specific shareholder resolution are when we feel the demands are more appropriately addressed via supporting another shareholder resolution on the ballot, or when we decide to oppose a management-related resolution instead.

In specific cases, we may support a shareholder proposal which does not fully match our expectations, or which may be considered as prescriptive when the underlying objective is aligned with our main environmental or social concern, in order to send a signal to the company when we were dissatisfied with its current policies or practices.

Case Study

Shareholder resolution at Mizuho Financial Group

The agenda for Japanese Bank Mizuho Financial Group's 2023 AGM included a shareholder resolution calling on the company to disclose information on its plans to achieve its net zero emissions by 2050 commitment, and for the company to appropriately manage climate change risks.

We have engaged with the company on climate change since 2022, and our constructive dialogue has shownan encouraging direction of travel on the climate front, as confirmed by the increased level of detail (including on sectorial and technological analysis) of its latest sustainability report.

However, we considered at the time of the 2023 AGM that further progress was still needed, including on detailed sectorial targets for financed emissions, as discussed during our private engagements. Hence, despite the company's recent improvements, we supported the shareholder proposal to reflect our expectations mentioned during engagement.

[32] Global temperatures set to reach new records in next five years, World Meteorological Organization, May 2023

Voting: Key 2023 Data

Our approach to environmental and social proposals

We acknowledge the increasing scrutiny from various stakeholders on our voting decisions for these types of proposals but believe the intrinsic binary nature of the vote does not always fit an issue which may not be black or white. Therefore, and as we strive to provide the highest level of transparency to all our stakeholders, we will start disclosing, as of 2024, the rationale for all our votes against ESG-related shareholder proposals.

Moreover, while we see environmental and social shareholder proposals as a very useful tool to express potential concerns over a company's sustainability policy or practice, we believe focusing solely on this type of resolution to reflect an investor's stance on ESG issues is too restrictive. Indeed, voting on an ESG shareholder resolution will intrinsically be linked to the company's market and shareholder base, and will not necessarily result in real world impact (especially as the vast majority of shareholder proposals, filed in the US, are only advisory). Therefore, we seek to integrate specific environmental or social concerns to more traditional standalone items, leading in 2023 to 193 votes against director re-election, discharge, or reports, as well as 528 votes against executive pay.

Case Study

Shareholder resolution at Martin Marietta

At its 2023 Annual AGM, Martin Marietta, was targeted by a shareholder proposal calling for the company to adopt greenhouse gas emissions reduction targets.

The company's 2023 Sustainability Report, published prior to its AGM, included a new net zero scope 1 ambition for its entire operation, as well as enhanced intermediary targets. The company also announced its commitment to seek a SBTi certification. As with its peers in the cement sector, Martin Marietta has not set targets on its scope 3 emissions, which is viewed as a low materiality, and is not considered to be SBTi validated.

As the company has actively worked towards its net zero targets and reducing its carbon footprint, by prioritising emission reduction and resource efficiency, we voted against the shareholder proposal.

Our approach to environmental and social proposals

Supporting a shareholder resolution, and then?

Most environmental and social shareholder proposals are filed in the US, where the legal scope of such resolutions is only advisory. Therefore, majority adoption of a resolution does not necessarily mean it will be implemented. Moreover, the capital structures of some companies (such as those with super voting rights granted to the company's founder and CEO) may act as a barrier to the adoption of shareholder proposals to the detriment of board accountability.

Therefore, to ensure our votes on shareholder proposals are effectively followed through, and that boards remain accountable to their shareholders and responsive to their concerns, wereached out to some portfolio companies after a resolution that we have supported, and which received majority support. Our aim is to urge the relevant boards to implement the proposals.

In 2023, we have decided to join forces and reach out, jointly with other like-minded shareholders, to companies' boards, urging them to implement specific shareholder resolutions.

Case Study

Shareholder resolution at Amazon

Aggressive tax practices pose material financial risks, as a company's profitability is dependent on tax savings, and lead to heightened vulnerability to regulatory changes. It also increases the litigation and reputational risks weighting on companies. For that reason, we updated our Corporate Governance & Voting Policy in early 2023 to formalise our expectations with regards to transparent tax disclosure and robust tax governance.

Amazon's tax practices have been repeatedly challenged by tax authorities, resulting in significant settlements and adjustment costs. Currently, Amazon publishes neither its approach to tax nor its tax governance. As such, investors have no insight into the company's risk appetite, or its assessment of tax risks. Thus, at the company's 2022 and 2023 AGMs, AXA IM supported a shareholder proposal requesting Amazon to publish a tax transparency report according to the guidelines defined by the Global Reporting Initiative tax standard.

Amazon has shown no willingness to respond to the resolution, which failed to receive majority support (partly due to CEO Jeff Bezos' stake in the company's capital), nor to improve transparency of its tax policies and practices. Therefore, we decided to sign a joint letter sent at the end of 2023 to the company's Board of Directors, requesting a discussion on responsible corporate tax, Amazon tax practices, and best practice standards.

Case Study

Shareholder resolution at Dollar General

Dollar General has been under public scrutiny for several years due to poor working conditions and practices. The company is currently facing lawsuits on wrongful termination, harassment, discrimination (e.g. age, race, pregnancy), and underpayment.

At its 2023 AGM, over two thirds of investors, including AXA IM, voted in favour of a shareholder proposal requesting an independent third-party audit on the impact of the company's policies and practices on the safety and wellbeing of workers. Yet Dollar General has not responded nor provided any information about the company's plans to conduct the audit and implement the majority-supported proposal. To ensure the audit is effectively carried out and can inform appropriate solutions to improve worker health and safety, we signed, together with a group of investors, a joint letter that was sent to the Chairman of the Board.

Moreover, considering the significance of the social risk on the company's long-term performance, a downgrade of the company's ESG rating was requested and approved, in line with our internal scoring methodology. We will monitor future implementation of the Board's resolution and may decide to further downgrade the company's rating should the Board responsiveness to shareholder concerns be deemed unsatisfactory.

Voting: Key 2023 Data

Our approach to environmental and social proposals

Management environment al and social proposals

As in previous years, we also had the opportunity in 2023 to express our views on the sustainability strategy of investee companies via dedicated management-sponsored resolutions, such as so-called say-on-climate resolutions (or their resulting progress reports) as well as sustainability reports. A new type of climate proposal encompassing companies' biodiversity plans also emerged.

In 2023, we voted on a total of 58 management-sponsored environmental proposals, including 24 say-on-climate and 33 sustainability reports. We opposed seven of them. Although this remains marginal compared to the total number of management resolutions voted on (51,797), we expect this trend to continue gaining traction, especially in Europe with the transposition by EU Member States of the Corporate Sustainability Reporting Directive.

When analysing say-on-climate resolutions, we refer to the expectations detailed in the AXA IM Climate Risks Policy and Corporate Governance & Voting Policy, where we urge companies to:

- Commit to a net zero emission strategy, with short-, mid- and long-term carbon emissions reduction targets that are based on climate science. There should be a clear explanation of corresponding capital allocation plans
- Integrate the company's entire value chain in the climate strategy
- Perform scenario analysis using a scenario where global warming is limited to the Paris Agreement goals
- Align executive remuneration to climate change objectives

We expect companies submitting their transition plans to a shareholder vote to commit to a regular vote on such strategy and its implementation. We also expect boards to carefully consider the results of shareholder votes and follow up on them.

Case Study

Say-on-climate at BP
BP's net zero strategy, published in 2020, implies a radical corporate reorganisation with the intention to shrink its upstream division (largely by disposing assets), massively grow its renewable power operations, as well as increase the scale of its client-facing units to sell more low-carbon products.

The strategy was submitted to a shareholder vote for the first time at the company's 2022 AGM, receiving 88.5% support. However, in early 2023, BP announced a scaling back of its plan to cut oil and gas output in 2030 from 40% to 25%, due to its decision to sell less assets than initially planned. The announcement and revised targets, contrary to what was included in the climate strategy voted on at last year's AGM, raised concerns about how the company communicated to its shareholders and how it is considering their votes, as deviating from a previously approved plan without consulting shareholders again makes the idea of a say-on-climate irrelevant.

In this situation, we believe BP should have formally requested shareholders' approval in the light of the changes to the strategy. Even though advisory, the say-on-climate put to a vote last year attracted significant support and there was a clear expectation that the strategy would follow what had been announced.

As such, we decided to oppose the re-election of the Board Chair for what we consider a departure from good governance practices.

Case Study

Say-on-climate at Santos
Australia-based oil and gas company Santos submitted its climate strategy to a shareholder vote in 2022.
While such votes generally receive comfortable investor support, Santos' say-on-climate recorded 37% of 'against' votes including from AXA IM, among the highest opposition levels globally, due to a lack of scope 3 emissions reduction targets.
Despite such shareholder discontent, the company continues to be reluctant to set any scope 3 emissions reduction targets. Therefore, considering the lack of board responsiveness following last year's say-on-climate vote, we decided to oppose the re-election of the CSR committee member up for re-election at the 2023 AGM.

Voting: Our priorities and plans

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, and we regularly engage companies before and after any vote.

Our Corporate Governance Committee 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.[33]

The committee comprises regulatory and compliance professionals, members of the corporate governance and RI research teams as well as investment team representatives, who bring their experience to the committee's deliberations. The corporate governance team proposes updates to the policy when needed, and oversees the implementation of the policy and guidelines, ensuring they are in line with the committee's expectations.

Where there are complex, controversial, or non-routine cases, or where we may wish to deviate from our policy, the team consults and makes recommendations to the committee. The relevant team members will set out an explanation of the issue in question and make their recommendation. The committee members deliberate independently and provide their views and/or recommendations.

We vote against items on the agenda 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 as well as diversity, transparency and reporting. We also vote against proposals as a method to escalate our engagement where we feel insufficient progress has 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 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.

At AXA IM we publicly disclose our voting. It is updated on a quarterly basis. We provide the rationale for why we voted against management and, as of 2024, we will start disclosing rationale for all votes against a shareholder resolution. 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 website.

Voting research

AXA IM uses voting information services from Institutional Shareholder Services (ISS) and Proxinvest.[34] The research 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. Voting decisions are made by AXA IM and are based on our Corporate Governance & Voting Policy.

To ensure 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.

Stock lending

Stock lending aids market liquidity and allows clients to maximise revenues from their holdings and is a technique used by AXA IM. However, the attendant transfer of voting rights along with the lent shares means that additional scrutiny is required to ensure lent shares are not put to purposes detrimental to the long-term interests of the shareowner.

Shares will not be lent where the objective of such activities is to vote at general meetings.

As lending agent, we intend to recall all shares, ahead of the record date (where the record date is not backdated) in advance of general meetings to exercise our full voting right for open-ended funds and mandates. Ongoing securities' transactions are monitored by the securities lending team.

Conflicts of interest

We have adopted a set of guidelines to identify circumstances which may give rise to conflicts of interest, leading us to identify the following major potential conflicts of interest with respect to our stewardship activities:

- With our parent company, AXA SA
- With a sponsor company

[33] Unless instructed differently by a client
[34] An independent voting advisory service has also been appointed to take voting decisions on behalf of our third-party clients at the general meetings of our parent company, AXA SA

- With a key client
- With a company that is a significant distributor of AXA IM's product(s)
- Between clients
- AXA IM, or one of our collaborators (or any person or company directly or indirectly linked to them)

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.

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

- **Engagement:** AXA IM's engagement programme is supervised by the ESG Monitoring & Engagement Committee, under the oversight of the 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 outside influence
- **Voting:** In identified situations of conflict, AXA IM's Corporate Governance Committee has sole responsibility for making voting decisions 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 decisions are free from outside influence.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. 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.

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

Case Study

Conflict of interest: Time commitments

In this instance, the company is among AXA IM's largest clients. We voted against our proxy advisor's recommendation and in favour of management.

Strict application of AXA IM policy on so-called 'overboarding' (directors sitting on too many boards) should have led to an opposition of one particular director's election at the company's 2023 AGM. However, this director had already committed to not seek renewal of their mandates at two external companies, and the company's Board decided not to appoint them on any of its committees until then. The Corporate Governance team recommended the Corporate Governance Committee to consider:

- The level of awareness of the board and the various commitments taken
- The fact that their remaining outside non-executive director mandate will be at an investment holding company, and thus support their election, which was validated by the committee

However, another director, up for re-election at this AGM and Chair and CEO of an external company, was previously elected to the board of a third company - leading to an excessive total number of mandates as per AXA IM voting policy. This prompted the Corporate Governance team to oppose their re-election on the company's Board.

Case Study

Conflict of interest: Climate shareholder proposal

In this instance, the Chairman of the company sits on the Board of Directors of AXA IM's parent company, AXA SA. We voted against our proxy advisor's recommendation and in favour of management.

At its 2023 AGM, the company received a shareholder proposal requesting the Board of Directors to submit to a shareholder advisory vote its climate strategy, as well as the progress made, and to publish a detailed climate report. We voted against this shareholder proposal, despite our proxy advisor's recommendation to support it.

We have a long-term engagement with the company, and regularly discuss the climate topic, including before the 2023 AGM. Following the filing of the shareholder proposal, the company committed to a vote every three years on its climate strategy and published an addendum to its TCFD report including further information on scenario analysis and capital expenditure plans. Therefore, supporting the shareholder proposal was no longer deemed relevant.

After receiving the Corporate Governance Committee approval, we voted against the shareholder proposal at the 2023 AGM.

Putting ESG to work

AXA IM is a long-term, responsible investor with the aim of delivering sustainable returns for clients. Over time, our investment processes have evolved to reflect an ever-greater focus on non-financial factors. We believe by building a powerful understanding of the 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.

Our quantitative and qualitative ESG research is designed to help us better understand the materiality of ESG challenges for sectors, companies, and countries. This research feeds our integration and exclusion strategies by identifying where assets might be exposed to ESG risks that could have a detrimental and irreversible effect on the performance of our portfolios, as well as on long-term global sustainability. Our normative and sectorial exclusions, applied to the majority of our actively managed funds, set the red lines and send a clear message to companies and sovereigns on what we consider unacceptable from an ESG perspective. For assets where we remain exposed, we apply our voting and engagement strategies with the objective of supporting issuers in their transition journey.

In applying our stewardship strategy, for engagement with objectives, we aim to set out meaningful objectives which are clearly communicated to management. We then hold regular meetings to verify and evaluate progress and we vote with conviction or pursue other escalation techniques when required.

Our risk identification process

Our broad approach to sustainability risks

AXA IM uses an approach to sustainability risks derived from the integration of ESG criteria in our research and investment processes in accordance to their SFDR or equivalent classification. We have implemented a framework to integrate sustainability risks in investment decisions, which relies notably on:

- **Sectorial and normative exclusions** policies covering ESG factors to exclude assets exposed to the most severe sustainability risks identified during our investment decision-making process
  - Environmental: Climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines; shale and tight oil and gas; arctic oil and gas); biodiversity (ecosystem protection and deforestation); and soft commodities (food commodities derivatives)
  - Social: Health (tobacco producers), labour, society and human rights (violations of international norms and standards);[35] controversial weapons manufacturing; white phosphorus weapons producers; exclusion of investments in securities issued by countries where serious violations of human rights are observed
  - Governance: Business ethics (severe controversies, violations of international norms and standards); corruption (severe controversies, violations of international norms and standards)
- **Proprietary ESG scoring methodologies:**
  - On listed assets, we apply ESG scoring methodologies for corporates, sovereigns and on green, social and sustainability bonds. We use an ESG scoring methodology called Q² (qualitative and quantitative) which relies primarily on index provider MSCI with some proprietary add-ons which constitute the value-added of AXA IM's ESG scoring capacity: coverage, fundamental analyses, and instrument-level differentiation;
  - Specific ESG scoring methodologies have been developed for real assets (direct real estate property, infrastructure debt & equity, commercial real estate (CRE) debt), as well on alternative credit and private debt scoring methodologies (i.e., leveraged loans, collateralised loan obligations (CLOs), asset-backed securities (ABS), insurance-linked securities (ILS), regulatory capital (RegCap), non-performing loans (NPL), our impact investments (in companies, projects and funds),

[35] UN's Global Compact Principles, International Labour Organization's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

and non-listed private equity and debt through our subsidiary CAPZA);

- On funds of funds or funds of mandates managed by AXA IM Select[36], ESG scores are assigned at manager and fund level. Those ESG scores are the result of an ESG due diligence covering four areas: i) policy and governance ii) ESG integration iii) engagement and stewardship, and iv) risk and reporting;

- On funds of funds managed by AXA IM Prime, ESG scores are assessed at manager and fund level through proprietary ESG Due Diligence & Monitoring Questionnaires (DDMQ) assessing firm and fund responsibility for primary and co-investments for all AXA IM Prime verticals (i.e., private markets, including private equity, private debt, infrastructure, and hedge funds), as well as direct strategies (general partner level scoring). A tailored approach applies to secondaries investments.

  We believe this combination of external quantitative and internal qualitative ESG analysis helps us identify best-in-class companies – and laggards too. The use of ESG scores in the investment decision process should enable us to focus on assets with an overall better ESG performance and to seek to reduce sustainability risks.

This framework is complemented by:

- **In-house ESG research**[37] on key themes including climate change, biodiversity, gender diversity and human capital, responsible tech as well as on human rights and corporate governance, supported by broker research as well as regular meetings with companies, participation in conferences and industry events. We think this research helps us to better understand the materiality of these ESG challenges for sectors, companies and countries

- **Internal qualitative ESG and impact analysis** at company, country and instrument level. For impact-related investments, we have developed specific Impact Qualitative Analysis frameworks for listed equities and Green, Social and Sustainability Bonds

- **ESG KPIs:** Investment teams have access to a wide range of extra-financial data and analysis on ESG factors, across asset classes

- **Stewardship strategy:** We adopt an active and impactful approach to stewardship[38] (engagement and voting) by using our scale as a global investment manager to influence company and market practices. In doing so, we strive to reduce investment risk and enhance returns as well as driving positive impacts for our society and the environment. We believe these are key to achieving sustainable long-term value creation for our clients

Controls

The ESG and climate themes are covered by AXA IM's control framework, with responsibilities spread between the first level of controls performed by the business and second level of controls performed by dedicated teams.

ESG-related investment guidelines consist of our exclusion policies, as well as of eligibility criteria and rules specific to some funds, including those which have been awarded sustainability-related labels.[39] Monitoring is carried out as follows:

- The portfolio management teams are primarily responsible for the implementation of policies and commitments. Funds' specific RI objectives are reported in monthly Investment Oversight Forums. Following ban lists and/or eligible universe updates, portfolio managers divest from issuers taking into account the client's or the fund's best interest

- The investment guidelines team ensures independent and systematic pre- and post-trade controls on policies and fund-level commitments. This team monitors the correct application of the exclusion lists derived from top-level RI policies and ESG Standards, sustainability-related labels and other fund-specific commitments as mentioned in their regulatory documentation

- The compliance department carries out ad hoc controls on the work performed by the investment guidelines team, but also makes sure that RI internal processes are respected, and ensures compliance with regulatory requirements in AXA IM's RI strategy

- The risk management department assesses the likely impact of sustainability risks on the products' return and classifies them within three levels: Low, Medium and High[40]

- The audit department performs periodic controls. Audits are performed according to an annual risk-based audit plan, which is approved and monitored by our governance bodies, in particular the AXA IM Audit & Risk Committee. Higher risk areas and those required by regulations to be covered regularly are subject to audits on a more frequent basis compared to the less risky areas, which are covered over a longer cycle.

[36] Previously managed by Architas and assets from AXA Group's general accounts.
[37] Sustainability, AXA IM, retrieved February 2024
[38] Stewardship & Engagement, AXA IM, retrieved February 2024
[39] Such rules are described in the regulatory documentation of the products.
[40] Sustainable Finance, AXA IM, retrieved February 2024

Putting ESG to work

Identification of Risks

The Emerging Risk Management Framework aims to ensure the consistency of the process of identification, assessment, mitigation and management of the emerging risks faced by AXA IM.

Emerging risks are those which may develop in the future, or which already exist and are evolving. They are marked by a high degree of uncertainty, and some of them may even never emerge. Emerging risks can have potentially serious consequences if they are not anticipated in a timely manner.

Chief risk officers are responsible for early detection of risks. The objective of emerging risk management is to reinforce the anticipation and monitoring dimension of risk management.

The Emerging Risk Management Framework is designed to enhance AXA IM's understanding of these risks and allow us to adapt our business and processes accordingly. By encouraging a foresight approach, it is also an opportunity for risk management functions to contribute to the strategy of the company.

Emerging risk definition

Emerging risks are those which could potentially be impactful in the next five-to-10 years. They are defined as either new risks, or risks that already exist but one or more of the components of the risk's current dynamics are not adequately understood, be it hazard, exposure and/or vulnerability to the hazard.

Emerging risk framework and 2023 outcomes

The Emerging Risk Management Framework includes:

- Risk identification: The risk identification is performed through interviews with key stakeholders from a large number of AXA IM departments (including investment platforms, client group, legal, the regulatory development team, innovation team, responsible investment team, Human Resources, etc.) and with inputs from AXA IM executives
- Risk Prioritisation: All risks are assessed according to their severity and their impact time horizon. Risks are then prioritised using the severity assessment performed, and based on any other relevant prioritisation criteria
- Mitigation actions: As part of this exercise, existing mitigation plans are identified, and new mitigation plans are agreed where relevant

The outcomes of the emerging risks exercise are discussed at the AXA IM Global Risk Committee. Since 2022, we have been progressively integrating the identification of ESG-related risks withing our Emerging Risk Management Framework. As such, risks related to ESG, including climate change, biodiversity and more broadly linked to the deployment of sustainability-related regulations are included in the top emerging risks identified for AXA IM. To mitigate these risks, a specific internal governance is now in place, involving stakeholders dedicated to sustainability-related topics.

AXA IM Core

We believe the consideration of non-financial factors, specifically ESG issues, can help us deliver sustainable returns over the long term.

There are four key reasons why we believe considering such factors is important:

- They can help identify companies with serious ESG risks
- They can help improve our understanding of how long-term issues are integrated into a company's strategy
- They allow us to refocus portfolios around companies we think have implemented good practices in terms of their ESG impact
- They can inform an active dialogue around the management of ESG issues, potentially helping improve companies' performance and thereby limiting our ongoing exposure to risks

AXA IM Core has a comprehensive and proactive approach to integrating ESG factors into the decision-making process across equity, fixed income and multi-asset platforms. This approach, which consists of the three pillars below, not only allows us to assess risk and return more systematically but also has the potential to create positive impact and contribute to a more sustainable future.

1. **ESG data & research:** Integration of ESG data & qualitative analysis to evaluate investment risks and opportunities as part of the investment process
2. **Exclusions:** Apply Top-level and ESG Standards exclusions to mitigate adverse ESG risks and set clear standards for sustainable investing
3. **Stewardship:** robust & measurable voting and engagement, where we focus on strategic ESG issues and engage with companies before risks materialize

In equity portfolios managed with a quantitative approach, ESG scores and key performance indicator targets are added to traditional alpha and risk measures. This ensures the highest ESG rating is favoured in portfolio construction when faced with identical stocks from a traditional investment perspective. In addition, our research has shown that boardroom diversity influences companies' profitability, and as such, we explicitly consider diversity in our proprietary models to measure earnings quality. This approach, which consists of the three pillars below, helps us to manage risk effectively and create a positive impact by investing in companies which prioritise ESG factors.

In equities managed with a judgmental approach, the investment teams work closely with dedicated equity ESG & Impact analysts. These experts conduct their proprietary fundamental research on extra-financial criteria of companies under investment consideration. Their role is to analyse corporates on ESG considerations from both a risk and opportunities perspective. In addition they perform impact assessments on companies to determine eligibility for inclusion in our listed equity proprietary Impact universe.

In fixed income, our credit analysts use ESG measures to identify material concerns that could impair the credit quality and long-term sustainability of issuers. By incorporating a wide range of ESG factors into credit analyses, we can identify those risks most relevant to credit investors and potentially minimise downside risk. ESG factors are also important for sovereign and quasi-sovereign debt and are therefore integrated into our investment process, with different quantitative indicators for sovereign issuers to corporate issuers.

The Multi-Asset platform leverages the ESG integration within the Equity and Fixed Income platforms. We actively participate in sustainability dialogues with company management to encourage responsible corporate behaviour and disclosure practices. We believe this approach not only creates positive impact but can also potentially generate long-term benefits for our clients.

As of the end of 2023, AXA IM Core managed €399bn in assets which integrate ESG criteria. Furthermore, €35bn of assets under management have been awarded with the French sustainability label ISR[41] and €7.8bn with the Belgian Towards Sustainability label.

Our fund and strategy offering

Our mission is to meet the ever-increasing demand from clients through a comprehensive and innovative range of strategies and open-ended funds, many of which place sustainability at the heart of their objective and therefore go beyond mere ESG integration. Our range has also been designed in line with AXA IM's overall priorities such as climate and biodiversity, and includes:

1. ESG integrated strategies where investment teams take account of ESG risks and opportunities when making investment decisions and where ESG is embedded in the investment process to help achieve risk-adjusted returns. In most cases our portfolios also explicitly include an ESG score objective and/or targeted ESG characteristics
2. Our ACT funds which are designed to create long-term sustainable value for clients while driving meaningful change for society and the environment. As of the end of December 2023 this includes 25 funds and two ETFs, each investing with focus on Planet or People, or People and Planet. Within 'Planet' we manage portfolios focused on decarbonisation (e.g. carbon transition fixed income) as well as portfolios investing in client solutions (e.g. dedicated biodiversity equity).
3. A range of equity and credit Paris Aligned Benchmark (PAB) ETFs launched in 2023 to cater to clients who wish to achieve their goals using the PAB framework within an ETF wrapper.

[41] Based on the second version of the Label ISR rulebook, as of end 2023.

AXA IM Core

Equity

Beside ESG qualitative analysis, a dedicated team of analysts conducts impact analysis on companies according to a five-pillar proprietary framework.

As a member of the advisory committee of the Global Impact Investing Network (GIIN), we contributed to the Guidance for Pursuing Impact in Listed Equities published in March 2023. Our impact investment analysts use our proprietary impact research framework to assess the contributions of companies to environmental and/or social objectives and the UN SDGs. This framework is based on five pillars which are specific to impact investing and is used in our impact funds to identify companies contributing to funds' predefined targeted impact objectives.

Through our research, we seek to identify 'Impact Leaders' – the highest-rated companies in terms of delivering positive societal impact. We typically focus on companies selling critically important goods and services and which generate significant additionality by leveraging technology, scale or innovation to make goods and services accessible and commercially viable in potentially underserved markets. We believe our in-depth impact research, when integrated into our traditional company and financial analysis, is a powerful tool to identify potential long-term winners.

Case Study – Social progress investment strategy

AXA IM's social progress strategy is based on an impact investing approach that aims to have a direct and positive effect on society while contributing to a more sustainable future. This strategy invests in publicly listed companies addressing a range of social needs – and which demonstrate a strong impact and clear alignment with social UN SDGs. Investment areas include affordable housing, financial inclusion, access to healthcare solutions, nutrition, safety, education and entrepreneurship.

To define the investment universe, AXA IM applies a socially responsible investment selectivity approach, along with a qualitative impact framework to evaluate the alignment of company activities to UN SDGs and quantify their impact on social issues. To comply with the French ISR label's updated guidelines, the fund commits to outperform its benchmark on two key performance indicators – carbon intensity and water intensity. The fund also applies additional exclusions on unconventional and conventional oil and gas, power generation, coal, tobacco, and weapons to comply with the QS 2021 Towards Sustainability label.

By adding environmental objectives to this social-focused strategy, AXA IM ensures the social objective does not come at the expense of environmental performance. Using an unconstrained, multi-cap strategy, the aim is to invest in publicly-listed companies in developed and emerging markets offering high growth potential and that focus on providing services across a range of social needs.

Engagement and voting

We conduct thematic projects aimed at supporting companies to reduce their negative externalities, to deliver positive impact and improve impact-related disclosures. We conduct engagement with issuers and track progress – achieving effective change can take time, and we define a timeframe which we consider reasonable for achieving these objectives, depending on the nature of the change we are targeting and the underlying concerns. These also differ according to country, issuer and relevant thematic area. These thematic engagement projects mainly aim to support our equity strategies within the ACT range in delivering more impact.

AXA IM Core

Engagement status

Company responds

Case Study – Regeneron Pharmaceuticals

Engagement approach: **Engagement with objective**

Engager: **Core ESG and Impact Research**

In 2023, we began a sustainability dialogue with Regeneron Pharmaceuticals, a US-based biotechnology company providing antibody and protein-based therapeutics to help patients with life-threatening, infectious, and rare diseases. In our first meeting with Regeneron, we covered the company's pricing policies, access to medicine initiatives and impact-related KPIs.

Regeneron expressed a commitment to a value-based approach in pricing new medicines, considering long-term investment and risks inherent in scientific innovation. In this context, the company stressed its commitment not to increase the price of its top-selling product, Eylea, notwithstanding the ongoing substantial research and development investments to support approval for additional medical conditions. We also discussed Regeneron's compassionate use programmes for early patient access to make certain medicines available to eligible patients before they are commercially available, as well as other financial assistance initiatives. In terms of impact related KPIs, Regeneron confirmed its continuous monitoring and estimation of the number of patients impacted by its products, building on conservative estimates from 2022 and aligning with its commitment to enhance transparency and accountability in this aspect.

Overall, we appreciated the company's responsiveness and commitment to ongoing discussions. We plan to monitor significant developments for future engagement opportunities.

AXA IM Core

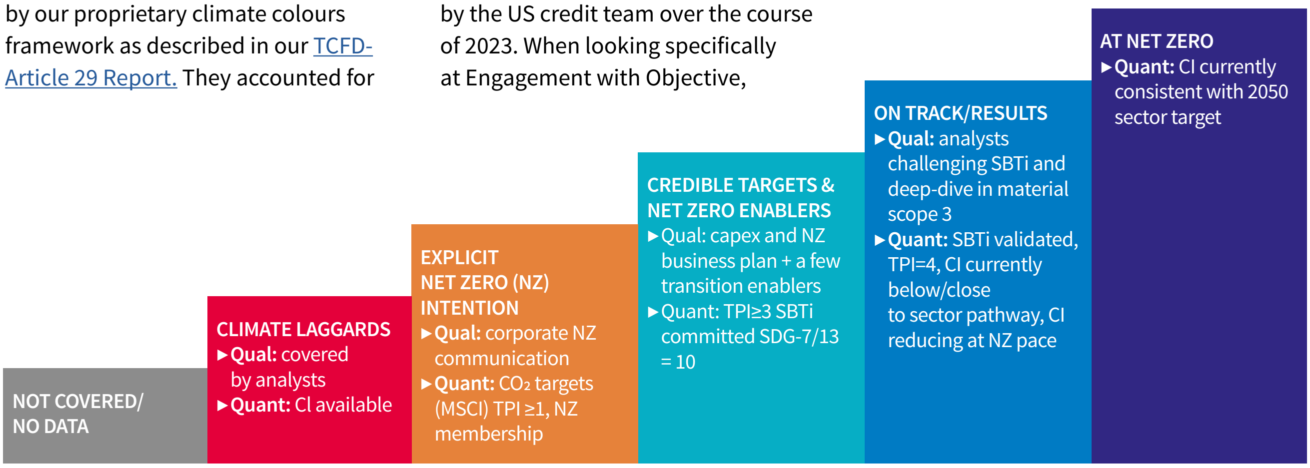
Fixed income

Corporate ESG analysis

In AXA IM's credit process, analysts use a qualitative ESG template to assign a view on company management and momentum around ESG issues. Credit analysts highlight ESG strengths and concerns, ESG KPIs and governance structure, with the key ESG topics, risks and KPIs highlighted at the discretion of the analyst, allowing them to select topics most relevant to the issuer. AXA IM uses a framework to assess the transition plan of investee companies in line with our net zero commitment. The framework leverages quantitative information from third-party sources and qualitative analysis to confirm the credibility of the strategies. The credit research team reviews past decarbonisation performance, forward-looking measures, and capital allocation in the context of sectoral and geographical characteristics to identify leaders and those lagging in achieving net zero.

Case Study - Climate colours engagements

Our US credit team annually defines a focus list of companies, prioritising issuers designated ‘red’ or ‘orange’ by our proprietary climate colours framework as described in our TCFD-Article 29 Report. They accounted for 42% of engagements (including both ‘Engagement with Objective’ and ‘Sustainability Dialogue’) conducted by the US credit team over the course of 2023. When looking specifically at Engagement with Objective, engagements with ‘red’ or ‘orange’ accounted for 60%.



Source: AXA IM climate colouring system, based on PAII Net Zero Investment Framework, 2021.
CI = carbon intensity; TPI = Transition Pathway Initiative. For illustrative purposes only.

AXA IM Core

Fixed income

Sovereign ESG analysis

Analysts and portfolio managers have access to sovereign ESG scores and ESG-related KPIs in their front office tool as a complement to traditional macroeconomic country analysis. We believe a full assessment of each ESG pillar is necessary to understand the impact of ESG factors on long-term economic sustainability. For sovereigns, among key ESG topics, we have particularly targeted CO_2 emissions, energy use, renewable energy consumption and the water exploitation index score.[42]

Discussions also take place with sovereign issuers on ESG topics during regular meetings with Treasuries, agencies, central banks and other government ministries as well as during the process of green and social bond issuance. All offer an opportunity to delve into sovereigns' public spending programmes around sustainability and to better understand a country's ESG risks. In 2023, we had 17 engagement discussions with 15 quasi-sovereigns, governments, agencies and supranational issuers.

Green, social and sustainability bonds engagement

Engagement with bond issuers is an important aspect of our active ownership, 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

We met with 98 GSSB issuers in 2023. Beyond alignment with the recommendations of the International Capital Market Association's Green Bond Principles, our main area of focus was to discuss GSSB alignment with issuers' sustainability strategies and forward-looking ambitions.

We have seen some positive outcomes. More and more issuers established concrete ESG objectives and disclosed it within GSSB frameworks. On the other hand, given our higher expectations, poor ESG profiles and ambitions at certain issuers were a significant factor in our deciding that some GSSB issuance was not eligible under our definition in 2023.

Another key topic of discussion with GSSB issuers in 2023 was around the inclusion of the EU Taxonomy and of the upcoming EU green bond standard in

Case Study - Japan's Government

Engagement approach:
Sustainability Dialogue

Engager: Core Sustainability Analysts

We met with Japan's Government to discuss transition financing because of its push to fund a green transformation through a specifically-labelled bond. We provided feedback on its plan to label the bond as a transition bond although there are components of green. For example, a portion would fund renewable energy which is considered a green activity and not a transition activity. We affirmed that this was in line with our expectations as we do not want activities financed by a green bond that are not actually green included, while we find it acceptable to include greener activities within a transition bond.

We also clarified that we support the use of the label 'transition bond' in the market, contrary to other actors who prefer only a green label that accommodates a spectrum of activities, some of which can be brown – which we believe may engender issues of credibility and greenwashing. We reiterated our willingness to invest across the spectrum of the low-carbon transition once projects are labelled accordingly. We discussed with the issuer our vision for what transition means, highlighting that any transition financing instrument needs to exemplify an ambitious sectorial decarbonisation pathway using best available technologies and should not engender lock-in of carbon intensive assets in the economy.

We would expect transition instruments to fund projects that deliver significant efficiency gains. We also mentioned our openness for frameworks to be broad by including categories or projects for which technologies are not yet widely scalable as it leaves room for flexibility. However, we also highlighted that as new technologies become available for the sector, frameworks and transition plans should be updated accordingly to represent a decarbonisation pathway using best available methods. We suggested any limitations should be highlighted in the issuer's roadshow materials, framework or reporting.

This was a very positive discussion with the Japanese Government, which took our feedback and expectations into consideration when finalising its sovereign transition bond framework. We also participated in a seminar during COP28 along with representatives of the Japanese Government, to share our views on the role of sovereign bonds in transition financing.

[42] The European Environment Agency's water exploitation index measures the mean annual total demand for freshwater divided by the long-term average freshwater resources.

AXA IM Core

Fixed income

market practices.[43] While it is still too early in our view to expect all issuers to align with these new requirements, we nevertheless have seen positive developments on this front. Issuers like French utility Suez, France's postal service La Poste, the European Investment Bank and the Republic of Austria have all included the EU Taxonomy technical criteria in their green bond frameworks.

In 2023, we developed our assessment framework for Sustainability-Linked Bonds (SLB). This market is still nascent, but we had the occasion to share our views and expectations with some SLB issuers as well as other market stakeholders. We met with 12 SLB issuers in 2023, which allowed us to better identify good practices and clarify our expectations with this market.

Bondholder meetings

In 2023, AXA IM voted at five GSSB bondholder meetings, on 11 resolutions. One of them was related to a reclassification of a conventional bond to a green or social bond.

Bondholder meetings allow the issuer to submit to a vote any question related to the bond. These may include routine resolutions requesting additional documents, but also the increasingly frequent case of reclassification of a conventional bond as a green, sustainable or social bond.

Any vote on the reclassification of a conventional bond will be decided in collaboration with the ESG fixed income analyst, who will review the proposal (via the bond's framework) and give an opinion.

AXA IM has been involved in discussions with other parties (investors, banks and issuers) in accordance with the Green Bond Principles, since the end of 2022. We will continue to pursue this in 2024 in order to define best practices.

Case Study - Green bonds issuers engagements

In 2023, we started an engagement programme with existing green bond issuers that appear to be lagging in terms of their environmental and climate policies and strategies – notably with regards to our increasing expectations in those areas to ensure consistency with green bond issuances.

We identified six banks that are frequent green bond issuers and sent them each a letter requesting engagement and strengthening of their coal/climate financing policies:

- Mitsubishi UFJ Financial Group (MUFG)
- Bank of China (BoC)
- Sumitomo Mitsui Financial Group (SMBC)
- Agricultural Bank of China (ABC)
- Industrial & Commercial Bank of China (ICBC)
- China Construction Bank (CCB)

The outcomes of this engagement programme were mixed. The Japanese banks MUFG and SMBC responded to our letter, and we had direct and insightful discussion with SMBC. Both seems open to dialogue and willing to progress – particularly on SMBC's side.

On the other hand, their Chinese peers' response was mostly disappointing in our view, except for ABC. We had an in-person meeting with ABC and even though we did not feel the company had a strong alignment with our expectations, at least dialogue was opened.

While we contacted BoC, ICBC and CCB several times via letter and through other channels such as investor relations and underwriting banks, we did not receive a response to our engagement request. As a result, we considered this as failed engagement and downgraded our opinion on their green bonds to negative. We will continue engagement with the remaining banks and may adjust our opinion on their green bonds depending on their future progress on our requests.

Outlook for 2024

In 2024, we will continue work on GSSBs and engage with issuers to ensure compliance with eligibility criteria. The same discussions will be had with SLB issuers and opportunities to influence the development of the market and framework will be reviewed. In fixed income markets, we plan to review escalation techniques specific to large fixed income investors and monitor the use of the EU Taxonomy in the issuance of green and sustainability-linked bonds. This work will also support our participation to EU Platform on Sustainable Finance work.

[43] The EU Taxonomy is a European Union regulation. It is effectively a list of business activities which companies and investors can legitimately claim are 'climate friendly'. Ultimately, this should allow investors to make more informed and consistent comparisons between companies, based on the share of Taxonomy-aligned activity in their day-to-day operations.

AXA IM Core

Fixed income

Case Study - Green bonds investment strategy

The launch of our global green bonds strategy in 2015 reflected AXA IM's commitment to help contain climate change and support the growth of the green bonds market. This was reinforced in 2022 with the launch of a new green bonds strategy with a specific focus on emerging markets and high-yield companies and the objective to generate a measurable environmental impact in these areas.

We have sought to build a robust eligibility framework to ensure the new strategy is entirely focused on green bonds that can potentially offer the same returns as a comparable conventional bond, with the added benefit of enabling projects with environmental benefits in a transparent manner. The green bond market has grown sharply over recent years, and now offers more diversification in terms of asset classes, regions and issuers.

A universal green bond definition is still in the making, but several standards are being put forward by major market actors.

The new global green bonds strategy was awarded with the French sustainability label Greenfin and the Belgian 'Towards Sustainability' label.[44]

[44] Green, Social and Sustainability Bonds: An update on our assessment framework, AXA IM, September 2022

AXA IM Core

Multi Asset

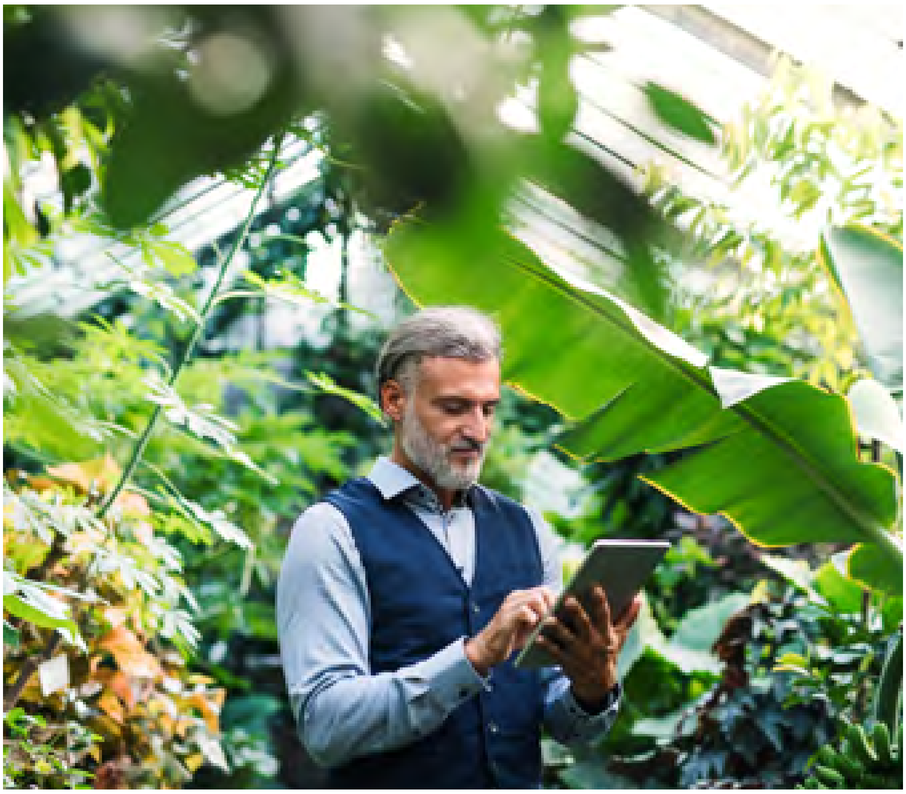
Case Study - Multi asset optimal impact investment strategy

Within our Multi Asset Optimal Income range, we manage an 'Impact' strategy which is part of our ACT range and focuses on the theme of prosperity for people and prosperity for the planet, aligned with relevant UN SDGs.

As a global multi-asset impact strategy, it seeks to invest in businesses that focus on providing products or services and/or finance projects which have demonstrated a strong positive impact on social and environmental factors, in addition to a clear alignment with the SDGs.

With regards to universe construction, the strategy can invest in equities and in debt securities, notably GSSBs. The investment process relies on two robust impact proprietary frameworks to build the equity impact universe. These frameworks aim to assess the eligibility of GSSBs while identifying and monitoring the sustainability and SDG-alignment of companies.

On top of AXA IM's RI sectorial and normative exclusions, the fund applies additional exclusions on unconventional and conventional oil and gas, power generation, coal, tobacco and weapons to comply with the Towards Sustainability label. [45]



[45] Making sustainability in finance the norm, Towards Sustainability, retrieved February 2023

AXA IM Core

Multi Asset

Case Study - Sanlam

Engagement approach:
Engagement with objective

Engager: Core ESG and Impact Researchh

Sanlam is a pan-African financial services group based in South Africa that specialises in life and general insurance, financial planning, retirement, investments, and wealth management. In 2022, Sanlam reported it had 50 million customers across 31 countries. The majority of its earnings, at 75%, are generated in South Africa.

Insurance companies are key to a sustainable financial system due to their role as a risk manager, risk carrier and investor. Access to affordable insurance is vital for low-income people and micro, small and medium sized enterprises (MSME) as an alternative to informal coping mechanisms, helping them build resilience against economic, social and environmental shocks. African countries are arguably the most exposed to the risks and devastating effects of climate change and economic uncertainty – and yet, they are the least protected by insurance instruments.

Sanlam makes positive contributions to SDG 8.10 and SDG 10.2, providing insurance products in underserved markets and promoting financial and economic inclusion in Africa. The company's partnerships with Capitec, MTN, and Shriram Group have helped bring affordable insurance and microinsurance products to underserved customers. ESG integration in investment activities is evidenced by the adoption of a responsible investment policy, engagement efforts with investee companies, and the creation of ESG and impact-focused funds.

ESG reporting practices are adequate, although we would appreciate additional disclosures related to the social impact of products, as well as an inventory of scope 3 emissions. Sanlam is exposed to carbon-intensive sectors, but the company is committed to gradually reducing the carbon intensity of loan and investment portfolios.

We met with Sanlam to discuss initiatives for financial inclusion, development of sustainable insurance and investment products, exposure to carbon-intensive sectors, and ESG integration in investment activities. While the company demonstrates a commitment to positive impact and responsible investment practices, we encouraged the disclosure of impact metrics and financed emissions. We also recommended the company establishes clear objectives and monitors progress towards these goals on an annual basis.

AXA IM Alts

Responsible investment sits at the core of AXA IM Real Assets' approach to business. We actively consider financial and non-financial criteria during our investment process – from origination of opportunities to the investment assessment and decision-making process at acquisition, and through to our active ownership of 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 believe we can ensure better visibility of sustainability-related risks and potential adverse impacts on our investments. This visibility should provide us with a broader perspective on asset and sector-specific risks which then informs our underwriting and asset selection. Ultimately, it also helps to shape our view on investment risk, returns and liquidity, and we believe it also enables our teams to better identify and unlock opportunities to enhance value for clients.

The integration of the assessment of sustainability risk at investment level and the application of group-wide sectorial exclusions and ESG-scoring methodologies can help us to address the most material sustainability risks at the time of an acquisition. From this position, we see an important opportunity to improve the performance of our investments through active management, stewardship and engagement. The goal is to amplify the impact we can generate through our investments while continuing to generate sustainable long-term returns for our clients.

Beyond meeting reporting obligations under new and upcoming regulatory requirements, AXA IM – alongside our parent AXA Group – is committed to supporting the goal of net zero as a member of the Net Zero Asset Managers initiative. This means working with our clients and partners to target net zero carbon emissions from our investment platforms by 2050, or before.

We acknowledge the scale of this challenge and recognise that success will only come through active collaboration and partnership. Accordingly, through 2021 we undertook a series of structured discussions across our investment platforms to encourage companies, borrowers and tenants to consider and disclose their environmental strategy and performance. These efforts were pursued in 2022 with additional questions on environmental strategies and performance progress.

AXA IM Alts

Real Estate Equity

As users of the assets, the tenants of the buildings under management are key contributors in achieving the objectives of the ESG strategy. We actively engage with them, convinced that cooperation with tenants is a necessary condition for the implementation of relevant and effective measures over the long term. It has been demonstrated that the proper use of a building's facilities is a key factor in reducing its environmental impact. For this reason, it is essential to be proactive in supporting tenants to make good use of building facilities and to provide them with recommendations and good practices to implement.

Our tenant engagement efforts are focused around three core areas:

LEARNING	MONITORING	LIAISING
Educating our tenants on ESG to influence behavior and improve buy in	Collecting **data** on the asset and leveraging it to create targeted solutions	Maintaining a **dialogue** with our tenants to understand their present and future needs
TENANT ESG TRAINING FIT-OUT GUIDE ESG EVENTS ESG GUIDES FEEDBACK SESSION WITH TENANTS	GREEN LEASE INTEGRATION SHARING CONSUMPTION DATA WITH TENANTS	TENANT SURVEY

Learning

We distribute ESG guides to the tenants of our assets to educate and increase awareness of ESG issues and the specific features of our assets related to ESG. For commercial tenants we provide fit-out guides to aid in mindful procurement. Through our ESG Rating we track the number of assets for which such tools are already deployed.

Monitoring

We integrate an ESG clause (green lease) as standard to new contracts or contract renewal to maximise the sharing of consumption data from tenants and agree on ESG targets and monitoring for the building. We encourage the feedback of consumption data to tenants to further the discussion of targeted solutions.

Liaising

We perform annual tenant satisfaction surveys (see case study) to collect feedback from our tenants on their user experience and level of satisfaction. Between 2021 and 2022, 435 assets were included in such an initiative across Europe (excluding Switzerland), corresponding to €36bn of assets under management - circa 95% of assets under management in scope. We also promote the deployment of an annual ESG Committee, which is a meeting dedicated to ESG between the asset manager, the property manager and the tenant. In 2022, 50% of assets under management in scope report they have carried out an ESG Committee with at least one tenant.[46]

We continually work to increase our coverage and further internal and external integration of ESG by disseminating ESG training throughout our chain of stakeholders, from property managers to internal asset managers.

[46] AUM in scope exclude assets under development, platforms and assets out of scope such as forest, parking, plot of land and unit cells

AXA IM Alts

Real Estate Equity

Commercial real estate debt

For our Commercial Real Estate (CRE) Debt platform, we sought to actively improve the level of data visibility on underlying assets to better inform our view of environmental risks. Historically, access to such data in private or secondary markets has been poor, which has hampered visibility of the efficiency or underlying ESG performance of assets.

We undertook a two-step approach to improve this.

First, we engaged with a third-party data provider to assist with the assessment of carbon emissions, based on estimated emissions per square meter for different asset types in different countries. This enabled us to generate an estimated carbon footprint for the portfolio. The natural limitations of this dataset were then addressed by including a second step which involved structural dialogue with our borrowers via a survey to collect various ESG information and KPIs including energy consumption.

2023 marks the third year in row where the annual survey has been circulated. The survey was sent out to over 40 borrowers, representing 58 loans valued at €9bn. We received a 90% response rate, representing some €8bn assets under management as of 31 December 2023, which is a 42% year-on-year increase.

Information shared since 2021 has, for example, helped us develop a deeper level of insight into carbon and energy efficiency-related risk in our portfolios, in addition to our growing knowledge base of physical and transitional risk. The information will further inform refinancing opportunities and our ability to work more closely with borrowers and underlying assets in our journey towards net zero before 2050.

Case Study

In 2021 we undertook the first EU-wide tenant satisfaction survey project to better understand the current needs and future expectations of the tenants within our assets. Tenants are sent a set of questions, through their property manager, which assess tenants' satisfaction regarding their relationship with the property manager and ESG topics. The scope is determined through consideration of several factors including asset class, level of operational control, and future investment plan.

Our target is to cover 100% assets under management in scope on a three-year rolling basis. Between 2021 and 2022, 435 assets were included in such an initiative across Europe (excluding Switzerland), corresponding to €36bn of assets under management (circa 95% of AUM in scope).

The aim of the survey is to establish an ongoing dialogue with our tenants by monitoring their views and integrating their feedback into our asset level actions plans. The output of the survey is considered in the ESG strategy of the asset and the wider portfolio.

The survey is sent out by property managers to tenants during the second half of the year with the survey closing to new respondents in November. In December the property managers share an analysis of survey responses, in line with metrics provided by the Global Real Assets ESG team. Using these results AXA IM works in collaboration with our property managers to identify areas of future focus within ESG.

The survey questions were composed by the Real Assets Responsible Investment team, in line with requirements from markets standards e.g., Global Real Estate Sustainability Benchmark (GRESB) and certification schemes, as well as internal metrics for property manager performance. In 2022, this process was refreshed, with the questions asked reduced to five from 10, to ease the process and ensure more accurate feedback. The questions covered satisfaction with the relationship with the manager, the quality of services provided and comfort levels, as well as focusing specifically on ESG communication. Feedback sessions were organised for the beginning of 2023.

AXA IM Alts

Listed Real Estate

Since 2021, we have been conducting an annual survey as part of the active stewardship of our listed real estate investment platform.

The survey was sent to over 70 companies within the European listed real estate universe to gain a better understanding of their qualitative and quantitative metrics associated with their ESG practices (including biodiversity and social risk) and performance. We are still collating the data from the 2023 survey. Nonetheless, the results for 2022 survey are as follows.

GRESB

- Of the respondent companies 73% are currently submitting to the GRESB. Several respondents recognised the current and future significance of GRESB in the market but cited its limitations in assessing the residential sector as their reason for not submitting to the GRESB survey. These firms indicated their intention to submit pending modifications by the reporting entity

Carbon Risk Real Estate Monitor (CRREM)

- 31% of the respondents reported use of the CRREM tool, with some companies (e.g. Gecina, Segro) stating the current set-up of the tool is not line with specific asset types

Physical risk

- 77% of the respondents declared they undertook a portfolio level assessment of physical risk. 15% of companies that monitor physical risk use MSCI's Climate Value at Risk tool

ESG targets

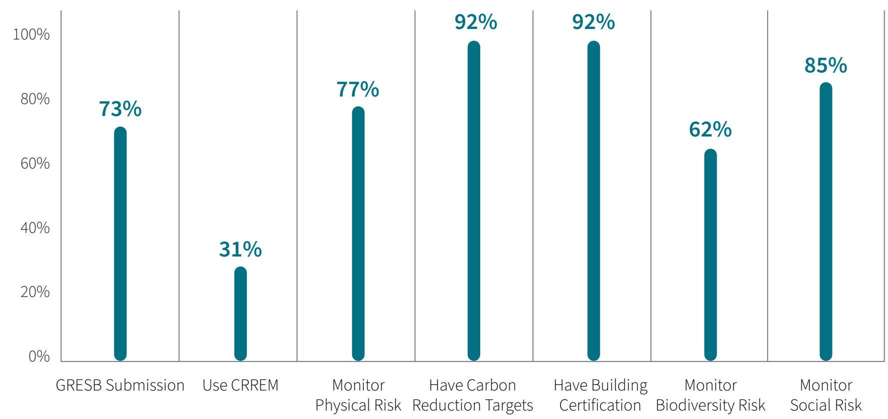
- 92% of firms had determined carbon reduction targets. 2030, 2040 and 2050 were common timeframes for carbon reduction, with several firms specifying the breakdown between scope 1 and 2, and scope 3 emissions.

Certifications

- 92% of respondents reported having some portion of their portfolio having a certification. However, firms cited a range of certifications – BREEAM; Haute Qualité Environnementale (HQE); and Leadership in Energy and Environmental Design (LEED); though there was a lack of consensus across the firms surveyed in terms of scope (partial versus whole building coverage). Furthermore, companies used different metrics (percentage of lettable area, number of buildings, percentage of revenues)

Energy performance

- All respondents declared that none of their investments in real estate assets were involved in the extraction, storage, transport, or manufacture of fossil fuels. However, 8% of respondents reported that a few of their residential tenants were utilising gas heating
- With regards to identifying inefficient real estate assets, there was a noted lack of consensus of the definition of an efficient asset (emphasising the need for pan-EU consensus on Energy Performance Certificate levels). Companies reported disparate readings with regards to exposure to energy-inefficient real estate assets. Shurgard had the lowest exposure at 15% with Icade having the highest at 89%



Source: AXA IM Alts, Company data as at 24/11/2023.

AXA IM Alts

Natural Capital and Impact Investments

The AXA IM Impact Investing strategy targets the delivery of market rate financial returns alongside the generation of positive, intentional, and measurable impact returns. Our guiding mission is to address the needs and aspirations of underserved people globally while protecting the natural environment and contributing materially and directly to the UN SDGs and targets that are relevant to our strategy.

Using alternative assets – private equity, venture capital, private debt, real assets and project finance – we invest in a broad range of impact themes that aim to deliver on our clients' financial and impact objectives.

We believe the proper management of ESG issues is critical to the long-term sustainability of businesses, and as such, the consideration, integration, and active stewardship of ESG issues is a fundamental part of our investment process.

We have developed a framework for the management of ESG issues that takes account of the alignment of prospective investments with applicable AXA IM RI policies, ESG regulations, standards and norms such as the International Finance Corporation's Environmental and Social Performance Standards, the Environmental, Health and Safety Guidelines of the World Bank and the International Labour Organization. This assessment framework is applied to investments during due diligence and over the tenure of our investments.

Our ESG assessment framework covers a comprehensive list of potential adverse impacts in line with emerging regulations. Our assessment framework takes account of a range of ESG issues including climate risks; biodiversity; pollution; health and safety; human rights; and governance concerns, amongst others. The ESG assessment framework is used to assess investees' performance on material ESG issues and identify areas where improvements are needed.

The ESG assessment framework is systematically applied to all our investments. Where we identified areas of improvement, we develop Environmental and Social Action Plans (ESAP) in collaboration with investees, detailing actions to be undertaken in relation to environmental and social issues identified as part of investment monitoring activities. The ESAP includes responsibilities and timelines within which corrective action needs to be undertaken. We actively monitor implementation of action plans and overall ESG performance throughout our investment tenure.

Case Study - Climate action engagements

In 2023, we adopted climate action as our engagement theme for our Natural Capital and Impact Investment business line with a view to fostering the greater engagement of small to medium enterprises in the fight against climate change, influencing them to take action to reduce their operational greenhouse gas emissions.

First, we conducted a survey to build a baseline understanding of how our investees measure, manage and monitor emissions across various emissions scopes – scope 1, 2 and 3. Our findings showed differing levels of understanding and challenges. While some investees are relatively advanced – and had measured their footprints credibly – and were establishing SBTi related targets, others are relatively nascent in their climate action plans.

The biggest challenge faced by investees was around the measurement and management of scope 3 greenhouse gas emissions.

Based on those first insights, in line with our active ownership approach and our stewardship responsibilities, we appointed a consultant at the end of 2023 to support our investees in their journey towards climate action. The consultant's remit includes the measurement of emissions, defining reduction strategies and providing opportunities to offset residual emissions through carbon offsets.

We trust this approach will enhance knowledge, accuracy and build a credible baseline for climate action by our investees. We will share the results of this thematic engagement in future Stewardship Reports.

AXA IM Alts

Alternative credit

On the direct investment side (leverage loans and private debt), teams constantly engage with companies, sponsors, and banks with respect to deal analysis and ongoing credit monitoring on a regular basis. The engagement activity is realised through an ESG questionnaire for companies and arranging banks, which is completed during the syndication period. In addition, for each new primary issuance the credit analysts meet company management. We have consistently promoted ESG considerations with the arranging banks and sponsors over recent years and believe we have been at the forefront of driving ESG in the leveraged loans market.

In summary, we:

- Seek to understand the ESG issues that impact companies in which we are invested
- Evaluate a company’s policies and practices in relation to relevant issues
- Encourage companies to align with best practice on ESG issues
- Engage in constructive dialogue where a company’s approach or practices on ESG matters is below investor expectations
- Leverage our clients’ investor rights to push for desired outcomes from investee companies
- Align our votes at general meetings with our engagement objectives

On the secured finance side, we aim to leverage our size as one of the largest European investors in collateralised loan obligations (CLOs) to promote responsible investment practices. We aim to typically direct CLO managers towards higher standards in terms of ESG, both in their day-to-day corporate management as well as in their investment philosophy.

AXA IM only invests with CLO managers that respect minimal ESG guidelines (such as being signatory of a responsible investment international standard like UN PRI, having a carbon footprint reduction plan, an inclusion programme and exclusion policies). Engagement with compliant CLO issuers mainly occurs pre-investment. When necessary, we will continue the dialogue to clarify our expectations and support them in reaching those, for example by pushing laggards to respect ESG standards (such as to become signatory of UN PRI).

AXA IM Prime

Overview

AXA IM Prime is a fully integrated provider of investment solutions across private markets, including private equity, private debt, infrastructure and hedge funds, embracing a diverse range of strategies across primaries, secondaries and co-investments.

AXA IM Prime was established in 2022 and operates within AXA Investment Managers.

During 2023, AXA IM Prime developed an ESG integration strategy covering all stages of the investment cycle (pre-investment, investment/holding phase, and exit.)

Pre-investment, AXA IM Prime has a threefold ESG due diligence process built around compliance with AXA Group and IM sectorial exclusion policies, minimum ESG criteria, and an ESG score of targets' capabilities both at manager and portfolio levels. This assessment enables the identification of Key Improvement Areas which the ESG team will leverage to engage with the managers.

During the investment/holding phase, AXA IM Prime aims to use this stage of the investment cycle as an important opportunity for dialogue with its third-party general partners and managers. Therefore, we have put in place a structured approach to ESG monitoring and engagement, with the aim of contributing to risk management and sustainable value creation during the ownership/holding phase:

- Monitoring and engagement activities are carried out directly by the investment team in collaboration with the ESG team as required, including as part of annual meetings with investees to monitor and update ESG scores computed as part of the pre-investment ESG due diligence phase
- Structured dialogue also takes place with investees to ensure compliance with AXA IM Prime's ESG integration approach and clauses. This means assessing positioning against regulatory requirements, ESG innovation and trends, discussing ESG data reporting expectations at entity and portfolio levels, and identifying investment opportunities

In 2024, AXA IM Prime will continue to deploy its ESG strategy and further develop the engagement framework including monitoring and reporting.

How the Responsible Investment team is organised at AXA IM

Across AXA IM we have more than 50 dedicated experts embedded within our investment and research teams who are responsible for responsible investment activities. These experts sit across AXA IM Core, AXA IM Alts, AXA IM Prime and AXA IM Select, 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 RI must be fully embedded within our investment functions, to ensure that ESG is not an ‘add on’, but simply part of everything we do.

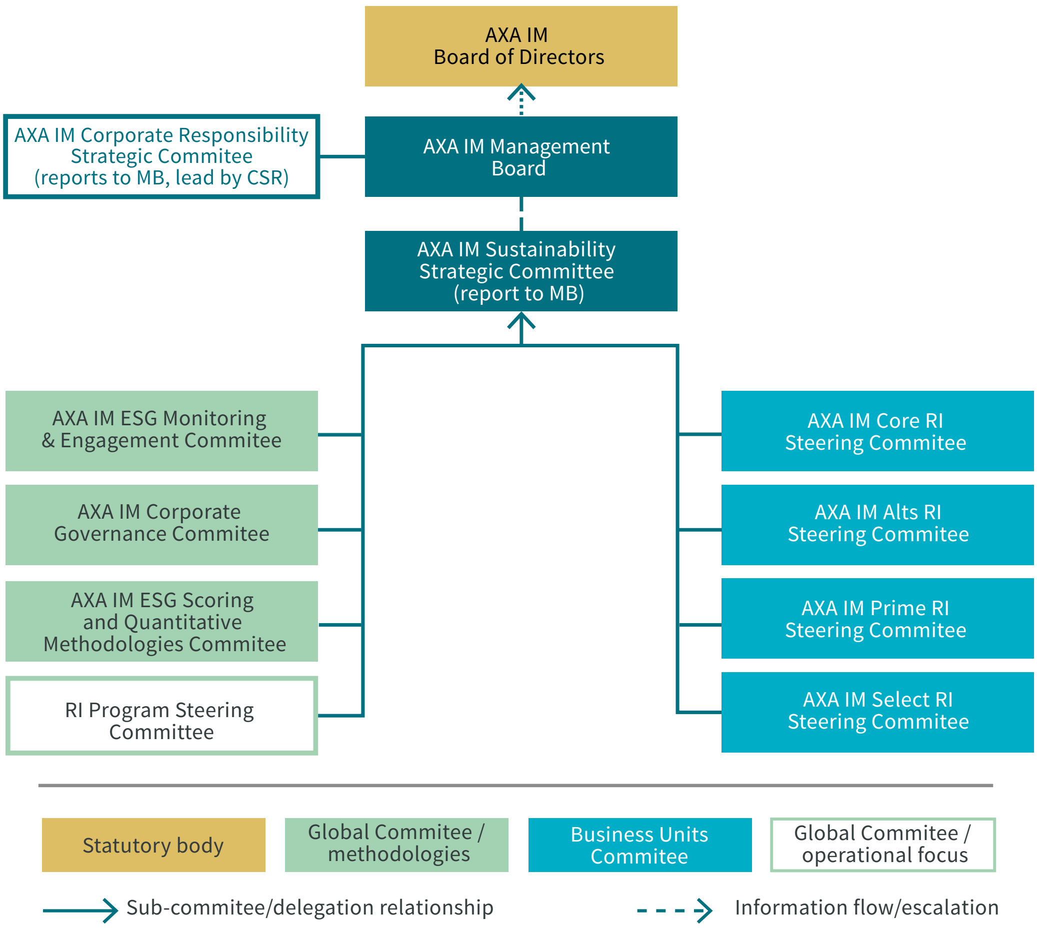
For more details on our RI governance and capabilities, refer to our RI policy.[47]

Responsible Investment governance

As part of AXA IM’s continued efforts to further embed ESG within the business and ensure consistency in our approach across investment, operations and human resources, the governance structure changed in 2022 with the creation of a sub-committee of the management board, the Sustainability Strategic Committee. It gathers sustainability leaders alongside management board members to define and monitor AXA IM’s sustainability strategy.

RI Centre experts as well as investment teams are involved in responsible investment governance through the participation of the investment platform representatives in the dedicated committees. Representatives from the compliance, risk and legal teams bring their perspectives to the dedicated RI committee deliberations, helping to ensure that the evolution of the AXA IM sustainability strategy is robust and sound, and onboards new sustainable finance-related regulatory requirements.

Organisational structure of AXA IM RI committees



[47] AXA IM Responsible Investment Policy.

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

AXA IM RI committee descriptions

Committee	Role	Frequency
AXA IM Board of Directors	• Approves critical elements of AXA IM's RI strategy at the Group level and ensures compliance either directly or through Board sub-committees (Audit and Risk Committee/Remuneration and Nomination Committee). This encompasses RI strategy, sustainability regulatory reports at the entity level, and commitments spanning the entire entity	At least three times a year
AXA IM Management Board	• Validates AXA IM’s RI strategy as well as changes to RI policies (exclusion, voting, engagement), AXA IM-wide commitment and sustainability regulatory reporting at entity level	Ad hoc
AXA IM Sustainability Strategic Committee	• Proposes the RI strategy and steers its implementation, including RI policies, AXA IM-wide commitments and investment components of the Monitor and ESG-linked remuneration and monitor delivery • Validates material quantitative methodologies (e.g. ESG scoring, SFDR Sustainable Investment, choice of material ESG data providers, RI product frameworks with a regulatory lens) • Validates shareholder engagement priorities (themes, engagement list including climate laggards) • Validates positions on material sustainable finance consultations • Advises on business units' RI strategies • Assesses the alignment of AXA IM's and AXA Group's sustainability approaches for coherence and synergy • Reports to the Management Board	Monthly
AXA IM Corporate Responsibility Strategic Committee	• Defines AXA IM’s Corporate Responsibility strategy, taking into account AXA Group strategy, with concrete roadmap • Animates a community through communication and business actions • Reports to the AXA IM Management Board	At least quarterly
AXA IM Corporate Governance Committee	• Provides strategic oversight of AXA IM’s corporate governance and voting policy in relation to investee companies and ensuring clients’ rights and obligations are exercised in a manner consistent with good practice standards • Validates voting decisions on specific resolutions aligned with the policy for accounts following AXA IM's guidelines	Three times a year / ongoing for voting decisions review
AXA IM ESG Monitoring and Engagement Committee	• Ensures views developed on ESG risks and opportunities, from exclusion to engagement topics are discussed collegially, and considers possible implications for AXA IM, including on controversies • Validates RI ban-lists updates, as well as ESG and SI scores overrides • Reviews progress on engagement activities, facilitating coordination between various stakeholders in the implementation of the engagement strategy	Monthly
AXA IM ESG Scoring and Quantitative methodologies Committee	• Validates less material ESG quantitative methodologies, defines business specifications for ESG metrics, and validates regular updates for ESG scores and SFDR SI datasets • Reviews the quality of service provided by ESG data providers	Bi-monthly
RI Programme Steering Committee	• Monitors progress of RI-related projects with an operational focus	Every six weeks
Global Risk Committee	• Is consulted on RI product frameworks and exclusion policies from an operational perspective. Additionally, it stays informed about entity-level regulatory reporting	Ad hoc

Inclusion and Diversity at AXA IM

Inclusion and diversity have been on our strategic agenda for many years. We place sustainability at the centre of our priorities, to enhance AXA IM's role in society as an investor, an employer and as a business. As an employer, building an inclusive culture lies at the heart of our priorities. It is part of our Employer Promise to create an environment where everyone feels they belong, are included and can thrive within a diverse community. Our global diversity and inclusion policy summarises our commitment and areas of focus. We have taken meaningful steps to create a more diverse and inclusive workplace, both internally and externally, and have:

- Ensured all our employees benefit from the **same minimum parental leave provision** globally and rolled out **smart working practices** globally
- Launched **employee resource groups** sponsored by management board members and partnered with external parties to make progress on gender, ethnicity, social mobility, age, disability and sexual orientation diversity and inclusion
- Supported **flexible ways of working** to help remove barriers and be more adaptable and responsive to everyone's circumstances
- Used our annual **global inclusion survey** to track employees' perceptions on inclusion, belonging and equal opportunities with the possibility to analyse data across different diversity dimensions, like gender, age, ethnicity, disability/health condition, socio-economic background and sexual orientation
- Achieved EDGE (Equity Diversity and Gender Equality) Move certification, in recognition of the significant progress made by the company towards a gender-equitable workplace
- Introduced a **development goal** linked to inclusion and diversity for all employees to reinforce our expectation from every employee to actively promote and advance a **culture of inclusion** — through deliberate, positive, and mindful efforts
- Offered development journeys focused on inclusive leadership skills and behaviours through our **Managers Academy and Leadership programs** which help our leaders increase their impact, enable diverse teams, and create community
- Introduced an aim to include **more than one woman in shortlists for senior roles**
- Applied our diversity voting policy to challenge other companies on their actions

To reflect our strong commitment to creating an inclusive and diverse workplace, **all our global management board members have concrete targets to improve representation and inclusion within AXA IM.**

Our Employee Resource Groups (ERGs)

GENDER
GEN
(Gender Equality Network)

GEN seeks to engage everyone to accelerate gender equality at AXA IM and encourage a culture of inclusion for all colleagues and to support AXA IM's talent and business priorities.

GENERATIONS
Generaction

Generaction aims to foster and increase intergenerational collaboration within AXA IM, through awareness of the topic and knowledge exchanges as part of the I&D policy.

SOCIO-ECONOMIC
AXcess

AXcess aims to ensure talented individuals from all backgrounds are identified and nurtured in order to meet their true potential. To do so, we will increase awareness and prompt conversations about social mobility and strive to ultimately make AXA IM truly diverse from a socioeconomic background standpoint.

LGBT
I aM Proud

I aM Proud supports and engages LGBT+ employees and allies to foster an inclusive environment where employees of all sexual orientations, gender identities, and gender expressions feel comfortable to bring their whole selves to work.

MULTICULTURAL
Mosaic

Mosaic seeks to highlight the collegial value of individual differences. Through events, educative initiatives & networking, we seek to include underrepresented ethnicities within a multicultural environment in order to promote a culture of inclusion at AXA IM.

Information regarding the background and personnel of AXA IM are provided for information purposes only. Such persons may not necessarily continue to be employed by AXA IM, and may not perform, or continue to perform services for AXA IM.

Discrimination, non-inclusive behaviour and harassment have no place at AXA IM. We have a global standard on harassment that applies to all our employees, consultants, suppliers and clients. Mandatory training is provided to all our employees on how to identify and report any behaviour that is in breach of our global standard.

We understand the need for the financial industry to accelerate progress on inclusion and diversity to meet the evolving expectations of employees, clients, regulators and the communities within which we operate. We play an active role in cross-industry initiatives to jointly address some of the intrinsic challenges in making the corporate world more generally, and the financial industry more specifically, a truly diverse and inclusive environment. Below are four examples of external initiatives we supported in 2023:

- AXA IM along with seven other asset managers became a **founding member of the Diversity Project Europe,** a cross-border initiative to encourage a more inclusive money management industry across the region
- AXA IM launched its **partnership with Investment20/20** to access and recruit from a diverse pool of graduates, school and college leavers that are more reflective of the people and communities we serve
- AXA IM became **gold sponsors of Women in ETFs,** a community that brings together people in the exchange-traded funds industry across the globe to champion our goals of actively choosing equality, diversity, and inclusion
- AXA IM launched a **partnership with Hey Girls** in the UK to provide environmentally-friendly period products in our offices. For every product ordered by AXA IM, a similar product is donated to people who need it with an aim to eradicate period poverty

As a signatory of the **Women in Finance Charter,** we had set ourselves the target of reaching 33% of women in our global senior leadership population by 2025. In 2021, this number stood at 26%. As of June 2023, women made up 34% of our global senior leadership population, achieving our target ahead of schedule. We want to maintain this momentum and have thus set a new target of reaching 35% of women in our global senior leadership population by 2025.

AXA IM is also a proud signatory and supporter of a number of external charters and commitments, including the Women in Finance Charter, Women's Empowerment Principles, United Nations LGBTI Standards of Conduct for Business, the 30% Club, Club Landoy charter, UN Women's Generation Equality Action Coalition on Gender Based Violence and France's l'Autre Cercle Charter.

Learning and development

Our educational offering related to ESG and RI includes engagement and learning opportunities to help our employees to:

- **Understand and be part of AXA's transformation towards sustainability** Our flagship AXA Group-wide 'AXA Climate Academy' programme was launched in October 2021 during AXA Learning Week with the aim to support our collective effort to mitigate the effects of climate change. AXA committed to train 100% of its staff by 2023 as part of AXA's Driving Progress 2023 plan. Over several hours, our employees learn why climate matters increasingly to our clients; about the main risks associated with climate change; the impact all along the value chain for insurance and investment companies; as well as how they can contribute to reducing the carbon footprint of our company through professional and personal practices. Some 99% of AXA IM employees have been certified with AXA Climate Academy programme by end of 2023.[48]

  To go one step further, since 2023 AXA IM continues to build on the AXA Climate Academy programme with the 'ACT playlist' from the AXA Climate School, with role-specific content available for functions including HR, technology, finance and legal to help employees understand how sustainability impacts their jobs.

- **Build technical expertise in ESG and RI** Our dedicated learning journey includes introductory ESG and RI online courses, intermediate and advanced level live sessions delivered in partnership with external training providers. It also includes lessons from peers and offers opportunities to get certified with industry-leading qualifications in ESG and climate investing.

ESG and climate learning 2019- 2023

The training of teams across the business on RI and climate has been a focus for the past four years, for example:

- **The AXA IM ESG Academy was launched in 2020** to increase access to ESG upskilling for all employees. That same year, the major analysts' associations launched ESG certifications including an ESG Certificate from the Chartered Financial Analyst (CFA) Institute as well as a Certified ESG Analyst (CESGA) programme from the European Federation of Financial Analysts Societies (EFFAS). Widespread access to this external training and certification has been provided since 2020, with a particular focus on the participation of AXA IM Core and Core client group teams. This upskilling has been accelerated by live sessions, delivered in partnership with external training companies over recent years as well as by the encouragement of investment, research and sales professionals to make progress towards achieving major industry qualifications – including the newly-introduced CFA Certificate in Climate Investing

- **A foundational real estate ESG training** was launched in 2022. Tailored exclusively for AXA IM by training provider Hillbreak, the internal Responsible Investment and Talent Development teams; this three-hour course aims at developing participants knowledge and understanding of this increasingly dynamic, rapidly evolving and critical agenda for real estate investment markets. In all, 320 employees completed a foundational Real estate ESG course between 2022 and 2023.[49]

- **The ESG development goal was** introduced in 2023 to all employees with the ambition to power our ESG strategy through learning. Employees had an opportunity to engage with variety of learning initiatives related to ESG, including climate and biodiversity, depending on their learning needs and interests.

In addition, our RI teams continue to organise regular awareness sessions on ESG issues for staff. These sessions cover sustainable regulations, and AXA IM's RI strategy (e.g., net zero commitments and scoring methodologies, engagement and voting activities). We also share any RI updates internally through various channels. We have a dedicated RI and Corporate Responsibility SharePoint accessible to all AXA IM employees, which details our ESG strategy, actions implemented, and includes all materials we produce (e.g., standards, policies, and presentations). We communicate regularly on various groups to hundreds of AXA IM employees worldwide on our RI framework and actions we take to reach our net zero objectives.

[48] All active employees as of end of November 2023, with course completions by end of 2023 (excluding JVs, temp, intern/apprentice, consultants, contractors)
[49] Active employees as of end of December 2023

Performance management and remuneration at AXA IM

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

Since 2018, all investment platform heads have had ESG objectives included in the target letters they cascade to the relevant teams in their department. Since January 2021, individual and collective objectives for investment teams have also included elements related to the sustainability risk framework as well as updated investment processes which include the monitoring of these risks. Thus, the individual level of the variable portion will depend on the achievement of individual qualitative and quantitative objectives, as well as collective performance criteria. Please refer to our remuneration policy for more details.

AXA IM's risk management department validates and assesses risk-adjustment techniques. These are used in assessing performance, determining AXA IM's target variable pay and ex-post risk adjustment – under the consideration of all relevant types of current and future risks, including financial and non-financial risks (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 which delivers fair, high-quality outcomes. As AXA IM variable pay is potentially composed of cash and deferred variable pay, since 2023, the deferred part of the variable pay is indexed to an ESG performance Index, aligned with the AXA IM net zero ambition.

The importance of equity and gender equality is also emphasised in the Remuneration Policy. AXA IM aims to reward equal performance, free from discrimination or in terms of irrelevant personal factors such as age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status, or disability.

The 2023 update of the Remuneration Policy included (i) a reminder of the absence of sale objectives that could directly or indirectly impact the fixed or variable compensation of the concerned employees, (ii) reinforcement of the governance regarding equity and gender equality (iii) adjustments required by local regulation.

Third-party service providers and due diligence

We use ESG specialists such as MSCI, Sustainalytics, and Institutional Shareholder Services (ISS) for ESG research, quantitative data and scoring. 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 to review, propose or challenge methodological evolutions. We are particularly attentive to the limitations of methodologies reported by issuers, linked to the unavailability of comparable, comprehensive data.

Challenges with regards to data availability and quality are in part addressed in AXA IM's internal scoring methodology, Q^2, described in detail in other sections of this report. We aim to be transparent on those limitations and to advocate externally to help to progressively address them, including through our membership of the ISSB Investor Advisory Group and our advocacy work on ESG rating (see public policy section).

With regards to proxy voting, AXA IM makes use of the services of ISS for processing votes. We also use the voting information services of ISS and Proxinvest. While we do not outsource our voting decisions, which are made by the AXA IM Corporate Governance Team, we use their research to augment our knowledge of companies and resolutions.

In that respect, the Operations Third Party Management team has implemented a systematic 12-month cycle of due diligence. This process, in three phases – sending a questionnaire, assessing responses, and on-site visit – aims to ensure the voting chain and processing of voting instructions works correctly. The due diligence questionnaire covers issues such as human resources, operational resilience, information security, operational organisation, risk and control frameworks, compliance, and outsourcing arrangements.

Should we be unsatisfied with the outcome of the due diligence, we will define follow-up items or a remediation plan to be followed until full resolution with the provider. In the case that no resolution can be found in a reasonable timeframe, we would ultimately terminate our contract with the provider. To date, this situation has not occurred. Topics raised during the on-site visit held in 2023 included discussions on certain answers to the due diligence questionnaire and review of the application of the AXA IM voting policy.

When we are confronted with material errors in the research we receive, the AXA IM Corporate Governance Team reaches out to proxy advisors to seek corrections. In 2023, isolated issues were spotted, including some linked to combination of chair and CEO roles, over-boarding, and ESG criteria in pay. They were systematically raised to our providers which quickly followed up and addressed them. Overall, we found the error rate of our providers to be very limited, and any recurring and material error would be raised during the due diligence process.

Moreover, to ensure continuous improvement in the quality and level of information included in proxy advisors' research, AXA IM corporate governance analysts participated in roundtables and policy surveys organised by proxy advisors during 2023, to share our feedback on their voting policies. A dedicated meeting also occurred between ISS representatives and AXA IM to discuss the governance in place to review environmental and social shareholder proposals. AXA IM was also a signatory of the IGCC letter calling on ISS to further integrate climate into its voting recommendations. At the end of 2022, AXA IM joined the Proxinvest Steering Committee tasked with providing feedbacks and advice on Proxinvest's voting policy. During 2023, two meetings were held to discuss evolution to specific provisions of the policy.

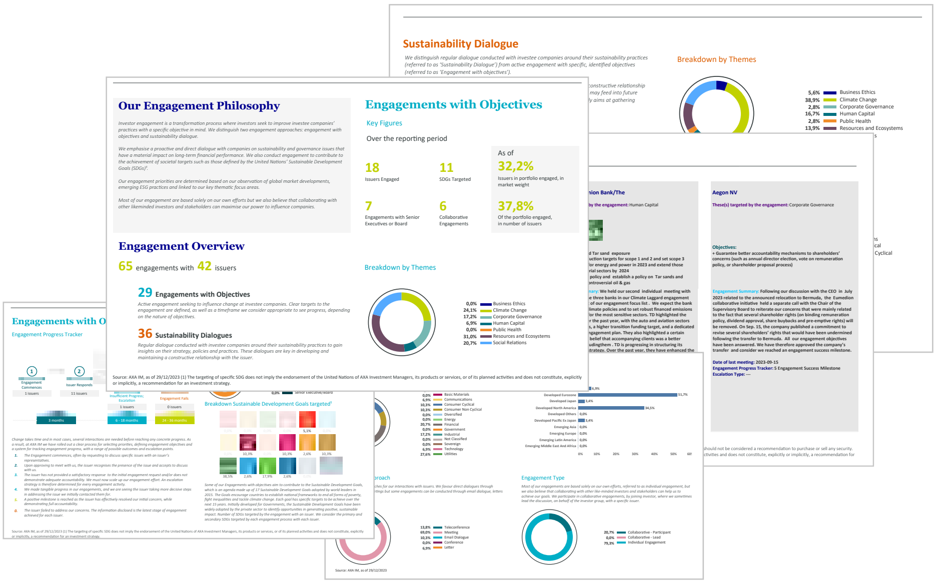
AXA IM also contributed to the call for evidence from the European Securities and Markets Authority on the implementation of the Shareholders Rights Directive (SRD) provisions on proxy advisors and responded to the targeted consultation on SRD commissioned by the European Commission, which included questions on proxy advisors' transparency.

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

For a full table of AXA IM third-party providers, see below:

ESG Data Provider	Expertise	Description	ESG Scores and Company Research	ESG Raw Data & KPIs	Start Date
MSCI	Leader on corporate and sovereign ESG rating with a strong track-record and expertise on Climate analysis for corporates	ESG and climate research	✓	✓	04/2004
Sustainalytics	Controversies analysis / exposition to some activities and compliance with international norms	Controversies analysis / exposition to some activities and compliance with international norms	✓	✓	11/2012
FinDox	Strong expertise on ESG data collection for European and US leveraged loans markets	ESG KPIs used for leveraged loans and private debt asset classes		✓	10/2022
S&P Global Trucost	Full range of quantitative environmental and social KPIs (including SFDR PAIs) and taxonomy alignment metrics	Full range of quantitative environmental KPIs, SFDR PAIs and taxonomy alignment metrics		✓	03/2012
Carbon 4	Offers a climate risk package	Measures the carbon impact of investments	Only used for Green Bonds reporting		01/2017
ISS - ESG	Offers expertise across a full range of ESG issues and on impact investing	Ethical filters and controversial weapons, research on impact investing and UN SDG alignment	✓		01/2003
Beyond Ratings	Expertise in Climate analysis	ESG KPIs. Used for investment and reporting purposes	✓	✓	08/2018
Bloomberg ESG	Full range of ESG services.	ESG KPIs. Used for investment and reporting purposes.		✓	12/2018
Ethifinance	Strong expertise in European micro and small caps	ESG ratings used for leveraged loans and private debt asset classes	✓	✓	03/2019
Iceberg Data Lab I Care & Consult	Measurement of investors' investments impact on biodiversity	Measuring the impact of companies on biodiversity and nature to help investors integrate it into risk assessment and research.	✓	✓	01/2021
Urgewald (NGO)	Coal, oil and gas research	Coal and Oil and Gas research with Global Coal Exit List and Global Oil and Gas List		✓	Used for our fossil fuels exclusions since 2020
Vigeo-EIRIS	Strong expertise in social issues and European small and mid-cap companies	Methodology based on analysing stakeholders from the leadership, implementation, and results perspectives	✓	✓	07/2004

Supporting Client Needs



We believe it is crucial to communicate with clients in the most transparent way possible, especially in an evolving and dynamic environment such as the year we have just experienced. This is all the more important given the additional regulatory guidance in relation to sustainable finance being developed in different jurisdictions and being applied to asset management activities as well as other parts of the financial sector value chain. The main financial and non-financial information on every strategy which has integrated ESG criteria into its investment process is available in our Fund Centre. This is in accordance with European and local regulations.

We have noted over recent years a growing client interest for a more comprehensive and enriched ESG reporting. AXA IM's ESG Report includes a wide range of ESG KPIs including climate and biodiversity-related metrics, in line with recommendations from the TCFD and French Article 29 Energy-Climate Law requirements, but which will also include voting and engagement metrics. A specific Impact Report, a version of our ESG Report enriched with quantitative indicators and qualitative impact information, has been also deployed on our growing listed impact offering. Those reports aim to provide transparency on a range of metrics, a selection of which may be specifically embedded in the investment process as described in the regulatory documentation when it is the case.

The production perimeter of the Engagement Report has been extended to all our ESG Integrated and ACT range funds, and since the end of 2022, voting reports have been deployed across the same ranges. In 2024, AXA IM will disclose the enhanced version of its fund level Engagement Report. This will provide detailed information on engagements covering objectives and sustainability dialogues, as well as engagement case studies on portfolio holdings.

ESG reporting remains an area of focus and we will continue to enhance our reporting and provide more customised reports, relying on an increasing integration of ESG-related data into data systems, to better meet client expectations.

Client interactions, inputs and expectations

As a long-term investment manager, we continuously engage with our clients to understand their needs and understand how we can help them to make informed investment decisions which can support a sustainable future. We are committed to answering their questions whether they are about market movements, regulatory changes, asset allocation or future trends. We do this via surveys as well as through conversations at our own, or industry events and through regular interactions with our sales teams. This enables us to improve our product offering and helps ensure we have the right content and communications in place to stay relevant to clients' changing needs and to answer the questions at the top of their minds.

We seek to empower our clients – across institutional, wholesale and retail segments – to be able to confidently invest for a better planet, society and sustainable economy. We do this by creating thought leadership, market commentary and educational content across multiple formats. These include research papers, articles, webinars, events, videos, and infographics to provide clients with access to our investment experts, and at the level of detail they require. This content is then shared with clients through a variety of channels, such as our website, email, social media, and third-party websites.

The increase in regulations such as the European SFDR has been a recent area of focus for us and our clients. We believe the fact that 79% of AXA IM Core's eligible assets come under Article 8 and 9 under SFDR (as of December 2023) is testament to the importance we place on ensuring our RI approach is robust and transparent to our clients. In line with the new requirements under the European

Union's MiFID regulation on clients' ESG preferences, we have started to deploy an approach to help assess their preference for sustainability in 2022 and will continue to deploy this in 2023[50]. In a moving environment characterised by uncertainty on some regulatory expectations and divergences between local approaches, we seek to share and explain our knowledge with our clients in order to accompany them in these important changes. Indeed, we get many questions from clients on our methodology to identify sustainable assets, on the mechanisms we use to monitor these types of assets, and our ability to report on the level of funds' sustainability.

It is also important to note clients' (mainly institutions) growing interest for investment solutions which will enable them to achieve carbon neutrality by 2050 in their portfolios. Indeed, many of them share the same ambition as AXA IM. This theme has occupied a lot of time in our discussions with them in 2023 and will obviously continue in the years to come.

Our responsible investment experts regularly interact with our institutional clients through joint meetings with our investment teams when specific insights are required. Furthermore, our clients regularly send us due diligence questionnaires through which we can identify new trends and requirements.

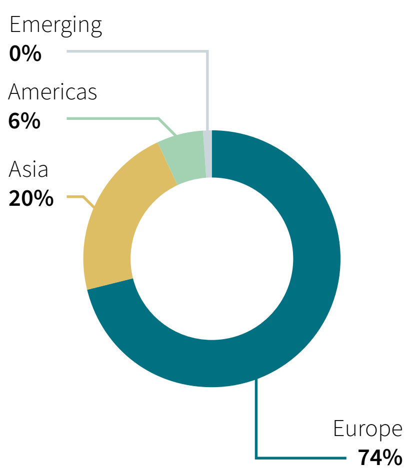
To support our retail clients with their continued learning, we have launched educational modules, including the AXA IM Academy, an educational platform in the UK providing interactive, CDP-certified, financial learning experiences across several key areas of commercial interest: investing, asset classes, market factors and ESG/socially responsible investing.[51] These have included our own bespoke AXA IM modules.

At AXA IM we aim to be very attentive to market and client needs, best practices and new expectations and these interactions are one of the ways we can identify our areas of potential improvements.

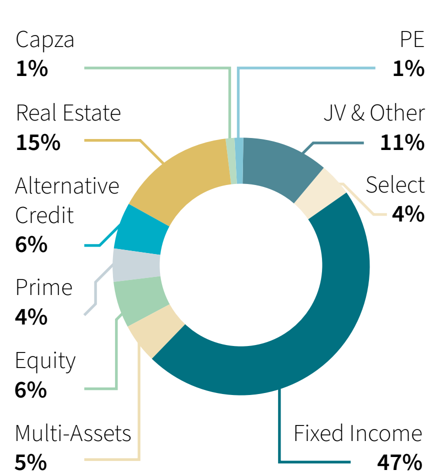
AXA IM at a glance – A breakdown of the assets under management across asset classes and geography:

AuM: €844.4bn

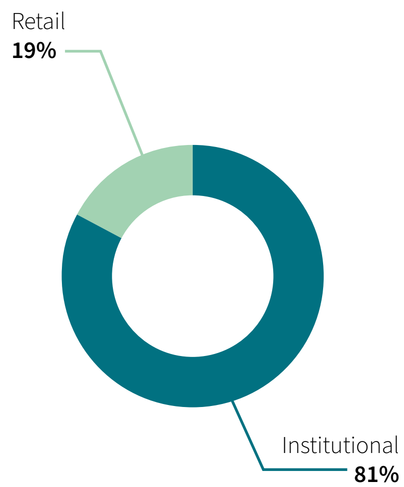
Geographical split*



Platform split*



Client segment split*



Source: AXA IM, as of December 2023.
*Figures may not total 100% due to rounding.

[50] Under MiFID II (Markets in Financial Instruments Directive) financial firms are required to determine client sustainability preferences in conjunction with suitability assessments.
[51] CPD stands for continuing professional development. Accredited CPD training means the training has reached required CPD standards and benchmarks.

About us

The following content is available on our website:

- Annual Active Ownership and Stewardship Report
- Annual Climate Report (aligned with the TCFD and Article 29 of the French Energy Climate Law)
- Annual Principles for Responsible Investment (PRI) report
- Policies

Going into more detail about stewardship, we are committed to providing transparency and regular reporting on active ownership, both internally and externally.

Our full voting records are accessible publicly and detail how we voted at company general meetings on our clients' behalf. In addition, we publish an annual Stewardship Report which includes information on RI issues, engagement with companies, and aggregated voting records for the relevant year.

About our funds

For products classed within our ACT range, the following content is made available to clients in our Fund Centre:

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

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.

Accountability

AXA IM's Management Board is accountable for the responsible investment strategy across the organisation. Moreover, the Sustainability Strategic Committee – a committee reporting to the Management Board which gathers two representatives from the Management Board, the Head of AXA IM Research and RI Center teams and his direct reports, Heads of Sustainability from four business units, as well as heads of corporate responsibility, legal, risk, compliance and strategy teams – is the leading body in charge of steering AXA IM's sustainability strategy and roadmap across all asset classes. It focuses, among other things, on the integration of relevant RI considerations into our investment and stewardship processes across all asset classes and regularly reviews the strategy and stewardship undertaken across the business.

As detailed under the RI organisation section, the AXA IM Management Board has established four ESG committees to ensure effective implementation of our RI and stewardship strategy. The Sustainability Strategic Committee, the Corporate Governance Committee, the ESG Scoring and Quantitative Methodologies Committee and the ESG Monitoring and Engagement Committee all play a key role in reviewing and approving the annual Stewardship Reports, the Corporate Governance and Voting Policies, the Engagement Policy, and any other relevant policies and processes related to responsible investment and stewardship. These committees aim to represent all interested parties within AXA IM, to ensure appropriate and relevant expertise depending on each committee's responsibilities. Internal legal, risk and compliance teams are also represented on each of these committees, either as full members or permanent guests. These committees all report to the Sustainability Strategic Committee.

Responsible investment and stewardship policies are regularly reviewed to ensure their relevance, for example in light of possible evolution in market trends or external stakeholders' recommendations.

This report has been reviewed internally by the Sustainability Strategic Committee as well as by our legal and our compliance department.

Case Study

AXA IM ESG Committees regularly review stewardship-related recommendations issued by external stakeholders. In that respect, they considered campaign group ShareAction's recommendation to "vote in support of ESG-related shareholder resolutions as a default position".[52] This led AXA IM's Corporate Governance Committee to regularly debate the relevance of its current approach when analysing shareholder resolutions. Although the Committee confirmed the case-by-case approach taken by AXA IM, further transparency and explanations were disclosed publicly in 2022 to ensure proper understanding of the merits of such an approach. Moreover, in 2023, the Corporate Governance Committee approved a proposal to start disclosing publicly, as of 2024, all voting rationale in cases of opposition to an ESG-related shareholder resolution, with the aim to continue fostering transparency around our voting decisions.

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, which are also subject to periodic internal audit. As ESG and RI continue to gain importance strategically, in terms of clients' interest and regulatory attention, the number of ESG-targeted audits led by our internal audit team has naturally increased. In addition, reflecting the integration of ESG within our organisation and processes, ESG is becoming an area of consideration even in audit reviews with a larger scope, for instance when looking at an investment platform.

In addition to this, AXA IM manages a range of funds for which the level of ESG integration is significantly deeper, with specific ESG objectives set at fund launch, which are disclosed in the regulatory documentation and regularly monitored. An annual audit is performed by external auditors on these funds to ensure adherence with those objectives, and to ensure engagement and stewardship responsibilities are fully met.

As of December 2023, AXA IM managed approximately 100 funds awarded at least one Sustainable Label (including Towards Sustainability, SRI Label, Greenfin, RIAA, Luxflag and CIES). These are subject to regular audits conducted by external auditors. In addition, the French supervisory authority AMF performs annual reviews looking at certain dimensions of our responsible investment strategy. This includes annual controls on the definition, communication and implementation of our climate-related commitments including exclusion and engagement activities.

[52] ShareAction is a non-profit organisation that works to define high standards for responsible investment and to drive the adoption of these standards worldwide.

I – Full list of engagements in 2023

II – Investor initiatives supported in 2023

III – Investment industry partnerships and collaboration in 2023

IV – Regulatory review

V – RI Research and publications in 2023

Full list of engagements in 2023

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 threats are addressed before they damage investor value. The list below details the issuers we engaged with in 2023. We are fully transparent about our voting activities. The full 2023 voting record can be found here.

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
3i Group PLC	✓	✓	✓		✓	✓	✓
3M Co		✓					
Abu Dhabi National Energy Co PJSC	✓						
ACEA SpA	✓	✓					
Activision Blizzard Inc					✓	✓	
AdaptHealth Corp	✓				✓	✓	
AddTech AB	✓				✓		
Adecco Group AG						✓	
Adecoagro SA	✓	✓					
Aedifica SA	✓	✓			✓		
Aegon NV						✓	
AGCO Corp		✓	✓				
Agricultural Bank of China Ltd	✓						
Ahead DB Holdings LLC	✓				✓	✓	
Air France-KLM	✓						
Air Liquide SA	✓						
Air Products and Chemicals Inc	✓						
Airbus SE	✓						
Aker Carbon Capture ASA	✓						
Akzo Nobel NV		✓					
Alimentation Couche-Tard Inc	✓				✓		
Allied Universal Holdco LLC	✓						
Allreal Holding AG	✓	✓	✓		✓	✓	✓
Alphabet Inc			✓				
Altice USA Inc					✓	✓	✓
Amaggi Exportacao e Importacao Ltda		✓					
Amazon.com Inc			✓				
Amcor PLC		✓					
American Tower Corp	✓	✓					
American Water Works Co Inc		✓					
Amphenol Corp	✓	✓				✓	✓
Amundi SA						✓	
ANA Holdings Inc	✓		✓		✓	✓	
Anglian Water Group Ltd	✓	✓					
Anheuser-Busch InBev SA/NV	✓	✓			✓		
Antero Resources Corp	✓						
ANZ Group Holdings Ltd	✓		✓		✓		
APA Group	✓					✓	
Apple Inc			✓				
Aptiv PLC			✓				
Aquis Exchange PLC						✓	

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Arcadis NV					✓		
ArcelorMittal SA	✓						
Archer-Daniels-Midland Co		✓					
Arkema SA		✓				✓	
Aroundtown SA	✓	✓	✓		✓	✓	✓
Array Technologies Inc	✓	✓				✓	
Ascent Resources LLC	✓						
ASML Holding NV						✓	
Assicurazioni Generali SpA	✓						
Assistance Publique Hopitaux de Paris				✓			
Assura PLC	✓	✓			✓		
Atmos Energy Corp	✓				✓		
Atrium Ljungberg AB	✓	✓			✓		
Australia Government Bond	✓	✓					
Autodesk Inc	✓					✓	
Autostrade per l'Italia SpA	✓						
AutoZone Inc	✓					✓	
Axfood AB			✓		✓		
Bacardi Ltd	✓	✓					
Ball Corp	✓						
Banca Comerciala Romana SA	✓						
Banca Transilvania SA	✓		✓				
Banco Bilbao Vizcaya Argentaria SA						✓	
Banco de Chile	✓		✓			✓	
Banco Santander SA			✓		✓		
Bandai Namco Holdings Inc					✓	✓	
Bank of America Corp	✓						
Bank of China Ltd	✓						
Bank of Montreal			✓		✓		
Bank of Nova Scotia/The	✓		✓				
Bank Rakyat Indonesia Persero Tbk PT	✓	✓				✓	
Banque Federative du Credit Mutuel SA	✓						
BASF SE	✓						
Bayer AG					✓		
Bayerische Motoren Werke AG			✓		✓		
Belimo Holding AG					✓		
BHP Group Ltd			✓				
Big Yellow Group PLC	✓	✓			✓		
Blackstone Mortgage Trust Inc	✓					✓	
Blancco Technology Group PLC	✓	✓	✓		✓	✓	
BNP Paribas SA	✓					✓	
Bossard Holding AG	✓	✓			✓		
Bouygues SA	✓	✓			✓		
BP PLC	✓						

Full list of engagements in 2023

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
BPCE SA	✓						
Bpifrance	✓						
Brambles Ltd		✓					
Bridgestone Corp					✓	✓	
Bright Horizons Family Solutions Inc						✓	
Brink's Co/The	✓						
British Land Co PLC/The	✓	✓			✓		
Bundesobligation	✓					✓	
Bunge Global SA		✓					
Bunge Ltd		✓					
Bureau Veritas SA						✓	
Cadence Design Systems Inc						✓	✓
Cadent Finance PLC	✓						
Caisse de Depot et Placement du Quebec	✓						
Caixa Geral de Depositos SA	✓						
Callon Petroleum Co	✓						
Canadian Imperial Bank of Commerce	✓						
Capgemini SE	✓		✓				
Carbios SACA						✓	
Care Property Invest NV	✓	✓			✓		
Carlsberg AS	✓	✓					
Carmila SA	✓	✓			✓		
Carnival Corp	✓						
Carrefour SA	✓		✓			✓	
Castellum AB	✓	✓			✓		
Catena AB	✓	✓			✓		
Caterpillar Inc	✓	✓			✓	✓	
CCL Industries Inc	✓					✓	
Cembra Money Bank AG					✓	✓	
Cencosud SA						✓	✓
CenterPoint Energy Inc	✓		✓				
Central Garden & Pet Co	✓						
Central Japan Railway Co					✓	✓	
Charles River Laboratories International Inc	✓						
Charoen Pokphand Foods PCL		✓	✓				
Chemours Co/The		✓					
Chevron Corp	✓					✓	
China Construction Bank Corp	✓						
Cie Generale des Etablissements Michelin SCA						✓	
Cie de Saint-Gobain SA	✓	✓				✓	
Citycon Oyj	✓						
Clarion Housing Group Ltd	✓				✓		

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Cloud Software Group Holdings Inc	✓						
Coats Group PLC	✓	✓	✓		✓		
Coca-Cola HBC AG		✓					
Cofinimmo SA	✓	✓			✓		
Cogent Communications Holdings Inc	✓						
Colbun SA	✓						
Comcast Corp	✓		✓		✓	✓	
Commercial Bank of Dubai PSC	✓						
Commerzbank AG	✓						
Commonwealth Bank of Australia	✓		✓		✓		
Compass Group PLC	✓	✓					
Conagra Brands Inc			✓		✓		
Cooperatieve Rabobank UA	✓	✓					
Corbion NV						✓	
Cornerstone Building Brands Inc	✓						
Cosan SA	✓				✓	✓	
Costco Wholesale Corp						✓	
Covivio SA/France						✓	
Cranswick PLC		✓					
Credit Logement SA	✓						
Credit Agricole SA	✓	✓			✓	✓	
Credit Mutuel Arkea SA	✓				✓		
Crelan SA	✓						
Creo Medical Group plc						✓	
Crescent Energy Co	✓						
CRH PLC	✓						
Croda International PLC	✓	✓			✓		
CSL Ltd				✓			
Custom Truck One Source Inc	✓						✓
Czech Gas Networks Investments Sarl	✓						
Daido Steel Co Ltd	✓						
Daiwa Securities Group Inc	✓				✓	✓	
Darden Restaurants Inc	✓						
Dassault Systemes SE						✓	
Dave & Buster's Entertainment Inc	✓					✓	✓
Derwent London PLC	✓	✓			✓		
Dollar General Corp					✓	✓	
doValue SpA						✓	
Dow Inc		✓					
DP World Ltd/United Arab Emirates					✓		
DS Smith PLC	✓	✓					
DSM- Firmenich AG						✓	

Full list of engagements in 2023

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
E.ON SE	✓						
Ecopetrol SA	✓						
Edenred						✓	
EDP - Energias de Portugal SA	✓	✓	✓				
Eiffage SA			✓		✓		
Eika Boligkreditt AS		✓					
Ekinops SAS						✓	
El Puerto de Liverpool SAB de CV			✓		✓		
Electricite de France SA	✓	✓					
Electronic Arts Inc			✓	✓			
Eli Lilly & Co	✓			✓			
Elia Transmission Belgium SA	✓						
ELO SACA	✓						
Emirates NBD Bank PJSC	✓						
Enagas SA	✓						
EnBW Energie Baden-Wuerttemberg AG	✓						
Enel SpA	✓						
Engie SA	✓						
Enterprise Holdings Inc	✓						
Entra ASA	✓	✓			✓		
Equinor ASA	✓						
Eramet SA	✓						
Essential Utilities Inc	✓				✓		
Essity AB	✓	✓	✓				
Eurazeo SE						✓	
Euroapi SA						✓	
European Investment Bank	✓						
Evonik Industries AG		✓			✓		
Fabege AB	✓	✓			✓		
Fastighets AB Balder	✓	✓	✓		✓	✓	✓
Federative Republic of Brazil	✓	✓			✓		
FinecoBank Banca Fineco SpA					✓		
First Solar Inc	✓					✓	
Fiserv Inc	✓						
FUJIFILM Holdings Corp					✓	✓	
Gaztransport Et Technigaz SA						✓	
GB Group PLC					✓	✓	
GEA	✓						
Gecina SA	✓	✓			✓		
Generac Holdings Inc	✓		✓		✓	✓	
General Mills Inc		✓				✓	
General Motors Co			✓		✓		
Getty Images Holdings Inc	✓				✓	✓	
GFL Environmental Inc	✓						✓

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Grafton Group PLC						✓	
Grainger PLC	✓	✓			✓		
Grand City Properties SA	✓	✓			✓		
Graphic Packaging Holding Co	✓	✓			✓	✓	
Great Portland Estates PLC						✓	
Greystar Real Estate Partners LLC	✓				✓		
Groupe SEB France SAS					✓		
Hana Financial Group Inc						✓	
HDFC Bank Ltd	✓					✓	
HEICO Corp						✓	
Heimstaden AB	✓						
Heineken NV	✓	✓					
Helical PLC	✓	✓			✓		
Hemso Fastighets AB	✓						
Herbalife Ltd	✓				✓		
Hermes International SCA					✓		
Hexagon AB		✓				✓	
Hilton Worldwide Holdings Inc	✓						✓
Hindalco Industries Ltd	✓				✓	✓	
Honda Motor Co Ltd			✓		✓		
Howard Hughes Corp/The	✓						✓
HSBC Holdings PLC							✓
Hufvudstaden AB	✓	✓			✓		
Iberdrola SA	✓						
ICADE		✓				✓	
Icahn Enterprises LP					✓		
IHS Holding Ltd	✓						
Industrial & Commercial Bank of China Ltd	✓						
Industrias Penoles SAB de CV	✓					✓	
ING Groep NV	✓		✓		✓		
Ingredion Inc	✓	✓					
Inmobiliaria Colonial Socimi SA	✓						
Inter-American Investment Corp	✓						
International Game Technology PLC	✓						✓
Interpump Group SpA						✓	
Intesa Sanpaolo SpA	✓						
Iren SpA						✓	
Irish Residential Properties REIT PLC	✓	✓			✓		
Italgas SpA	✓						
Jacobs Solutions Inc	✓				✓		
Japan	✓						
JD Sports Fashion PLC	✓	✓	✓		✓	✓	

Full list of engagements in 2023

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Jigsaw Funding PLC	✓				✓		
Johnson Matthey PLC					✓		
JPMorgan Chase & Co	✓					✓	
Kaiser Aluminum Corp	✓						
Kamigumi Co Ltd					✓	✓	
KazMunayGas National Co JSC	✓						
KBC Group NV	✓						
Kering SA		✓					
Kerry Group PLC						✓	
Kin & Carta PLC			✓		✓	✓	
Klepierre SA						✓	
Kojamo Oyj	✓	✓			✓		
Koninklijke Ahold Delhaize NV	✓	✓					
Koninklijke Philips NV			✓			✓	
Korian SA						✓	
Kroger Co/The		✓					
Kuntarahoitus Oyj	✓		✓				
La Banque Postale SA	✓						
Land Securities Group PLC	✓	✓			✓		
LANXESS AG		✓					
LEG Immobilien SE						✓	
Legrand SA	✓						
Liberty Latin America Ltd	✓					✓	
LKQ Corp	✓	✓					
Lloyds Banking Group PLC	✓						
Loews Corp						✓	
LondonMetric Property PLC	✓	✓			✓		
Lowe's Cos Inc	✓				✓	✓	
Lumen Technologies Inc	✓	✓	✓		✓		
LVMH Moet Hennessy Louis Vuitton SE			✓				
LXI REIT Plc	✓	✓	✓		✓	✓	✓
LyondellBasell Industries NV	✓	✓					
Manhattan Associates Inc						✓	
Marfrig Global Foods SA		✓					
Marsh & McLennan Cos Inc	✓				✓		
Marshalls PLC						✓	
Martin Marietta Materials Inc	✓					✓	
Marubeni Corp					✓	✓	
Masdar Abu Dhabi Future Energy Co	✓						
McDonald's Corp		✓					
Mediobanca Banca di Credito Finanziario SpA						✓	
Medline Industries Inc	✓				✓		
MercadoLibre Inc	✓		✓		✓	✓	

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Mercedes-Benz Group AG			✓		✓		
Mercialys SA	✓	✓			✓		
Merlin Properties Socimi SA	✓						
Meta Platforms Inc			✓				
Metso Oyj	✓				✓		
MHP SE	✓						
Microsoft Corp			✓				
MISC Bhd			✓		✓		
Mitsubishi Heavy Industries Ltd			✓		✓	✓	
Mitsubishi UFJ Financial Group Inc	✓						
Mizuho Financial Group Inc	✓				✓		
Mondelez International Inc		✓					
Montea NV	✓	✓			✓		
Morgan Advanced Materials PLC			✓		✓	✓	
Motorola Solutions Inc			✓			✓	✓
MSA Safety Inc			✓			✓	
Muyuan Foods Co Ltd		✓					
MVM Energetika Zrt	✓						
National Australia Bank Ltd	✓		✓				
National Bank of Canada	✓		✓		✓		
National Grid PLC	✓						
Natura & Co Holding SA	✓						
NatWest Group PLC	✓						
Nederlandse Waterschapsbank NV	✓	✓					
Nemetschek SE					✓		
Neoen SA			✓		✓		
Neste Oyj	✓	✓					
Nestle SA		✓	✓				
Netcompany Group A/S					✓		
Netflix Inc					✓	✓	
Neurocrine Biosciences Inc						✓	
NewRiver REIT PLC	✓						
Nexans SA	✓						
Nexity SA						✓	
Next PLC					✓	✓	
NextEra Energy Inc	✓	✓					
NH Foods Ltd	✓	✓	✓				
NIKE Inc			✓		✓		
Nintendo Co Ltd			✓	✓			
Nordea Bank Abp	✓						
North West Electricity Networks PLC	✓	✓					
Northwest Fiber LLC	✓	✓			✓	✓	
Norwegian Cruise Line Holdings Ltd	✓						

Full list of engagements in 2023

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Novartis AG	✓	✓			✓		
Novelis Inc/Ontario	✓						
Novo Banco SA	✓						
Novo Nordisk A/S				✓			
Novolex Holdings LLC	✓						
NSI NV	✓	✓			✓		
Nucor Corp	✓				✓		
Obayashi Corp	✓		✓		✓		
Ocado Group PLC						✓	✓
O-I Glass Inc	✓	✓					
ONE Gas Inc	✓						
Open Text Corp	✓				✓	✓	
Orange SA	✓		✓		✓		
Otsuka Corp					✓	✓	
Park Hotels & Resorts Inc	✓						✓
Peabody Trust			✓				
Penske Automotive Group Inc	✓						
Penske Truck Leasing Co LP	✓					✓	
Pernod Ricard SA	✓	✓			✓		
Pertamina Geothermal Energy PT	✓	✓					
Petroleo Brasileiro SA	✓						
Places for People Homes Ltd	✓		✓				
Prestige Consumer Healthcare Inc	✓						
Primary Health Properties PLC	✓	✓			✓		
Procter & Gamble Co/The		✓				✓	
Prologis Inc	✓						
Prosus NV						✓	
Province of British Columbia Canada	✓						
PRS REIT Plc/The	✓	✓			✓		
Prysmian SpA						✓	
PSA Banque France SA	✓						
PSP Swiss Property AG	✓	✓			✓		
Publicis Groupe SA						✓	
Puma SE			✓		✓		
Qantas Airways Ltd						✓	
Qatar National Bank QPSC	✓						
Queensland Treasury Corp	✓				✓		
Raiffeisen Bank International AG	✓						
Rain Carbon Inc	✓				✓		
Rational AG		✓				✓	
Redeia Corp SA	✓						
Regeneron Pharmaceuticals Inc			✓	✓		✓	
Reliance Industries Ltd	✓						
Reliance Steel & Aluminum Co	✓						

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
RELX PLC	✓						
Renault SA	✓		✓		✓		
Repsol SA	✓						
Republic of Colombia			✓	✓	✓		
Republic of Turkey	✓	✓					
Republic Services Inc	✓	✓			✓		
Rio Tinto PLC					✓		
Rogers Communications Inc	✓		✓		✓	✓	
Royal Bank of Canada	✓					✓	
Royal Caribbean Cruises Ltd	✓						
Safestore Holdings PLC	✓	✓			✓		
Sagax AB	✓	✓			✓		
Sandoz Group AG				✓			
Sanlam Ltd	✓					✓	
Sanwa Holdings Corp					✓	✓	
SAP SE	✓	✓				✓	
Saudi Arabian Oil Co	✓						
SBAB Bank AB	✓						
Schneider Electric SE						✓	
SCOR SE						✓	
Segro PLC	✓						
Service Corp International/US						✓	
Shaftesbury Capital PLC	✓	✓			✓		
Shell PLC	✓					✓	
Sherwin-Williams Co/The		✓			✓		
Shurgard Self Storage Ltd	✓	✓			✓		
Siemens AG		✓					
Signify NV		✓					
Sika AG		✓	✓		✓	✓	
Simmons Foods Inc	✓				✓		
Sirius Real Estate Ltd	✓	✓			✓		
Sirius XM Holdings Inc						✓	✓
SKAN Group AG					✓	✓	
Smith & Nephew PLC			✓		✓	✓	✓
Smurfit Kappa Group PLC		✓					
Snam SpA	✓						
Snap-on Inc						✓	
Sociedad Quimica y Minera de Chile SA	✓	✓				✓	
Societe Generale SA			✓		✓		
Societe Du Grand Paris EPIC	✓						
Sodexo SA			✓				
SOITEC						✓	
Solvay SA						✓	
Sopra Steria Group SACA						✓	
Spain Government Bond	✓						

Full list of engagements in 2023

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
Spirent Communications PLC						✓	
SSE PLC	✓	✓					
Stagwell Inc	✓				✓		
Standard Building Solutions Inc	✓					✓	
Statnett SF	✓						
Stellantis NV						✓	
Stevanato Group SpA	✓					✓	
Suez SACA	✓	✓					
Sumitomo Mitsui Financial Group Inc	✓						
Sun Communities Inc	✓		✓				
SunOpta Inc	✓	✓					
Suntory Holdings Ltd			✓		✓	✓	
Supermarket Income Reit PLC	✓	✓			✓		
Swedbank AB	✓						
Swiss Prime Site AG	✓	✓			✓		
Symrise AG		✓			✓		✓
System1 Inc						✓	
TAG Immobilien AG					✓		
TC Energy Corp	✓					✓	
Technip Energies NV						✓	
Technoprobe SpA						✓	
Teleperformance SE			✓		✓		
TenneT Holding BV	✓						
Terna - Rete Elettrica Nazionale	✓						
Tesla Inc			✓		✓	✓	
Tetra Tech Inc		✓					✓
Texas Instruments Inc	✓	✓				✓	
Tokyo Metro Co Ltd					✓	✓	
Toronto-Dominion Bank/The	✓				✓	✓	
TotalEnergies SE	✓						
Toyota Motor Corp			✓		✓		
Trainline PLC						✓	
Tritax EuroBox PLC	✓	✓			✓		
Tritax Big Box REIT PLC	✓						
Ubisoft Entertainment SA			✓	✓			
UCB SA						✓	
Unibail - Rodamco -Westfield						✓	
UniCredit SpA						✓	
Unilever PLC	✓	✓					
Unisys Corp	✓				✓		
UNITE Group PLC/The	✓				✓	✓	
United Parcel Service Inc	✓	✓	✓				

ISSUER NAME	CLIMATE CHANGE	RESOURCES & ECOSYSTEMS	SOCIAL RELATIONS	PUBLIC HEALTH	HUMAN CAPITAL	CORPORATE GOVERNANCE	BUSINESS ETHICS
United Therapeutics Corp						✓	
Universal Music Group NV						✓	
UPM- Kymmene Oyj		✓			✓	✓	
Urban Logistics REIT PLC	✓	✓			✓		
Valeo SE					✓		
Valmet Oyj	✓				✓		
Veolia Environnement SA	✓	✓					
Verallia SA	✓	✓					
Vestas Wind Systems A/S	✓		✓		✓		
Vicat SA	✓						
Vinci SA		✓					
Vivendi SE					✓		
Volkswagen AG			✓		✓		
Volvo Car AB	✓				✓		
Vonovia SE	✓						
Wallenstam AB	✓	✓			✓		
Walmart Inc		✓					
Warehouses De Pauw CVA	✓	✓			✓		
Waste Connections Inc	✓					✓	
Waste Management Inc	✓	✓					
Wavestone						✓	
Weir Group PLC/The	✓						
Westpac Banking Corp			✓		✓		
WH Group Ltd		✓	✓				
White Cap Parent LLC	✓						
Wihlborgs Fastigheter AB	✓	✓			✓		
Windstream Services LLC	✓						
Worldline SA/France						✓	
WP Carey Inc	✓						
WPP PLC					✓		
Yorkshire Building Society	✓						

Investor initiatives supported in 2023

Themes	Organisation	Description	Status	Date
Environment	CDP (Carbon Disclosure Project)	CDP works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations.	Member	2006
Environment	ChemSec	Founded in 2002, ChemSec engages the work of chemists, political scientists, business experts and communicators, among others. Hazardous chemicals can be found in clothing, consumer electronics, packaging and many other products which surround us in our everyday lives. According to ChemSec, hazardous chemicals spread throughout the environment, increasing the risk of cancer and infertility, among other things. They want to prevent this from happening. ChemSec also coordinates the Investor Initiative on Hazardous Chemicals (IIHC), which aims to reduce the impacts on human health and the environment from the manufacture of hazardous chemicals. The investor led collaborative engagement initiative comprises over 50 institutional investors with $11 trn under management or advice.	Member of the collaborative engagement initiative.	2022
Climate	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	2018
Climate	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"	2016
Climate	IIGCC	The IIGCC's mission is to mobilise capital for the low carbon transition by working with business, policymakers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change. Members consider it a fiduciary duty to ensure stranded asset risk or other losses from climate change are minimised and that opportunities presented by the transition to a low carbon economy – such as renewable energy, new technologies and energy efficiency – are maximised	Member of: • Corporate Programme • PAII • Property group • Real Estate working group • Co-Chair of : • Policy Advisory Group	2014
Climate	Initiative Climat International	Initative Climat International, a global practitioner-led community of private markets investors that seek to better understand and manage the risks associated with climate change. The iCI is supported by the Principles for Responsible Investment (PRI), is a Supporting Partner of The Investor Agenda, and is open to all private markets firms and investors.	Member	2023
Net Zero	Net Zero Asset Managers	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°Celcius. It also commits to support investing aligned with net zero emissions by 2050 or sooner.	Signatory	2020
Net Zero	WEF - Net Zero Carbon Cities	This project is part of the World Economic Forum's Centre for Nature and Climate, Climate Action Platform, Shaping the Future of Energy, Materials and Infrastructure, and Shaping the Future of Urban Transformation Platforms. The mission is to create an enabling environment for clean electrification and circularity, resulting in urban decarbonization and resilience. The program aims to do this by fostering public private collaboration to bridge the gap across the energy, built environment and transport sectors.	Member	2021
Net Zero	Carbon Risk Real Estate Monitor (CRREM))	CRREM is the leading global standard and initiative for operational decarbonization of real estate assets.	Member of the Scientific Committee	2022

Themes	Organisation	Description	Status	Date
Biodiversity	Finance for Biodiversity Foundation (FfB)	Community of investors working collaboratively on metrics, engagement and global advocacy in the field of biodiversity (FfB Foundation members are all FfB Pledge signatories). The aim of the Foundation is to support a call to action and collaboration between financial institutions via working groups, as a connecting body for contributing signatories and partner organizations. Finance for Biodiversity (F4B) aims to increase the materiality of biodiversity in financial decision-making, and so better align global finance with nature conservation and restoration.	Member, Co-chair of the Impact Assessment Working Group in 2023	2021
Biodiversity	Nature Action 100	NA100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative was formally launched in 2023. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The initiative's Secretariat and Corporate Engagement Working Group is co-led by Ceres and the IIGCC, and the initiative's Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker. AXA IM was originally a member of the launching investor group and is currently a member of the steering group.	Member of the Steering Group	2021
Biodiversity	FAIRR	The FAIRR Initiative facilitates collaborative investor engagements with companies on some of the most material issues linked to intensive animal production, such as labour risk, protein diversification and supply chain resilience. These engagements are supported by investor coalitions with trillions of dollars in assets under management (AUM), and through collective investor action, FAIRR encourages companies to improve upon their management practices to protect returns and enhance performance on selected ESG issues. AXA IM joined a FAIRR collaborative engagement on biodiversity focused on waste and pollution. This initiative in particular addresses the topic of the impact of livestock manure waste on biodiversity. As well as targeting ten publicly listed pork and chicken producers with material shares in their respective markets, this engagement will also target two fertiliser companies whose range of services includes the extraction and marketing of nutrients from manure.	Member	2023
Biodiversity	Finance Sector for Deforestation Action	Finance Sector Deforestation Action (FSDA) members act to eliminate commodity-driven deforestation from portfolios and drive progress towards a net zero, nature-positive economy. Launched at COP26, Finance Sector Deforestation Action (FSDA) brings together 36 financial institutions with more than (US) $8 trillion in assets under management who are working toward eliminating agricultural commodity-driven deforestation risks (from cattle, soy, palm oil, pulp, and paper) in their investment and lending portfolios by 2025.	Member	2023
Biodiversity	Investor Initiative on Hazardous Chemicals	ChemSec coordinates the Investor Initiative on Hazardous Chemicals (IIHC), an investor-led collaborative engagement initiative involving 60+ participating investors and their representatives with over $11 trillion under management or advice. The initiative aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked. The members engage in ongoing dialogues with the world's largest publicly traded chemical companies.	Member	2023
Just Transition	Institut de la Finance Durable - Investors for a Just Transition	"Investors for a Just Transition" is a coalition of French investors set-up under the auspices of the Institut de la Finance Durable. It aims to engage companies on the Just Transition thematic, identifying best practices and pushing laggards for change. The working groups will tackle 4 sectors: Energy, Transport, Real-Estate/ Buildings & Construction and Agri-Food.	Member Lead of the WG Energy	2021

Investor initiatives supported in 2023

Themes	Organisation	Description	Status	Date
Human Rights	Big tech and human rights - Investor collaboration	The Council on Ethics of the Swedish National Pension Funds (AP-funds) has issued a new statement of its expectations of global tech companies on human rights. The expectations demand that tech giants reinforce measures to respect human rights and fully align their work with the UN Guiding Principles on Business and Human rights. AXA Investment Managers signed this statement in 2020 (please refer to our AXA IM 2020 Active Ownership and Stewardship Report). The Council on Ethics has therefore, in cooperation with the Danish Institute for Human Rights, produced a document for the tech sector outlining its long-term expectations of how the sector should work strategically on human rights. A larger group of investors, including AXA Investment Managers, has been engaged during the preparation of the document. In December 2022, the group decided to start a structured collaborative engagement programme with tech companies on human rights: • Three-year engagement starting Jan 2023 • Builds on the investor expectations the Council on Ethics developed in cooperation with the Danish Institute • of Human Rights in 2020. • The engagement objectives and the KPI framework align with UNGPs, Ranking Digital Rights and SASB. • The intention is to closely cooperate with other initiatives, esp. Investor Alliance for Human Rights and the • WBA's Digital Inclusion Collective Impact Coalition (CIC). • Establish constructive dialogues to influence companies to better mitigate, manage and report on the • human rights impacts of their platforms (and their business models).	Member	2020
Human Rights	Advance	Advance is a stewardship initiative launched by the PRI in 2022 where institutional investors work together to take action on human rights and social issues. Investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society. Within the initiative, the PRI will support a range of activities, including investor collaborative engagement with companies, along with potential further escalation where needed. The PRI will also support investor engagement with policymakers and other stakeholders to make progress on the overall goal. Engagement has started with 40 companies in the metals & mining and renewables sector.	Participant of the initiative	2022
Health	Tech, Mental and Wellbeing initiative	The initiative aims to help tech companies define policies and implement measures to mitigate the potential negative impact of technology on their end consumers' mental health and well-being. This newly formed coalition of investors, initiated by AXA IM and Sycomore AM, will engage with companies in the hardware, media, internet, gaming, software, edtech and the telecommunications space to raise awareness and to ensure that tech companies are developing action plans to mitigate end-consumer mental health and wellbeing issues	Founding member	2023
Diversity	30% Club France Investor Group	The 30% Club Investor Group's purpose is to: co-ordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams; exercise our ownership rights, including voting and engagement, to effect change on company boards and within senior management teams; encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.	Chair of the French group in 2021, Member since 2022	2020

Themes	Organisation	Description	Status	Date
Diversity	30% Club Japan Investor Group	The 30% Club Investor Group's purpose is to: co-ordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams; exercise our ownership rights, including voting and engagement, to effect change on company boards and within senior management teams; encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.	Member of Investor Group since 2022	2022
Health	Access to Medicine Foundation	The ATMF is an independent, non-profit organisation based in the Netherlands. Its mission is to transform the healthcare ecosystem by motivating and mobilising companies to expand access to their essential healthcare products in low- and middle-income countries. 130+ institutional investors – collectively managing assets in excess of $21 trillion USD– have already signed the investor statement in support of the ATMF, committing to use its research findings in their investment analysis and engagements with companies.	Donor and member	2018
Governance	Assogestioni	In 2023, AXA IM joined the Investment Manager's Committee of Assogestioni - the Italian association of asset managers. It aims to promote collective engagement initiatives, facilitating the appointment of members of boards of directors and statutory auditors' boards through the slate voting system. As member of the Investment Managers' Committee, AXA IM contributed to selecting potential candidates and submitting minority slates at the AGMs of Italian listed companies.	Member of the Investment Management Committee	2023
Governance	International Corporate Governance Network (ICGN)	Led by investors responsible for assets worth around $US 70 trillion, ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment. This is achieved through a comprehensive international work programme based around the ICGN Global Governance Principles and ICGN Global Stewardship Principles.	Global Governance Committee member	2022
Governance	Eumedion	Eumedion represents the interests of institutional investors in the field of corporate governance and sustainability. All institutional investors that hold shares in Dutch listed companies can become a member of Eumedion. Eumedion is committed to promote good corporate governance and sustainability policies at Dutch listed companies and to promote engaged and responsible shareholdership by its members. Eumedion wants to achieve this by: • committing itself to the conservation of an attractive investment climate and an adequate protection of the position of shareholders. Eumedion does this by consulting with relevant policy makers and influencing relevant legislation and regulation; • supporting its members to act as engaged and responsible shareholders. Eumedion does this among other things by facilitating dialogues between its members and Dutch listed companies; • being a leading research and knowledge center for its members in the field of corporate governance and sustainability.	Member	2014
Governance	Proxinvest	Proxinvest helps institutional investors with global asset portfolios to understand the regulatory diversity in Europe by providing corporate governance research and proxy voting advice based on local market expertise. Governance structures and shareholder rights vary widely in different European markets depending on legal framework and cultural traditions. Pursuing a consistent proxy voting or corporate governance engagement policy across markets therefore can be challenging for global investors	Member of Proxinvest Steering Committee	2022

Investor initiatives supported in 2023

Themes	Organisation	Description	Status	Date
Impact Investing	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 Member of the GIIN advisory group for listed equity	2013
Impact Investing	Impact Management Project	The IMP is a forum for building global consensus on how to measure, manage and report impact	Investor advisory committee	2017
Impact Investing	Operating principles for Impact Management	The Operating Principles for Impact Management provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. The Impact Principles bring greater discipline and transparency to the impact investing market, requiring annual disclosure statements and independent verification of Signatories' impact management systems and processes.	Signatory	2019
Impact Investing	Impact Disclosure Taskforce	The Impact Disclosure Taskforce (the "Taskforce") was established to promote transparency and accountability among corporates and sovereigns regarding their intentions and progress towards advancing the UN SDGs The guidance supports entities committed to addressing development needs and reducing global inequality to access growing pools of sustainable capital.	Member	2023
Responsible Investment	Association Française de Gestion (AFG) - Responsible Investment and Corporate Governance Committees	The AFG is the French industry body for asset management.	Member	26/02/96
Responsible Investment	European Fund and Asset Management Association (EFAMA) Stewardship and ESG Standing Committee	The EFAMA is the European industry body for asset management.	Corporate Member	06/11/04
Responsible Investment	FIR (Forum pour l'Investissement Responsable)	The FIR's purpose is to raise awareness on socially 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.	Member of: • Circular Economy WG • Corporate Purpose WG • Dialogue & Engagement WG • Say on Climate and Shareholder Resolutions WG	17/03/03
Responsible Investment	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	01/05/07

Themes	Organisation	Description	Status	Date
Responsible Investment	Forum per la Finanza Sostenibile (ItaSIF)	The ItaSIF's purpose is to raise awareness of responsible investing, and to encourage investors to integrate social cohesion and sustainable development considerations in their work in Italy. The ItaSIF is member of the European network Eurosif	Member of the Sustainability Committee	Jan.21
Responsible Investment	INREV (European Association for Investors in Non-Listed Real Estate Vehicles)	The European Association for Investors in Non-Listed Real Estate Vehicles, incorporated in 2002, is a non-profit association located in the Netherlands that provides services and education for investors interested in the European non-listed real estate fund market.	ESG Committee Member	2019
Sustainability	GRESB (Global Real Estate Sustainability Benchmark)	An industry-driven organisation committed to assessing the sustainability performance of real estate portfolios around the globe	Member of several working groups	2011
Sustainability	Observatoire de l'Immobilier Durable (OID)	This initiative brings together stakeholders in the real estate sector to discuss ESG issues and the state of ESG regulation across Europe. It was launched by Observatoire de l'Immobilier Durable.	Member	2011
Sustainability	European Sustainable Real Estate Initiative (ESREI)	The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.	Member	2022
Sustainability	ISSB - International Sustainability Standard Board	The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.	Member of the Investor Advisory Group	2019
Sustainability	Sustainable Trading	Sustainable Trading is a non-profit membership network, dedicated to transforming ESG practices within the financial markets trading industry. The network brings firms together to devise practical solutions to industry-specific ESG issues as well as providing a mechanism for self-assessment and benchmarking. Sustainable Trading members consider the environmental impact of how the financial trading industry builds, maintains, and operates trading infrastructure, as well as focusing on areas such as diversity, equity and inclusion, employee wellbeing, engagement with communities and a stakeholder-oriented approach to enterprise governance.	Founding Member	2022
Sustainability	World Benchmarking Alliance	The Alliance is a collaborative community of over 280 organisations globally working to develop an accountability mechanism for business action on the SDGs. Allies play a significant role in shaping and amplifying WBA's benchmarks, as well as using them to inform and influence decisions. Echoing the spirit of SDG17, they believe in the power of cross-sector partnerships and collective action to drive systemic progress.	Ally	Jul. 22
Sustainability	Institut de la Finance Durable	The role of the Institute on Sustainable Finance is to coordinate and accelerate the roadmap of the French financial industry with regards to Sustainable Finance with the objective of supporting the energy transition and the broader transformation of our economy	Member of the Bureau	2022

Investment industry partnerships and collaboration in 2023

Statement	Involvement	Description	Start Year	Topic	Link
FAIRR investor engagement letter on Antimicrobial Resistance	Signatory	FAIRR began two engagement programs touching upon the theme of antibiotics. One encouraging 12 quick-service restaurants to reduce antibiotic use in their animal supply chains, and another targeting the largest publicly-listed animal pharmaceutical companies advocating for greater transparency in the manufacturing, marketing and sale of antibiotics. AXA IM co-signed both series of letters addressed to companies in the restaurant antibiotic engagement and companies in the animal pharmaceutical engagement.	2023	Biodiversity	https://www.fairr.org/engagements/animal-pharma https://www.fairr.org/engagements/restaurant-antibiotics
VDO Investor Statement on Plastics	Signatory	In 2023, the VBDO, the Dutch Association of Investors for Sustainable Development, invited investors to sign its statement encouraging urgent action to reduce plastics from intensive users of plastic packaging. We co-signed this statement, along with 184 other signatories, which summarized the financial risks and externalities imposed by continued plastic usage, and contained recommendations for companies in the fast-moving consumer goods and grocery retail sectors, to support ambitious policies, commit to reduction targets, and address toxicity in their plastics value chains.	2023	Biodiversity	https://www.vbdo.nl/wp-content/uploads/2023/05/EMBARGO_VBDO_Investor-statement-on-plastics_def.pdf

Statement	Involvement	Description	Start Year	Topic	Link
IGCC Investor letter calling on proxy advisor to enhance climate advice	Signatory	Led by IIGCC's Proxy Advisor Working Group, 36 investors have supported a letter to ISS calling on it to further integrate climate into its proxy advice service. The letter sets out clear investor asks for 2024 and coincides with ISS's Benchmark Policy Consultation. The letter also recognises that environmental and climate-related factors are material to investors' stewardship and voting decisions as part of their fiduciary duty to mitigate financial risk and protect long term shareholder value.	2023	Corporate Governance	https://www.iigcc.org/media-centre/36-investors-sign-letter-calling-on-proxy-advisor-to-enhance-climate-advice
Good Work Coalition investor statement	Signatory	As 14 investors with £1.64 trillion of assets under management and advice, we are setting out our expectations of companies to protect their lowest paid workers during the cost-of-living crisis. Investors urge business to: • Ensure the lowest-paid workers, who are disproportionately impacted by the rising cost of living, are adequately targeted in pay awards that meet the current rate of inflation; • Commit on a long-term basis to paying the real living wage to all employees across supply chains, including third-party contracted staff; • Provide secure work, through guaranteed working hours and fair and accurate contracts.	2023	Corporate Governance	https://shareaction.org/news/investors-press-businesses-to-protect-vulnerable-workers-amidst-cost-of-living-crisis

Regulatory Review

The UK Stewardship Code	Reference page
Purpose and governance	
1. Purpose, strategy and culture	3-6, 58-73
2. Governance, resources and incentives	34-39, 74-81
3. Conflicts of interest	52-53
4. Promoting well-functioning markets	40-43, 58, Appendices
5. Review and assurance	85
Investment approach	
6. Client and beneficiary needs	82-83
7. Stewardship, investment and ESG integration	12-73, Appendices
8. Monitoring managers and service providers	80-81
Engagement	
9. Engagement	7-73, Appendices
10. Collaboration	12-33, 36-39
11. Escalation	12-33, 38
Exercising rights and responsibilities	
12. Exercising rights and responsibilities	40-53

PRI	Reference page
Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.	7-73, Appendices
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.	7-53, Appendices
Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.	56-73, 82-84, Appendices
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.	40-43, 80, Appendices
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.	Appendices, PRI Assessment Report, AXA IM TCFD-Article-29
Principle 6: We will each report on our activities and progress towards implementing the Principles.	PRI Assessment Report, AXA IM TCFD-Article-29

Japanese Stewardship Code	Reference page
1. Institutional investors should have a clear policy on how they fulfil 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.	52-53
3. Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	7-73, Appendices
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.	7-53
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.	44-53
6. Institutional investors in principle should report periodically on how they fulfil 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.	54-73
8. Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.	N/A

Selected RI research and publications in 2023

Sustainability challenges facing the chemical industry: what investors need to know *Mariana Villanueva*	https://www.axa-im.com/investment-institute/sustainability/sustainability-challenges-facing-chemical-industry-what-investors-need-know
Biofuels and the energy transition: green sprouts or biowashing *Olivier Eugène*	https://www.axa-im.com/investment-institute/sustainability/biofuels-and-energy-transition-green-sprouts-or-biowashing
Understanding and responding to the human cost of the green energy transition *Virginie Derue*	https://www.axa-im.com/investment-institute/sustainability/social/understanding-and-responding-human-cost-green-energy-transition
Busting myths for investors tackling biodiversity and deforestation *Liudmila Strakodonskaya, Geoffroy Dufay*	https://www.axa-im.com/investment-institute/sustainability/environmental/busting-myths-investors-tackling-biodiversity-and-deforestation
Biodiversity Q&A: Understanding a powerful new investment theme *Mariana Villanueva*	https://www.axa-im.com/investment-institute/sustainability/biodiversity-qa-understanding-powerful-new-investment-theme
Understanding scope 3: How responsible investors can wres-tle with the unruliest of emissions *Olivier Eugène*	https://www.axa-im.com/investment-insti-tute/sustainability/environmental/understanding-scope-3-how-responsible-investors-can-wrestle-unruliest-emissions
Mind the gap: Investors' role in balancing fairness and compet-itiveness in executive pay *Alexandre Prost*	https://www.axa-im.com/investment-institute/sustainability/governance/mind-gap-investors-role-balancing-fairness-and-competitiveness-executive-pay
Why living wages should be considered a driver of human capital value, not a cost *Matthieu Firmian*	https://www.axa-im.com/investment-institute/sustainability/why-living-wages-should-be-considered-driver-human-capital-value-not-cost
Responsible technology: How can companies and investors drive digital inclusion and economic growth? *Théo Kotula*	https://www.axa-im.com/investment-institute/future-trends/technology/responsible-technology-how-can-companies-and-investors-drive-digital-inclusion-and-economic-growth
COP28: Limited expectations met with some progress on climate finance *Virginie Derue*	https://www.axa-im.com/investment-institute/sustainability/cop28-limited-expectations-met-some-progress-climate-finance
COP28: What can investors reasonably expect? *Virginie Derue*	https://www.axa-im.com/investment-institute/sustainability/cop28-what-can-investors-reasonably-expect
AGM Season 2023: New challenges highlight the achievements of responsible investors *Héloïse Courault, Constance Caillet, Alexandre Prost*	https://www.axa-im.com/undefined-insight-landing/investment-institute/sustainability/agm-season-2023-new-challenges-highlight-achievements-responsible-investors

Disclaimer

Investment involves risks, including the loss of capital.

Companies shown are for illustrative purposes only. It does not constitute investment research or financial analysis relating to transactions in financial instruments, nor does it constitute an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

This document is for informational purposes only and does not constitute investment research or financial analysis relating to transactions in financial instruments as per MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

This report and the information included herein were prepared on the basis of data made available to AXA IM as of the date of this report. Unless stated otherwise in this report, this report and the information included herein are current only as of such date. This report refers to certain non-financial metrics, such as ESG scores, key performance indicators, controversy scores, climate or sustainability-related metrics and benchmarks, as well as other non-financial data, all of which are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. Non-financial metrics used herein generally have no standardized meaning and may not be comparable to similarly labelled measures used by other companies. In addition, AXA IM reserves the right to amend, adjust and/or restate the data presented in this report, from time to time, without notice and without explanation.

The data presented or included in this report may be further updated, amended, revised or discontinued in subsequent publications of AXA IM depending on, among other things, the availability, fairness, adequacy, accuracy, reasonableness or completeness of the information, or changes in applicable circumstances, including changes in applicable laws and regulations. The measurement techniques used for determining non-financial metrics and data may involve complex modelling processes and research. The use of different measurement techniques can also result in materially different measurements, while the precision of these techniques may vary. In addition, the determination and use of non-financial metrics and data, in particular when integrating sustainability risks or the impact of investment decisions on sustainability factors in investment processes, remains subject to the limited availability of relevant data: such data is not yet systematically disclosed by issuers or counterparties, or, when disclosed by issuers or counterparties or collected from third-party data providers, it may be incorrect, incomplete or follow various reporting methodologies. Furthermore, most of the information used to determine non-financial metrics or factors is based on historical data, which may not be complete or accurate or may not fully reflect the future non-financial performance or risks of the underlying investments. Although a rigorous selection process is applied to data providers with a view to provide appropriate levels of oversight, AXA IM's ESG and other processes, including AXA IM's proprietary ESG scoring tool, may not necessarily capture all non-financial risks and, as a result, AXA IM's assessment of the impact of its investment decisions on sustainability factors may not be accurate, or unforeseen sustainability events could adversely affect the performance of the investment portfolio. AXA IM may change its data providers at any time and at its own discretion, which may also result in changes in relation to the data and or methodologies used for the same instruments or investments in future reports. While the methodologies for non-financial scoring applied by AXA IM are regularly updated to take into account changes in the availability of data or methodologies used by issuers or counterparties to disclose non-financial information, there is no assurance that such methodologies are or will be successful at capturing all non-financial factors. The data presented in this report is un-audited. Data on certain non-financial metrics may be limited, notably in terms of coverage across the asset classes managed by AXA IM, or may reflect reporting periods prior to the year of this report due to lack of data availability.

This report may include or refer to information obtained from, or established on the basis of, various third-party sources, including, but not limited to, third-party benchmarks and indexes. Such information may not have been reviewed by AXA IM, and AXA IM does not approve or endorse such information by inclusion thereof or reference thereto. In addition, such third-party information may not have been independently verified.

To the extent SFDR has been applicable for a relatively short period of time, the classification under SFDR is subject to adjustments and amendments, as certain aspects of SFDR may be subject to new and/or different interpretations than those existing at the date of this Report. As part of the ongoing assessment and current process of classifying its financial products under SFDR, AXA IM reserves the right, in accordance with and within the limits of applicable regulations and legal documentation applicable to its financial products, to amend the classification of a particular fund to reflect changes in market practice, in its own interpretations, in SFDR-related laws or regulations or in currently-applicable delegated regulations, in communications from national or European authorities or court decisions clarifying SFDR interpretations. Investors are reminded that they should not base their investment decisions on the classification presented pursuant to SFDR. Any mentions of products or strategies are for illustrative purposes only. The targeting of specific SDG does not imply the endorsement of the United Nations of AXA Investment Managers, its products or services, or of its planned activities and does not constitute, explicitly or implicitly, a recommendation for an investment strategy. The products or strategies discussed in this document may not be registered nor available in your jurisdiction.

The product categorization is provided based on the basis of the European Directive (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR Regulation"). The attention of each recipient is drawn to the fact that, as of today the SFDR related regulatory technical standards ("RTS") have not been finalized and remain subject to the approval and formal adoption by the European Commission and the European Parliament and Council. Furthermore there may be further guidance in relation to the interpretation of the SFDR Regulation. We are monitoring regulatory developments closely, and the product categorization shall be re-assessed and may evolve when the RTS and/or further guidance is published.

For more information on sustainability-related aspects please visit https://www.axa-im.com/what-is-sfdr

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Issued by AXA INVESTMENT MANAGERS PARIS, a company incorporated under the laws of France, having its registered office located at Tour Majunga, 6 place de la Pyramide, 92800 Puteaux, registered with the Nanterre Trade and Companies Register under number 353 534 506, and a Portfolio Management Company, holder of AMF approval no. GP 92-08, issued on 7 April 1992.

In other jurisdictions, this document is issued by AXA Investment Managers SA's affiliates in those countries.

Design & Production: Internal Design Agency (IDA) | 2- 011246| 04/2024 Photo Credit: Gettyimages