

**AXA GROUP**

**GLOBAL RESPONSIBLE  
INVESTMENT POLICY**

July 2013



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# BACKGROUND

## 1. RESPONSIBLE INVESTMENT: OUR POSITION, DEFINITION & BELIEFS

AXA Group (AXA) is a long-term global investor with a duty to act in the best interests of its policyholders, shareholders and other stakeholders. AXA has developed a comprehensive policy that sets out the AXA's position and beliefs on Responsible Investment (RI).

We define RI as the “integration of environmental, social, and corporate governance (ESG) considerations into our investment processes and our ownership practices”. AXA believes that ESG factors have the potential over time to impact investment portfolios across companies, sectors, regions and asset classes. We believe that ESG issues can therefore affect risk and returns and as such require monitoring.

Our objective is to align investments with AXA's corporate responsibility agenda of protecting people over the long term and creating stronger and more sustainable societies. This agenda is in line with our interests as a global insurer and investor.

In developing our RI policy, we have aimed to align it wherever practicable with our wider corporate responsibility strategy, which includes a major focus on risk research and education. For more information see [www.axa.com/en/responsibility](http://www.axa.com/en/responsibility).

The policy is focused on high-level principles as this fits with our position as an asset owner with delegated asset management. We require our internal asset managers to follow these principles.

## 2. POLICY SCOPE

This policy relates to AXA's activities as an “asset owner”. By this, we mean the decisions we make and activities that we undertake when we invest our assets.

The majority of AXA's assets are managed under the supervision of the Group's local Chief Investment Officers (CIOs) by our in-house investment management companies Alliance Bernstein and AXA Investment Managers with the remainder being delegated to non-Group asset managers.

This policy is designed to cover all of AXA's general account insurance assets (the proprietary assets of the Group's insurance subsidiaries which include the invested premiums paid by policyholders), whether managed by either the Group's asset management companies or non-Group asset managers. In the future, it is possible that the scope of this policy could be extended to some investment products, such as certain new unit-linked products.

### 3. RESPONSIBLE OWNERSHIP - ENGAGEMENT

AXA aims to use its influence as a large asset owner to encourage ESG best practice within the companies in which it invests. AXA will do this by:

- i. Ensuring that all investment mandates related to the management of general account assets comply with the requirement of this policy
- ii. Developing our ESG expectations of the companies in which we invest and how we will exercise our rights as a shareholder in order to achieve them.
- iii. Encouraging high standards of corporate governance as well as good management of environmental and social risks.
- iv. Monitoring its asset managers' adherence to this policy.

Because ESG issues also require collective actions, the AXA Group is a signatory of the UN Principles for Responsible Investment since 2012. Both of AXA's internal asset managers, AXA IM and AllianceBernstein, are also UN PRI signatories since 2007 and 2011, respectively. AXA is also an active member of the United Nations Environment Programme - Finance Initiative ([www.unepfi.org](http://www.unepfi.org)) and supports the development and implementation of the UN Principles for Sustainable Insurance with industry peers. Such collaborative initiatives enable us to work with other investors to understand the impacts of environmental and social considerations on financial performance.

### 4. CORPORATE GOVERNANCE AND PROXY VOTING

AXA has utilised global best practice standards to develop established principles of governance that it will look to companies in which it invests to meet. These include the International Corporate Governance Network's (ICGN) Global Corporate Governance Principles and Securities Lending Code of Best Practice<sup>1</sup> as well as the OECD Corporate Governance Guidelines.

Although AXA expects companies in which it invests to adhere to best practice principles, it is recognised that departures from such principles may be justified in particular circumstances. In such circumstances, AXA will expect a considered explanation from the company.

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<sup>1</sup> <http://www.icgn.org/>

These principles are:

- **Effective Boards:** An effective board of directors is essential to the long-term success of a company. The board provides strategic guidance to, as well as oversight of, the executive directors on behalf of shareholders. The board should also consider the interests of company stakeholders including employees, suppliers, customers, the environment, and society. To do this requires sufficient independence as well as the right mix of skills, competence, and experience. Boards are expected to establish separate subcommittees for audit, remuneration, and nomination matters, with appropriate independent members.
- **Accountability & Risk management:** The board must at all times be conscious of its accountability to stakeholders. It shall consider the nature and extent of any significant risks taken by the company in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and ESG risks in addition to financial risks.
- **Shareholder rights:** Shareholders should be encouraged to participate in supporting good governance; the exercise of voting rights should not be subject to unnecessary hurdles; the company should engage with shareholders to explain voting issues where necessary; shareholders should have a say on major decisions in accordance with applicable laws (e.g. approving major share issuance, nominating and appointing directors and external auditors, etc.).
- **Remuneration:** Remuneration policies should reinforce (rather than undermine) company culture. The board should use remuneration policies to align the interests of executives and shareholders, incentivising behaviour that encourages long-term financial health and promotes sound risk management. Significant aspects of remuneration policy should be developed through formal and transparent processes and be adequately disclosed to and approved by shareholders.
- **Transparency:** Companies should ensure that shareholders receive accurate, relevant, and timely information regarding financial, strategic, operational, and ESG issues.

AXA requires that its asset managers will, in all but exceptional circumstances, vote its equity securities (including with respect to any such securities under lending arrangements to third parties) in accordance with the above principles.

## 5. SENSITIVE ESG INVESTMENTS

AXA adopts the view that it should seek out investment opportunities on the basis that they meet the needs of its long-term investment strategy and the nature of its liabilities.

AXA also recognises that some ESG issues are particularly sensitive and require investors to consider this in their handling of them. Some activities and products may be in conflict with AXA's corporate responsibility goals of protecting people over the long term and may be detrimental to AXA's global brand and reputation.

Within this context, AXA has developed specific "sector guidelines" that seek to address those issues. These policies currently include the following topics:

- Controversial weapons
- Sanctioned countries and/or countries identified as having high levels of corruption or political risk.
- Agricultural derivatives ("soft derivatives")
- Palm oil and forestry

## **6. IMPACT INVESTMENTS**

AXA's corporate responsibility strategy aims to leverage the Group's influence as a global asset owner and insurer to encourage the development of solutions to global social, societal, and environmental challenges.

AXA's RI policy supports this objective by aiming to allocate capital to investment strategies whose goal is to focus on companies (or other assets) that address key sustainability concerns such as (but not limited to) low carbon energy generation, deforestation, poverty, health and more generally support AXA's corporate responsibility agenda focus on risk research and education. Our objective is to align investments with AXA's corporate responsibility agenda of protecting people over the long term, protecting the environment, and creating stronger and more sustainable societies.

Such investments will be required to meet specific investment criteria as well as clearly demonstrating a positive social, societal or environmental impact measured using appropriate standards.

These investments are subject to the approval of the RI Committee as well as the Group Investment Committee, and, where appropriate, the Group's local entities. The social and environmental impacts of ESG impact investments will be measured and reported to stakeholders on a regular basis.

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# MONITORING AND IMPLEMENTATION

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## 7. POLICY GOVERNANCE

The responsibility for the development, implementation and monitoring of this policy sits with AXA's Responsible Investment Committee. The RI Committee is chaired by AXA Group's Chief Investment Officer.

The RI Committee was established in 2010 and is responsible for reviewing and updating this policy as necessary. The Committee is also charged with monitoring successful adoption and adherence to the Policy across the AXA Group. The RI Committee reports to the Group Investment Committee.

The RI Committee's decisions are interpreted and implemented by the local CIOs via the RI "Center of Expertise". The RI CoE is also charged with communicating and explaining the Group's RI strategy and directives to local investment teams as well as coordinating joint CIO initiatives.

## 8. ASSET MANAGER MONITORING

Asset manager monitoring is a key element of AXA's RI strategy. It allows the RI Committee to track the progress of its asset managers in integrating consideration of ESG issues into their investment decision-making processes.

Our monitoring process seeks evidence of positive momentum towards our ESG expectations by:

- Developing a formal but pragmatic system of monitoring our asset managers based on our ESG expectations.
- Using this system to keep track of progress against AXA's RI objectives.
- Using information obtained from this monitoring process to demonstrate progress to shareholders/stakeholders via reporting.

Our asset manager monitoring process will focus initially on our equity and corporate fixed income assets, but over time, AXA aims to expand its scope to include other asset classes.

AXA encourages delegated asset managers to integrate ESG considerations into their investment decision-making, in line with the ESG mandate requirements, as well as be a signatory of the UN Principles for Responsible Investment.

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