

# AXA PUBLIC AFFAIRS CHARTER

2015

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The role of AXA's Public Affairs department is to identify and assess regulatory initiatives, emerging policies and major social challenges that are relevant for global insurers. The Public Affairs department, in line with Corporate Responsibility strategy<sup>2</sup>, positions the AXA Group on these issues in close collaboration with internal experts, so as to contribute constructively and substantively to national, European and global policy debates.

Given the highly regulated nature of the insurance sector and its natural positioning at the intersection of society, economics and finance, numerous exchanges are taking place with public authorities and decision-makers. The Public Affairs department also engages with various communities of academics and other experts to develop AXA's positions on long-term issues and to ensure their rigour and conceptual soundness.

The added value delivered by the Public Affairs department is to ensure that AXA provides 'thought leadership' on regulatory and social issues relevant to insurers and the asset management sector, and to turn the Group's positioning on such issues into a strategic competitive advantage.

## AXA's Public Affairs organisation<sup>3</sup>

### 1. Governance

The Group's Public Affairs strategy is presented and discussed regularly at the Group Executive Committee, of which the Head of Strategy, Sustainability and Public Affairs is a member.

The Head of Strategy, Sustainability and Public Affairs is supported by a dedicated team in Paris and by one representative in Brussels. A Public Affairs Network (PAN) comprising 17 representatives from AXA's local entities serves as a relay with the Group. In addition, the Public Affairs department is in close contact, generally through membership, with third party organisations, think-tanks and trade associations (listed in the Appendix), which can also conduct public activities on topics of interest to the AXA Group.

### 2. Topics covered<sup>4</sup>

#### a. Financial regulation

The Public Affairs teams are particularly focused on financial regulation, notably on topics related to insurance and asset management.

On these topics, AXA mainly advocates consistency in overall financial regulation and greater technical understanding by public authorities and decision-makers of the business model of insurers, promoting the long-term nature of insurers' role and the specificity of the insurance and asset management activities in comparison with those of other financial institutions, such as banks, brokerage firms and pension funds.

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<sup>2</sup> <http://www.axa.com/en/responsibility/>

<sup>3</sup> The elements on governance and topics of focus outlined below reflect the situation as of December 2014. They are subject to change and will be updated as appropriate.

<sup>4</sup>This section reflects the topics addressed at Group level and developed on <http://www.axa.com/en/responsibility/community/stakeholders-dialogue-policy> / It does not include national public affairs issues pursued by AXA's country entities.

- **The European Union's Solvency II directive**

Publication of the Solvency II directive in 2014 successfully addresses the decade-long challenge of modernising insurance regulation across the EU, in terms of solvency requirements, governance, risk management and public disclosure. AXA has supported this new framework because, by replacing a patchwork of local rules in each Member State, it constitutes a fundamental step towards a single market for European insurance and it promotes a stronger risk management discipline in line with the objective of financial stability.

AXA continues to support adjustments to the framework that will promote long-term economic growth and more broadly a long-term and stability and sustainability-orientation of finance. These adjustments include providing an adequate and economically justified treatment for assets such as infrastructure, 'high-quality' securitisations and financing of small and medium-sized enterprises, as well as a protection of long-term financial actors against undue short-term volatility in financial markets.

- **International discussions on systemic regulation of insurers**

AXA has supported the principle of addressing systemic risk in finance following the financial crisis to which the lack of effective supervision was a key contributory factor. In common with the other insurers that were designated globally systemically important in July 2013, AXA has welcomed stronger supervision, has worked to prepare comprehensive and far-reaching risk management plans and is in the process of reviewing them with the competent supervisors.

The Group is requesting that regulators and supervisors establish a framework that takes account of the unique macroeconomic and financial role of insurers. Regulation should be tailored to the business model of insurers – which differs significantly from that of banks – and its long-term orientation for the framework to be appropriate and commensurate.

- **Asset management regulation**

AXA takes note of the global regulatory initiative undertaken by the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO)<sup>5</sup> to address potential systemic risk stemming from non-bank and non-insurance financial institutions (NBNI). But international regulatory bodies should develop policy measures that take account of the specific risk profiles of each category of NBNI. Concerning asset managers, AXA stresses that the absence of leverage and of proprietary trading are key elements to be taken into account by policy-makers.

At the EU level, the European Commission has announced its intention to establish a Capital Markets Union (CMU) across the 28 Member States. AXA is ready to provide its expertise to help meet the project's objective to enhance the role of financial markets in fostering long-term growth in Europe, for example, via the design of an EU framework for securitisations (and in particular high-quality securitizations) or via transparency to have more efficient markets (for example, European private placement markets).

## **b. Social and policy issues**

AXA has decided to widen the scope of Public Affairs beyond financial regulation to touch on new social issues relevant for our business, leveraging AXA's unique cooperation with the academic community through the AXA Research Fund. AXA's Corporate Responsibility team – which also reports to the Head of Strategy, Sustainability and Public Affairs – is strongly involved in the development of these new strategies.

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<sup>5</sup> IOSCO is an association of public authorities that regulate the world's securities and futures markets

This enlarged scope of activities includes four topics:

- **The macroeconomic role of insurance**

As major intermediaries between households, companies and public institutions, financial institutions are natural enablers of economic activity. Numerous studies have been conducted of the role of the banking sector in economic growth. In contrast, the role of insurance has been much less studied, even though insurance is increasingly present in all aspects of the functioning of modern economies.

To develop a better understanding of how insurance enables people to take risks and consequently for economies to grow, AXA is working closely with leading academics to deepen this area of economic research. The ambition is to improve the understanding of how insurance contributes to the functioning of economies, looking at its contribution to growth, stability, redistribution and innovation.

- **Climate risks**

Climate-related developments warrant AXA's attention because climate risks are having a direct impact on insurers and their clients. Insured losses from weather-related events have risen continuously in recent decades, averaging close to 1% of global GDP between 2004 and 2013, with uninsured losses as well as social costs being a multiple of this figure. The risk modelling, assessment and management expertise of insurers can help to improve the prevention and mitigation of climate risks.

Consequently, AXA joined the Private Sector Advisory Group of the United Nations International Strategy for Disaster Reduction (UNISDR)<sup>6</sup> in 2014 and responded to the European Commission's 'Green paper on the Insurance of Natural and Man-made Disasters'. AXA also participates regularly in collaborative advocacy initiatives on climate risk, for example, in recent years signing: the Global Investor Statement on Climate Change (IIGCC<sup>7</sup>); the Ceres<sup>8</sup> 'Statement of Investor Expectations for the Green Bond Market'; the CDP<sup>9</sup> 'Road to Paris 2015'; and the UN PSI<sup>10</sup> 'United for Disaster Resilience'.

The Group will be active in many major climate-related events in the build-up to the UN Conference on Climate in December 2015 in Paris; and has developed and made public its own 'AXA Climate Risks Statement'<sup>11</sup>, to present the Group's position and initiatives on this critical topic.

- **Consumer protection**

In reaction to the financial crisis, public authorities around the world have sought to reinforce legislation that applies to the sale of financial products. The objective is to strengthen the rules encompassing the entire product life cycle, to ensure that the customer always gets the best value for money before, during and after the sale. These include measures on staff qualifications, remuneration policies, and disclosures and sales standards, but also measures on the products themselves as the consumer-centric nature of their design will have to be proven.

In this context, AXA supports the overarching objective of policy-makers, believing that measures designed to boost consumer trust in financial markets are mutually beneficial. Building on our experience as a global insurer, we believe that the success of these consumer protection reforms will

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<sup>6</sup> United Nations Office for Disaster Risk Reduction : <http://www.unisdr.org/>

<sup>7</sup> Institutional Investor Group on Climate Change : <http://www.iigcc.org/>

<sup>8</sup> <http://www.ceres.org/>

<sup>9</sup> Carbon Disclosure Project : <https://www.cdp.net>

<sup>10</sup> United Nations Principles for Sustainable Insurance : <http://www.unepfi.org/psi/>

<sup>11</sup> <http://www.axa.com/en/responsibility/environment/climate-change/>

depend on their taking account of the diverse characteristics of the distribution networks, in particular the differences between brokers and tied agents.

- **Data protection**

In response to growing concerns over the use of individuals' personal data, public authorities worldwide are reinforcing their regulatory frameworks. The EU is negotiating a General Data Protection Regulation (GDPR) to unify and strengthen national data protection within its 28 Member States. In the United States, the White House issued a draft bill in February 2015 aimed at giving consumers more control over how data about them is collected.

Data protection regulation is a key topic for insurers because the entire value chain involves the use of data, from the design and pricing of the products to their distribution and claims management. AXA is consequently providing its expertise to regulators to ensure that the final outcome of these reforms takes account of the specificities of insurers' business model. This includes, for example, the legitimate need for insurers to assess the risks of policy-holders and to use data for fraud detection.

Such positioning is conducted in close coordination with national data protection authorities. For example, CNIL, the French agency, recently congratulated AXA for its 'human and financial efforts, which demonstrates the special attention paid to data protection issues'. These efforts notably include the establishment of a network of Data Privacy Officers to oversee data safety across the group. AXA is also the first insurance group to have implemented Binding Corporate Rules (BCR), an internationally recognised standard providing adequate protection for personal data in multinational companies, reviewed and approved by 16 data protection authorities across Europe.

## Our commitments

The AXA Group's Public Affairs department is committed to promoting a transparent, substantive and constructive contribution to the public debate, in line with AXA's Corporate Responsibility commitments<sup>12</sup> and our Compliance and Ethics Guide,<sup>13</sup> which lays down the standards of conduct that apply to all our employees, including rules related to gifts, entertainment and other inducements.

As a consequence, the following rules will apply to all employees at Group level as well as the members of the Executive Committee of the Group<sup>14</sup>, who are in close relationship and contact with public authorities and decision-makers.

1. We update the AXA Public Affairs Charter, including the core positions and topics on which we work on an annual basis, and disclose it on [axa.com](http://axa.com)<sup>15</sup> and through internal means of communications among our employees.
2. We are transparent in the organisation of our Group Public Affairs activities by submitting an official demand for registration to public authorities and disclosing it, when applicable. Moreover, we are in full compliance with the code of conducts these registrations imply.
3. We guarantee a high level of qualification of the staff in charge of Group Public Affairs, notably by recruiting highly skilled professionals, by mobilising the organisation's technical expertise, and by leveraging the AXA Research Fund's network of experts.
4. We provide public decision-makers with reliable, verifiable and updated information.

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<sup>12</sup> <http://www.axa.com/en/responsibility/>

<sup>13</sup> AXA Compliance and Ethics Guide: <http://www.axa.com/lib/en/library/refdoc/compliance/557.aspx>

<sup>14</sup> <http://www.axa.com/en/governance/structure/management/>

<sup>15</sup> <http://www.axa.com/en/responsibility/community/stakeholders-dialogue-policy/>

5. We regularly communicate and update the list of AXA Group's memberships in trade organisations and think-tanks and strive to promote these commitments among them<sup>16</sup>.
6. As a company, we do not make discretionary contributions to political parties except in countries where it is customary, in which case we would disclose these contributions.
7. We do not accept any political mandate at national or international level; nor do we accept any parallel role as a parliament associate, counsellor to a minister, civil servant at national or international level, detached national expert or court expert.<sup>17</sup>
8. We commit to communicating actively to all AXA companies ('entities'), starting with those represented in our Public Affairs Network, the importance of building similar commitments at their national and local level.

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<sup>16</sup> *idem*

<sup>17</sup> This should not be seen as preventing AXA employees from participating in working groups comprised of regulators and industry representatives, which are formed at public authorities' initiative to help inform the development of regulatory policy.

## Appendix

### 1. AXA'S MEMBERSHIP IN PROFESSIONAL ORGANISATIONS AND THINK-TANKS<sup>18</sup>

#### At European level:

- **Association for Financial Markets in Europe (AFME):** <http://www.afme.eu/>: Association representing the voice of Europe's wholesale financial markets
- **Chief Financial Officers Forum (CFO-Forum):** <http://www.cfoforum.nl/> : High-level discussion group following developments in financial reporting, and financial regulation of insurance companies
- **Chief Risk Officers Forum (CRO-Forum):** <http://www.thecroforum.org/> : Group of professional risk managers from the insurance industry that focuses on developing industry best practices in risk management
- **Confrontations Europe:** [www.confrontations.org/fr](http://www.confrontations.org/fr): Association promoting active participation in the construction of the EU
- **CSR Europe:** [www.csreurope.org](http://www.csreurope.org): European business network for corporate social responsibility
- **European Financial Services Round Table (EFR):** [efr.be](http://www.efr.be): Association of chairs and chief executives of leading European banks and insurers
- **European Institute for Financial Regulation (EIFR):** [www.eifr.eu](http://www.eifr.eu): Institute spurring thinking on European financial regulation and sponsoring training for the regulation's implementation
- **Eurofi:** [www.eurofi.net](http://www.eurofi.net): European think-tank dedicated to financial regulation and supervision
- **Insurance Europe (IE):** [www.insuranceeurope.eu](http://www.insuranceeurope.eu): European federation of national insurance and reinsurance federations
- **Pan European Insurance Forum (PEIF):** Informal forum for the chief executives of 12 major European insurers

#### At Global level:

- **CDP:** [www.cdp.net](http://www.cdp.net): International, not-for-profit organisation providing a global system for companies to share environmental information
- **Geneva Association (GA):** [www.genevaassociation.org](http://www.genevaassociation.org): International association of the most important insurers in Europe supporting the study of insurance economics
- **Investment Company Institute (ICI):** <http://www.iciglobal.org/iciglobal>: International association aiming at advancing the common interests and promote public understanding of regulated investment funds, their managers and investors
- **Institute of International Finance (IIF):** [www.iif.com](http://www.iif.com): International association of the financial sector
- **UN Principles for Sustainable Insurance (UNPSI):** <http://www.unepfi.org/psi>: Global sustainability framework for the insurance sector and initiative of the UN Environment Programme Finance Initiative

<sup>18</sup> This section lists the European and international organisations of which AXA is a member at Group level (therefore not including, for example, the specific organisations to which AXA's country entities (including AXA France) are members).

- **UN Principles for Responsible Investment** (UNPRI): <http://www.unpri.org>: Global responsible investment framework and initiative of the UN Environment Programme Finance Initiative

## **2. AXA'S OFFICIAL REGISTRATION ON PUBLIC INSTITUTIONS' LOBBYING REGISTERS**

### **European Transparency**

Register: <http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=36423781099-10&locale=en#en>