



# Conflict of Interests policy in relation to our stewardship activities



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

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

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

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

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

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

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<sup>1</sup> The UK Stewardship Code 2020 defines a conflict of interest by the following:  
"Conflicts may arise as a result of:

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

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

## What is a conflict of interests?

By “conflict of interests” we mean a situation whereby the interests of AXA IM, of AXA IM’s employees, of a third-party delegate or a related company are, directly or indirectly, in competition with the interest of one or several clients, or among those parties. It also pertains to potential conflicts that may occur between AXA IM’s clients.

An “interest” means an inducement of any kind, material or immaterial, professional, commercial, financial or personal.

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

AXA IM have identified the following major potential conflicts of interest with respect to its stewardship activities, but are not limited to:

- **With its parent company**, AXA SA, that owns, controls AXA IM, may have different interests or views from those of AXA IM or its clients, and may try to influence AXA IM's decisions or activities. To prevent this, AXA IM has strict controls and information barriers to protect its independence and integrity.
- **With a sponsor company** that provides assets to be managed by AXA IM and may have a conflict with AXA IM's clients if AXA IM exercises its proxy voting or engagement rights on behalf of the clients in a way that may affect the sponsor company's interests. To mitigate this, AXA IM delegates the decision making on voting and engagement to governance bodies that are insulated from other business functions.
- **With a client** that advocates a voting position on a company that is different from the position that AXA IM considers best for its other clients may create a conflict between AXA IM and its clients, or among its clients. To resolve

this, AXA IM separates its proxy voting and client relationship functions, and follows its own voting policy and guidelines.

- **A company that is a significant distributor of AXA IM's products** may have a conflict with AXA IM's clients if AXA IM invests in that company and has to vote or engage on issues that may affect the company's performance or reputation. To avoid this, AXA IM discloses its potential conflicts of interest to its clients and acts in their best interests.
- **Between clients** an investee company that is also a client of AXA IM may have a conflict with AXA IM's other clients if AXA IM has to vote or engage on issues that may impact the client's interests as a company. To manage this, AXA IM has a clear policy and process for identifying and handling such situations and ensures that its voting and engagement activities are based on objective criteria and analysis.
- **AXA IM, or one of its collaborators (or any person or company directly or indirectly linked to them):** an investee company where a director, officer or employee of AXA IM is also a director of that company may have a conflict with AXA IM's clients if AXA IM has to vote or engage on issues that may involve the director's role or responsibility. To deal with this, AXA IM has a code of conduct and ethics that requires its directors, officers and employees to disclose and recuse themselves from any potential conflicts of interest, and to act in the best interests of AXA IM and its clients.

### Identification and remedial process

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

AXA IM manage conflicts within voting and engagement activities using the following approach:

- Via an engagement programme with clear process for selecting priorities. This engagement programme is supervised and governed by the ESG Monitoring & Engagement Committee and Sustainability Strategic Committee. This seeks to ensure

that decisions to engage are aligned with the engagement strategy of AXA IM and are free from any external influence. Engagement priorities at AXA IM are defined and driven at company level, benefiting different investment products, with portfolio managers kept informed through a reporting system and regular discussions in governance forums. Regular dialogue with investee companies around their sustainability practices ("sustainability dialogue") is encouraged for sustainability focused funds, but is different from active engagement with specific, identified objectives ("engagement with objectives"). The overall process is defined in the AXA IM Engagement Policy ([LINK](#))

- Aligning voting and engagement practices with best practice in the markets in which AXA IM operate. Where potential conflicts of interest have been identified, recommendations to vote in support of management resolutions contrary to AXA IM regular policy position will be escalated to the Corporate Governance Committee. Any decision to vote contrary to the policy position will be communicated to compliance teams and supported by a written record. An independent voting advisory service has been appointed to take voting decisions on behalf of our third-party clients at the general meetings of our parent company, AXA SA.
- The Corporate Governance Committee has sole responsibility for making voting decisions in identified situations of conflict on behalf of clients who have given AXA IM full discretion to vote. Voting decisions are taken prior to any reference or discussions with clients who have not delegated voting rights to the Corporate Governance Committee or have their own policy. This is to ensure that decisions are free from outside influence.

## Examples

### Voting-Company 1: Director Overboarding

**Situation:** A member of the Board of Directors of AXA IM, a subsidiary of AXA SA, also sits on the Board of the company in question. We voted against the recommendation of our proxy advisor and in favor of management.

The strict application of AXA IM's policy on "overboarding" (directors sitting on too many boards) should have led to opposing the re-election of this director at the company's 2024 Annual General Meeting. However, this director committed not to renew one of her mandates expiring in 2025. Based on this commitment, the Corporate Governance team recommended the Corporate Governance Committee to support her re-election, which the Committee approved.

**Identification and Mitigation Process:** The AGM documents and the proxy advisors' recommendations were analyzed by the Corporate Governance team, and the decision to support the re-election was approved by the Corporate Governance Committee.

**Outcome:** The director's re-election was supported, and the vote was executed in line with the Committee's decision. The director's commitment to reducing her mandates by 2025 was noted as a relevant mitigating measure.

### Voting-Company 2: Executive Remuneration

**Situation:** The company is a client of AXA IM's parent company, AXA SA, and the Chairman of the company is a former key executive of AXA SA. We voted against the recommendation of our proxy advisor and in favor of management.

After expressing our opposition to the company's remuneration practices in previous years, we engaged in an in-depth dialogue with the company regarding executive pay. We made several recommendations to improve pay transparency and strengthen the performance criteria for variable remuneration, all of which were implemented by the Board of Directors.

**Identification and Mitigation Process:** Contrary to the recommendation of our proxy advisor to oppose the remuneration report at the 2024 Annual General Meeting due to concerns over excessive pay levels, we recommended that the Corporate Governance Committee consider the substantial improvements made by the Board. Additionally, we continued our engagement with the company to further enhance its remuneration policies and practices.

**Outcome:** The decision to support the remuneration report was approved by the Corporate Governance Committee, and the votes were executed accordingly. The significant improvements made by the company were recognized as a positive step while maintaining our dialogue for further future enhancements.