



Investment
Managers

AXA IM RISKS & CONTROLS STANDARDS

Conflict of interest

Last Updated: December, 2017

Head of Compliance

AXA Funds Management S.A.

25, route d'Esch L-1470, Luxembourg – Grand-duchy of Luxembourg

TABLE OF CONTENTS

1. Introduction.....	3
1.1. Principles.....	3
1.2. Objectives.....	3
1.3. Scope and definitions.....	3
2. Identification, Prevention and Management of the conflicts of interests	5
2.1. Conflicts of Interests Identification and prevention	5
2.2. Identification	5
2.3. Prevention	6
2.3.1. Mechanisms for preventing conflicts	6
2.4. Training	7
2.5. Reporting and Management of the conflicts	7
2.5.1. Employees' declarations	7
2.5.2. Recording of conflicts Reporting	7
2.5.3. Management	8
2.5.4. Disclosure to clients	9

1. INTRODUCTION

1.1. PRINCIPLES

We have a continuing duty to our client to act at all times in their best interests. Not only is this a legal and regulatory requirement in most jurisdictions, it is also vital that we can continue to demonstrate that this is the case if we are to retain our clients' trust.

Conflicts of interest can arise in many common situations and lead to material risk of damage to the client when an AXA Funds Management S.A. in Luxembourg (hereafter "AXA IM" or the "Firm") entity is providing services, despite best efforts to avoid them. AXA IM employees are encouraged to seek clarification of, and discuss questions about, potential conflicts of interest. If you have questions about a particular situation, you should bring it to the attention of your supervisor and to a representative of your company's Compliance Department.

AXA IM employees should do their best to avoid conflicts of interest from arising. Employees who find themselves in situations of conflict should escalate the matter to their management and their local Compliance department.

1.2. OBJECTIVES

The purpose of this policy is to define the global framework regarding conflicts of interest in order to ensure investor protection. This policy also aims to reaffirm the principles of clients' interest pre-eminence, the will to treat each of them fairly and to communicate to clients and investors complete, adapted and transparent information.

This Standard should be read in conjunction with other AXA Group or AXA IM Global Standards or policies, including but not limited to:

- AXA Group Compliance & Ethics Guide;
- Inducements and Investment Research;
- Anti-Bribery and Corruption;
- Best Execution and Approval and Monitoring of Counterparties;
- Code of Conduct / Ethics;
- Error Handling and Correction;
- Fair Allocation of Investment Opportunities;
- Gifts and Entertainment;
- Insider Trading and other Market Abuse;
- Personal Securities Trading;
- Separation of Functions;
- Treat Clients Fairly; and
- Whistleblowing.

1.3. SCOPE AND DEFINITIONS

Given AXA IM's global presence, the scope of the investment services offered and the diversity of investment expertise, the AXA IM Group and its affiliated companies (asset management companies and other investment service providers) may encounter, in the normal course of our activities, situations that can potentially generate conflicts of interest.

This standard applies to all AXA IM entities and sets the minimum requirements applicable to ensure clients and investor protection regarding conflict of interests. In situations where local regulatory requirements dictate or prescribe practices that are greater than or different from what is contained within this standard, then the local regulatory requirements should always be adhered to first and foremost. In addition, where market practices set higher standards than this policy prescribes, local

entities may choose to adopt higher standards. All variations from this policy should be discussed with the Global Head of Compliance before implementation.

This Policy has been updated in line with the higher standards set out by current regulatory regimes. For reference, and to seek further clarification on any one area, please refer to:

- Delegated Directive 2014/65/EU (Article 24 and 28)
- Delegated Regulation 2016/EU
- ESMA MiFID II Questions and Answers 10 November 2017
- FCA handbook (SYCC 10)

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

An inducement can cause a conflict of interest which can be material or immaterial, professional, commercial, financial or personal.

The term “clients” covers current or potential investors, whatever they are unit holders or shareholders of investment vehicles, or parties of an investment management agreement or advisory agreement.

The Firm will endeavour to identify conflicts wherever possible, examples of which may include between:

- The Firm (including their Employees, or any person directly or indirectly linked to them by control) and a client;
- One client and another client;
- Investors in a collective investment vehicle managed by the Firm (‘Client Fund’) and another client;
- Investors in a Client Fund and the Firm;
- Different investor types within the same Client Fund (e.g. in different share classes); and
- A Related company : one if its delegates or sub-delegates, a service provider or another entity of the Group (AXA IM or AXA, an introducer or any commercial intermediary).

2. IDENTIFICATION, PREVENTION AND MANAGEMENT OF THE CONFLICTS OF INTERESTS

2.1. CONFLICTS OF INTERESTS IDENTIFICATION AND PREVENTION

In many jurisdictions it is a regulatory requirement to take all sufficient steps to identify and prevent conflicts of interest, prohibiting any such over-reliance on disclosure where a conflict cannot be adequately prevented or managed. To be globally consistent, it is expected that all AXA IM entities will carry out internal monitoring and senior management oversight of their local conflicts processes and policies. Where there may be superseding local rules around disclosure of conflicts, AXA IM will adhere to regulatory requirements first and foremost. For example, where the EU views disclosure of conflicts to clients as a “last resort”, the US encourages disclosures of both potential and actual conflicts to clients.

Potential and existing conflicts of interest must be identified and reported to both the senior management of the concerned business line and to Compliance. The identification of conflicts of interest operates at two main levels:

1. Staff in all business lines shall be aware of the potential for conflicts of interest to arise within AXA IM's operations. Where they believe they may have identified a conflict, staff are required to report details to both the senior management in their business line and to the compliance department. Staff involved in the oversight of activities carried out on behalf of AXA IM clients by a delegate, sub-delegate, counterparty or other third parties are also expected to report identified conflicts in the same way. Moreover, controls in place within each activity can also enable the identification of potential conflicts of interest.
2. AXA IM entities must keep a register of these identified conflicts, and update it periodically, notably by confirming with senior management of business lines that the log accurately and comprehensively describes the conflicts within their operations.

The governance arrangements of AXA IM ensure oversight of AXA IM's duties with regard to conflicts of interest, and some entities, depending on their organisation, have put in place dedicated Conflicts Committees to periodically review identified conflicts and report these to AXA IM's Senior Management.

2.2. IDENTIFICATION

AXA IM should take all reasonable steps to identify conflicts of interest between:

- AXA IM, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to them by control, and a client; or
- One client of AXA IM and another client;

that may arise or arise in the course of AXA IM providing an investment service.

When identifying conflicts, AXA IM should take into account a number of factors, including whether the Firm or its Employees:

- are likely to make a financial gain, or avoid a financial loss, at the expense of the portfolio or its clients and investors ;
- have an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client which is distinct from the client's interest in that outcome;
- have a financial or other incentive to favour the interest of one client or group of clients over the interests of another client ;
- Have an incentive to treat clients differently when the same professional activities are carried out;

- Carry on the same business as a client;
- Receives an inducement from a person other than the client in relation to a service provided to a client in the form of monies, or goods and services, other than the standard commission fee for that service, as permitted by relevant regulatory standards; and
- Have an incentive, through their remuneration practices, to favour their own interests over those of the client.

2.3. PREVENTION

AXA IM entities must establish, implement and apply an effective local conflicts of interest policy that must be set appropriate to its size and organization and to the nature, scale and complexity of its business. AXA IM acknowledges that each entity within the AXA IM Group will vary in its scope of investment services, activities and client types. Therefore the local conflicts of interest policy should reference to the specific services and activities carried out by or on behalf of the asset management or management company when considering the circumstances which may give rise to conflicts entailing a material risk of damage to the clients' best interest.

AXA IM should pay special attention to the activities of investment research and advice and , portfolio management. In particular, such special attention is appropriate where AXA IM or a person directly or indirectly linked by control to AXA IM performs a combination of two or more of those activities.

It is expected that each local policy will specify procedures to be followed and measures to be adopted in order to manage such conflicts. This will be maintained and updated in line with local regulatory requirements; in many cases, will be at least annually.

2.3.1. Mechanisms for preventing conflicts

Preventing conflicts and the resulting risks involves notably designing controls to identify and prevent them. These can take several forms depending on the conflict that is being addressed, and can notably involve the following mechanisms, amongst others:

- Control mechanisms designed to ensure the prevention of conflicts of interest;
- Implementing policies and procedures that either limit practices that result in conflicts or prescribe operating practices that ensure proper handling of clients' interests;
- Physically separating any functions where we consider that their close proximity would lead to poor management of conflicts;
- Implementing measures to prevent the simultaneous or sequential involvement of a relevant person in separate services or activities;
- Ensuring that conflicts of interests are appropriately managed when using services provided by several entities within AXA IM and/or AXA Group;
- Implementing effective procedures to prevent or control the inappropriate exchange of information, which could include a physical barrier, document classification, security, and computer protections and/or confidentiality agreements;
- Structuring staff remuneration policies to ensure that they do not cause conflicts by incentivising weak application of key controls and/or oversight measures;
- Maintain employees independence of judgment and liberty of decision in carrying out their functions ;
- Refrain from accepting any external function or remuneration before receiving prior authorisation from their Management and from the Compliance department ;
- Refrain from personally negotiating or signing in the name of AXA IM, any transaction or service contract, sale or purchase of a company in which they possess direct or indirect holdings, without prior authorization from their Management and Local Compliance Department ;

- Review and scrutiny of expenses, enforcing strict restrictions on gifts or personal benefits, other than those authorized by AXA IM;
- Giving due consideration to the question of conflicts when new clients, new products, new systems or procedures are being introduced, or where there are reorganisations of business lines;
- Considering whether the activities of the AXA Group may cause conflict with our duties to our non AXA Group clients and take action accordingly to protect our clients' interests;
- Refrain from undertaking any market operations in their own name outside of the restrictive rules and specific precautions laid down by AXA IM;
- Disclose, at time of occurrence, all situations of conflicts of interests in which they may become involved, to their Management and Compliance Department who will take upon themselves, in association with the concerned people, the responsibility for resolving the difficulties; and
- Where required by the local regulator (e.g. FCA), obtaining as applicable each client's agreement before investing its funds in an in-house UCITs or AIF.

2.4. TRAINING

All employees should be appropriately trained and provided with the local conflicts of interest policy in order to provide them with the appropriate background and professional scepticism to face, identify and manage conflicts of interest appropriately.

2.5. REPORTING AND MANAGEMENT OF THE CONFLICTS

Disclosure of actual or potential conflicts should form a central part of the local conflicts of interest policy where it is not possible to mitigate conflicts to provide sufficient protection of clients' interests. It is the responsibility of AXA IM to act in accordance with local regulator's disclosure requirements to report actual or potential conflicts where we are not reasonably confident that the local procedures and measures for managing the potential or actual conflict will prevent the risk of damage to clients' interests.

2.5.1. Employees' declarations

On commencement of employment, and thereafter on regular basis (e.g. annually), Employees should provide information relating to any outside business affiliations and activities¹ and in a recurrent manner so as to pick up changes on a rolling basis.

Any positive declarations require approval from the individual's line manager and Compliance.

If an employee seeks approval for an outside business activity, the record of that activity, as well as their line manager's and Compliance's response should be retained¹.

Please refer to Gifts & Entertainment and Personal Securities Trading policies on ONE regarding related declarations and attestations required from Employees.

2.5.2. Recording of conflicts Reporting

AXA IM must keep and regularly update a record of the kinds of services or activity carried out by or on behalf of the Firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service, may arise. Records

¹ using the AXA IM Global Tool, "StarCompliance" when available .

should also be kept in line with the local record keeping policy and disclosed in accordance with local regulatory requirements.

Employees in all business lines are encouraged to be aware of the potential conflicts of interest. Those involved in the oversight of activities carried out on behalf of AXA IM by a third party such as a delegate, sub-delegate, external valuer or counterparty are required to report identified conflicts in the same way.

Where they believe they may have identified or are subject to a conflict, employees are required to report to both their line manager and to Compliance who will determine what action is required to be undertaken.

All identified conflicts must be recorded on a Conflicts of Interest Register maintained by Local Risk and Compliance and reviewed at least on an annual basis and in accordance with local regulatory requirements. In addition, the Conflicts Register should be provided to Executive Committees and/or relevant Local Control Committee governance at least annually.

The Senior Management should be involved in the resolution of conflicts when those ones are complex and/or sensitive. The Senior Management is informed via Global and Local committees in place within the AXA IM Group. Local Compliance should ensure that the conflicts are properly escalated and reported to the proper persons and/or committees, including to Senior Management.

2.5.3. Management

Where mechanisms do not successfully mitigate conflicts of interest (see section 2.3.1), it is expected that AXA IM entities will manage situations of potential or real conflicts of interests based on:

- A global control mechanism established for each of the activities, designed for ensuring the prevention of conflicts of interests and the readiness of the corrective measures to be taken;
- The segregation of certain business lines or certain functions (separation of functions in the port-folio management process, Chinese walls, ...) so as to :
 - make independent whenever possible the initiation of orders and the execution process of the orders;
 - restraining information flows between certain employees in order to protect client interests.
- Internal procedure which enforce the above.
- Appropriate escalations : Once a conflict of interest has been identified, all the appropriate and relevant mechanisms and procedures must have been implemented in order to ensure that the conflicts are properly managed and, if necessary, escalated (including to Senior management);
- Local and/or Global committees that can be involved in the processes to address the conflicts and to make sure that the appropriate prevention measures are taken (The decisions taken during these committees are archived and formally reported to the relevant departments); and
- Detected real (or likely to occur) conflicts of interest and the implemented corrective measures are recorded in an up-to-date register.

Consistent with preventive measures, management of conflicts can take many forms. Examples include, but are not limited to:

- Adhering to the local three lines of defence risk management model;
- Managing the interests of individual investors in each of the Client Funds as well as the interests of the Client Funds as a whole, including consideration of the sometimes conflicting interests of different investors within a fund (e.g. where liquidity concerns could arise in a Client Fund after some investors redeem their holdings);

- Implementing measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate services or activities;
- In the absence of specific client direction, exercising proxy voting rights and clients' participation in corporate actions in accordance with the investment objectives of the relevant client and their best interests; and
- Limiting any person from exercising inappropriate influence.

2.5.4. Disclosure to clients

First and foremost AXA IM should aim to identify and manage conflicts of interest arising in relation to their scope of services and activities under a comprehensive conflicts of interest policy. The disclosure of conflicts by AXA IM should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements set out in its local procedures.

Should the framework for preventing and managing conflicts of interest reveal itself to be insufficient for guaranteeing with reasonable confidence that risks of damaging clients' interests can be avoided, AXA IM must inform the concerned clients of the nature and/or the origin of conflicts before delivering the service to them which is in accordance with local regulatory disclosure requirements.

Disclosure must:

- Be made in a durable medium ; and
- Include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises and at least of the source or of the nature of the conflict of interests.

Different communication channels (e.g. website publication, communication by sales team, notification letter sent by transfer agent) can be used to inform the investors of the portfolios where organizational or administrative arrangements are insufficient to manage the conflicts of interest (complex or sensitive cases).

In the case of disclosure of information via website, the investors must be notified of the address of the website and where the information can be accessed.