Investment Managers

May 2022

2021 Active Ownership and Stewardship Report

Contents

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Embedding ESG into our corporate purpose and investment process

Marco Morelli
AXA IM Executive Chairman

At AXA IM, we see stewardship as the responsible allocation, management, and oversight of capital to create long-term value for our clients. Ultimately, our goal is to power a just and green transition to a more sustainable future. Through our stewardship, as in all our business endeavors, we are guided by our purpose – to act for human progress by investing for what matters. My colleagues and I seek to champion this every day. This report showcases our engagement processes, efforts and outcomes across more than 29 countries and 240 investee companies in 2021 and highlights how our approach to stewardship is evolving as we progress through 2022.

Mitigating the effects of climate change was our primary and largest area of engagement in 2021 with more than a third of engagements focused here. We continue to see biodiversity as a systemic risk, so in the second half of 2021, we rolled-out a strengthened biodiversity shareholder engagement programme. Our action is focused on companies operating in the palm oil, soy, timber, and cattle industries to support them in their transition and promote more sustainable practices.

While climate change remained a critical focus in 2021, we also observed an increase in corporate-governance-related engagements. This evolution illustrates that companies are considering environmental and social issues within their governance framework, and we expect this approach to gain greater strategic importance. Voting is an essential part of our engagement. Our voting policy was reinforced in 2022, urging companies to better consider all aspects of ESG. We aim to set out clear expectations to company management teams so that when we cast our votes, we do so with conviction and in an informed and transparent manner.

We believe targeted voting can help us fulfil our promise to clients – to act as an effective steward of their capital, leveraging our considerable size of aggregated assets under management and our investment expertise to reinforce a shared message. Delegating voting decisions to individual shareholders could risk diluting the considerable influence of the asset management industry, as well as detaching voting from the engagement process. Instead, we wish to encourage the industry to take collective action to effect change when and where it matters.

Looking at 2022 and beyond, our strengthened voting policy as well as our engagement policy for climate laggards and a tougher stance on oil and gas, with new exclusions announced during the COP26 climate change conference in Glasgow, mean we will act bravely and openly. For investee companies of concern, we will actively engage in constructive dialogue for three years to encourage them to accelerate their climate transition plans, using escalation techniques as required. If the specific objective is not reached within this period, we will divest, allowing for redirection of capital to investee companies able to demonstrate transition plans.

We see this philosophy of active engagement and dialogue with investee companies – as well as accelerating ESG integration across all asset classes – as crucial to enabling a just and green transition to a sustainable future. Our culture is one of shared accountability on sustainability, with responsible investment (RI) embedded across our entire organisation, rather than the sole obligation of a dedicated team. The evolution towards regular sustainability dialogue between portfolio managers and investee companies is now formalised as part of our engagement process. We have also broadened ESG integration within structured finance, corporate real estate, as well as debt. This enhances the rigorous stewardship practices and ESG integration we already have in place.

As the bedrock of responsible investing, stewardship is set to remain a priority for AXA IM, and by taking collective action with our peers and pooling our influence, we believe we can effect tangible change to secure a sustainable future.

The financial sector can take the lead, but our sustainable future will be a collective effort

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

In 2021, we saw some clear indications of the crucial role the financial sector will play in the transition to a net zero economy.

At November's COP26 climate change conference in Scotland, governments did not collectively live up to their commitments under the Paris Agreement. Decarbonisation pledges, while going in the right direction, are still far from consistent with keeping global warming "well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels". There will be a chance to catch up at COP27 in November this year, but, in the meantime, a reassuring takeaway from Glasgow is that the mobilisation of the private sector is gaining momentum, with the financial industry playing its full part in nudging the real economy towards decarbonisation.

A world in which climate change goes unmitigated could effectively become uninsurable – and it could become uninvestable too. Financial institutions need to play both attack and defence – making sure enough capital goes to sustainable activities while protecting clients' long-term interests. The latter will involve ensuring the businesses in which they are invested adapt quickly enough to manage the irresistible rise in carbon prices, the growing strictness of environmental regulation and pressure from public opinion.

One of the main tools to effect change in traditional asset classes is stewardship. At AXA IM we want to lead the transition. This means that we don't want to focus on already-green businesses, nor impose unrealistic targets on the companies with which we engage. We want to accompany them as they adapt, recognising their challenges. We focus on trajectories. All the same, we don't want to sign blank cheques, and we have also set ourselves clear red lines, for instance in the stricter oil and gas policy we have rolled out in 2021, and in 2022 with our 'three strikes and you're out' approach to climate laggards (see page 6).

Regulation is helping. The European Union (EU) is noteworthy for the comprehensive framework it is rolling out to make green finance clearer to investors and investees alike. There is still some progress to make on this front – a clear and stable taxonomy for instance would help – but businesses will gradually get more clarity on the type of non-financial information they will have to produce. This will make engagement more precise, both in the definition of the targets and in the comparability across businesses of the implementation efforts.

Success in the delivery of a sustainable economy cannot be achieved by green finance alone. Cooperation between the various stakeholders in the private sector, and with governments, is key. Financial institutions can change the way they allocate capital. But how this capital is actually used to invest in the right climate-protecting solutions depends on choices made by corporates in the real economy. A lot of these choices will themselves be dependent on the signals from governments. As an example, at a time when the issue of defining the right energy mix is coming to the fore in the midst of the Ukraine war, courageous decisions towards zero-carbon power generation need to be made by governments.

For a detailed look at how we addressed key engagement themes, please see the full report

Engagement in 2021[1]

The coronavirus pandemic remained in the background in 2021, its impact on our interactions with companies slowly changing as the world returned to a 'new normal'. Meanwhile, our climate change-related engagement was guided by reports published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as well as by the COP26 meeting in Glasgow in November.

Climate remained our main theme of dialogue, but there was also a clear increase in the proportion of corporate-governance-related engagements against 2020 levels. This reflected the trend towards the integration of ESG across companies' business activity and organisation as they pursue genuinely effective ESG strategies. This was particularly the case around climate with more than 38% of our meetings on Governance addressing also Climate Change issues.

Ecosystem protection and human capital remained key engagement themes too. We see an important interconnection between ecosystems and climate change and hold a strong belief that companies with good human capital management policies (e.g. training, attraction and retention of talent and diversity promotion) may be likely to perform as leaders in their segments in the long run.

In the second half of 2021, we rolled-out a strengthened shareholder engagement programme on biodiversity, in line with the reinforcement of a strategy announced in June. These engagements are focused on companies operating in the palm oil, soy, timber and cattle industries to support them in their transition and promote more sustainable practices.

We have also started to cover new sectors with an engagement programme focused on listed real estate companies and reinforced our engagement with policymakers on sustainable finance matters.

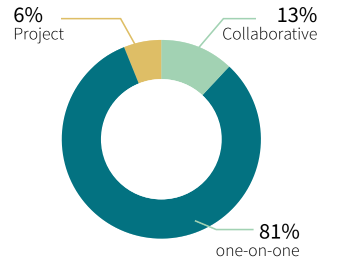
We favour direct dialogue with issuers. Some 63% of our engagements were conducted during teleconferences and meetings and most of our engagements – more than 80% – were carried out individually. In 2021 we also focused efforts and resources on building the foundations of a new 'three strikes' policy which starts in 2022 (more details on page 6).

Our desire to be a transition leader requires us to be clear on red lines – practices or activities which we do not think can be part of the transition to a more sustainable world.

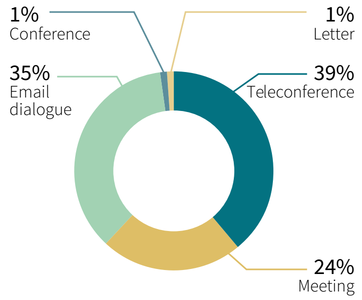
And we are committed to providing transparency on our engagement activities, rolling out an engagement report at fund level for all products classified as 'article 9' in 2021 under the EU's Sustainable Finance Disclosure Regulation (SFDR).

[See Disclaimer: note 1]

Engagement Category



Engagement Approach



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In 2022, stewardship remains one of the top priorities on our RI roadmap, with the following expected evolutions:

- Climate, biodiversity and social issues will remain key priorities for our engagement with companies, along with corporate governance, forming a key dimension of our RI strategy
- We see biodiversity loss as a systemic risk which requires action. We expect that the investment AXA IM made in Iceberg Datalab in 2021 will be instrumental in allowing us to assess the biodiversity footprint of the companies we invest in and to identify the drivers of engagement, from the most significant pressures those companies have on biodiversity across their value chain[2]
- We also see the 'Just Transition' gaining more traction with companies and investors. This is the idea that the transition to a low carbon and less resource-intensive world must be conducted in a manner which protects vulnerable communities and ensures opportunities are fairly distributed. So far, this theme has been absent from most companies' climate strategies. We believe our participation in the coalition 'Investors for a Just Transition', set up by Finance for Tomorrow, will help us encourage companies in the energy and agrifood sectors to pay more attention to the theme[3]
- At the crossroads of climate, Just Transition and biodiversity, the theme of human rights requires increased scrutiny. We put in place a Human Rights Policy in 2021, and 2022 will be an opportunity to dig into company practices, engaging with those involved in potential controversies and trying to help others in sectors exposed to risk. We will seek to put in place specific policies in the field of forced labour/child labour for instance.
- We are continuing to reinforce the governance of our stewardship activities. We believe this is a key element to ensure their success and to create the desired impact. This includes:
  - A new reinforced 'three strikes and you're out' escalation policy for climate laggards. (see page 10).
  - An increased commitment to transparency in our engagement reports at fund level is expected, with the inclusion of qualitative information to complement the quantitative.

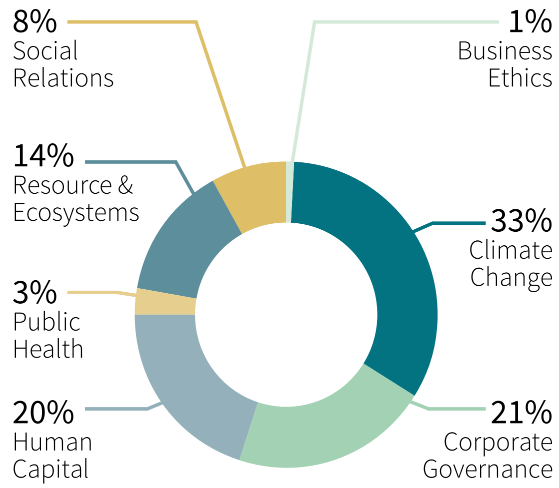
[1] Figures in this section may be rounded
[2] https://www.axa-im.com/axa-im-natixis-im-sienna-investment-managers-and-solactive-partner-accelerate-development-iceberg
[3] https://www.investorsjusttransition.com

2021 data overview

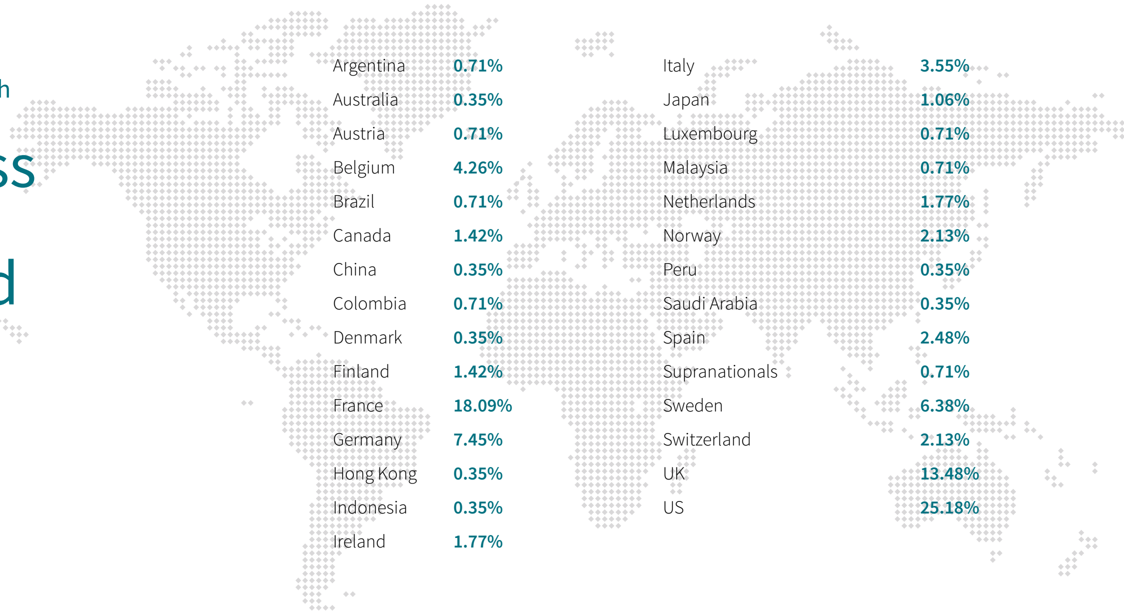
in 2021, we conducted **283 engagements with 245 entities**

71 engagements at senior executive or board director level

Our engagement with companies covers a broad spectrum of key **ESG themes**

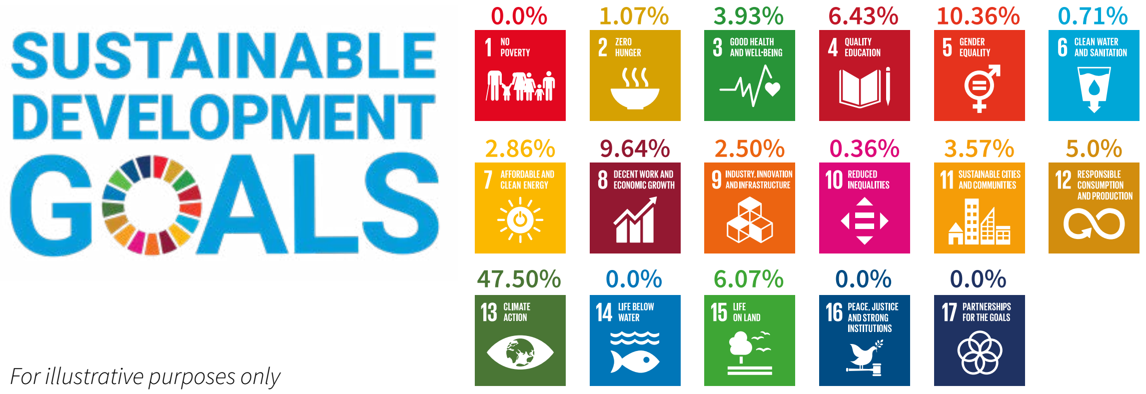


In 2021, we engaged with companies **across the world**



Argentina	0.71%	Italy	3.55%
Australia	0.35%	Japan	1.06%
Austria	0.71%	Luxembourg	0.71%
Belgium	4.26%	Malaysia	0.71%
Brazil	0.71%	Netherlands	1.77%
Canada	1.42%	Norway	2.13%
China	0.35%	Peru	0.35%
Colombia	0.71%	Saudi Arabia	0.35%
Denmark	0.35%	Spain	2.48%
Finland	1.42%	Supranationals	0.71%
France	18.09%	Sweden	6.38%
Germany	7.45%	Switzerland	2.13%
Hong Kong	0.35%	UK	13.48%
Indonesia	0.35%	US	25.18%
Ireland	1.77%		

More than **80%** of our engagements in 2021 **were linked to the UN SDGs.** The breakdown is as follows:



For illustrative purposes only

Three strikes and you're out: A new approach to climate laggards

Integrating a more forceful engagement policy:

- Companies we consider to be laggards in addressing climate change and its risks will be subject to a 'three strikes and you're out' principle. This policy aims to define clear areas of improvement for those companies, tailored to their activities, and communicated to their management at the beginning of the engagement with a clear and short timeframe for progress.
- AXA IM will regularly engage 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**, AXA IM will divest.

Defining our focus list

- From 2022, we will concentrate on a selection of companies which do not have net zero commitments or whose quantified emissions reduction targets are insufficiently demanding or not credible, in our view. This list will include issuers in different sectors and different geographies.
- This list will be revised annually and new issuers added. We expect that the criteria to identify companies deemed to be lagging in their climate strategy will become more demanding over time (e.g. an increased focus on delivery of transition plans, a stricter requirement for science-based validation and so on).

How we plan to apply our 'three strikes' policy in 2022 (anonymised examples):[4]

Sector	Geography	Nature of issue	Engagement requirements
Construction	US	• Undemanding targets • Compares poorly with peers: Peers in the same geography have net zero goals and more robust targets. Non-US peers have more demanding targets, often with Science-Based Targets initiative (SBTi) certification	• Formalise a climate strategy covering all businesses • Integrate climate strategy at the Board level • Set targets on the Scope 3, with the full perimeter covered for Scope 1 and 2 • Define and quantify short, medium and long-term objectives[5] • Seek science-based certification • Disclose related capital expenditure (capex)
Oil and gas	US	• Net zero targets only cover upstream operations, lacking Scope 1 and 2 targets for downstream, unlike all European integrated oil and gas companies, and comparable US peers • Scope 3 is barely included in the strategy, again lagging significantly European peers and comparable US peers	• Expand the net zero ambition to all operations • Integrate climate strategy at the Board level • Fully integrate Scope 3 in the climate policy, and set intermediate and long-term reduction targets • Disclose related capex
Bank	Japan	• Sizeable exposure to controversial sectors • Exclusion policies lagging vs 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/controversial energy sectors • Articulate long-term commitments with clear policies in place

[4] These engagement requirements have been set in February 2022.
[5] **Scope 1**: All direct greenhouse gas (GHG) emissions linked to a company's own operations. **Scope 2**: Indirect GHG emissions stemming from the consumption of purchased electricity, heat or steam. **Scope 3**: Other indirect emissions coming from the supply chain of a company and from its customers (i.e. before and after its own operations).

Delivering transparency and pressing for change through voting and engagement

Clémence Humeau
AXA IM Head of RI Coordination and Governance

Our aim is to play a leading role in financing the transition to a greener and more sustainable world. Part of this involves encouraging companies in their transition journey through focused shareholder engagement. This is a central pillar of responsible investment at AXA IM, and we therefore continuously review ways to make this dialogue as efficient and impactful as possible.

We see three essential ways to do this: Clear and meaningful objectives communicated to management; regular meetings to verify and evaluate progress; and voting with conviction or pursuing other escalation techniques when required. Our active dialogue with companies allows us to effectively monitor our investments, and ensure we maintain open channels which can enable change to the benefit of society, the planet – and ultimately our clients.

The potential for escalation is an essential part of this process, and we believe those techniques will be successful if they are based on clear, transparent engagement escalation policies. This has prompted us to propose a 'three strikes and you're out' policy to be rolled-out during 2022, which will identify and target a list of companies that we believe are lagging in their climate strategy (see more on p.6). We also hope that fellow investors will follow in this approach as the likelihood of success is greater when we collaborate, share common messages and apply pressure in a coordinated manner.

In the same vein, the use of our voting rights enables us to convey clear and strong messages to management, informed by our research and the progress of engagement with a company. We believe targeted voting can help us fulfil our promise to clients to act as an effective steward of their assets, leveraging our considerable size of aggregated assets under management to reinforce a shared message.

We believe investors are most effective in this when the momentum is collective and consistent. Right now, with the potential powerful influence of the finance industry in driving the transition becoming ever clearer, we think that dispersing voting decisions widely through potentially hundreds of investors could risk diluting the considerable influence of the asset management industry, as well as detaching voting from the engagement process.

Our ability to engage and vote with purpose and scale comes with responsibilities – our research must be exacting, our stewardship policies and governance must be robust, and our actions must be transparent. In addition to the disclosures at entity and fund level already in place, we are taking additional steps in 2022, providing additional transparency on a number of our engagement activities, and striving to provide educational content to our stakeholders.

For details of every engagement carried out in 2021, and the initiatives we have led or supported, please see the full report

Voting: Our priorities and plans

Constance Caillet
Responsible Investment Analyst

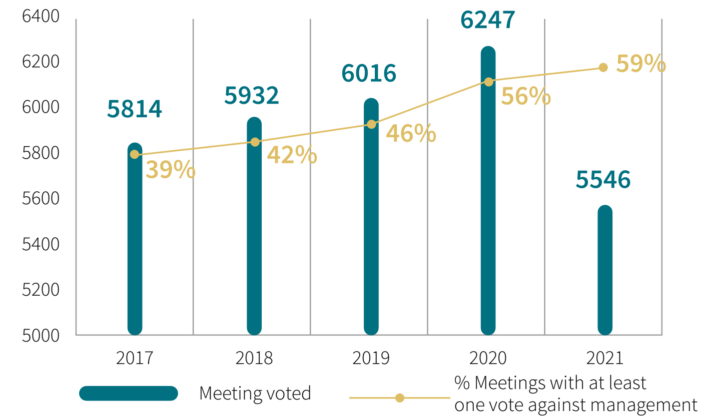
Reset and transition. These words describe well a year in which we started to emerge from the pandemic, both personally and for economies and businesses. Companies have been rebuilding in an environment less restricted by the consequences of COVID-19, and are now able to focus more on sustainability challenges.

During 2021, we voted at 5,546 meetings, out of the 5,569 meetings at which we were eligible to vote. The meetings we do not vote on are those in markets where processing the votes would be too costly, or would impede the investment process. We voted at 98% of meetings held by investee companies. Our full voting records are accessible publicly, and full voting statistics can be provided at AXA IM entity level.

Compared to 2020, the number of votable meetings decreased, which can be explained by several factors:

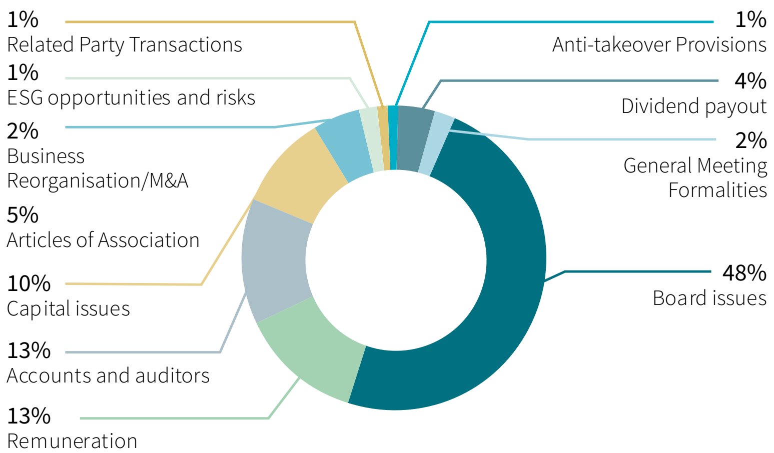
- 2020 was an unprecedented year, in which companies had to adapt to hold annual general meetings (AGMs) virtually. The set-up may have been difficult, and some AGMs had to be re-voted several times, which increased the number of voteable meetings
- Part of our investment rationale during the pandemic involved reducing the volume of holdings in certain emerging markets, resulting in fewer shareholder meetings

Meetings voted & level of dissent



Source : AXA IM, 2021

Breakdown of votes by topic



Source : AXA IM, 2021

The use of our voting rights at AGMs enables us to convey clear and strong messages to management, informed by our research and on-going engagement with the companies. We believe sustainability issues must be integrated across the governance spectrum, in the assessment of 'traditional' resolutions, such as on board governance, remuneration and corporate reporting, and not solely addressed separately. Board issues remain the main topic on which we express ourselves, aligned with our corporate governance and voting policy, and tend to be the main resolutions through which we share our views on ESG-related risks and opportunities.

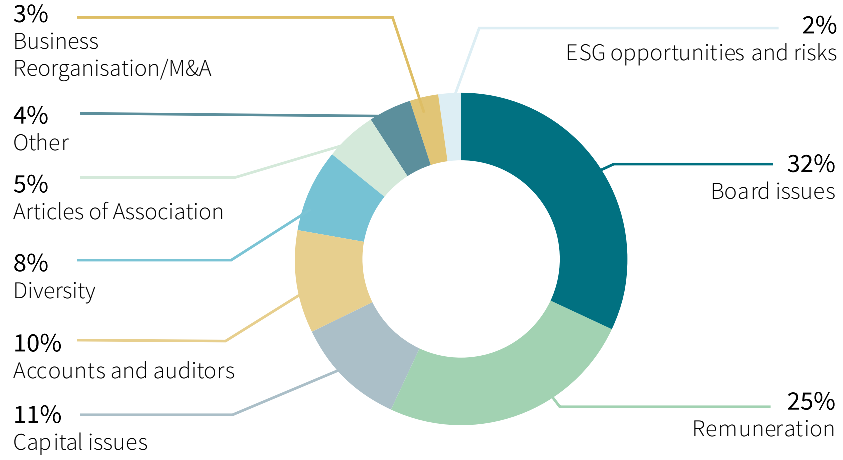
The percentage of meetings voted at, compared to the potential votable meetings, is at the same high level as 2020, illustrating our consistent concern about making our voice heard everywhere except in a very small number of inaccessible markets.

We voted against management on at least one resolution at 59% of company meetings. This was a notable increase from last year (56%). This increase is mainly due to opposition on the election of board members (an increase of three percentage points from last year), as our criteria on board gender diversity fully came into force in all markets.[6]

We opposed two main categories of resolutions in 2021. Nearly 39% of our votes against management were on director-related resolutions and 25% on remuneration-related proposals, followed by opposition on auditor appointments (15%). Our voting policy is reflected in our voting behaviour; we look closely at issues such as board independence, combined chair and chief executive officer (CEO) positions, excessive number of board mandates, board oversight of ESG risks, and auditor rotation.

> "We voted against management on at least one resolution at 59% of meetings"

Our votes against Management by Topic



Source : AXA IM, 2021

[6] AXA IM to expand its gender diversity voting policy for both developed and emerging market economies | AXA IM Corporate (axa-im.com)

Voting: Our priorities and plans

2021 Voting Highlights: An ESG-friendly voting season

The growing prominence of ESG issues was one of the highlights of the 2021 AGM season. From engagements to increased reporting and the growth of related investment strategies, ESG factors – and particularly environmental and social – are at the forefront of the agenda for issuers and shareholders. This season reflected the increasing importance of sustainability and inclusion to investors. The surge of 'say-on-climate' proposals has demonstrated the market focus on environment and climate transition. The social pillar was also a hot topic notably human rights and capital management in light of the ongoing impacts of the pandemic.

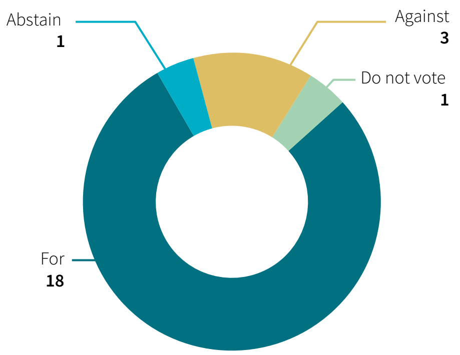
The 2021 voting season was dominated by a desire to integrate environmental and social issues into voting choices, driven by social justice movements, or highlighting environmental inaction. It contrasted with the more "timid" trend of 2020 on climate and diversity issues.

'Say on climate'

The policy response to the climate emergency has reinforced the need for companies to act on the environment and accelerate the implementation of their strategy. Historically, the climate issue has been addressed through shareholder resolutions, or even activism, and not through management resolutions. The 2021 season was therefore notable for the rise of say-on-climate resolutions, which see the company set emission reduction targets and commit to submit its climate action plan to an annual vote.

We voted on 23 say-on-climate proposals, with 18 proposals submitted by management and five shareholder-led proposals.

Our votes on Say-on-Climate resolutions



Source : AXA IM, 2021

Without a common legal framework, we consider that say-on-climate resolutions should not be a vote where the best performing companies put forward their expertise, but rather where companies in sectors that have the most impact on the fight against global warming commit to transparent, serious and ambitious transition plans.

In this regard, the proposals are assessed on a case-by-case basis by the governance team and our climate change experts. We will pay particular attention to the scientific evidence on which these transition plans are based, and as such, recent publications by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) will be useful references. Another important element of the analysis will be the governance framework around these resolutions (board oversight, executive remuneration, frequency, etc.). In the longer-term we expect the reinforcement of sustainability reporting standards as part of various on-going projects (including at EU-level and from the International Sustainability Standards Board) will help to provide a consistent and robust framework for assessing transition plans as part of corporate reporting.

How do we look at shareholder resolutions? A say-on-climate illustration

AXA IM's approach to shareholders' resolutions is to carefully analyse each proposal on its own merits. We believe that it does not make sense to support a resolution if it is not well targeted for the company in question or fails to acknowledge efforts and commitments that are in progress or which take slightly different forms.

We have a clear stewardship approach that frames how we decide whether to support ESG resolutions:

- **Define the policy approach:** We disclose publicly our policy to support shareholder resolutions that seek improved reporting, practices, and disclosure on a range of climate-related issues.
- **Review company practices, disclosures and commitments:** We look at how the company is handling ESG issues from a governance point of view. This would include the board's understanding of the main ESG risks and opportunities facing the company, how pay is tied to material ESG issues, whether the company discloses an action plan to address ESG-related concerns, and what commitments have been made over what timeframe. In addition, we look at broader disclosure practices by the company as well as its role in industry associations which might pursue policies that go against our stance on ESG issues.
- **Understand the rationale:** We will closely examine proposals put forward by shareholders, particularly looking at the actions they hope to see the company take and what outcomes they hope the company will deliver. We will also assess whether the request is overly prescriptive.
- **Consider the long-term impact and implication:** When reviewing shareholder resolutions – including whether to co-file on resolutions – we consider the impact that we believe the proposed resolution will have on the long-term sustainable future of the company

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BP PLC

At the energy company's 2021 AGM, a shareholder resolution was submitted by the Dutch campaign group Follow This, asking the company to publish a set of targets to bring emissions into alignment with the Paris Agreement. In 2019, a shareholder resolution supported by the board of directors made BP's climate commitments binding.

At the beginning of 2021, BP announced an updated climate strategy, which still suffers from some uncertainties, and could be improved. Despite this, the company is broadly engaged with the members of the Climate Action 100+ investor group while the Institutional Investors Group on Climate Change has announced its support for BP's strategy.

We have engaged with BP ourselves, specifically around the topic of shareholder climate activism this year and the proposed resolution. They have entrusted us to work on the implementation of the announced strategy, not hesitating to update it, if necessary, notably by giving more clarity on the scenarios and the means to achieve them.

This positive commitment led us to vote against the proposed shareholder resolution, as the company has committed to being more ambitious on these objectives and clearer in the future. This rationale was followed by a majority of investors as the resolution received only 20.65% of votes in favour (79.35% against), leading to its rejection.

Chevron Corp

At its 2021 AGM, two climate-related resolutions were put on the agenda: the first presented by Follow This, asking Chevron to reduce its Scope 3 emissions in the medium and long term.[7] The second presented by advocacy group As You Sow requesting a report on the potential financial impacts of the company's 'Net Zero 2050' scenario.

Chevron has set upstream emissions intensity reduction targets for oil, gas and methane by 2023 and 2028, with a 2016 baseline.

Despite this, Scope 1 and 2 emissions are falling modestly and Scope 3 emissions are tending to rise.

The Climate Action 100+ group has stated that the company did not meet the criteria for alignment with a net-zero-by-2050 ambition, and some capital expenditure was planned for oil and gas upstream, which is not consistent with the IEA's "Beyond 2° scenario".

In view of these elements, it seems to us that Chevron is not taking adequate measures to commit to the climate by reducing its emissions. The targets do not seem to be binding enough, and part of the spending is directed towards the production of traditional oil and gas, when it should be allocated to research and development in alternative fuels to reduce the demand for oil and gas.
We therefore decided to support the successful shareholder resolution proposed by Follow This, and not to support management.

[7] **Scope 1**: All direct GHG emissions linked to a company's own operations. **Scope 2**: Indirect GHG emissions stemming from the consumption of purchased electricity, heat or steam. **Scope 3**: Other indirect emissions coming from the supply chain of a company and from its customers (i.e. before and after its own operations).

Our voting priorities for the future

vision 2022

As in 2021, the next few years will be dominated by a new climate activism, with a discussion around companies' short- and medium-term climate strategies – and around social issues through the Just Transition theme.

Voting is increasingly integrating ESG risks. In this context, we remain committed to evolving our practices and policies over time. We aim to continue integrating thematic issues such as climate, social and biodiversity challenges, as well as providing appropriate levels of transparency regarding our policies and their outcomes.

Learning from the 2021 voting season, we have updated our voting policy to further integrate ESG issues into corporate governance:

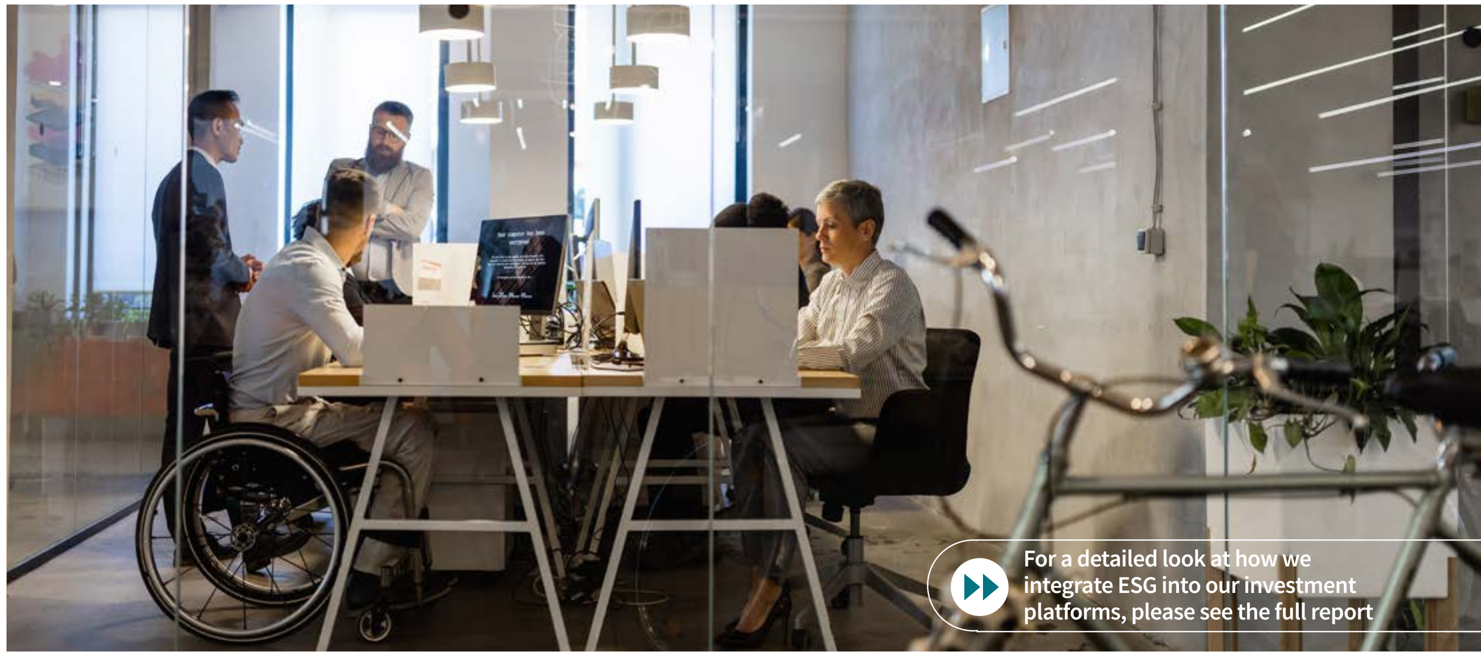
- **We will review the ESG skills of directors:** It is important for the proper management of a company's ESG risks and opportunities that directors are trained, and aware
- **Integration of ESG elements in remuneration:** We will push companies to add tangible, relevant, meaningful key performance indicators (KPIs), in line with the company's long-term strategy (i.e., sustainable business strategy)
- **Transparency as a priority:** We will continue to push for the adoption of robust, non-financial disclosure for oil majors, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD)
- **Support where it is deserved:** We will back management that presents well-proposed transition plans, that embeds regular review and sets medium-term targets. Companies in sectors at risk from climate and/or biodiversity issues will be closely monitored

As for 2021, we will continue to pay particular attention to the climate issue, whether it is addressed through shareholder or management resolutions.

The governance team will be responsible for monitoring these resolutions and our Head of Climate Research will be responsible for reviewing or conducting engagements with companies.

More broadly, the continued integration of ESG metrics into executive remuneration will remain a key element of our engagement with companies in general and may have an impact on how we vote on remuneration-related proposals in 2022. This AGM season we will also focus on executive remuneration, closely monitoring the use of board discretion in determining remuneration this year.

On the issue of ethnic and racial diversity, in countries where the issue has gained maturity and momentum, we will ask companies to assess their diversity and inclusion policies against the best standards and report on their effectiveness, not just their existence.



Disclaimer

Note 1: 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.

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