

AXA IM COMPLIANCE STANDARDS

Conflict of Interest, Inducements and
Investment Research Standard



**INVESTMENT
MANAGERS**

AXA IM - RESTRICTED

DOCUMENT CONTROL

Contact Details

Owner/s:	<ul style="list-style-type: none">- Global Compliance - Head of Investment Transversal Business Processes- Global Compliance - Head of ABC, Ethics and Conduct
----------	---

Revision History

Date Created:	6 th October 2009
Frequency of Update:	Annual or as needed
Last Approved by GRC:	5 th November 2024

TABLE OF CONTENTS

DOCUMENT CONTROL	2
1. Introduction	4
1.1. Context	4
1.2. Objectives	4
1.3. Scope	5
1.4. Implementation	5
1.5. Exceptions	5
2. Identification, Prevention and Management of the Conflicts of Interest	6
2.1. Conflicts of Interests Identification and Prevention	6
2.2. Identification	6
2.3. Prevention	7
2.4. Mechanisms for preventing conflicts	7
2.5. Training	8
2.6. Reporting and Management of the Conflicts	8
2.7. Staff Declarations	8
2.8. Recording of Conflicts Reporting	8
2.9. Management of the Conflicts	9
2.10. Disclosure to Clients	9
3. Preventing and Managing Inducement	10
3.1. Areas of Inducement	10
3.2. Distribution Inducements	10
3.3. Trading Inducements	10
3.4. Acceptable Minor Non-Monetary Benefits	11
3.5. Delegation Arrangements	11
3.6. Research as a Trading Inducement	11
3.6.1. Definition	11
3.6.2. Process for Managing Access to Research Material	12
3.7. Governance	12
4. Monitoring and Control	13
4.1. Procedures	13
4.2. Record Keeping	13
4.3. Levels of Control	13

1. INTRODUCTION

1.1. CONTEXT

AXA Investment Managers (hereafter “AXA IM” or the “Firm”) has a continuing duty to clients 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 AXA IM can continue to retain our clients’ trust.

Despite the Firm’s best efforts to avoid them, conflicts of interest can arise in many common situations and lead to material risk of damage to the client when an AXA IM entity is providing services. AXA IM Staff are encouraged to seek clarification of, and discuss questions about, potential conflicts of interest. If Staff have questions about a particular situation, they must bring it to the attention of their manager and to a representative of AXA IM’s Compliance Department.

AXA IM Staff must avoid conflicts of interest from arising. However, Staff who find themselves in situations of conflict should escalate the matter to their management and their local Compliance department.

For the purposes of this Standard, the following terms have been defined:

A conflict of interest can be defined as

- a situation whereby the interests of AXA IM, AXA IM’s Staff, a third-party delegates or a related company are, directly or indirectly, permanently or occasionally in competition with the interest of one or several clients, or among those parties and may damage the interest of a client. It also pertains to potential conflicts that may occur between AXA IM’s clients. any situation of interference between a person’s duty within AXA IM and his/her personal interest that could influence or appear to influence the independent, impartial and objective performance of such duty on behalf of AXA IM.

Examples of conflicts of interest are unlimited, they may arise in various situations (e.g. gifts, business meals and professional events, outside business activities and interests etc.) to which staff must remain mindful of at all times. AXA IM Staff must endeavour to identify conflicts wherever possible

An interest is the source of a benefit of any kind whether material or immaterial, professional, commercial, financial or personal.

.

Inducements capture remuneration, commissions or non-monetary benefits paid or received in connection with the provision of an investment or related service. Any inducement can cause a conflict of interest, which can be material or immaterial, professional, commercial, financial or personal.

The term “clients” refers to any legal entity or individual in a business relationship or having a financial interest with AXA IM entities or AXA IM managed products and more broadly, any entity or individual considering to enter in a business relationship with any AXA IM entity.

The term “investment services” refers to the services and activities AXA IM entities provide their clients.

1.2. OBJECTIVES

The objectives of this standard are as follows:

- Ensure that clients are treated fairly, provided with accurate and transparent information, and protected from conflicts of interest.

AXA IM Risk and Control Standards

- Uphold the fairness, transparency, and efficiency of financial markets by preventing fraudulent activities that could undermine investor trust.
- Maintain AXA IM's reputation and ongoing business operations to ensure continued trust with stakeholders, compliance with regulations, and especially anti bribery laws and AXA IM's long-term success and positive impact.

1.3. SCOPE

This Standard applies to all AXA IM entities and their Staff, including all permanent, temporary, seconded, full and part time Staff, non-executive directors, contractors and interns (collectively, "Staff"), as appropriate to their business operations. In situations where local regulatory requirements dictate or prescribe practices that are more prudent than what is contained within this Standard, local regulatory requirements must be adhered to first and foremost.

1.4. IMPLEMENTATION

This standard must be implemented with immediate effect following Global Risk Committee ("GRC") approval and may be revised as needed to accommodate any changes in practices consistent with applicable regulatory requirements.

1.5. EXCEPTIONS

Any exceptions to this Standard must be approved by the Global Compliance, Head of Investment Transversal Business Processes / Head of ABC, Ethics and Conduct and validated by the GRC and respective local committees.

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

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. AXA IM is consistently globally in this regard, meaning all AXA IM entities must 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 those regulatory requirements first and foremost.

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 must 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 that is not already subject to an existing conflict management process or which has not been disclosed to clients, staff must report details to both senior management in their business line and to their Local Compliance department. Staff involved in the oversight of activities carried out on behalf of AXA IM clients by a delegate, sub-delegate, counterparty, external valuer or other third parties must also report identified conflicts in the same way.
2. AXA IM entities must maintain a register of the identified and confirmed 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 local governance arrangements of AXA IM ensure oversight of AXA IM's duties with regard to conflicts of interest.

2.2. IDENTIFICATION

AXA IM must take all reasonable steps to identify any potential conflicts of interest between AXA IM, including its managers, Staff and appointed representatives and any third party with which it has business dealings, including:

- Clients
- Brokers and Counterparties
- One client of AXA IM and another client
- Any other company AXA IM Staff may be affiliated with
- Multiple clients of AXA IM managed by one AXA IM employee / Investment team etc.
- Suppliers
- Charities and Sponsorship
- Co-investors

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

- 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 an existing or potential client or of a transaction carried out on behalf of a client which is distinct from the client's interest in that outcome;

AXA IM Risk and Control Standards

- 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;
- receive 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 (see section 3);
- have an incentive, through their remuneration practices, to favour their own interests over those of the client;
- have an incentive to favour one portfolio over another when both are managed by one individual e.g. favourably allocating to a client to the detriment of other clients; and
- have knowledge of client trading activity and use this for personal gain, including gain experienced by affiliated person(s) (e.g. family, spouse etc.).

2.3. PREVENTION

AXA IM entities must establish, implement and apply an effective Local Conflicts of Interest Policy 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 must reference to the specific services and activities carried out by or on behalf of the respective AXA IM entity when considering the circumstances which may give rise to conflicts entailing a material risk of damage to the clients' best interest.

AXA IM must account for external investment research consumption, advice and portfolio management, as well as the provision of other services. 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.

Each local policy must specify procedures to be followed and measures to be adopted in order to manage such conflicts. This must be maintained and updated in line with local regulatory requirements.

2.4. 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 involve the following non-exhaustive list of mechanisms, amongst others.

Each local compliance team must adapt and expand this list according to its local regulations and business activities:

- **Physically separating** any functions where close proximity may lead to poor management of conflicts;
- Implementing measures to prevent the simultaneous or sequential involvement of a relevant person in separate services or activities;
- 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**;
- Maintaining **employees independence** of judgment and liberty of decision in carrying out their functions;
- Structuring **staff remuneration policies** to ensure that they do not cause conflicts by incentivising weak application of key controls and/or oversight measures;
- Refraining from accepting **any external function** or remuneration before receiving prior authorisation from Management and from the Compliance department ;

AXA IM Risk and Control Standards

- Refraining 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 Management and Local Compliance Department ;
- 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;
- Disclosing 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

2.5. TRAINING

All AXA IM Staff must be trained and provided with the local conflicts of interest policy in order to provide them with the background and professional scepticism to face, identify and manage conflicts of interest appropriately.

2.6. REPORTING AND MANAGEMENT OF THE CONFLICTS

Disclosure of actual or potential conflicts forms 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 and/or AXA IM interest. It is the responsibility of AXA IM to act in accordance with local regulatory disclosure requirements to report actual or potential conflicts where AXA IM 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.

2.7. STAFF DECLARATIONS

On commencement of employment, and thereafter on at least an annual basis, AXA IM Staff must provide information relating to any outside business affiliations and activities¹ and in a recurrent manner.

All declarations must be recorded by the person concerned within the Code of Ethics tool and require approval from Compliance.

If an employee seeks approval for an outside business activity, the record of that activity, and Compliance's response must be retained.

The Gifts, Business meals & Professional Events, and Personal Securities Trading Standards provide further information on pre-approval and disclosure requirements.

2.8. RECORDING OF CONFLICTS REPORTING

AXA IM must maintain up to date records on the services or activities 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 must be kept in line with the local record keeping policy and disclosed in accordance with local regulatory requirements.

AXA IM Risk and Control Standards

Staff in all business lines must be aware of the potential for 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, AXA IM Staff 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 teams and reviewed at least on an annual basis and in accordance with local regulatory requirements. In addition, the Conflicts Register must be provided to Executive Committees and/or relevant Control governance at least annually.

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

2.9. MANAGEMENT OF THE CONFLICTS

AXA IM entities must manage situations of potential or actual conflicts of interests.

Where appropriate, Senior management is required to be involved at each stage of the management of conflicts of interests, specifically, in the definition of policies for managing conflicts of interests, reviewing the scope and the means of being alerted in case of actual or potential conflicts, and the provision of information for the effective tracking of conflicts and their causes.

Global and Local Compliance teams may also provide advisory services to support AXA IM entities in the management of conflicts of interest.

2.10. DISCLOSURE TO CLIENTS

The disclosure of conflicts by AXA IM does 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.

Disclosure must:

- Be made in a durable medium ;
- Clearly state that the organisational and administrative arrangements established by the investment firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented; 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 as well as the steps undertaken to mitigate these risks.

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).

3. PREVENTING AND MANAGING INDUCEMENT

3.1. AREAS OF INDUCEMENT

AXA IM is committed to identify, any potential inducements which constitute or may give rise to a conflict of interest causing a risk of damage to the interests of AXA IM's clients when investment services, activities and ancillary services are carried out by or on behalf of AXA IM. AXA IM must take all necessary steps on a reasonable effort basis designed to prevent any potential inducement from adversely affecting the interests of its clients.

- When providing investment services, activities and ancillary services, AXA IM must not pay to, or accept from, any third party or person acting on behalf of a third party (other than its client or a person on behalf of its client) any fees, commissions, or any monetary or Non-Monetary Benefits ("NMB") in connection with the provision of its investment services, activities and ancillary services to its clients, except when it is designed to enhance the quality of the relevant service to the client and does not impair compliance with AXA IM's duty to act honestly, fairly and professionally in the best interests of its clients (i.e. when it is considered an acceptable minor NMB as per local rules and regulation).

In principle, AXA IM must only pay or receive a fee, commission or NMB where:

- It is justified by the provision of an additional or higher level service to the relevant client. Subject to local regulation, as well as those that apply to the client, this may include the provision of investment advice or non-advisory services that help the client to take investment decisions or enable them to monitor, model and adjust the range of financial instruments in which they have invested. However, it is expected that the value of any quality enhancement should be proportional to the inducements received by AXA IM, this being outlined in the local policy and assessment methodology.
- It does not directly benefit the recipient firm, its shareholders or Staff without tangible benefit to the relevant client
- it is justified by the provision of an on-going benefit to the relevant client in relation to an on-going inducement

Payments or benefits received or provided by AXA IM which enable or are necessary for the provision of investment services and which are inherently incapable of giving rise to conflicts with AXA IM's duties to act honestly, fairly and professionally in accordance with its clients' best interests are generally not considered to be inducements. This includes, for example, custody costs, settlement and exchange fees, regulatory levies or legal fees.

3.2. DISTRIBUTION INDUCEMENTS

AXA IM must only pay or receive a fee, commission or NMB where justified by the provision of an additional or higher level service to the relevant client in relation to advice or distribution of a fund or mandate and the distributor is considered to be a non-independent or tied agent. This principle must be adopted in accordance with local regulatory requirements that prohibit inducements from independent advisors, such that investment advice provided on an independent basis must consider a "sufficient range of different providers' products". Where relevant, this should be outlined in local policies.

3.3. TRADING INDUCEMENTS

AXA IM receives several NMBs from trading counterparties through direct and indirect methods and in certain jurisdictions it is necessary to assess the nature of all services, benefits or material paid to or provided by any third party to determine whether they can provide or accept it. When they delegate activities elsewhere, it may also be necessary for the delegate to demonstrate the same. Where relevant, this will be outlined in local policies.

3.4. ACCEPTABLE MINOR NON-MONETARY BENEFITS

In principle, AXA IM may accept minor NMBs related to provision of services to clients if they are capable of enhancing the quality of service provided to the client and are of a scale and nature which would not impair compliance with the AXA IMs duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

In certain jurisdictions AXA IM may be subject to specific reporting requirements such as disclosing all minor NMBs prior to the provision of the relevant investment or ancillary service. Where relevant, this should be outlined in local policies.

Typically, minor NMBs are only be considered acceptable when reasonable and of such a scale that they are unlikely to influence AXA IM's behaviour in any way. Classifications should, in the first instance, be in accordance with local rules and regulatory requirements.

3.5. DELEGATION ARRANGEMENTS

Inducement rules are not always consistent globally and when one AXA IM entity delegates activities to another, the delegator will need to ensure that the delegate is able to achieve the same level of investor protection by contractually securing sufficient control, oversight and access to information.

In principle AXA IM must ensure that it secures an equivalent level of protection for its clients under a delegation arrangement, such that inducement provisions are not overlooked and that the delegation is not used to circumvent the principles and in turn, delegator regulatory requirements.

3.6. RESEARCH AS A TRADING INDUCEMENT

3.6.1. Definition

Under the Markets in Financial Instruments - Directive (MiFID II)¹ and its associated application principles, all Research material consumed by investment firms must be paid for (unless it can be considered as a minor NMB). The general principle is that MiFID II prohibits firms which provide investment advice or portfolio management services from receiving any inducements in relation to these services.

In this context, AXA IM considers any Research, whether labelled as such or not and regardless of the location of the entity producing it, in scope of this Standard when the following definition is met:

- Material or services concerning one or several financial instruments or other assets, or concerning the issuers or potential issuers of financial instruments, or material which is closely related to a specific industry or market such that it informs views on financial instruments, assets or issuers within that sector.
- That type of material or services explicitly or implicitly recommends or suggests an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets, or otherwise contains analysis and original insights and reach conclusions based on new or existing information that could be used to inform an investment strategy and be relevant and capable of adding value to the investment company's decisions.

¹ When referring to MiFID II throughout, it captures both EU and UK MiFID

AXA IM Risk and Control Standards

Although the entity producing material might categorise its material or services as non-substantive or as marketing material, this does not necessarily mean that the material or service can or will be categorized by AXA IM as a minor non-monetary benefit.

3.6.2. Process for Managing Access to Research Material

AXA IM entities must ensure when accessing research that this is done so in accordance with Local Regulatory requirements, taking into consideration any delegation requirements, which can include ensuring it has in place appropriate systems and controls to facilitate the associated activities.

There may be instances where an individual, team etc. may wish to receive Research on a trial basis prior to committing to a paid service. Before doing so, the business must determine whether Research material is definitely expected to be provided (as opposed to another similar NMB), seeking guidance from their local compliance team if necessary.

Research trial periods can be considered as minor NMBs provided a number of conditions are met. AXA IM Staff wishing to trial a RP must in the first instance, consult with their Investment Platform COO and the Investment Research Team (“IRT”) as checks will need to be performed to ensure the conditions can be met, the opportunity is shared with other entities, and to assess potential budget impacts, since trial periods must not be carried out unless the provision of a paid service is actually feasible.

3.7. GOVERNANCE

AXA IM must ensure it has a sufficiently robust governance and budget monitoring process.

The Investment Research Committee (“IRC”) has been established with a global scope, covering all AXA IM entities and related investment platforms. The principle objectives of the IRC are to:

- permit appropriate oversight of all operational processes and procedures related to the use of 3rd party provided investment research, and
- have oversight of the compliance with regulatory requirements applicable to AXA IM in line with this Standard and Local Compliance Policies.

4. MONITORING AND CONTROL

4.1. PROCEDURES

These standards are implemented by first line senior management through procedures that describe operating controls and systems specific to each business line, and are maintained on an ongoing basis, to ensure that any conflict is identified, mitigated and managed where appropriate. Local Compliance will take a risk based approach to perform these controls and report the results to the LCCs or similar control function(s), as set out in the local policy and governance framework.

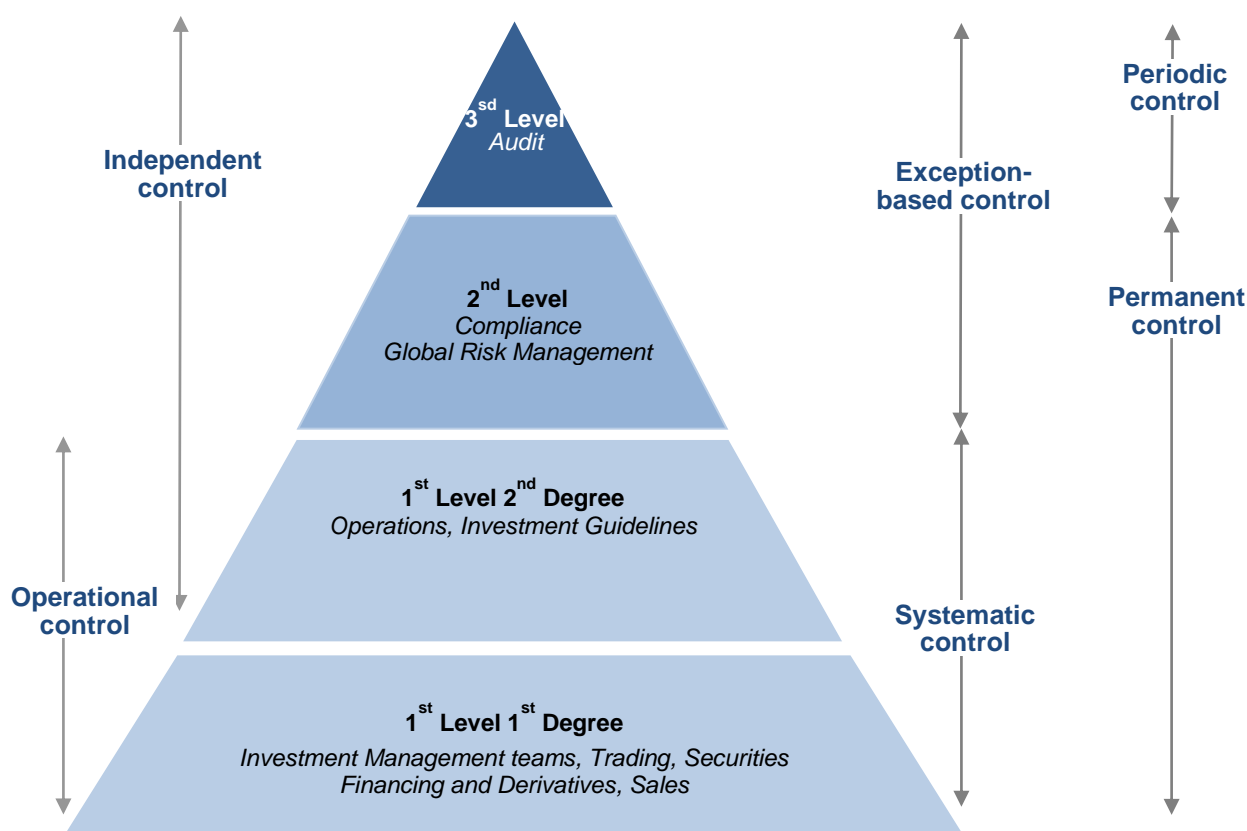
Local Compliance teams are responsible for identifying local risks not addressed in Global Standards, Policies or Framework to ensure that these risks are properly accounted for. Global Compliance will then be responsible for ensuring that these risks are captured globally.

4.2. RECORD KEEPING

Records must be kept that demonstrate all processes, decisions and actions undertaken in a durable medium that provides accessibility and readability to satisfy regulatory requirements for the period specified in local policies.

4.3. LEVELS OF CONTROL

Examples of the roles and responsibilities applicable to this standard are:



The different levels of control have to be performed locally (with the exception of 3rd level). Each local policy should describe its own process of control.