Sustainable Finance Disclosure Regulation

The European Union has launched a Sustainable Action Plan in order to support the delivery of the objectives of the European Green Deal, by channelling private investments towards the transition to a climate-neutral, climate-resilient, resource-efficient and just economy.

As part of this action plan, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**the Regulation**) was enacted in November 2019. It introduces new rules on disclosures relating to sustainable investments and sustainability risks, which are applicable to AXA Life Europe (**we or us**) as an Irish-based insurance undertaking making available insurance-based investment products to its customers throughout the EU.

In line with the Regulation, the purpose of this page is to outline our approach to:

- the integration of "**sustainability risks**" in our investment decision-making processes
- the consideration of "**principal adverse impacts**" of our investment decisions on sustainability factors
- the integration of **sustainability risks in our remuneration policies**.

For the purposes of the Regulation:

"sustainability risks" means an environmental, social or governance event or condition which, if it occurs, could cause an actual or a potential material negative impact on the value of an investment, and "sustainability factors" means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

"Principal adverse impacts" refers to the impacts of investment decisions which result in material negative effects on any of the above sustainability factors.

Sustainability Risks

AXA Life Europe ceased writing new business in 2016. However, we have an existing book of circa 200,000 policyholders across various European markets. The products sold by AXA Life Europe to our policyholders consist of single and regular premium unit-linked policies with guaranteed minimum benefits (also known as unit-linked with guarantees or variable annuities). These products did not promote environmental or social characteristics. Additionally, at the time of sale, AXA Life Europe did not specifically consider sustainability risks as part of the key criteria to select its policyholder funds range.

The investment funds underlying AXA Life Europe's unit-linked policies are primarily managed by AXA Investment Managers (**AXA IM**). This asset manager is integrating Environmental, Social and Governance (**ESG**) considerations as part of its on-going investment decision-making processes.

AXA IM

AXA IM is the AXA Group (**AXA**) in-house investment management company. As such, AXA IM fully adheres to the principles set out in AXA's Responsible Investment Policy. Under the Policy, asset managers are relying on the following strategies to manage sustainability risks:

- the use of "exclusion" policies, aimed at excluding any asset exposed to the most severe sustainability risks identified during the investment decision-making process; and

- the use of proprietary ESG scoring methodologies designed to identify assets with a better overall ESG performance and lower sustainability risks.

AXA's sectoral exclusion policies are focused on the following ESG factors:

- E: climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines), biodiversity (palm oil production) or soft commodities (food commodities derivatives);

- S: health (tobacco manufacturing) and human rights (controversial weapons manufacturing; UNGC breach);

- G: business ethics (breach of United Nations Global Compact).

More details on these exclusion policies and their scope of application are available on the dedicated section of the AXA Group's website: https://www.axa.com/

Other asset managers

A small proportion of the funds AXA Life Europe invests on behalf of policyholders is managed by other asset managers. The approach adopted by those asset managers to manage sustainability risks will likely be available on their website, in line with the Regulation.

As noted above, to date we have not specifically considered ESG matters when choosing third party asset managers or unit-linked investment funds. However, from March 2021, sustainability risks (and more specifically the likely impacts of sustainability risks on the returns of unit-linked funds made available to our customers), will form part of our investment decision-making process going forward where for any reason, we need to consider replacing a fund in which our policyholder assets are invested. Where required, relevant disclosures will be made to policyholders as part of this process.

Principal adverse impacts of investment decisions

To date, AXA Life Europe has not considered the principal adverse impacts of its investment decisions on sustainability factors (*i.e.* environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) as part of its internal policies and processes. As we are now closed to new business, we currently do not anticipate any changes to our approach in this respect.

2023 AXA Group Remuneration Policy (including integration of sustainability risks)

The AXA Group Remuneration policy (the "Remuneration Policy") is designed to support the Group's long-term business strategy and to align the interests of its employees with those of the Company and the shareholders by (i) establishing a clear link between performance and remuneration over the short, medium and long terms; (ii) ensuring that the Group can offer competitive compensation arrangements across the multiple markets in which it operates while avoiding potential conflicts of interest that may lead to undue risk taking for short-term gain; and (iii) ensuring compliance with Solvency II Regulations and any other applicable regulatory requirements.

AXA Group applies a "pay-for-performance" approach which (i) promotes long-term sustainable performance by incorporating risk adjustment mechanisms in variable compensation schemes, (ii) recognises employees who bring the greatest value to the firm on the basis of financial results while demonstrating individual leadership and behaviours. The intent of this approach is to attract and retain the best skills and talents, to foster employee engagement and to strengthen AXA's leadership.

The Remuneration Policy follows four main guiding principles:

- competitiveness and market consistency of the remuneration practices;

- fairness based on individual and collective performance in order to ensure remuneration is reflecting employee's individual quantitative and qualitative achievements and impact;

- internal equity based on remuneration policies and procedures designed to ensure that employees are paid equitably based on objective and justifiable professional criteria (such as, but not limited to, role, skills, contribution or impact) and do not discriminate on the basis of factors irrelevant to the role duties; and

- achievement of Group's overall financial and operational objectives over the short, medium and long terms as well as execution against medium and long-term strategic objectives as a prerequisite to fund any mid-to-long term award.

Compensation structure

AXA ensures an appropriate balance between fixed and variable components of remuneration where the fixed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and to allow the operation of a flexible policy on variable pay components.

In this context, the overall remuneration structure is based on the following components which are designed to provide balance and avoid excessive risk taking for short-term financial gain:

- A **fixed component** which comprises base salary and any other fixed allowances. Fixed remuneration primarily reflects the relevant organizational responsibility, professional experience, technical and leadership skills required of the role, criticality or scarcity of skills as well as the individual's capability to sustainably perform the duties of the role.

- A **variable component** which comprises an upfront cash element (Short Term Incentive - STI) and may be supplemented by a deferred element recognising the importance of aligning remuneration over long-term value creation. The deferred element or Long-Term Incentives (LTI) is awarded through equity-based instruments or equivalents, such as AXA Performance Shares or AXA Restricted Shares. The financing of variable remuneration is calculated according to defined performance indicators taking into consideration both financial and non-financial achievements.

All variable remuneration amounts are awarded in accordance with performance and there is no minimum payment guaranteed.

The level and the structure of the executives' target variable compensation are based on: (i) internal fairness with a similar job at the same level in an equivalent perimeter, (ii) market practices reflected by external benchmark from an independent provider, (iii) level of seniority within the organization and, if applicable, (iv) any regulatory requirements.

Short Term Incentive ("STI")[1]

For executives, the STI pay-out is determined based on a combination of business performance (Operating Entity and/or Group) and the achievement of the individual objectives.

Long Term Incentives ("LTI")

AXA recognizes the importance of aligning remuneration over long-term value creation by awarding AXA LTI (Performance Shares or Restricted Shares) in addition to STI. Beneficiaries and individual AXA LTI grants are determined taking into account: (i) the criticality of the job within the organization, (ii) the criticality of the individual in the current job and potential for the future and (iii) the sustainability of the individual contribution.

[1] For some executives, target variable remuneration may comprise the upfront cash element and the deferred element (in the form of AXA LTI).

The nature of the AXA LTI instrument awarded depends on the role and the regulatory requirements attached to the role of the beneficiary.

AXA Performance Shares and AXA Restricted Shares are aimed at aligning the individuals' interests with the stock performance over the medium-long term (3-5 years) and subject to performance conditions and an acquisition period of 3 years.

AXA Performance Shares initially granted are integrally subject to performance conditions measuring the financial and non-financial performance of the AXA Group as well as the beneficiary's Operating Entity performance over 3 years, according to pre-determined targets. The number of AXA Performance Shares definitively granted shall be equal to the number of rights to AXA Performance Shares initially granted multiplied by the performance rate, which may vary between 0% and 130%.

The acquisition of AXA Restricted Shares initially granted is subject to the achievement of a Group Sustainability objective at the end of a 3-year performance period. The number of AXA Restricted Shares definitively granted shall be equal to the number of rights to AXA Restricted Shares initially granted multiplied by the performance rate, which may vary between 0% and 100%.

Specific requirements for Identified Staff and Key Control Functions

Solvency II regulations establish specific remuneration arrangements applicable to certain categories of staff: “Identified Staff” and “Key Control Functions”. Identified Staff are those in charge of driving AXA in an administrative, management or supervisory capacity and other categories of staff whose professional activities have a material impact on AXA Group's risk profile. The Key Control Functions defined in Solvency II are Risk Management, Compliance, Internal Audit and Actuarial.

Integration of sustainability risks

The Remuneration Policy is consistent with the integration of ‘sustainability risks’ within the meaning of, and as required by Regulation (EU) 2019/2088 of November 27, 2019, as amended. Sustainability risks are integrated in both short-term and long-term variable remuneration components:

- **Short-term**: The variable payout of Market / Operational Entity Heads is subject to Sustainability **qualitative** and **quantitative** criteria.

- **Long-term** (AXA LTI):

  - **AXA Restricted Shares** are subject to a Sustainability criterion. To benefit from the totality of AXA Restricted Shares initially granted, the AXA score in the S&P Corporate Sustainability Assessment (CSA) – backbone of the Dow Jones Sustainability Index – calculated over the performance period, shall meet a minimum.

  - **AXA Performance Shares** include Sustainability criteria weighing for 30% of the overall performance: Achievement on (i) specific climate related target (reduction of operations' carbon emissions) and (ii) Inclusion and Diversity target (increase the portion of women in Group's executive population) complement (iii) the target on AXA's score in the S&P Corporate Sustainability Assessment.