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Tel: 0207 003 2634
Date: 29 March 2019

Financial Reporting Council
8th Floor
125 London Wall
London EC2Y 5AS

Dear Sir or Madam,

Consultation on the Proposed Revision to the UK Stewardship Code

AXA Investment Managers (AXA IM) is a global asset manager with over €750 billion of assets under management (as at 31 December 2018). We manage assets for a wide range of clients some of which includes insurance companies, pension funds, sovereign wealth funds, and retail investors. At AXA IM, we manage over 1800 funds and mandates covering all investment strategies including fixed income, multi-assets, real assets, and equities.

General Commentary

We welcome the opportunity to formally respond to the consultation on the proposed revision to the UK Stewardship Code and agree that stewardship has evolved significantly since the Code was last reviewed.

Indeed, a number of different markets adopted and enhanced on the work of the UK Stewardship Code in the development of their own stewardship codes and this is a change for the FRC to once again create a leading code to meet the needs of the economy and society for the next few years.

AXA IM is broadly supportive of the FRC's revised Stewardship Code and as an asset manager across a number of different asset classes we welcome the expansion in the scope of the code to all asset classes. In addition, we welcome the explicit reference to environmental, social, and governance factors when fulfilling stewardship responsibilities and indeed this is something we called for in our response to the initial consultation on the Stewardship Code.

However, there are a few areas which raise some queries for consideration:

- Given the revision to the Stewardship Code, and the requirement to produce an annual 'activities and outcomes report' we would benefit from additional precision on what the expectations for such a report are.

We appreciate the flexibility afforded by the new Code but would be keen to understand how the FRC would evaluate the first-year reporting should it feel additional precision is not required.

- It would be interesting to understand the FRC's position to move collective engagement from being a Principle in the previous iteration of the Code to a Provision in the revised Code.
- Finally, it would be good to understand the FRC's expectation on Provision 1. We strongly believe that as a large asset manager with many funds, it would be more pertinent to provide disclosure at an asset class level and not at a fund by fund level.

Our responses to the questions are attached below. In addition, feel free to reach out should anything further be required to be discussed.

Yours sincerely,

Matt Christensen
Head of Responsible Investment, AXA IM

AXA IM's Response to the FRC's consultation on its revision to the UK Stewardship Code

AXA IM is mostly supportive of the FRC's revised Stewardship Code. Many of the proposed changes are areas already addressed by the organisation.

Q1. Do the proposed Sections cover the core areas of stewardship responsibility? Please indicate what, if any, core stewardship responsibilities should be added or strengthened in the proposed Principles and Provisions.

AXA IM is supportive of the FRC's revised stewardship code and believes the proposed Sections cover the core areas of stewardship responsibility.

Q2. Do the Principles set sufficiently high expectations of effective stewardship for all signatories to the Code?

We believe the Principles set the right height of expectations and stretch for all signatories to the Code. In addition, as a significant bondholder, we welcome the expansion in the scope of the Code taking into account all asset classes.

Q3. Do you support 'apply and explain' for the Principles and 'comply or explain' for the Provisions?

Yes, the 'apply and explain' for the Principles and the 'comply or explain' for the Provisions sets an appropriate stretch expectation for signatories across the Principles and the Provisions.

Q4. How could the Guidance best support the Principles and Provisions? What else should be included?

We believe that Guidance provided should be detailed enough to support the Principles and Provisions, whilst at the same time ensuring that this does not completely reflect in a checklist to adhere to. Whilst it is important that flexibility be maintained in order to allow asset owners and asset managers to cope with the changing market and facilitate their means of moving towards best practice, Guidance should play a part in guiding on the Principles and Provisions.

Q5. Do you support the proposed approach to introduce an annual Activities and Outcomes Report? If so, what should signatories be expected to include in the report to enable the FRC to identify stewardship effectiveness?

We are not averse to the introduction of an annual Activities and Outcomes Report as this is increasingly best practice, and an area which we have published on an annual basis for a number of years now. While we do not oppose the approach, we would like to have more elaboration on the topic by the FRC on what submitting that report would entail and what would be required. Failing that, some flexibility in review of these reports in the first year of reporting would be welcome.

Q6. Do you agree with the proposed schedule for implementation of the 2019 Code and requirements to provide a Policy and Practice Statement, and an annual Activities and Outcomes Report?

We do not have any significant issue with the proposed schedule for implementation.

Q7. Do the proposed revisions to the Code and reporting requirements address the Kingman Review recommendations? Does the FRC require further powers to make the Code effective and, if so, what should those be?

We believe that the proposed revisions to the Code and reporting requirements address the push from the Kingman Review recommendations that the Stewardship Code be made stronger. We do not believe the FRC requires further powers to make the Code effective.

Q8. Do you agree that signatories should be required to disclose their organisational purpose, values, strategy and culture?

Such practice or at least some variation of this practice is already in place at a number of entities that the Stewardship Code is aimed at and as such we are not opposed to the requirement that signatories disclose their organisational purpose, values, strategy and culture.

Q9. The draft 2019 Code incorporates stewardship beyond listed equity. Should the Provisions and Guidance be further expanded to better reflect other asset classes? If so, please indicate how?

We believe that the Code incorporates stewardship beyond listed equities in a sufficient manner to reflect how stewardship applies across asset classes.

Q10. Does the proposed Provision 1 provide sufficient transparency to clients and beneficiaries as to how stewardship practices may differ across funds? Should signatories be expected to list the extent to which the stewardship approach applies against all funds?

We agree that the proposed Provision 1 achieves the goals of requiring asset managers to provide disclosure on their stewardship activities across asset classes. However, as a large asset manager it would be judicious to ensure that this would be reflected in disclosure at an asset class level, compared to being required to list the extent to which the stewardship approach applies against funds on a fund-by-fund level.

Q11. Is it appropriate to ask asset owners and asset managers to disclose their investment beliefs? Will this provide meaningful insight to beneficiaries, clients or prospective clients?

AXA IM has its core philosophy and investment beliefs explained for public information. Being transparent helps to provide clients and beneficiaries an understanding of investment approach.

Q12. Does Section 3 set a sufficiently high expectation on signatories to monitor the agents that operate on their behalf?

We agree that Section 3 sets a sufficiently high expectation and is clear and appropriate.

Q13. Do you support the Code's use of 'collaborative engagement' rather than the term 'collective engagement'? If not, please explain your reasons.

The term 'collaborative engagement' is the one used at AXA IM and we are therefore supportive of its use rather than 'collective engagement'. We understand that 'collective' is more usually used narrowly to denote specific engagement activities.

Q14. Should there be a mechanism for investors to escalate concerns about an investee company in confidence? What might the benefits be?

AXA IM believes that it is always in the interest of shareholders to act should a company behave in a way that is deemed concerning. It is in our core beliefs to engage a company and raise issues we have.

However, we believe that there are already a number of ways where we can escalate concerns. An example of this would be the Investor Forum, an organisation created to facilitate collective engagement between investors and companies. We believe that this dialogue between companies and shareholders should remain the purview of shareholders.

In addition, we would wonder what powers the FRC would have to address concerns raised.

Q15. Should Section 5 be more specific about how signatories may demonstrate effective stewardship in asset classes other than listed equity?

Yes, we believe that it is necessary for Section 5 to provide more specificity about how signatories may demonstrate effective stewardship in asset classes other than listed equity.

Q16. Do the Service Provider Principles and Provisions set sufficiently high expectations of practice and reporting? How else could the Code encourage accurate and high-quality service provision where issues currently exist?

Section 3 on Active Monitoring within the revised Stewardship Code states that signatories must actively monitor the performance of the assets for which they are responsible and/or the managers and service providers they use.

Section 3 clearly states that it is the responsibility of asset owners/and or asset managers to hold service providers to account. We struggle to understand the purpose of setting a service providers principles and provisions when they do not have stewardship responsibilities.

ENDS