IFPR Disclosure

AXA Investment Managers GS Ltd

31 December 2023

CONTENTS

1. Glossary

1.1. Definition of terms

Abbreviation	Definition
AUD	Assets Under Distribution
AXA IM or AXA IM Group	AXA Investment Managers SA & its subsidiaries
AXA IM GS or the Firm	AXA Investment Managers GS Limited
AXA LTI	AXA Long Term Incentive
CET1	Common Equity Tier 1 capital
CF10a	Client Asset Oversight Function
CRD	Capital Requirements Directive
CRD IV	Capital Requirements Directive (Directive 2013/36/EU) (“CRD”) and the Capital Requirements Regulation (Regulation (EU) No 575/2013) (“CRR”)
CRO	Chief Risk Officer
this Document	IFPR Disclosure in respect of AXA IM GS or the Firm
DIP	Deferred Incentive Plan
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
GNBC	Global New Business Committee
GRC	Global Risk Committee
GRCF	Global Risk Control Framework
GRM	Global Risk Management Function
HR	Human Resources
ICARA	Internal Capital and Risk Assessment
Identified Employee	Staff who have a material impact on AXA IM’s and the Firm’s risk profile or the risk profiles of the portfolios they manage
IFPRU	Prudential Sourcebook for Investment Firms
KRIs	Key Risk Indicators
LTIP	Long Term Incentive Plan
MIFIDPRU	Detailed prudential requirements that apply to a MIFIDPRU investment firm
ORCC	Operational Risk Capital Charge
RAS	Risk Appetite Statement
Risk Management Framework	Risk Management Framework of the Firm
TVP	Total Variable Pay
UK Board	The Board of Directors of the Firm

2. Introduction

2.1. Overview and scope of this document

From 1 January 2022, the UK financial services regulator, the Financial Conduct Authority (FCA) introduced the Investment Firms Prudential Regime (IFPR), which is the regulatory framework for governing the amount and nature of capital that investment firms must hold. This document contains the IFPR Disclosure in respect of the entity AXA Investment Managers GS Ltd (the "Firm"). The Firm has been designated as a non-SNI MIFIDPRU investment firm according to the requirements of MIFIDPRU 1.2.1R. All defined terms are contained in the Glossary to this Document.

The Firm is wholly owned by AXA Investment Managers SA ("AXA IM").

This disclosure covers:

- Risk management objectives and policies (MIFIDPRU 8.2);
- Governance arrangements (MIFIDPRU 8.3);
- Own Funds (MIFIDPRU 8.4);
- Own Funds Requirements (MIFIDPRU 8.5); and
- Remuneration Policy and Practises (MIFIDPRU 8.6).

This disclosure does not cover Investment Policy (MIFIDPRU 8.7) as the Firm does not manage any assets.

The Firm is a private limited company, incorporated in the United Kingdom, authorised and regulated by the FCA. The Firm's reference number is 188523. The Company provides securities lending and trading services such as equity and fixed income dealing activities to various clients globally. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Firm is a part of the AXA Investment Managers Group, an active, long-term, global, multi-asset investment management holding company registered in France with €844bn of assets under management by its subsidiaries as at 31 December 2023. The ultimate parent of the Firm is AXA SA, a world leader in financial protection and wealth management.

The objective of IFPR disclosure is to encourage market discipline by allowing market participants to access key pieces of information regarding the Firm's culture and data on the own funds and own funds requirements as well as risk management, remuneration and investment policies.

2.2. Basis of preparation, frequency and means of disclosure

This disclosure has been prepared in accordance with MIFIDPRU 8 and with a reference date of 31 December 2023.

The information contained in this Document has been prepared in accordance with MIFIDPRU for the purposes of explaining the basis on which AXA IM GS has prepared and disclosed certain information about the management of risks and application of regulatory own funds adequacy rules and concepts. This Document does not constitute any form of financial statement of the Firm, nor is it directly comparable with any financial statements of the Firm and is not required to be audited by the Firm's external auditors.

In accordance with MIFIDPRU 8.4.1, a reconciliation of regulatory own funds of the AXA IM GS Firm to the balance sheet in the audited financial statements of the Firm as at 31 December 2023 is provided in section 4 of this Document.

This Document does not constitute any form of forward looking statement or opinion on the Firm and should not be relied upon in making any judgement about the financial position of the Firm.

There is no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries within the AXA IM Group.

IFPR Disclosure is made by AXA IM GS Limited at least annually and this Document is published on the Firm's corporate website :
https://www.axa-im.co.uk/important-information/ifpr-disclosures

2.3. Non-material, proprietary or confidential information

The Firm does not apply any exemption on the basis of materiality, proprietary or confidential information in making its IFPR Disclosure.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1. Introduction

Risk is inherent in all business activities and managing the risk is the responsibility of all employees. The Firm's risk framework enables risk to be identified, assessed, controlled or avoided in order to ultimately protect the Firm, its assets and its clients.

The Firm operates a 3 lines of defence model whereby:

1. The first line of defence has direct accountability for risk acceptance, decisions and implementing and managing appropriate controls;
2. The second line is responsible for providing oversight and challenge to the effectiveness of risk decisions taken by management of business units.
3. The third line of defence is the independent assurance provided to the Firm by the internal audit team.

The Risk team is part of a global team and forms part of the second line of defence.

Risk management processes are required to be fully incorporated into its strategic (including change management), capital, financial and liquidity planning, as well as its day-to-day business and operational activities.

3.2. Enterprise Risk Framework

The key steps in the Firm's Enterprise Risk Management Framework (ERM) are as follows:

- Formulation of Risk Appetite
- Risk Identification (top down and bottom up)
- Risk Rating Assessment
- Reconciliation of top-down and bottom-up risks to formulate the Principal Risk Register
- Monitoring and Reporting of Risks/ Harms vs Appetite
- Controls Assurance
- ICARA process (consideration of Harms, quantification of own funds requirements, concentration risk and liquidity)

3.2.1. Formulation of Risk Appetite

The Risk Appetite Framework is the Firm's overall approach through which its risk appetite is established, validated, and communicated, along with the monitoring and reporting mechanisms of measuring actual risks against risk appetite.

The elements of the Risk Appetite Statement (RAS) are established via a Board workshop (to obtain a top-down view) and meetings with key business stakeholders (to obtain a bottom-up view), after which the RAS is prepared, tabled, challenged and validated at the Firm's Board and UK Risk Committee. The RAS includes key risk indicator ('KRI') metrics and thresholds which are used in the monitoring and reporting process

3.2.2. Risk Identification, Rating and formulation of the Principal Risk Register

On an annual basis the Board conducts a workshop to consider, on a top-down basis, current risks and emerging risks. This is complemented by a bottom-up process whereby both business and operational risks are identified via dedicated workshops. Furthermore, when the Firm's strategy is formulated or changed, an assessment is made on its impact on the Firm's risk environment. Such an assessment may alter the perspective of the existing or future risks of the business.

Once identified, all risks are rated relative to the risk matrix (likelihood and severity levels) of the business and following this, outputs from the top-down process, the bottom-up processes and the strategy review are reconciled to formulate the Principal Risk Register which is the list of the main risks of all types facing the Firm.

3.2.3. Controls Assurance

The Firm's Controls Assurance Framework enables the Boards to gain assurance over the effectiveness of the internal control environment over its operational risks and knowledge of significant failings or weaknesses, via the formulation of an annual Controls Assurance Plan.

3.2.4. ICARA process (consideration of Harms, quantification of own funds requirements, concentration risk and liquidity)

The Firm determines its additional own funds and liquid resource requirement by quantifying a series of material harm scenarios directly linked to the main risks of the Firm.

Within the Firm's Risk taxonomy and the concept of Harms, the following broad elements commonly apply:

- Operational Risks are primarily identified as *Harms to Client (and/or Market)* and are quantified via scenario analysis. There also may be an element of Harm to the Firm in the operational risks.
- Strategic Risks (the risk of failure of strategy) are primarily potential *Harms to the Firm*. These are directly / intrinsically linked to Business Risks, which are assessed via stress testing
- Business Risks are primarily *Harms to the Firm* and are tested against the Firm's earnings, capital and liquidity appetites by Finance via stress testing.

In addition to determining additional own funds requirements, the testing above also enables determination of liquidity requirements.

As part of the Firm's ongoing risk management activity, it also considers the implication of concentration risk and this is assessed and integrated into the following areas:

- In a number of business risks, notably:
    - Demand Risk, whereby the impact of the loss of assets managed on behalf of our largest clients is considered
    - Own Credit Risk, whereby concentration risk is factored into the analysis of debtors and cash held at various counterparties.

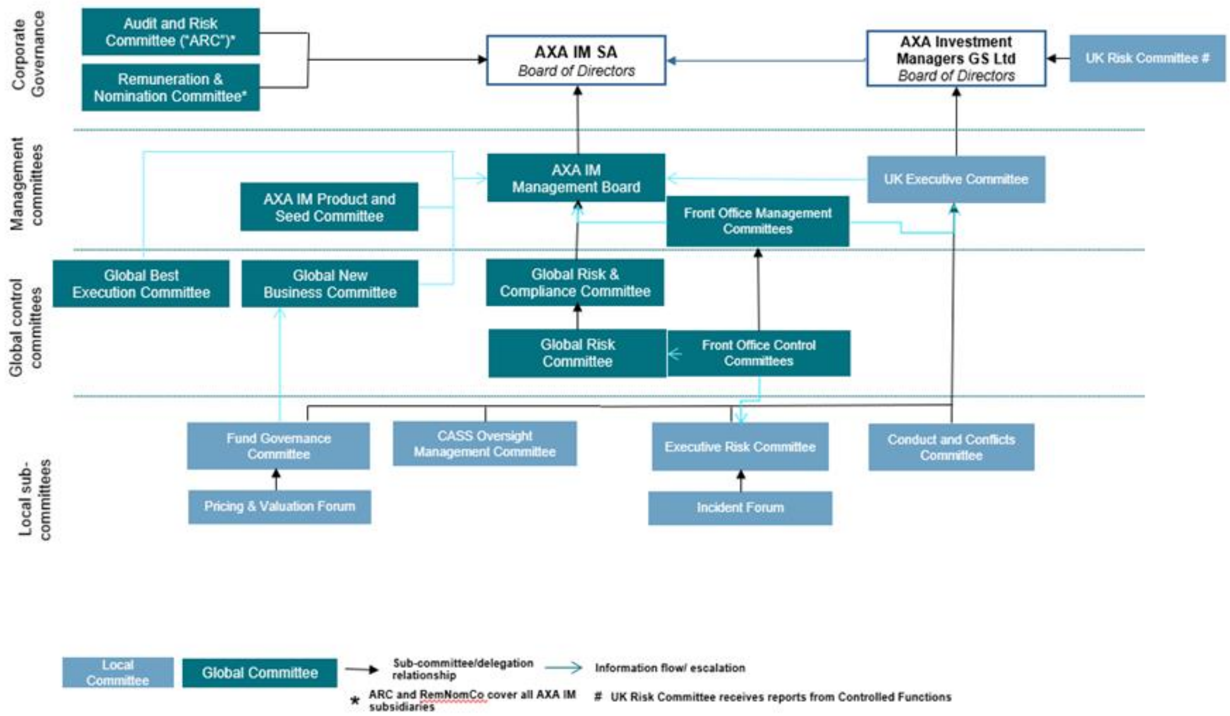
In terms of client money accounts, the assessment of the risk of concentration is factored into the credit assessment of client bank accounts.

3.3. Governance

The Board of AXA IM GS (the "UK Board") is responsible for setting and overseeing AXA IM GS's strategic direction. The UK Board also oversees the Firm's governance and senior management arrangements, the integrity of its financial and accounting systems and risk management framework, and its adherence to its regulatory and legal requirements, all in the interests of, and for the benefit of, investors, employees and its shareholder and to promote the integrity of the market.

The UK Board executes its responsibilities through the following UK and global governance structure, as illustrated in Figure 1.

Figure 1: the Firm's corporate governance structure



The UK Board meets at least quarterly, and its membership is comprised of two independent non-executive Directors, one of whom is the Chair, and Executive Directors, all of whom have the expertise to oversee the activities carried out by the Firm.

The number of executive and non-executive directorships held by the Directors as at 31 December 2023 are shown in Table 1 (includes directorships of the Firm and excludes directorships of other Group companies and companies that have mainly non-commercial objectives).

Table 1: UK Board members and number of directorships

Directorships		
	Number of Non-executive Directorships	**Number of Executive Directorships**
Non-executive Directors		
Colin Clark	3	0
Phil Barker	1	0
Executive Directors		
Marcello Arona	0	1
Yannig Loyer	0	1
Jane Wadia	0	1
Marion Le Morhedec	0	1

No modification or waiver of SYSC 4.36(1)(a) or (b) has been requested from the FCA in respect of the holding of additional directorships by UK Board members.

All appointments of directors (whether executive or non-executive) are governed by the Directors & Officers Nomination Policy of AXA IM. The selection of directors is based on their integrity, experience, skills, diversity and professional competence as evaluated against the role description and capabilities required for a particular appointment, and also ensuring that candidates have sufficient time available to perform the role. It is key for the effective working of the UK Board that each board member has the appropriate skills, experience and knowledge that will enable them to contribute effectively both as an individual and collectively as a board. The Firm takes care to avoid any practices, procedures, attitudes or behaviours that allow any form of discrimination.

Specific attention is also paid to any potential or actual conflicts of interest, the number of directorships already held by the proposed candidate within or outside of the AXA IM Group and diversity. Once a candidate is identified, the nomination is presented to AXA IM's Remuneration Committee for its review and validation, followed by approval by the UK Board.

All appointments to the UK Board are made in compliance with the Firm's Vetting policy, including successful completion of referencing and background checks and pre-approval in line with the FCA's requirements under the Approved Persons Regime.

Directors are requested to declare any actual or potential conflicts of interest at the beginning of every UK Board and Board Committee meeting and conflicted directors can be excluded from receiving information, and taking part in discussions and decision-making relating to the potential or actual conflict.

AXA IM recognises and values diversity and inclusion and continues to create and develop an inclusive culture and is committed to ensuring equality of opportunities, with the aim of promoting diversity throughout AXA IM, including at the most senior levels. The UK Board has adopted the AXA IM GS Board Diversity Policy which sets out its approach with regard to consideration of diversity in the board selection process and which is aligned with the AXA IM Global Diversity & Inclusion Policy. The AXA IM GS Board Diversity Policy target of at least 30% of board members being women by the end of 2023 was met in March 2023. The AXA IM GS Board Diversity Policy is available on the Firm's website.

Under MIFIDPRU 7.1.4R, the Firm is not required to establish a risk committee. However, in the interests of maintaining sound risk management practices and internal governance, the Board determined that the UK Risk Committee should be maintained.

3.4. Adequacy of risk management arrangements

The UK Board, supported by the UK Risk Committee, confirm that the risk management processes of the Firm, as outlined in this Document, is adequate to provide appropriate management of the Firm's key risks in the context of its profile and strategy.

3.5. Key Harms and Material Risks

Sub Risk Taxonomy	Risk Description	Risk Appetite and Mitigation
Strategic Risk	Strategic Risk includes threats that may inhibit the delivery of an organisation's business strategy. Strategic Risk can also arise from setting an inappropriate strategy.	The Firm recognises that strategic initiatives may not result in the desired outcome and accepts that these may result in an impact to business projections, but seeks in its strategic goals to avoid exposing clients or markets to detriment or harm. All proposed strategic initiatives are carefully balanced between risk and reward before being validated by the Firm's Board, and the progress of strategic initiatives is kept under closed monitoring to ensure that they remain on track.
Own Liquidity Risk	Risk that a sudden change to the Firm's cashflows leaves it in a position where it is no longer able to meet its cashflow obligations.	The Firm has a low appetite for liquidity risk and maintains a buffer to ensure that it meets its liquidity needs in severe yet plausible scenarios.

Sub Risk Taxonomy	Risk Description	Risk Appetite and Mitigation
Reputational Risk	Risk of negative circumstance that could impact the brand's reputation. Damage to reputation could create difficulty or failure to meet business objectives and loss of confidence from stakeholders e.g., clients, regulators, shareholders, and internal stakeholders.	The Firm seeks to minimise the potential for reputational risk where it can via the efficient mitigation of other risks, or whenever these risks crystallise, having the appropriate governance to ensure fair treatment to stakeholders, one of the effects of which is to reduce reputational risks
Own Market Risk	Own market risk is the potential loss of earnings caused by the consecutive loss of fees due to market effects	Risk policy is to accept the risk and stress test the exposure of its P&L to market shocks in order to ensure that it is financially resilient.
Demand Risk	Demand Risk is the potential loss of earnings caused by an inability to generate Securities Lending revenues, in particular as a consequence of: • Loss of clients trust and damage to reputation, where client concentration is high • Reduction in funds available that provide securities to be lent • Market share declining towards competitors • Demand Risk also has an effect on charges levied on our products, leading to the risk of price compression	The Firm is prepared to accept some risks as it seeks to progress its strategy and business objectives by creating opportunities for investment by clients as the market evolves whilst being mindful of the consequences of the impacts of products becoming unviable. It adopts governance to ensure that it will only launch products that meet a client need, that the Firm has the resources, skills and controls to make the product a success and which is sold to an appropriate client base. In relation Demand risk the Firm performs stress tests to determine its resilience to a number of severe yet plausible events.
FX/ Interest Rate Risk	Foreign exchange and interest rate risk is the potential loss of earnings caused by: • Foreign exchange and interest rate variations on the Firms' Profit & Loss and Balance Sheet • Foreign exchange exposure on Profit & Loss and Balance Sheet • Interest rate exposure on Profit & Loss and Balance Sheet	The Firm has a low appetite to taking risks on its balance sheet and its policy is to maintain surplus foreign currency cash balances below agreed thresholds. It has low exposure to interest rates on its balance sheet. In relation to its P&L the Firm stress tests the exposure of its P&L to changes in FX and interest rates
Own Credit Risk	Credit risk in the context of the UK business affects balance sheet, liquidity assets held at banks and the risk of default from fee debtors.	Risk policy is that wherever possible, cash balances and debtors should be subject to low credit risk
Operational Risk	Risk of loss or infliction of harms (financially and/or reputationally) resulting from inadequate or failed internal processes, people, and systems or from external events which impact the operations of the organisation. This also includes risk arising from legal and regulatory risk exposure.	The Firm accepts that it is impossible to eliminate all operational risks inherent in its activities but has an appropriate framework that seeks to measure them, institute appropriate controls to mitigate them, and set aside sufficient capital to meet residual risks.
Conduct Risk	Conduct risk is defined by AXA IM in the UK when we fail to act with integrity, courage or as one AXA, leading to a detrimental effect or unfair outcome on our clients,	The Firms Conduct Risk Framework sets out its Conduct Risks into key Pillars and has defined its risk appetite with respect to

Sub Risk Taxonomy	Risk Description	Risk Appetite and Mitigation
	colleagues, financial markets, the organisation, its stakeholders and/or environment, and as a result there may also be reputational damage, exposure to regulatory, legal, commercial or public censure. Unfair outcomes result when our clients (customers, investors, counterparties, colleagues and/or stakeholders) are damaged or harmed either financially or non-financially. Non-financial detriment includes (but is not limited to) distress, inconvenience, reduced choice, loss of opportunity, and loss of benefit. It is important to note that clients need not necessarily be aware that they have suffered detriment.	each. The following are the specific appetite statements: • Client & Product Conduct Appetite: We understand the needs and protect the interests of our clients by designing and distributing appropriate and suitable products and services for them and/or inappropriately handling our relationship with them. • Financial Security Conduct Appetite: Our attitude and behaviour protects the security of the financial system in which we operate by preventing the abuse of prescribed rules or best practice. • Market Conduct Appetite: We support and empower healthy, competitive and successful markets and/or positively impact the clients, stakeholders, colleagues and communities in which we operate • People Conduct Appetite: We live our vision, values and goals, creating an environment where colleagues are fully engaged in the strategy and/or act with professionalism, respect and integrity in everything they do • Organisation Conduct Appetite: We protect our long term value by organising, managing and governing ourselves effectively, understanding and managing our risks and acting ethically and responsibly.

4. OWN FUNDS

4.1. Own Funds resources

Own funds (also referred to as capital resources) is the type and level of regulatory own funds that must be held to absorb losses. Under MIFIDPRU 8.4, the Firm is required to disclose:

- a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the firm – see table 2a;
- a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the firm – see table 2b below; and
- a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the firm.

Common equity tier 1 ("CET1")

Common Equity Tier 1 for AXA IM GS primarily constitutes of share capital and retained earnings. Own funds have been calculated in accordance with MIFIDPRU 3.

Profits are only included within capital reserves once they have been verified by independent auditors and, for interim profits, approved for inclusion by the FCA. Any losses made would be immediately included within capital reserves.

Called up share capital represents 800,000 allotted, called up and fully paid ordinary shares of £1.00 each. The shares are wholly owned by AXA Investment Managers SA. Further details of the features of the ordinary shares are in Appendix A.

Deductions from CET1

Under MIFIDPRU 3.3.6R, AXA IM GS is required to deduct several items (if applicable) from its common equity tier 1. The only relevant items are the declared dividend of £1,800,000, which have been deducted from AXA IM GSs common equity tier 1 items for the calculations of own funds.

The AXA IM GS Limited own fund resources as at 31 December 2023 are analysed in Table 2a, comprising only CET1.

Table 2a: the AXA IM GS Limited own funds resources as at 31 December 2023 Template OF1

No.	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**Own Funds**	**7,623**	
2	**Tier 1 Capital**	**7,623**	
3	**Common Equity Tier Capital**	**7,623**	
4	Fully paid up capital instruments	800	Page 24 - Note 12
5	Share premium	-	
6	Retained earnings	8,623	Page 16 – Statement of Financial Position
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) Total deductions from Common Equity Tier 1	(1,800)	Page 8 – Directors report
19	**CET1: Other capital elements, deductions and adjustments**	-	

Table 2b: reconciliation of regulatory own funds of AXA IM GS Limited to the balance sheet in the audited financial statements of the Firm as at 31 December 2023

		a	b	c
	Amount in GBP (thousands)	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at 31 Dec 23	As at 31 Dec 23	
	Assets			
	Debtors	4,045		
	Cash at bank and in hand	11,074		
	Total Assets	**15,118**		
	Liabilities			

	Creditors: amounts falling due within one year	5,695		
	Provisions for liabilities	-		
	Total Liabilities	**5,695**		
	Shareholders' Equity			
	Called up share capital	800		4
	Retained earnings	8,623		6
	Total shareholders' Equity	**9,423**		

4.2. Prudential Filters and Deductions

No prudential filters, including those in respect of unrealised gains or losses on fair value assets, have been applied to capital resources in arriving at Own Funds.

4.3. Capital Instruments Main Features Template

The Capital Instruments' Main Features Template required by MIFIDPRU 8.4.1 is disclosed in Appendix A .

5. OWN FUNDS REQUIREMENTS

5.1. Overview

Every FCA-authorised firm must meet threshold conditions, requiring it to maintain financial and non-financial resources appropriate to the regulated activities it carries on. The Overall Financial Adequacy Rule ("OFAR"), set out in MIFIDPRU 7.4.7R, is the standard the FCA will apply to determine whether a MIFIDPRU investment firm has adequate financial resources.

The OFAR requires the Firm, at all times, to hold adequate own funds and liquid assets to:

a) ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and
b) to allow its business to Wind-Down in an orderly manner, minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

The Firm is required to determine these threshold requirements through the Internal Capital Adequacy and Risk Assessment ("ICARA") process. These represent the Firm's view of what is required to meet the OFAR, unless the FCA advises otherwise. The OFAR would be the higher of the Own Funds Threshold Requirement ("OFTR") as determined by the ICARA process and the Own Funds Requirement ("OFR").

5.2. Own Funds Requirement

Under MIFIDPRU 4, an investment firm must at all times maintain own funds that are at least equal to its own funds requirement. The own funds requirement of a non-SNI MIFIDPRU investment firm is the highest of:

- Its permanent minimum capital requirement under MIFIDPRU 4.4
- Its fixed overhead requirement under MIFIDPRU 4.5
- Its K-Factor requirement under MIFIDPRU 4.6

This is summarised in the table below:

Table 3: Own funds requirement as at 31 December 2023

All £'m	Own Funds Requirement
Own Funds Requirement (OFR) as at 31 December 2023	
Permanent Minimum Capital (1)	0.1
Fixed Overhead Requirement ("FOR") (2)	1.6

K-Factor requirement (3)	0.1
(a) Sum of K-AUM, K-CMH and K-ASA	-
(b) Sum of K-COH and K-DTF	0.1
(c) Sum of K-NPR, K-CMG, K-TCD and K-CON	-
Total Own Funds Requirement (being the higher of 1, 2 and 3)	**1.6**

5.3. Permanent Minimum Capital Requirement

The permanent minimum capital requirement ("PMR") is the minimum level of own funds that a MIFIDPRU investment firm must maintain at all times based upon the MiFID investment services and activities it currently has permission to undertake. There are three levels of PMR that may apply to a MIFIDPRU investment firm as set out in MIFIDPRU 4.4 and summarised in the table below.

PMR	MIFIDPRU investment firm service/activity
£750,000 MIFIDPRU 4.4.1R	MiFID activities undertaken include one or more of the following services or activities: • Dealing on own account • Underwriting and/or placing on a firm commitment basis • Operating an OTF without a limitation that prevents both matched principal trading and dealing on own account
£150,000 MIFIDPRU 4.4.3R	All other FCA investment firms, including, but not limited to, firms with permission to: • operate an MTF • operate an OTF, only with a specific limitation that prevents both matched principal trading and dealing on own account • holding client money or client assets in the course of MiFID business
£75,000 MIFIDPRU 4.4.4R	MiFID activities undertaken only from among the following services or activities: • Reception and transmission of orders • Execution of orders on behalf of clients • Portfolio management • Investment advice • Placing without a firm commitment basis And, the Firm does not have permission to hold client money or securities in the course of MiFID activities.

Based on the Firm's activities, it does not deal on its own account, underwrite financial instruments, or place financial instruments on a firm commitment basis or operate an organised trading facility and therefore the requirements of MIFIDPRU 4.4.1R do not apply.

The Firm also does not meet the requirements under MIFIDPRU 4.4.3R, as it does not hold client money in the course of MIFID business or operate an MTF or OTF, and therefore the permanent minimum capital amount is £75,000.

5.4. Fixed Overheads Requirement

The FOR is 25% of the fixed expenditure of the preceding year as it appears in the audited accounts. The 2023 financial statements of the Firm have been audited and signed off, and therefore provide the basis for this calculation, as per MIFIDPRU 4.5.2.

5.5. K-Factor Requirements

The new regulatory regime uses quantitative indicators (K-factors) to reflect the risks a Firm faces. These K-factors are divided into three groups and they aim to capture the risk the investment firm can pose to customers, to market access or the firm itself. The K-Factor capital requirements comprise a mixture of activity and exposure-based requirements. Which K-Factors apply depend on the MiFID investment services and activities a MIFIDPRU investment firm undertakes.

The Firm has completed technical analysis of the K-Factors including:

- an assessment of the K-Factors which apply to the Firm's business model and which therefore require calculation on an ongoing basis; and
- for those K-Factors identified as applicable, the detailed calculation methodology to be followed in producing the relevant K-Factor Requirement.

5.6. Own Funds Threshold Requirement ("OFTR")

The Firm is required to perform an internal assessment of its own funds threshold requirement as part of the Internal Capital Adequacy and Risk Assessment ("ICARA") process. The overall purpose of the ICARA is to ensure that the Firm has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down of its business and holds financial resources that are adequate for the business it undertakes. The Firms OFTR is the higher of the capital required to support the ongoing operation of its business, the capital required to support an orderly wind-down of the Firm or its own funds requirement.

5.7. Approach to assessing the adequacy of its own funds

As noted in section 5.1, the Firm is required to perform an internal assessment of its own funds threshold requirement as well as it Liquid Assets Threshold Requirement (LATR) as part of the ICARA process. The overall purpose of the ICARA is to ensure that the Firm has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down of its business and holds financial resources that are adequate for the business it undertakes.

The Firms OFTR is calculated as the higher of:

- The Own Funds requirement;
- Amounts needed based on the internal risk assessment from ongoing operations supplementing the K-factor requirement to cover residual risks identified; and
- Wind-Down requirement.

The Firms LATR is calculated as the higher of:

- The amount of liquid assets that the firm requires to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; and
- The additional amount of liquid assets that a firm would need to hold when commencing its wind-down process to ensure that the firm could be wound down in an orderly manner.

At a high-level the ICARA covers:

- Business model planning and forecasting in order to see how the business model is expected to perform over the coming 5 year period and also to determine the change in OFTR and LATR in future years;
- Identification, monitoring and mitigation of risks and harms to clients, markets and the firm itself arising from the Firm's business model and to support its ongoing activities;
- Scenario analysis using a range of severe but plausible stresses to see the impact on own funds and liquidity resources as well as requirements. In addition to the stress testing, the ICARA also includes reverse stress tests that help to identify what extreme scenarios could lead to the failure of the Firms business model.
- Recovery actions that could be implemented by the Firm in order to help recover its level of own fund resources and liquidity resources in periods of stress. In addition to this, the ICARA also lists a number of early warning indicators, which help the Firm to monitor its own funds and liquidity resources and to identify emerging periods of stress and help determine whether any recovery actions need to be implemented.
- Wind-Down planning which covers the operational steps and resources required to ensure that the Firm could be wound down in an orderly manner as well as the potential harms arising from the wind-down on clients and markets.
- Using the information above, finally the ICARA assesses the adequacy of financial resources held to ensure that it is able to meet all of the requirements identified.

6. Remuneration Policy

The following disclosures are made in accordance with the requirements of MIFIDPRU 8.6 Remuneration Policy and Practises. This disclosure provides information regarding the remuneration policies and practices for staff whose professional role has a material impact on the Firm's risk profile.

6.1. Governance

AXA IM's Remuneration Policy, which is reviewed and approved by the AXA IM Remuneration Committee every year, sets out the principles relating to remuneration within all entities of AXA IM and takes into account AXA IM's business and risk strategy, objectives, including Sustainability risk-related objectives, Culture and values, and the long-term interests of AXA IM's clients, shareholders and employees.

The AXA IM Remuneration Committee, in line with the remuneration policies and procedures set and validated at AXA Group level, ensures consistency and fair application of the Remuneration Policy within AXA IM, as well as compliance with applicable regulations.

Remuneration pool allocations and awards are proposed by the CEO and approved by the Remuneration Committee, the composition of which is available on AXA IM website.

6.2. Remuneration Strategy

AXA IM applies a "pay-for-performance" approach to remuneration, incorporating adjustments for risk considerations, to recognise employees who contribute the greatest value to the firm, considering performance, behaviours, experience and critical skills. The intent of this approach is to attract and retain the best skills and talents, to foster employee engagement and to strengthen AXA IM's leadership while promoting Corporate Responsibility and Responsible Investment that will deliver long term sustainable performance for AXA IM's clients and long-term employability.

6.3. Remuneration Structure and the Link Between Pay and Performance

Remuneration is structured to reward:

- organisational responsibility, professional experience and skills required of the role, as well as the individual's capability to perform the duties of the role through Fixed Pay;
- short term value creation for clients and AXA IM through Cash Variable Pay based on annual performance;
- medium term value creation for clients and AXA IM through the Deferred Incentive Plan (DIP (Fund)) which is structured over a four-year period;
- long term value creation for the AXA Group through the AXA LTI (made up of AXA Performance Shares).

AXA IM Variable Pay (comprising Cash Variable Pay and AXA IM Deferred Pay) and AXA LTI form the Overall Variable Pay. AXA IM ensures appropriate balance between Fixed and Overall Variable Pay and short and long term Overall Variable Pay.

6.4. AXA IM Variable Pay Pools and Awards

Annual AXA IM Variable Pay pools are determined globally based on AXA IM profitability, taking into account current and future risks. Allocations of AXA IM Variable Pay pools to functions take into account a range of factors such as profitability, investment performance, risk and compliance factors and other qualitative performance achievements.

In determining individual AXA IM Variable Pay levels, Managers consider annual team and individual performance which is assessed as a combination of specific quantitative and qualitative performance factors. Individual leadership is also taken into account, as well as adherence to risk and compliance policies. AXA IM believes in rewarding not only 'what' is achieved but also 'how' it is achieved and aims to truly differentiate individual and team performance through the level of AXA IM Variable Pay awarded to individuals.

6.5. AXA IM Variable Pay Structure

AXA IM operates an automatic deferral policy applicable to all employees whereby a compulsory level of deferral is applied to the employee's AXA IM TVP, depending on (i) the amount of the employee's Overall Variable Pay or Total Remuneration (ii) whether the employee is an "Identified Employee" and (iii) the legal entity of the employee.

6.6. Risk Adjustment

AXA IM's risk management function validates and assesses risk adjustment techniques (which are used in assessing performance, determining AXA IM TVP and ex post risk adjustment) taking into consideration all relevant types of current and future risks (including both financial and non-financial risks (e.g. reputation, conduct and client outcomes)).

6.7. Vesting and Malus Conditions

The DIP (Fund) award consists of a deferred cash plan indexed to the investment performance of a synthetic basket(s) of AXA IM funds and to an ESG performance index. DIP (Fund) awards vest over a period of four years after grant, subject to risk adjustment (including sustainability risk) and are settled in cash upon vesting unless the AXA IM Board decides otherwise.

From 2020 performance year onwards, no additional grant of AXA IM Performance Shares will be allocated. For previous allocations, the vesting of AXA IM Performance Shares was subject to a combination of investment performance indicators and achievement rate of AXA IM's actual underlying earnings against budget over a three-year performance assessment period.

The AXA IM Board of Director or the AXA IM Remuneration Committee by delegation may reduce before vesting AXA IM Deferred Pay when certain conditions have been triggered (this is also referred to as malus). Such conditions are:

- Where the financial performance of AXA IM as a whole or of one of its business units has suffered a significant downturn or deterioration; and/or the payment of the Overall Variable Pay would not be sustainable or appropriate according to the financial situation of AXA IM as a whole or the relevant business unit; or
- The investment performance of AXA IM as a whole or one of its investment platforms has suffered a significant deterioration; or
- Where an employee has materially violated AXA IM's Code of Conduct or other key Risk and Compliance policies, there is evidence of serious misconduct or misbehaviour and/ or the employee causes material detriment to the business or reputation of AXA IM or one of its entities; or the employee participated in or was responsible for conduct that resulted in a significant loss to the business unit or AXA IM or
- Where there is significant failure of risk management in relation to AXA IM, any of its funds or business units or
- The employee failed to meet appropriate standards of fitness and propriety.

For regulated entities under IFD/IFPR and in some specific circumstances, a clawback mechanism may apply to variable pay awarded to material risk takers (identified employees).

6.8. Control Functions

Remuneration for Control Function employees is intended to be sufficient to attract and retain qualified and experienced employees and to avoid conflicts of interest. Overall Variable Pay is driven by the individual's skill set and performance (based on function specific objectives), the market value of the role and AXA IM Group operating income. It is not based on the performance of the business unit which is directly supervised by the Control Function. Fixed Pay and Overall Variable Pay of Internal Audit team is determined by the AXA Group Global Head of Audit and the vesting of their AXA LTI, as the case may be, will be linked to the AXA Group performance measures.

6.9. Decision making process

The AXA IM Remuneration Committee is responsible for determining and reviewing the AXA IM remuneration guidelines, including the AXA IM Remuneration Policy, as well as reviewing the annual remuneration of senior executives of the AXA IM Group and senior officers in Control Functions.

The AXA IM Remuneration Committee comprises at least three members, of which at least two will be independent and non-executive Board members, including the Chairman. "Permanent guests" with a consultative role include at least the AXA IM Executive Chairman, the AXA IM Head of HR, the AXA IM Global Head of Rewards, a representative of the AXA Group Rewards team and from time to time, members of AXA IM's Risk, Control and Internal Audit teams. Employee representatives are annually invited in the context of the annual review of the AXA IM Remuneration Policy. The AXA IM Remuneration Committee meets at least three times during a year.

External consultants (Linklaters) have been employed to provide advice on aspects of the Remuneration Policy. Control Functions have appropriate input into setting the Remuneration Policy for other business units.

6.10. Identified Employees

The criteria used to determine whether employees are Identified Employees are broadly as follows:

- The employee is a permanent voting member of a governing body of a regulated AXA IM entity[1].
- The employee is a Senior Manager (including Senior Managers under the UK Senior Managers Regime) who effectively conducts the business of an AXA IM entity.
- The employee is in a control function (risk management, compliance or internal audit) and his/her activities could potentially have a significant impact on an AXA IM entity's results and/ or balance sheet.
- The employee is a risk taker, including:
    - Employees capable of entering into contracts or positions that materially affect the positions of the AXA IM entity or the Portfolios[2] it manages.
    - Distribution employees who have a material impact on the AXA IM entity or the Portfolios it manages.
    - Employees whose activities could potentially have a significant impact on the AXA IM entity results and/ or balance sheet and/ or performance of the Portfolios they manage.
- The employee's remuneration is within the same remuneration bracket as the categories above, and the employee has a material impact on a regulated AXA IM entity or the portfolios it manages.

If an employee falls within one of the categories above, or satisfies the criteria prescribed in respect of the Delegated Regulation (EU) 2021/2154 (the "IFD MRT Identification Regulation"), or by IFPR, the employee would be considered an Identified Employee in accordance with the AXA IM Identified Employee Guidelines.

6.11. Integration of sustainability risks

The European Union published in December 2019 the Sustainable Finance Disclosure

[1] AXA IM entity includes Alternative Investment Fund Management (AIFMs) companies, UCITS and IFD/IFPR regulated AXA IM entities.

[2] Funds include Alternative Investment Funds (AIFs), UCITS V and/or mandates.

Regulation (SFRD) which applied from 10 March 2021.

This regulation requires 'financial market participants and financial advisers' to include in their remuneration policies details of how the policies are consistent with the integration of 'sustainability risks'. Therefore, starting from 1 January 2021, individual and collective objectives will include elements related to the adherence to the sustainability risk framework to be embedded in investment processes. The AXA IM variable pay pools and awards are determined in accordance with the completion of these objectives.

Additionally, sustainability risks are integrated in both deferred and long-term variable remuneration components:

- **Deferred**: The DIP (Fund) award consists of a deferred cash plan indexed to the investment performance of a synthetic basket(s) of AXA IM funds and to an ESG performance index.
- **Long-term (AXA LTI): 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.

6.12. Quantitative remuneration disclosures

The Firm's 2023 remuneration analysis for Identified Employees where quantitative remuneration disclosure is required is analysed in Table 4. The disclosure is in respect of one business area, asset management, which is the Firm's principal business activity.

Table 4: 2023 remuneration disclosures

	Senior management and Other Material Risk Takers	All Others	Total
Headcount[3]	**2.8**	**15.9**	**18.7**
2023 Remuneration (£m)[4]	**0.7**	**1.7**	**2.4**
Fixed	0.4	1.3	**1.7**
Variable	0.3	0.4	**0.7**
Variable (£m):			

[3] Headcount is prorated based on the percentage of time the employee has worked for the Firm.

[4] Remuneration is prorated based on the percentage of time the employee has worked for the Firm.

Cash	0.2	0.4	**0.6**
Deferred cash	0.1	0.0	**0.1**
LTIPs	0.0	0.0	**0.0**
Other	-	-	-

The Firm has made use of the exemption under MIFIDPRU 8.6.8 (7) and aggregated the quantitative information related to remuneration for senior management and other identified emloyees as splitting the information between those two categories would lead to the disclosure of one or two people.

APPENDIX A – CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE

Capital instruments main features template		
1	Issuer	AXA Investment Managers GS Ltd
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Private Placement
3	Governing law(s) of the instrument	English law
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£0.8m
9	Nominal amount of instrument	£1.00
9a	Issue price	NA
9b	Redemption price	NA
10	Accounting classification	Shareholder's Funds
11	Original date of issuance	Company incorporated on 21/07/1998
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons I dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA

Capital instruments main features template		
30	Write-down features	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA