Pillar 3 Disclosure

AXA IM UK Consolidated Supervisory Group
31 December 2019

Investment Managers

CONTENTS

1. GLOSSARY

1.1. Definition of terms

Abbreviation	Definition
ACD	Authorised Corporate Director
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investments Fund Managers Directive
AUD	Assets Under Distribution
AXA IM or AXA IM Group	AXA Investment Managers SA & its subsidiaries
AXA IM UK or the Firm	AXA Investment Managers UK Ltd
AXA LTI	AXA Long Term Incentive
CCR	Capital Charge Requirement – being higher of Pillar 1, Pillar 2 and wind down quantification
CET1	Common Equity Tier 1 capital
CF10a	CASS Operational Oversight Function
AXA IM UK Consolidated Supervisory Group	Consolidated Supervisory Group of AXA Framlington Group Limited which includes AXA Investment Managers UK Limited and AXA Framlington Investment Management Limited.
CPMI	Collective Portfolio Management Investment
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
CRR	Capital Requirements Regulation
this Document	Pillar 3 Disclosure in respect of the AXA IM UK Consolidated Supervisory Group
DIP	Deferred Incentive Plan
EBA	European Banking Authority
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
GATE	GIE AXA Trésorerie Europe
GNBC	Global New Business Committee
GRC	Global Risk Committee
GRCF	Global Risk Control Framework
GRM	Global Risk Management Function
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
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
IPRU-INV	Interim Prudential sourcebook for Investment Businesses
IRB	Internal Ratings Based approach
KRIs	Key Risk Indicators
LAR	Liquid Asset Requirement, as required by IPRU INV 11.2.1 (3)
LDI	Liability Driven Investment
LTIP	Long Term Incentive Plan
OEICs	Open Ended Investment Companies
ORCC	Operational Risk Capital Charge
PRR	Position Risk Requirement
RAS	Risk Appetite Statement
Risk Management Framework	Risk Management Framework of the Firm
RWA	Risk Weighted Assets
TREA	Total Risk Exposure Amount
TVP	Total Variable Pay
UK Board	The Board of Directors of the Firm

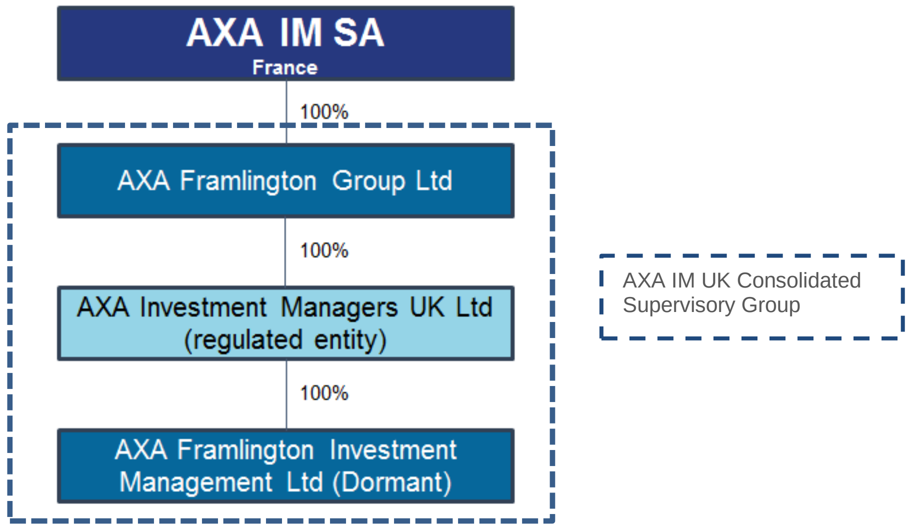
2. INTRODUCTION

2.1. Overview and scope of this document

This document contains the Pillar 3 Disclosure in respect of the consolidated supervisory group AXA Framlington Group Ltd (pure holding company), which comprises AXA Investment Managers UK Ltd and AXA Framlington Investment Management Ltd (dormant) (the "AXA IM UK Consolidated Supervisory Group") ("this Document"). All UK regulated activity of the AXA IM UK Consolidated Supervisory Group is undertaken by AXA Investment Managers UK Ltd ("AXA IM UK" or "the Firm") and consequently, this Document refers to the Firm throughout in discussing the Pillar 3 Disclosure. All defined terms are contained in the Glossary to this Document.

A high-level ownership structure of the Firm, as part of the AXA IM UK Consolidated Supervisory Group, is illustrated in Figure 1.

Figure 1: high level ownership structure of the Firm



Registered in the UK, unless indicated otherwise. It should be noted that the dormant entity AXA Framlington Investment Management Limited is currently going through a liquidation process.

The Firm is a €125K Limited Licence CRD IV firm, which is authorised as a full scope Alternative Investment Fund Manager ("AIFM") and as a Collective Portfolio Management Investment ("CPMI") firm.

The CRD IV framework is split between the Capital Requirements Directive (Directive 2013/36/EU) ("CRD") and the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("CRR") (collectively, "CRD IV").

The Firm applies CRR, supplemented by European Banking Authority ("EBA") technical standards and the Financial Conduct Authority's ("FCA") Handbook, including Investment Firms Prudential ("IFPRU") sourcebook. The Firm, as a Collective Portfolio Management Investment ("CPMI") firm, also complies with the Chapter 11 rules of the Interim Prudential sourcebook for Investment Businesses ("IPRU-INV 11").

The CRD IV framework consists of three pillars. Pillar 1 relates to "Minimum Capital Requirement"; Pillar 2 relates to "Supervisory Review and Evaluation Process" and Pillar 3 promotes "Market Discipline" via prescribed regulatory "Public Disclosures".

The objective of Pillar 3 is to encourage market discipline by allowing market participants to access key pieces of information regarding the capital adequacy of institutions through a prescribed set of disclosure requirements, as dictated by Articles 431 – 455 of CRR.

2.2. Basis of preparation, frequency and means of disclosure

The information contained in this Document has been prepared in accordance with Articles 431 – 455 of CRR, on a fully consolidated basis, for the purposes of explaining the basis on which AXA IM UK Consolidated Supervisory Group has prepared and disclosed certain information about the management of risks and application of regulatory capital adequacy rules and concepts. This Document does not constitute any form of financial statement of the AXA IM UK Consolidated Supervisory Group or 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 Article 437(1)(a) a reconciliation of regulatory own funds of the AXA IM UK Consolidated Supervisory Group to the balance sheet in the audited financial statements of the Firm as at 31 December 2019 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 UK Consolidated Supervisory Group.

Pillar 3 Disclosure is made by the AXA IM UK Consolidated Supervisory Group at least annually and this Document is published on the Firm's corporate website:
https://media.axa-im.co.uk/en/capital-requirements-directive

2.3. Non-material, proprietary or confidential information

The AXA IM UK Consolidated Supervisory Group does not apply any exemption on the basis of materiality, proprietary or confidential information in making its Pillar 3 Disclosure.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1. Introduction

The Firm must take well informed risk decisions when formulating and executing its strategy to achieve its financial and operational objectives. Risk decisions must also take into account other key stakeholders such as clients, staff and relevant regulatory bodies.

The Firm's Board is ultimately responsible for managing effectively its risks with the following two primary objectives:

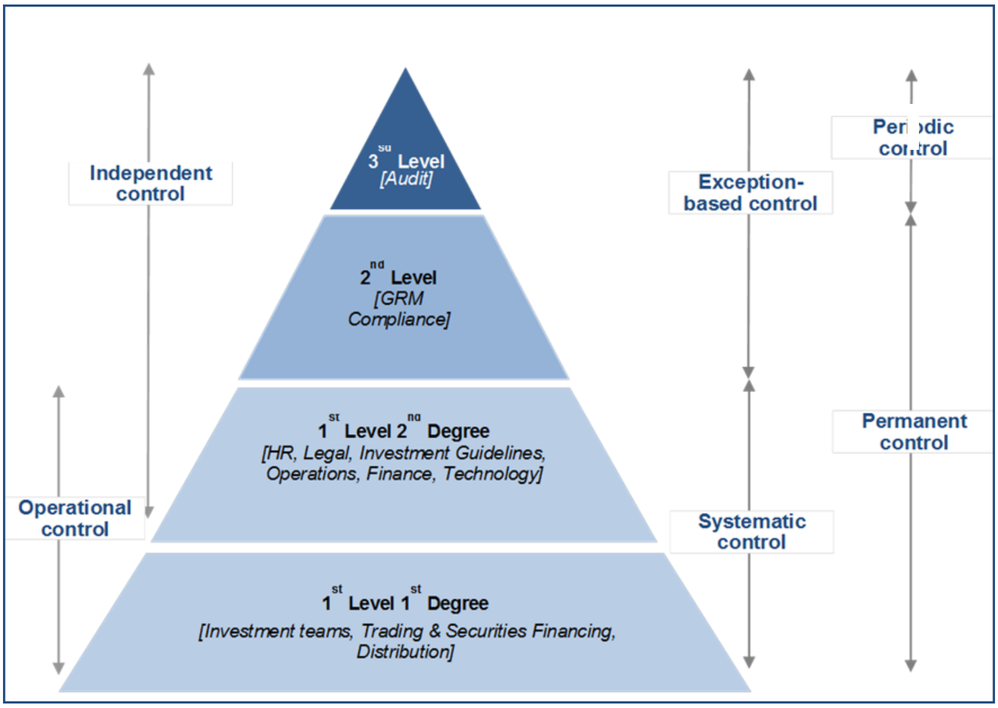
- Protect the Firm and clients from unforeseen losses by identifying and evaluating risks and focusing efforts in areas of greatest exposure.
- Optimise shareholder value within the set strategic risk tolerances.

The Board is able to discharge its responsibilities with the help of the Firm's governance structure and the operation of the Firm's control framework, as described below.

Risk is inherent in all of the Firm's business activities and managing the Firm's risks appropriately is the responsibility of all of the Firm's staff. The Firm's risk framework enables its risk to be adequately identified, assessed, managed, where possible mitigated, and ultimately protect the assets of both the Firm and that of its clients.

The overall risk control function is articulated around three levels of control that can be described by the following structure:

Figure 2: the Firm's three lines of defence



The Risk & Controls department centralises important functions of AXA IM control framework, i.e.:

- Risk Management: Second level of control
- Compliance: Second level of control
- Investment Guidelines: First level second degree level of control.

The Operations, Human Resources, Finance, Legal and Technology departments also act as a first level second degree level of control.

Finally, the Internal Audit department acts as an independent and periodical 3rd level of control.

The Firm's risk management processes are required to be fully incorporated into its strategic, capital, financial and liquidity planning, as well as its day-to-day business and operational activities, thereby facilitating the identification and related management of its risks. In summary, the Firm's risk framework captures the following processes:

- All staff are responsible for proactively managing risk and related mandatory objectives form part of the Firm's annual performance appraisal process;
- Periodic review cycle of the Firm's risk policies and procedures;
- Risk considerations are incorporated into the Firm's business and operational activities, including its decision-making processes;
- Periodic review cycle of the Firm's risk appetite, including threshold limits for monitoring and reporting purposes;
- The Firm's three lines of defence facilitate the identification and management of the Firm's risks and moreover, when any related controls, such as limits, have been breached in respect of these risks;
- The Firm operates management, reporting and escalation, review and impact assessment processes regarding any incidents, near misses, and key risks.

Capital planning, including reverse stress tests and assessment of orderly wind down costs, and liquidity stress tests are formally captured at least annually by the Firm's Internal Capital Adequacy Assessment Process ("ICAAP"), with further reviews undertaken by the Firm depending on the extent of changes to its business and operating environment.

3.2. Enterprise Risk Framework

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

- Risk Identification
- Formulation of Risk Appetite

- Risk Rating Assessment
- Comparison of Risks to Appetite
- Risk Mitigation Plans/ Actions
- Risk quantification
- Monitor and Review
- Reporting

In practice the process is continual, interlocking and circular (for example the 'monitor and review' stage may identify new risks that need to be assessed, existing risks that need to be rerated and/or requantified or identify changes to the Firm's Risk Appetite).

The Firm's Board oversees and regularly assesses each stage of this process, which is integral to the maintenance of the ICAAP.

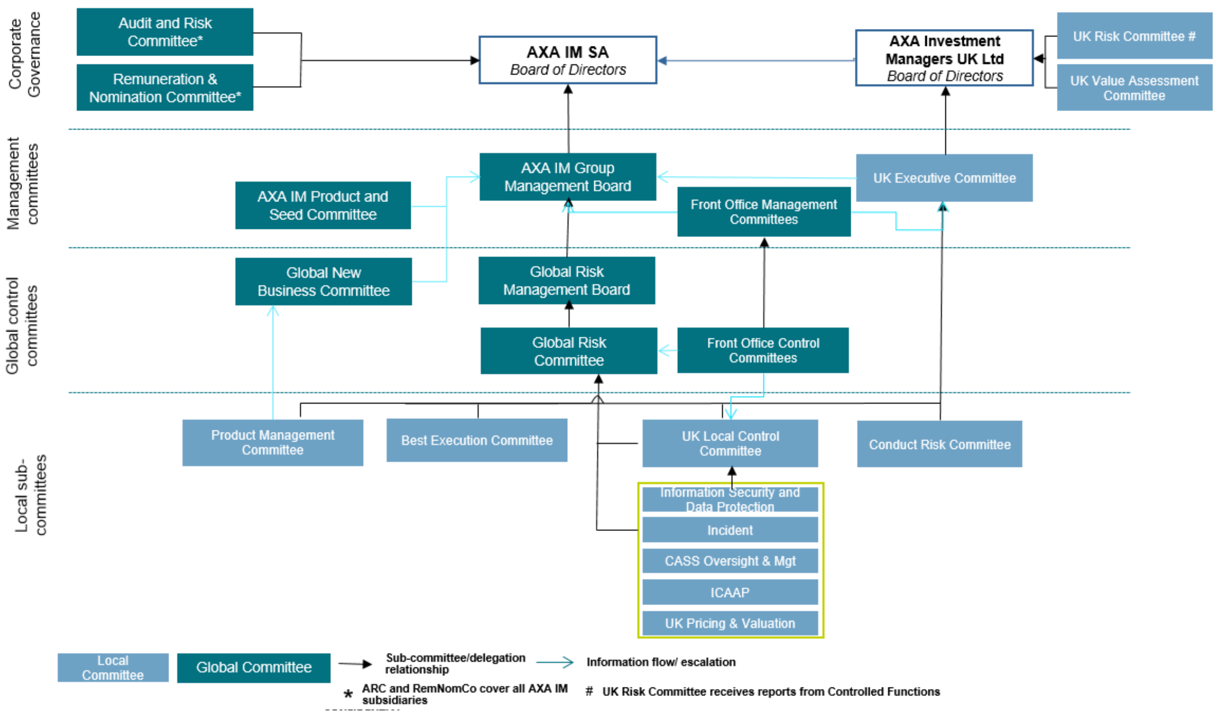
Scenario analysis and stress testing are performed to assess the Firm's exposure to severe but plausible events and to ensure that appropriate mitigating factors are in place. Any residual risk is then mitigated by setting aside capital to meet the potential worst case scenario.

The Firm's UK Board formally reviews the Firm's ICAAP at least annually, with more frequent reviews performed if circumstances require. The ICAAP is used to support the Firm's key decision making throughout its business.

3.3. Corporate Governance Structure

The Firm's corporate governance structure, which encapsulates its Risk Management Framework, is illustrated in Figure 3.

Figure 3: the Firm's corporate governance structure, including its Risk Management Function



The governing body of the Firm is the UK Board, which recognises that risks will be present throughout the activities that the Firm undertakes. The UK Board is responsible for providing governance oversight in respect of the Firm's Risk Management Framework so that risks are adequately identified, assessed, managed where possible or mitigated and protecting the assets of both the Firm and that of its clients'. The UK Board executes these responsibilities through the following relevant UK and global committees, as illustrated in Figure 3:

UK committees:

- UK Risk Committee (UK Board committee);
- UK Value Assessment Committee (UK Board committee);
- UK Executive Committee (sub-committee of the UK Board);
- UK Conduct Risk Committee (sub-committee of the UK Executive Committee);
- UK Best Execution Committee (sub-committee of the UK Executive Committee);
- UK Product Management Committee (sub-committee of the UK Executive Committee) and
- UK Local Control Committee (sub-committee of the UK Executive Committee).

Global committees:

- Group Management Board;
- Audit and Risk Committee;
- Global Risk Committee;
- Global New Business Committee;
- Remuneration & Nomination Committee;
- Global Risk Management Board;
- Front Office Control Committees;
- Expertises' Management Committees;
- Product and Seed Committee; and
- Executive Crisis Committee.

The UK Board meets on at least a quarterly basis and comprises three non-executive directors and several executive directors.

The UK Board has a standing agenda and receives a board pack comprising, but not limited to:

- Report of the Head of UK;
- Reports of Business Heads on the Firm's business activities;
- Risk Report;
- UK Compliance Report;
- UK Finance Report;
- Report of the Firm's CF10a on Client Assets;
- UK Operations Report; and
- Human Resources Report.

Each of the Firm's UK Committees has terms of reference detailing its responsibilities, membership and reporting and escalation requirements, and these are reviewed at least annually.

The UK Risk Committee provides oversight, challenge and advice to the UK Board in fulfilling its responsibility regarding the Firm's risk management and related governance. The scope of the UK Risk Committee extends to all activities of the Firm. The membership of the UK Risk Committee is approved by the UK Board and comprises the UK Board's non-executive directors. The UK Risk Committee meets at least quarterly and during 2019 it met five times.

The responsibilities of the UK Risk Committee comprise:

- providing advice to the UK Board on the Firm's risk profile, risk appetite and risk tolerance to enable their alignment with the Firm's strategy, taking into account significant risk exposures or risk types, and the Firm's capacity to manage and control

risks within the defined strategy, and assisting the UK Board with overseeing the implementation of the Firm's strategy;
- Advising the UK Board on the amount of surplus regulatory capital that needs to be held to be commensurate with the Firm's risk appetite and regulatory obligations;
- Providing oversight, advice and challenge of the Firm's Risk Management Framework, including assessing thereof against required standards;
- Empowering the Firm's risk management culture through its oversight, advice and challenge of the Firm's Risk Management Framework.

The UK Chief Risk Officer ("UK CRO") has the right and responsibility to elevate issues to the Committee Chairman outside of the regular Committee meetings where he/she considers it necessary in the furtherance of his/her responsibilities.

At least once a year the UK Risk Committee meets purely with the UK CRO to discuss relevant risk matters, including but not limited to, the UK Risk Committee's role and responsibilities.

Of the above mentioned UK Board pack, relevant reports are submitted in advance to the UK Risk Committee for their consideration in forming part of the UK Risk Committee's responsibilities.

All appointments for directors (whether executive or non-executive) are governed by the Directors & Officers Nomination Policy of AXA IM. The selection of directors is based in particular on their integrity, experience, skills, diversity and professional competence in comparison with the role description and capabilities required for a particular appointment, taking care that candidates have sufficient time available to perform the role. The Firm's belief is that each member of the UK Board must have the skills, experience and knowledge that will enable them to contribute effectively both as an individual and collectively as a UK 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 and the number of directorships already held by the proposed candidate within or outside of the AXA IM Group. Once a candidate is identified, the nomination is presented to AXA IM's Remuneration Committee for its review and validation, which is subsequently followed by that of 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.

Appendix A provides individual director biographies detailing their respective knowledge, skills and experience, as well as the number of directorships held by each individual director.

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, are adequate to provide appropriate management of the Firm's key risks in the context of its profile and strategy.

3.5. Risk profile and appetite

3.5.1. Risk profile

The Firm's business activities include:

- Investment Management;
- Authorised Corporate Director ("ACD") for Open Ended Investment Companies ("OEICs") and Management Company for Unit Trusts in the UK;
- Full scope AIFM for investment vehicles;
- Distribution of investment services to institutional and wholesale clients as well as client servicing;
- Marketing and distribution for the UK fund ranges as well as other fund ranges from AXA IM Group; and
- Trading activity, placing orders with third parties in respect of the Rosenberg Equities platform and in other limited cases for other investment expertises.

The Firm is exposed to various risks, some of which derive directly from the Firm's business strategy and structure while others are pertinent to its business activities of investment management, and are therefore industry wide.

The Firm's assessment of its risk profile, and therefore related capital charge requirement ("CCR"), determines that the most significant risk exposures are:

- Credit risk and
- Operational risk comprising (top risks by capital charge):
  - ➢ Order initiation error, transaction loading error - Core Investments;
  - ➢ Breach of Guidelines;
  - ➢ Cyber Attack - Global infection by a malware;
  - ➢ Fund Liquidity Management Failure; and
  - ➢ Order Initiation error – Focus on Large Institutional Transactions

The Firm funds its balance sheet primarily through capital and retained profits.

The Firm maintains excess liquidity in order to meet day-to-day funding requirements, withstand a range of liquidity shocks and stressed events and adhere to regulatory requirements.

3.5.2. Risk appetite

The setting of risk appetite is a process to decide the level of risk, and which kinds of risk, that the Firm is willing to accept to achieve its strategic objectives. The Firm's Board is responsible for setting its Risk Appetite.

The Firm's risk appetite collectively articulates the material risks the Firm is willing to accept in executing its business strategy. Providing a client centric offering is at the core of the Firm's strategy and therefore its approach to culture, conduct and treating customers fairly is inherent within the Firm's Risk Appetite Statement (RAS).

The UK Board note that the Firm's approach to determining its risk appetite will be influenced by market and economic factors, and therefore reviews these elements on a periodic basis, taking into account the market volatility of the investment segments managed and distributed in the UK and in the context of the strategic development of the business and its projected profits and regulatory capital.

It should be noted in relation to Operational Risk Appetite that whilst the Firm may be willing in pursuit of its goals to accept significant operational risks, in practice it seeks to put action plans in place for much lower thresholds of loss. This is controlled via the Firm's incident management process.

The Firm is profitable and has a sound capital base, including a strong cash position and the proactive support of its parent, AXA IM.

The overall risk appetite of the Firm comprises the following:

- *Earnings*
  Withstand losses (after management action without changing the existing scope of business) for a maximum period of three consecutive years with a short term prospect of recovery afterwards, without breaching regulatory capital requirement thresholds of the Firm.

- *Capital*
  Hold capital to be able to satisfy regulatory capital requirements, under severe but plausible stress scenarios, and maintain a surplus to requirements.

- *Liquidity*
  To avail with less than one week's notice, liquid resources adequate to meet the Firm's Liquid Asset Requirement ("LAR"), even under severe but plausible stressed scenarios.

- *Conduct*
  The Firms have zero tolerance for unlawful or unethical conduct or any behaviour that results in poor outcomes for its clients, undermining the integrity of the financial markets and reputational damage for AXA IM. In quantitative terms, the Firms' has zero appetite for Conduct Risk.

Should the risk appetite be breached, management action would be taken to either raise more capital or reduce the risk profile of the Firm, which in an extreme scenario may lead to wind-down.

Additionally, the UK Board sets limits on standalone operational risks.

3.5.3. Policies for Hedging and Mitigating Risk

The policies for hedging and mitigating risk are tailored to the Firm's risk appetite (either on the overall appetite or on the appetite for individual risks (as referred to in the sections and sub-sections of 3.6 below). Should the risk appetite be breached,, management action would be taken to either raise more capital or reduce the risk profile of the Firm, which in an extreme scenario may lead to wind-down. The Firm's exposures compared to risk appetite are measured via Key Risk Indicators (KRIs).

3.6. Key risks

The following table indicates the category of risks to which AXA IM UK is exposed using the typology set out in the FCA rules along with the Firm's initial identification process for each category of risk. Some risks are not applicable to the Firm's business model, and these are noted in the table. It should be noted that these are initial identification procedures and the aforementioned Monitor and Review stage facilitates a continual assessment of these risk exposures.

Type of Risk	Description	Initial Identification Procedure
Credit & counterparty risk	The risk of loss arising from the default of a counterparty	Exposures from balance sheet identified for Pillar 1 made by Finance and further analysis on these exposures made by Risk on any additional risks that may be entailed
Market Risk	The risk of loss arising from fluctuations in the value of assets	Exposures from foreign exchange balances identified for Pillar 1 calculations made by Finance and further analysis on these exposures made by Risk on any additional risks that may be entailed. With regards to the seed investments held by the Firm on its balance sheet, these are considered under credit risk as described above as opposed to market risk as the movements in market values are deemed to be immaterial due to the size of the investments.
Operational Risk	The risk of loss arising from operational failures or inadequacies	Identified via dedicated workshops attended by representatives of Operational Risk and senior management from the investment platforms, trading teams, Client Group, support functions and the

Type of Risk	Description	Initial Identification Procedure
		controls functions.
Liquidity Risk	The risk that assets are insufficiently liquid to meet liabilities as they fall due in the books of the investment manager	Identified as set out in the liquidity risk management plan
Insurance Risk	The risk associated with the uncertainties of insurance liabilities	N/a- the Firm has no insurance liabilities
Concentration Risk	The risk arising from concentrations, including those in assets, liabilities or shareholders	Concentration risk is identified in a number of ways: (1) Incorporated within analysis of credit & counterparty risk (e.g. large debtors) (2) Via dedicated workshops attended by representatives of Finance, Risk and senior management from the investment platforms, trading teams and Client Group to identify other concentration risks (such as key clients, concentration to key fund managers), which are then considered for inclusion within the stress testing process.
Residual Risk	The risk that credit risk mitigation is less effective than expected	N/a- the Firm does not take advantage of credit mitigation techniques in its analysis
Securitisation Risk	The risk that capital resources held against a securitised transaction are insufficient	N/a- the Firm does not conduct securitised transactions on own book
Business Risk	The risk arising from a change in business, both as a result of internal decisions and external factors and events including risk arising from a firm's remuneration policy	Identified via dedicated workshops attended by representatives of Finance, Risk and senior management from the investment platforms, trading teams and Client Group.
Interest Rate Risk	The risk arising from the movement in interest rates, including any impact on the capital resources of the firm;	Identified and stressed if deemed of significant nature
Pension Obligation Risk	The risk from contractual liabilities arising from a defined benefit pension scheme and any liabilities arising from moral obligation	Assessment of actual and potential pension liabilities made by the relevant teams.
Group Risk	The risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group, for example	Not identified as a standalone risk but incorporated into analysis of other risks (e.g. credit & counterparty risk for intra group balance sheet items, certain operational risks where reliance is placed on services provided by the Group and also on wind down analysis and reverse stress testing where reputational contagion is factored in).

Type of Risk	Description	Initial Identification Procedure
	reputational contagion.	
Conduct Risk	The risk arising from the Firm's behaviour that results in poor outcomes for its clients, undermining the integrity of the financial markets and reputational damage for AXA IM.	The Firm's Conduct Risks are identified via the execution of a Conduct Risk Assessment ("CRA"), which addresses the Firm's key drivers of Conduct Risk and is incorporated within the Firm's Risk Management Framework. The CRA is undertaken applying the Firm's risk assessment methodology.

3.6.1. Individual Risk appetite statements for Non-Operational Risks:

The Firm has three levels of risk appetite for business risk: High, Medium and Low, which are defined below.

High: this level is applied to risks which are inherent to the Firm's activities and where there is an affirmative decision to remain exposed. From a quantitative perspective in severe but plausible circumstances the Firm may expect these risks, or a combination of these risks to use up the bulk of the Firm's overall Risk Appetite (possibility that the Firm could experience a loss in any given year or combination of years).

Medium: this level is applied to risks which are inherent to the Firm's activities, where risk reducing strategies have been identified and implemented, but where a significant degree of residual risk is accepted. From a quantitative perspective even in severe yet plausible circumstances the Firm should be profitable in any given year but that the effect would be significant.

Low: this level is applied to risks to which the Firm is exposed and that it would like to eliminate - to the extent possible - and for which risk reducing strategies have already been identified and implemented. From a quantitative perspective even in severe but plausible circumstances it would either not be expected that any event would be triggered (risk considered as remote) or that any losses would be comfortably absorbed within current year profits.

The Firm's key non-operational risks have been identified as follows:

- *Credit Risk: Counterparty and liquidity risk on own financial resources*
  Policy is that wherever possible, cash balances and debtors should be subject to low credit risk

- *FX risk on foreign currency cash and debtors balances* **(***NOTE- the Firm does not take other forms of market risk on its asset base since it has no investments of its own aside from immaterial holdings for seed purposes nor trades on its own account)*
  Risk appetite is to maintain surplus foreign currency cash balances below agreed thresholds.

- *Client concentration*
  The Firm is prepared to take significant concentration risk on its client base although ideally its strategy would result in a further diversification of the base.

- *Key Fund Manager dependency*
  The Firm is willing to accept the risk that it relies on some key fund managers as part of its business model, although succession planning strategies are designed to mitigate the risk.

- *Price compression risk*
  The business plan of the Firm already includes conservative pricing compression assumptions in the industry.

- *Innovation & underperformance risk*
  The risk covered in this section is the risk of not being innovative or products underperforming to meet clients' needs. Innovation is seen as a key element of AXA IM's success and entrepreneurship is one of the core values of AXA IM.

- *Market downturn risk*
  A substantial amount of the Firm's revenues are correlated to Assets Under Distribution (AUD), which are in turn highly correlated to market performance and excess (alpha) generation. The decision has been taken not to hedge the Firm's AUD-related revenue exposure.

- *FX risk on foreign currency revenues/ expenses*
  Risk appetite for impacts arising from adverse movements in foreign exchange rates on its revenues and expenses is not hedged.

- *Inflation / Deflation risk*
  The Firm's business is prepared to be exposed to the impacts of severe inflation and severe deflation as part of its business model. These macro-economic factors have a direct impact on market performance of the Assets Under Distribution (AUD), which is in turn correlated to the level of revenues the Firm generates. In addition, the level of inflation/deflation impacts the overhead costs of the Firm.

- *UK's future relationship with the EU Risk*
  The Firm is willing to accept the financial consequences of a removal of the delegation model, although this risk is not seen as plausible at the present time. The Firm has appropriate planning in place to ensure that the level of disruption caused to clients is minimised to the extent possible, whatever the outcome.

- *Key Outsourced Service Provider risk*
  Whilst the Firm is willing to delegate a number of key activities to outsourced providers, it has a low tolerance to the disruption to clients of an insolvency

- *Product Mis-management risk*
  The Firm has an approach that seeks fair outcomes to its clients and as part of that it seeks to implement product objectives that are achievable given their strategy via careful assessment of the product at launch and ongoing monitoring.

- *Interest rate risk on balance sheet investments*
  The Firm does not include significant interest income within its business model and excludes the take on of liabilities subject to variable interest rates.

- *Risk of obligation to provide extra funding to meet pension fund liabilities*
  The Firm no longer has any active members in the defined benefit scheme and has no plans to accept further pension liabilities as part of its business model.

At 31 December 2019, the Firm was in compliance with its regulatory requirements.

3.6.2. Operational risks

The UK Board has validated the Firm's appetite for a single operational risk loss at two levels, Alert and Limit. All operational risk quantifications are reviewed against these levels and any quantification or actual loss above the Alert level are escalated in accordance with the Firm's internal escalation process for appropriate action to be taken.

The Firm's Incident Escalation policy determines the necessary actions in response to an incident, varying by grade of significance, including thresholds which require the convening of an Incident Committee where the incident is reviewed and recommendations are issued for the rectification of the incident, and mitigations proposed to manage the risk of future reoccurrence of the incident.

The UK Board sets maximum risk appetite limits for standalone risks.

The following provides a high-level summary of the Firm's operational risk quantification methodology:

- *Identification and measurement*

  Bottom up and top down risk assessment processes are undertaken to identify the main operational risks (both existing and emerging) of the Firm, which in turn are used to develop operational risk scenarios that are periodically challenged to confirm their appropriateness. The Firm utilises internal and external data, depending on each scenario, to assess the frequency rate and impact severity of each scenario via a series of workshops involving representatives from the relevant business areas and operational risk. These scenarios are subsequently challenged through relevant governance committees of the Firm. The resulting assessments of frequency and impact severity are applied using a statistical model to quantify the related capital requirement for each scenario.

- *Aggregation and correlation*

  Not all risks are expected to occur simultaneously; a correlation matrix is applied to the aggregation of the operational risks. The resulting aggregation equates to the Firm's Operational Risk Capital Charge ("ORCC"), which is incorporated into the Firm's ICAAP via Pillar 2.

Through established governance forums consisting of appropriate representatives from the business, operational risk and members of senior management, the Firm's operational risk scenarios and related capital quantification are ultimately challenged and validated.

The Firm's key operational risks have been identified as follows:

- *Process and execution risk*

  Process and execution risk is the potential loss resulting from:
  - ➢ Inadequate or failed internal or external processes (e.g. execution processes or reconciliation processes); and
  - ➢ Inadvertent or deliberate staff process execution (errors, fraud).

- *System risk*

  System risk is the potential loss resulting from software or hardware failures affecting information systems. System risk covers:
  - ➢ Project management risk;
  - ➢ System development risk;
  - ➢ System test risk; and
  - ➢ System operations and incident management risk.

- *External event risk*

  External event risk is the potential loss resulting from external events (e.g. terrorist attacks, wars, natural disasters) including:
  - Loss of (access to) information;
  - Loss of (access to) building; and
  - Vendor / Partner disruption.

- *Human Resources ("HR") risk*

  HR risk is the potential loss resulting from:
  - Lack of recruiting capacities;
  - Deficiencies in people's abilities and skills; and
  - Inability to retain key people within the organisation.

- *Modelling risk*

  Modelling risk is the potential loss resulting from inadequate, inaccurate or failed model methodology or valuation calculation errors. Modelling risk covers:
  - Pricing of contracts with internal model: the model may contain mathematical error, or a wrong implementation or usage of a model may occur; and
  - Accuracy of market data or unobservable parameters which feed the internal model.

- *Investment guidelines risk*

  Investment guidelines risk is the potential loss resulting from client compensation due to fund manager or model breach of:
  - Regulatory guidelines (imposed by local regulators); and
  - Client guidelines (approved by clients).
- *Valuation risk*

  Valuation risk is the potential loss resulting from failures in the valuation process resulting from:
  - Human errors;
  - Process failure; and
  - System error or failure.

- *Mis-selling risk*

  The potential loss resulting from client compensation due to: mismatch between sales/marketing action and actual product characteristics; inadequate client type compared to the product characteristics or complexity; and not managing a product in accordance with proposition sold to client.

- *Regulatory (Compliance) risk*

  Failure to comply with regulatory requirements on asset management activities.

- *Legal risk*

  Potential loss resulting from breach of laws (including licence), contracts, product documentation or internal legal standards and policies.

3.6.3. Conduct risk

The Firm strives for the shared goals and behaviours of collaboration, openness, respect, accountability and trust, with customer-centricity at the heart of what it does. Based on this philosophy, the Firm's UK Compliance Code of Conduct is its guide to putting this philosophy into practice as part of the Firm's everyday working life.

Conduct risk is specifically defined by the Firm as the risks arising from its behaviour that will result in:

- poor outcomes for its clients;
- reputational damage for the Firm and
- undermining the integrity of the financial markets (collectively defined as "Conduct Risk").

The Firm has zero tolerance for unlawful or unethical conduct or any behaviour that compromises its values, thereby breaching its UK Compliance Code of Conduct, and which will result in disciplinary action.

The Firm's Conduct Risks are identified via the execution of a Conduct Risk Assessment ("CRA"), which addresses the Firm's key drivers of Conduct Risk and is incorporated within the Firm's Risk Management Framework. The CRA is undertaken applying the Firm's risk assessment methodology.

Conduct Risk may arise inadvertently or deliberately in any of the Firms' activities or businesses; wholesale and institutional. Through the CRA the Firm takes all appropriate steps to identify, prevent or manage its Conduct Risks in the best interests of its clients, applying a control environment that incorporates appropriate systems and controls, reporting and governance processes.

4. Own funds

4.1. Capital resources

Own funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to absorb losses. The Firm is required to hold capital resources in sufficient quantity and quality in accordance with CRD IV, which sets out the characteristics and conditions of own funds.

The AXA IM UK Consolidated Supervisory Group capital resources as at 31 December 2019 are analysed in Table 1a, comprising only CET1. In accordance with Article 437(1)(a) a reconciliation of regulatory own funds of the AXA IM UK Consolidated Supervisory Group to the balance sheet in the audited financial statements of the Firm as at 31 December 2019 is provided in Table 1b.

Table 1a: the AXA IM UK Consolidated Supervisory Group capital resources as at 31 December 2019

Balance sheet description	Own funds (£'m)	Appendix B reference
Share capital	3.5	a
Share premium	2.7	b
Retained earnings	18.2	c
Other reserves	32.6	d
Total CET1, Tier 1 Capital and own funds	**57.0**	e

Table 1b: reconciliation of regulatory own funds of the AXA IM UK Consolidated Supervisory Group to the balance sheet in the audited financial statements of the Firm as at 31 December 2019

Balance sheet description	Own funds of the AXA IM UK Consolidated Supervisory Group (£m)	Per the audited financial statements of the Firm (£m)	Variance (£m)	Explanation for variance	Appendix B reference
Share capital	3.5	20.0	(16.5)	Consolidation elimination adjustment	a
Share premium	2.7	-	2.7	Consolidation elimination adjustment	b
Retained earnings	18.2	15.7	2.5	Consolidation elimination adjustments	c
Other reserves	32.6	20.7	11.9	Consolidation elimination adjustment	d
Total CET1, Tier 1 Capital and own funds	**57.0**	**56.4**	**0.6**	-	e

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 common reporting ("COREP") Own Funds.

4.3. Capital Instruments Main Features Template

The Capital Instruments' Main Features Template required by Article 437(1)(b) of the CRR is disclosed in Appendix C.

4.4. Capital ratios

As the Firm only has CET1 capital, as at 31 December 2019 the CET1, the Tier 1 and the Total Capital Ratios are all 17.3%.

4.5. Encumbered assets

The Firm does not have any encumbered assets. The carrying value of the unencumbered assets at 31 December 2019 amounted to £193.3m (as per the audited financial statements of the Firm).

5. CAPITAL REQUIREMENTS

5.1. Pillar 1 capital requirement

The Firm is an IFPRU €125,000 Limited Licence CPMI firm. The Pillar 1 capital requirement for the Firm is set out in Article 95(2) of the CRR and is the higher of:

- its base capital requirement of €125,000;
- the sum of its market risk and credit risk requirements; and
- its Fixed Overhead requirement ("FOR").

Table 2: Pillar 1 capital requirement as at 31 December 2019

All £'m	Capital Requirement	Comments
Pillar 1		
Credit risk + Market risk (1)	11.6	See sections 5.2 and 5.3 below
Fixed Overhead Requirement ("FOR") (2)	26.4	25% of the annual fixed overheads of the Firm
Base capital resource requirement of €125,000 (3)	0.1	
Total Pillar 1	**26.6**	The higher of (1), (2) and (3) plus £0.2m of professional negligence capital requirement

5.2. Pillar 1 credit risk capital requirement

The Firm has applied the standardised approach for credit risk for calculating the minimum credit risk requirement under Pillar 1 of CRD IV.

The Firm has credit risk exposure as a result of non-trading book exposures. The Firm has no trading book and therefore no counterparty risk exposure.

Credit risk is the exposure to loss arising from counterparties' (trading and non-trading) failure to meet their contractual obligations, either as a result of business failure or intentional withholding of amounts due. An exposure is classified as past due if a counterparty has not made payment by the contractual due date, while it is impaired when the carrying value exceeds the amount expected to be recovered through use or sale. The Firm assesses its financial assets for indications of impairment on an on-going basis.

The Firm is required to hold own funds in excess of 8% of their total credit risk exposure amount (referred to as Risk Weighted Asset, "RWA"). Table 3 analyses the Firm's RWA and credit risk requirement by exposure class.

Table 3: Credit risk requirement by exposure class as at 31 December 2019

All £'m	Credit risk exposure	Credit risk exposure RWA	Credit risk requirement 8%
Institutions	85.3	20.7	1.7
Corporates	107.7	107.7	8.6
Items associated with particularly high risk	0.3	0.3	0.0
Total	**193.3**	**128.7**	**10.3**

Table 4: Credit risk exposure by geographical distribution

All £'m	UK £m	Continental Europe £m	Other £m	Total £m
Institutions	74.8	9.4	1.1	**85.3**
Corporates	10.0	93.2	4.5	**107.7**
Items associated with particularly high risk	0.3	-	-	**0.3**
Total	**85.1**	**102.6**	**5.6**	**193.3**

As at 31 December 2019, the Firm's credit risk exposures were either due on demand or within 30 days.

The Firm makes provisions against specific bad and doubtful debts. As at 31 December 2019, there was a £nil bad debt provision, and there were no impairments made during the year.

Table 5: Debts due from clients that are past due but not impaired as at 31 December 2019

	UK £m	Continental Europe £m	Other £m	Total £m
Less than 3 months past due				
Corporates	-	0.0	0.0	**0.0**
Greater than 3 months past due				
Corporates	0.0	-	-	**0.0**
Total	**0.0**	**0.0**	**0.0**	**0.0**

As at 31 December 2019, the Firm does not apply any credit risk mitigation techniques, such as financial collateral or guarantees, in the calculation of its Pillar 1 credit risk requirement.

The Firm does not apply the Internal Ratings Based Approach (IRB) to credit risk and therefore the disclosures required by Article 452 of CRR are not applicable.

5.3. Pillar 1 market risk capital requirement

Market risk is the risk that market movements, including foreign exchange rates, interest rates and equity prices have an adverse impact on the Firm's capital, revenues and profitability. The Firm's primary exposure to market risk under Pillar 1 arises from foreign currency positions that are unhedged.

Pillar 1 market risk for the Firm is in respect of foreign exchange Position Risk Requirement ("PRR"). The Firm is exposed to foreign exchange risk as a result of transactional foreign exchange exposures arising from its operating activities; these are primarily executed in Euro and US Dollar.

Risk appetite limits are set for market risk and foreign exchange exposures are monitored by the Firm and regularly reported to appropriate governance committees.

The Firm applies the standardised approach to determine its market risk capital requirement. The Pillar 1 PRR for foreign exchange is calculated in accordance with Articles 351 and 352 of CRR. The net open positions in each currency are assessed to determine an overall net foreign exchange position, which is then multiplied by 8% to calculate the Firm's PRR.

As at 31 December 2019, the Firm's net foreign exchange position was £15.8m, requiring a PRR of £1.3m.

5.4. Pillar 1 fixed overhead requirement (FOR)

The Firm's FOR is calculated in accordance with Article 97 of CRR. As at 31 December 2019, the RWA was £329.9m, based on 25% of the related annual fixed overheads of the Firm, which provided a FOR of £26.4m.

5.5. Use of the Advanced Measurement Approaches to operational risk

The Firm does not use the Advanced Measurement Approach to operational risk and therefore the disclosure requirements of Article 454 of CRR are not applicable.

5.6. Use of Internal Market Risk Models

The Firm does not use Internal Market Risk Models and therefore the disclosure requirements of Article 455 of CRR are not applicable.

5.7. Pillar 1 total risk exposure amount ("TREA")

The Firm is required to hold own funds in excess of 8% of its TREA. As a Limited Licence firm the TREA is the higher of the sum of credit risk and market risk, or FOR. The TREA is therefore £329.9m.

5.8. Pillar 2 ICAAP

Credit risk quantification under Pillar 2 is equivalent to the standardised Pillar 1 quantification noted above, with a forward looking analysis of the maximum expected exposures taken into account. In managing its credit risk:

- With regard to bank deposits, the Firm deposits money only with approved counterparties on agreed terms;
- For sales debtors in its retail funds, the risk of not receiving sums due is mitigated as the Firm has the ability to cancel unpaid units and shares; and
- For segregated mandates, provision for non-payment of fees is governed by the agreements with those clients.

Market risk quantification under Pillar 2 is equivalent to the standardised Pillar 1 quantification. As noted above, the Firm has market risk only in respect of foreign exchange, which arises on foreign currency debtors and bank balances, primarily held in Euro and US Dollar.

Business risk quantification is determined by modelling stress scenarios over a five year period; the Firm manages any subsequent losses via management action and initially absorbing profits before subsequently drawing on capital where the Firm makes a loss.

Refer to section 3.6.2 for quantification methodology applied in respect of operational risk.

Refer to section 3.2 for further commentary on the Firm's ICAAP process.

5.9. Exposures in equities not included in the trading book

The Firm does not trade as principal. Exposure to equities non-trading book relate to seed capital, which is defined as capital invested in funds at their launch with the intention of ensuring that the fund is of sufficient size to represent a viable offering to clients or to enable the fund manager to develop a commercially attractive track record. Seed capital holdings are marked to market and the Firm has a related low risk appetite which the Firm manages via controlling the level of its exposure in seed capital to an appropriate level. As at 31 December 2019, the exposure was £0.3m and is considered as part of the Firm's credit risk exposure. For the year ended 31 December 2019 the cumulative realised gains and losses arising from sales of seed capital was £nil. As at 31 December 2019, the total unrealised gain for the year was approximately £7,000.

5.10. Exposure to interest rate risk on positions not included in the trading book

The Firm has not entered into long term fixed rate contracts, liabilities or off-balance sheet positions. Cash deposits are typically on overnight terms, no fixed rate liabilities exist nor is any interest rate hedging undertaken by the Firm. Generally, the Firm does not have interest rate risk exposure within its non-trading book, except on cash deposits and an intercompany loan receivable.

5.11. Exposure to securitisation positions

The Firm does not have any exposure to securitisation positions.

5.12. Leverage ratio

The Firm has applied the exemption permitted by Articles 6 and 16 of CRR and therefore no leverage ratio disclosure is required as part of this Document.

5.13. Use of External Credit Assessment Institutions

The Firm calculates risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2 of the CRR. The External Credit Assessment Institutions (ECAIs) used by the Firm are Standard & Poor's, Moody's and Fitch across all exposure classes. Where counterparties have more than one rating, the lowest rating is used. The ECAI's credit assessment is used to determine the credit quality step of each exposure using the standardised mapping.

5.14. Proposed new prudential regime for Investment Firms

In September 2017, the European Banking Authority ("EBA") issued a recommendation on the design of a new prudential framework for investment firms. The new prudential regime aims to create a framework within which the capital, liquidity and other key prudential requirements and corresponding supervisory arrangements are sufficiently robust to capture the risks of investment firms in a prudentially sound manner. The scope of the new proposal covers all MiFID licensed investment firms excluding UCITS and AIFMs. The new rules are expected to be in force in 2021.

6. Remuneration Policy

The following disclosures are made in accordance with the requirements of Article 450 of CRR. 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 strategy, objectives, and risk tolerance, as well as the long-term interests of AXA IM's shareholders, clients 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 Management Board and approved by the Remuneration Committee, the composition of which are 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 and the managed funds, 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 ensuring corporate responsibility that will provide the best results to AXA IM's clients over the long term, which in turn will ultimately strengthen AXA IM through higher client and asset retention.

6.3. Remuneration Structure and the Link Between Pay and Performance

Remuneration is structured to reward:

- organisational responsibility, professional experience and individual 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 clients and AXA IM through AXA IM Performance Shares with a duration of maximum ten years;

- long term value creation for the AXA Group through the AXA LTI (made up of AXA Stock-Options and/or 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 takes 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 earning more than a specified minimum threshold of Overall Variable Pay. For employees subject to the automatic deferral policy, a minimum level of AXA IM Deferred Pay will be awarded as a proportion of the employee's AXA IM Variable Pay. The level of the AXA IM Variable Pay subject to deferral depends on (i) the amount of the employee's Overall Variable Pay or Total Remuneration and (ii) whether the employee is subject to remuneration regulations and is considered an "Identified 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 Variable Pay pools and performance adjustment taking into consideration all relevant types of current and future risks).

6.7. Vesting Conditions

The vesting of AXA IM Performance Shares only is subject to a performance condition which is 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; 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
- Where there is significant failure of risk management in relation to AXA IM, any of its funds or business units.

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 underlying earnings. 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 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 met five times during 2019.

External consultants (Linklaters and Ernst and Young) 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 who effectively conducts the business of an AXA IM entity regulated by EU Directives.
- 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 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, the employee would be considered an Identified Employee if he/she is assessed as having a material impact on a regulated in accordance with the AXA IM Entity's risk profile or the risk profiles of the portfolios that it manages.

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

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

6.11. Quantitative remuneration disclosures

The Firm's 2019 remuneration analysis for Identified Employees where quantitative remuneration disclosure is required is analysed in Table 6. The disclosure is in respect of one business area, asset management, which is the Firm's principal business activity.

Table 6: 2019 remuneration disclosures

	Senior management	Other Identified Employees	Total
Headcount[3]	**0.6**	**49.6**	**50.2**
2019 Remuneration (£m)[4]	**0.62**	**18.77**	**19.39**
Fixed	0.17	7.24	7.41
Variable	0.45	11.53	11.98
Variable (£m):			
Cash	0.19	6.16	**6.35**
Deferred cash	0.16	5.23	5.39
LTIPs	0.06	0.08	0.14
Other	0.04	0.06	0.10
Deferred remuneration (£m):			
New awards granted in the year	0.19	5.42	5.61
Amount of reductions due to performance adjustments in the year	0.00	0.01	0.01
Deferred remuneration paid out during the year	0.07	3.81	3.88
Value of units forfeited in the year	-	-	-
Value of units vested in the year	-	-	-
Value of units exercised in the year	-	0.04	0.04
Outstanding at 31 December 2019	**0.46**	**14.72**	**15.18**
- of which vested	0.05	-	**0.05**
- of which unvested	0.41	14.72	15.13

[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.

	Senior management	Other Identified Employees	Total
Individuals earning more than €1m	-	4	4
From €1m to < €1.5m	-	4	4
From €1.5m to < €2m	-	-	-
From €2m to < €2.5m	-	-	-
From €2.5m to < €3m	-	-	-
From €3m to < €3.5m	-	-	-
From €3.5m to < €4m	-	-	-
From €4m to < €4.5m	-	-	-

There were £644k of severance payments made during the year ended 31 December 2019, as prorated for this Firm.

APPENDIX A – BIOGRAPHIES OF THE FIRM'S DIRECTORS[5]

<table>
<tr><th>Name</th><th>Position with AXA IM</th><th>Directorships</th></tr>
<tr><td>Philippe Le Barrois d'Orgeval</td><td>Head of UK</td><td>2</td></tr>
<tr><td colspan="3">• Head of AXA IM UK since January 2016. Previously Philippe was the AXA IM Chief Risk Officer from 2010 to 2015, and Global Head of Senior Expertise Risk Managers from 2006 to 2010.
• Previous positions include CIO of an investment expertise of AXA IM between 2003 and 2006, having previously been Head of Fund Research 2001 to 2003.
• Prior to joining AXA IM, Philippe held roles including Head of Equity Brokerage, Portfolio Manager and Buy-Side Analyst.</td></tr>
<tr><td>John Stainsby</td><td>Head of Client Group UK</td><td>1</td></tr>
<tr><td colspan="3">• John joined the Firm in July 2016 as Head of UK Client Group.
• Before joining AXA IM, John was managing director and head of the UK Institutional business at J.P.Morgan Asset Management. Previously he was head of client portfolio management for global equities in London and was an employee of J.P. Morgan Asset Management from 1999.
• Prior to this John spent four years as director and head of the London office of Lloyd George Management, an emerging market and Asian portfolio manager. Before this he spent 12 years with Schroders, working in London, New York and Singapore managing international equity portfolios for institutional clients.</td></tr>
<tr><td>Christof Kutscher</td><td>Non-Executive Director</td><td>2</td></tr>
<tr><td colspan="3">• Chairman of AXA IM since April 2014, and non-executive Board Director of the Firm.
• Previously held various roles for UBS between 2001 and 2012, including Head Asia Pacific for UBS Global Asset Management, member of UBS Group Managing Board / Group Managing Director of UBS AG. CEO for UBS Asset Management Switzerland and Head of Institutional & Wholesale Business, EMEA of UBS Asset Management.
• From 1999 to 2001, Christof was Chief Investment Officer, Member Executive Board, for LGT Capital Management, having previously acted as Head of Investment strategy from 1995 to 1997 for Swiss Bank Corporation and Global Co-Head of Asset Allocation of SBC/UBS Brinson from 1997 to 1999.
• Christof is a member of the National Association of Corporate Directors (NACD).</td></tr>
<tr><td>Colin Clark</td><td>Non-Executive Director</td><td>5</td></tr>
<tr><td colspan="3">• Colin has been a non-executive Board Director of the Firm since June 2018.
• Colin was most recently Head of Global Client Group at Standard Life Investments UK. Prior positions include Director at AIDA Capital UK and Chief Marketing Officer/Head Global Sales and Marketing Merrill Lynch Investment.
• Between 1983 and 1997, Colin worked in both the UK and US as Chief Marketing Officer / Head of Global Sales and Marketing for Mercury Asset Management.
• Non-Executive Directorships include Barchester Group, Rathbones PLC and Standard Life Investments and was asked to join the main Board at Standard Life in 2015 and he sat on this Board until the recent merger with Aberdeen Asset Management earlier this year.</td></tr>
<tr><td>Philip Barker (appointed January 2020)</td><td>Non-Executive Director</td><td>2</td></tr>
<tr><td colspan="3">• Phil has over 40 years continuous involvement in Financial Services and Asset Management.
• Phil was Head of EMEA Distribution at Aberdeen Standard Investments until the end of 2018.
• For nineteen years Phil was at Standard Life Investments before the merger with Aberdeen, latterly as Head of Global Sales. Responsible for business development and client services across all asset classes and client types including Wholesale and institutional. A member of the Global Client Group Management team and also the Operating Committee.
• Previous senior roles with M&G and Schroders. Career started with Sun Life.
• During his career Phil has been involved in numerous initiatives involving distribution, strategy, business planning, regulation, cultural alignment, training and development and change management.</td></tr>
</table>

[5] Correct as at 31 December 2019. Directorships within the AXA Group of companies are counted as one. This excludes dormant companies and non-commercial directorships.

APPENDIX B – OWN FUNDS DISCLOSURE TEMPLATE

Common Equity tier 1 capital: Instruments and reserves		(A) Amount at disclosure date	(B) Regulation(EU) No 575/2013 Article reference	Rec ref
Common Equity tier 1 capital: Instruments and reserves				
		£m		
1	Capital instruments and the related share premium accounts	6.2	26 (1), 27, 28, 29, EBA list 26 (3)	a + b
	of which: Instrument type 1	6.2	EBA list 26 (3)	a + b
	of which: Instrument type 2	-	EBA list 26 (3)	
	of which: Instrument type 3	-	EBA list 26 (3)	
2	Retained earnings	18.2	26 (1) (c)	c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	32.6	26 (1)	d
3a	Funds for general banking risk	-	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)	
	Public sector capital injections grandfathered until 01-Jan-2018	-	483 (2)	
5	Minority Interests (amount allowed in consolidated CET1)	-	84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	57.0		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7-28	These rows have been omitted as all entries would be blank			
29	**Common Equity Tier 1 (CET1) capital**	57.0		E
Additional Tier 1 (AT1) capital: Instruments				
30-44	These rows have been omitted as all entries would be blank			
45	**Tier 1 capital (T1 = CET1 + AT1)**	57.0		e
Tier 2 (T2) capital: Instruments and provisions				
46-58	These rows have been omitted as all entries would be blank	-	62, 63	
59	**Total capital (TC = T1 + T2)**	57.0		e

Common Equity tier 1 capital: Instruments and reserves		(A) Amount at disclosure date	(B) Regulation(EU) No 575/2013 Article reference	Rec ref
59a	These rows have been omitted as all entries would be blank	-		
60	**Total risk weighted assets**	329.9		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.3%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	17.3%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	17.3%	92 (2) (c)	
64-85	These rows have been omitted as all entries would be blank			

APPENDIX C – CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE

Capital instruments main features template		
1	Issuer	AXA Framlington Group Limited
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	Consolidated
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)	£6.2m
9	Nominal amount of instrument	£0.05
9a	Issue price	NA
9b	Redemption price	NA
10	Accounting classification	Shareholder's Funds
11	Original date of issuance	Company incorporated on 11/12/1975
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

Capital instruments main features template		
29	If convertible, specify issuer of instrument it converts into	NA
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