



AXA IM Responsible Investment Policy

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Introduction

At AXA IM, our purpose is to act for human progress by investing for what matters. Responsible allocation and oversight of capital is therefore a key pillar of our corporate purpose. By considering sustainability factors throughout the investment process, we aim to create sustainable investment outcomes for our clients, which would in turn lead to broader societal and economic benefits over the long-term.

We have already seen signs that the global economy is starting to move to a more sustainable and equitable model over the next decade, and **we will take an active role in powering that transition**.

AXA IM believes the active consideration of ESG risks and opportunities is an important aspect of delivering long-term investment returns for our clients. We consider that responsible investment is relevant across different asset classes. Our approach is built around robustly integrating ESG assessment into our investment analysis and portfolio construction.

Responsible investment (RI) has been part of AXA IM's DNA since its founding in 1994, with the first dedicated RI mandate dating back to 1998. As a leading actor in the financial services industry, AXA IM believes that **integrating Environmental, Social and Governance (ESG) factors into financial decision-making is necessary** for multiple reasons:

1. It is instrumental in removing investments or underlying assets from portfolios when they cause exposure to high levels of ESG risks, which could ultimately affect financial performance;
2. It focuses on investing into assets and companies that have implemented best practices regarding the management of their environmental impacts, social and governance practices, and whose responsible practices leave them better prepared, in our view, to meet the major challenges of the future;
3. It supports long-term performance by means of active dialogue with investee companies on managing ESG concerns around investments and limiting our clients' exposure to ESG-related reputational risks, as well as through dialogue with other key stakeholders related to our investment activities to embed them in our ESG strategy (e.g., governments, real estate tenants, general partners).

Such an extra-financial approach to investments does not only protect our portfolios, but also the interest of our clients and society at large. To this regard, we consider that responsible investment is relevant across different asset classes.

At AXA IM, we advocate this approach by progressively incorporating ESG factors in all our asset classes, as well as by developing a range of innovative responsible and ESG-integrated, sustainable and impact products. Our **RI framework**, which covers all these efforts, is structured around three pillars:

1. **ESG quantitative and qualitative research;**
2. **Exclusion policies;**
3. **Stewardship policies;**

In addition to the above main pillars, we **design ESG-integrated products across a wide range of approaches**, to adopt the reinforced integration sustainability risks and good governance practices on the majority of our listed assets under management (AuM) and to help clients target specific ESG goals around issues such as climate change, biodiversity, social progress, and many others. Our more ambitious fund ranges follow some ESG objectives by targeting one or more specific objectives related to the ESG pillars (e.g., carbon footprint, biodiversity positive impact) to further refine the investment universe. And, among these funds, all our Impact

funds target businesses and projects that can have an intentional, positive, measurable, and sustainable impact on society and/or the environment and report against impact criteria aligned to specific UN SDGs.

In an environment where regulators are putting in place new standards and requirements to specifically address greenwashing concerns – in particular at the EU- and country-level (e.g., France, Luxemburg, Belgium), AXA IM continually improves its RI categories and product offering to ensure they follow regulatory requirements (i.e., notably following Sustainable Financial Disclosure Regulation (SFDR) in the EU¹, the Sustainability Disclosure Requirements (SDR) in the UK² and the AMF Doctrine in France³) and are clear and understandable by clients.

Overall, our approach is built around robustly integrating ESG assessment into our investment analysis and portfolio construction. In addition, we utilise our investor rights by engaging investee companies in dialogue and by voting at shareholder meetings.

By integrating ESG risks and opportunities into our investment decisions and daily operations, we are convinced to create **long-term investment returns for our clients and contribute to a sustainable future**.

At AXA IM, we also connect our commitments as a responsible investor with the way we embed responsibility as a firm. We make decisions through our **Corporate Responsibility (CR) framework**, which brings to life our commitment to ESG through our own corporate behaviours. Based on the same ESG framework that we adopt as an investor, it is aligned with the United Nations' Sustainable Development Goals (UN SDGs). We have set ourselves ambitious quantitative targets and qualitative commitments. These include reducing our carbon footprint, protecting human rights, fostering a culture of inclusion and diversity, and upholding privacy. Aiming to lead by example, we continuously review the progress we make and adjust our approach. In this way, we ensure that we are as demanding on ourselves as we are with the companies we invest in.

AXA IM RI Policy is framed by the expectations set in the **UN-backed Principles for Responsible Investment (PRI)**, the **Taskforce for Climate-related Financial Disclosure (TCFD)**, the **UK and Japanese Stewardship Codes** and the many other industry initiatives which we support. The policy also aims at complying with ESG-related regulations, in particular non-financial reporting requirements including the **EU SFDR** for which we must disclose our approaches to i) integrate sustainability risks and ii) consider adverse sustainability impacts – engagement being a key component for both approaches –, as well as the **French Article 29 of the Energy & Climate Law** and the **UK Sustainability Disclosure Requirements (SDR)**.

¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR): [Regulation - 2019/2088 - EN - sfdr - EUR-Lex \(europa.eu\)](#)

² [PS23/16: Sustainability Disclosure Requirements \(SDR\) and investment labels | FCA](#)

³ "Autorité des Marchés Financiers", the French regulator, which issued its 2020-03 position-recommandation in March 2020: [Informations à fournir par les placements collectifs intégrant des approches extra-financières | AMF \(amf-france.org\)](#)

Part I: Responsible Investment organisation at AXA IM

RI Expertise

AXA IM's RI Strategy, set by the Management Board, aims to integrate, embed, and monitor ESG criteria within our investment teams. As of 2024, our investment teams are organized into the following four business units (BUs):

- **AXA IM Core⁴**: Traditional assets made of:
 - i) **Fixed Income**, offer a comprehensive range of strategies including money market, sovereign and inflation, emerging markets, investment grade credit, buy and maintain and high yield,
 - ii) **Equity**, including a range of qualitative and quantitative equity strategies,
 - iii) **Multi-asset**, including derivatives, and
 - iv) **Exchange Traded Fund (ETF)** active and passive activities;
- **AXA IM Alts⁵**: Real and alternative assets comprising:
 - i) **Real Estate**, including direct real estate equity, commercial real estate debt, listed real estate,
 - ii) **Infrastructure**, including debt and equity,
 - iii) **Alternative Credit**, including leveraged loans, collateralized loan obligations (CLOs), asset-backed securities (ABS), insurance-linked securities (ILS), regulatory capital (RegCap), non-performing loans (NPL), and non-listed private equity and debt through our subsidiary CAPZA, and;
 - iv) **Natural Capital & Impact Investing** (in companies, projects and funds);
- **AXA IM Prime⁶**: Private markets investment solutions, including private equity, private debt, infrastructure, and hedge funds;
- **AXA IM Select⁷**: Providing multi-manager **Unit-Linked** and 'General Account' products and services to AXA entities, joint venture clients and brokers or High Net Worth clients (through funds of funds, investment advisory, DPM or individualized protected solutions).

AXA IM has invested significant resources in recruiting RI experts and analysts from a variety of backgrounds, including fund management, sell-side research, quantitative analysis, strategy, and project management. RI expertise is embedded both within the BUs as well as within dedicated RI teams, allowing us to combine a critical eye to RI issues with an investment-relevant approach.

At the crossroads of all AXA IM BUs, the **RI Center** offers a wide range of technical and operational support used by AXA IM's portfolio managers to integrate ESG considerations into their underlying investment processes, in line with our fiduciary duty and regulatory requirements. Additionally, the teams within the RI Center build and lead the Active Ownership strategy. The RI Center consists of the following two teams:

- The **RI Research** team, which leads shareholder engagement as part of the Active Ownership strategy and produces research on key E and S themes ranging from climate and biodiversity to human rights and human

⁴ To find out more on AXA IM Core: [Home | AXA IM Core \(axa-im.com\)](#)

⁵ To find out more on AXA IM Alts: [Homepage | AXA IM Alts \(axa-im.com\)](#)

⁶ To find out more on AXA IM Prime: [Private Markets & Hedge Funds investments | AXA IM Corporate \(axa-im.com\)](#)

⁷ To find out more on AXA IM Select: [Diversified Multi-Manager | AXA IM Select \(axa-im.com\)](#)

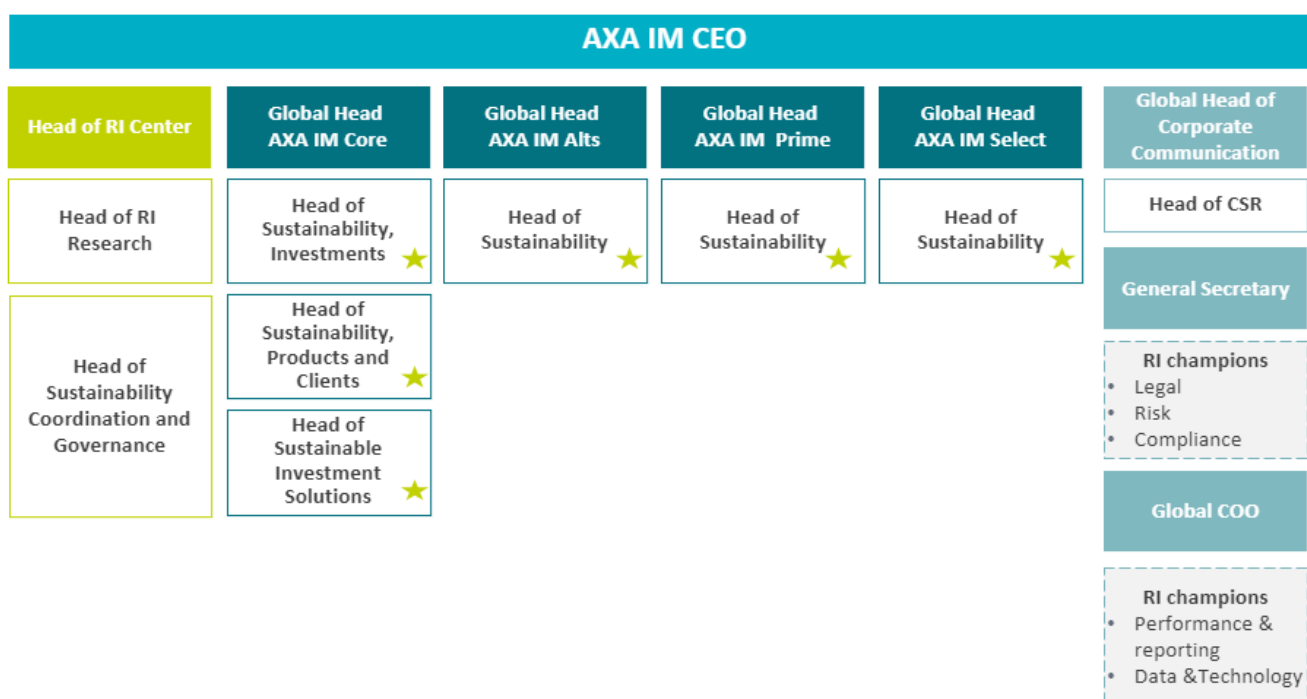
capital. They also analyze and communicate on the relevance of these topics to our RI policies. Lessons drawn from the research are integrated into the BUs' investment decisions and used by the team to lead shareholder engagement as part of the Stewardship strategy;

- The **RI Coordination and Governance** team, which is responsible for the implementation of AXA IM RI policies on exclusion and stewardship, transverse RI projects across the BUs as well as advocacy on sustainable finance policies at EU and France levels. Within the Active Ownership strategy, the Corporate Governance and Stewardship team is responsible for corporate governance research and engagement, as well as for proposing AXA IM's voting and engagement policies.

The RI Center works closely together with the several experts within the BUs. Firstly, each BU has its own **Head of Sustainability, with dedicated RI teams** who are in charge of implementing ESG processes set out by AXA IM RI policies and of coordinating RI-related projects within their investment platform(s), integrating ESG criteria in decision-making process, supporting investment teams on RI-related topics and making the link between RI-dedicated teams and investment teams, including on the use of various ESG key performance indicators (KPIs) that are used by portfolio managers and analysts to integrate ESG topics into their day-to-day activities. They furthermore oversee relevant ESG-focused product development and conduct ESG analyses at various levels (issuer/asset, portfolio, or entity-wide).

AXA IM has also a dedicated **Corporate Responsibility** team which actively engages with all areas of the business to explore opportunities to push for progress on the key ESG pillars and ensure we 'walk the talk' by behaving in a way we demand from others. It also benefits from our parent AXA Group, which is a leading industry voice fighting for progress on topics such as climate change and social inclusion.

Over time AXA IM has developed a **holistic and integrated approach** to RI, and the ESG expertise is **now embedded in all teams**, from research to portfolios managers, from risk management to reporting.



Source: AXA IM, 2023. ★ = dotted reporting for Heads of Sustainability within AXA IM's 4 business units to Head of RI Center.

RI Governance Structure

To ensure that ESG risks are sufficiently and robustly integrated into investment decisions and that our RI policy is transparent for all our clients and external stakeholders, AXA IM has set up an elaborated **top-level sustainability governance** structure:

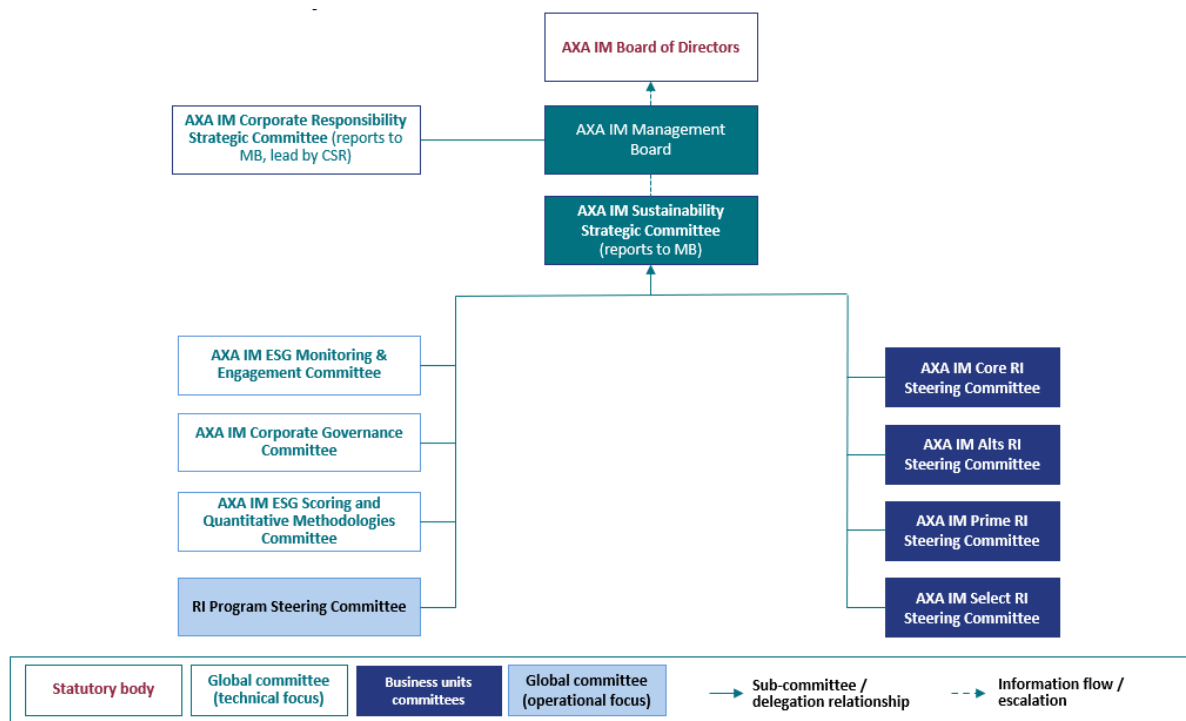
- At the top of the governance structure, **AXA IM Board of Directors** approves critical elements of AXA IM's RI strategy across all AXA IM level across all BUs. Therefore, they ensure compliance of the BUs with the RI strategy and with regulatory sustainability reporting requirements and are responsible for sustainability commitments across AXA IM. These tasks are executed either directly or through Board sub-committees (Audit and Risk Committee; Remuneration and Nomination Committee);
- The **AXA IM Management Board** is responsible for the final RI Strategy and validates changes to AXA IM's RI policies on voting, exclusion, and engagement. They are furthermore responsible for a company-wide commitment to RI and for sustainability reporting at AXA IM level;
- The **Sustainability Strategic Committee** reports directly to the Management Board and proposes the RI strategy to them. They steer the implementation of the RI strategy – including RI policies, company-wide commitments, as well as investment components of AXA IM for Progress Monitor⁸ and ESG-linked remuneration – and monitor its delivery. They furthermore validate multiple RI elements, including ESG quantitative methodologies with significant materiality for AXA IM activities, the choice for ESG data providers, regulatory compliance of the RI product frameworks, shareholder engagement priorities, and positions on material sustainable finance consultations. Lastly, they provide advice to the BUs on their RI strategies and assess the alignment of AXA IM's and AXA Group's sustainability approaches.
- The **Corporate Responsibility Strategic Committee** reports directly to the Management Board. It defines AXA IM's Corporate Responsibility strategy – with consideration of the AXA Group Strategy -and defines the accompanying roadmap. It also animates a Corporate Responsibility (CR) community through communication and business relations;

Then, the following sub-committees are responsible for the **articulation, implementation and monitoring of the strategy** for their respective scopes, all reporting to the Sustainability Strategic Committee:

- The **ESG Monitoring and Engagement Committee** provides a space for discussing views on ESG risks and opportunities amongst the different teams and reviews the potential impact of ESG decisions and controversies on AXA IM. The committee also updates the RI ban-lists and ESG scores and Sustainable Investment (SI) overrides, as well as reviewing progress on engagement activities and facilitating coordination between various stakeholders in its implementation;
- The **Corporate Governance Committee** provides strategic oversight of AXA IM's corporate governance and voting policy in relation to investee companies and ensures clients' rights and obligations are exercised in a manner consistent with good practice standards. They furthermore ensure that voting decisions on specific resolutions are aligned with AXA IM RI policies;
- The **ESG Scoring and Quantitative Methodologies Committee** validates ESG quantitative methodologies with certain but limited materiality to AXA IM activities, defines business & regulatory needs for implementing ESG metrics, and validates regular updates for ESG scores and SI datasets. Once per year, this committee also review the quality of service provided by ESG data providers;
- The **RI Program Steering Committee** monitors progress of RI-related projects with an operational focus.

Lastly, the dedicated **BU RI Steering Committees** – situated within AXA IM Core, Alts, Prime and Select – are responsible for the implementation of AXA IM RI policies and day-to-day ESG-related topics within their BU.

⁸ To find out more on AXA IM for Progress Monitor: [AXA IM For Progress Monitor | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/progress-monitor)



Source: AXA IM, November 2023. For illustrative purpose only.

Performance management and ESG-linked remuneration at AXA IM

ESG and RI considerations are included in the appraisal process of different teams including RI dedicated teams. The AXA IM Remuneration Policy sets out principles relating to remuneration, which accounts for AXA IM’s business strategy, objectives, risk tolerance, and the long-term interests of AXA IM clients, shareholders and employees. It also seeks to ensure sound and effective risk management and behaviour consistent with the risk profile, strategy, objectives, and values of the managed portfolios.

Since 2018, all investment platform heads have had ESG objectives included in the target letters they cascade to the relevant teams in their department. Since January 2021, individual and collective objectives for investment teams have also included elements related to the sustainability risk framework as well as updated investment processes which include the monitoring of these risks. Thus, the individual level of the variable portion will depend on the achievement of individual qualitative and quantitative objectives, as well as collective performance criteria. Please refer to our remuneration policy for more details.

AXA IM’s risk management department validates and assesses risk-adjustment techniques. These are used in assessing performance, determining AXA IM’s target variable pay and *ex post* risk adjustment – under the consideration of all relevant types of current and future risks, including financial and non-financial risks (e.g., reputation, conduct and client outcomes).

Variable remuneration must account for appropriate qualitative criteria, such as sound and effective risk management (including regulatory compliance) and client service which delivers fair, high-quality outcomes. As AXA IM variable pay is potentially composed of cash and deferred variable pay, since 2023, the deferred part of the variable pay is indexed to an ESG performance Index, aligned with the AXA IM net zero ambition.

The importance of equity and gender equality is also emphasised in the Remuneration Policy. AXA IM aims to reward equal performance, free from discrimination or in terms of irrelevant personal factors such as age, nationality, ethnic origin, gender, sexual orientation, gender identity or expression, religion, marital status, or disability.

Part II: ESG Integration at AXA IM

Exclusion policies

Our exclusion policies allow us to limit investments with significant sustainability risks and principal adverse impacts (PAIs) as defined by the SFDR. Based on third-party data, the lists inform us of the worst performers on Environmental, Social, and Governance (ESG) matters. They include both top-level policies that apply to the majority of AuM and ESG-standard policies that apply specifically to our ESG and RI open-ended funds.

Top-level exclusion policies

AXA IM top-level exclusion policies apply to i) all portfolios under AXA IM's management, unless the client has given different instructions for its mandate or the fund has been exempted for legal or risk management reasons, ii) all AXA IM entities and all its affiliates worldwide, to joint ventures where AXA IM's stake is 50% or higher, and to portfolios for which the management is delegated to one of our joint ventures, and iii) all single-name financial instruments issued by the excluded companies or offering exposure to identified companies.^{9,10}

These are set out in our Controversial weapons, Climate risks, Ecosystem protection & deforestation, Soft commodities, and Tobacco policies, as described below.

For more details on our top-level exclusion policies, please refer to AXA IM website [dedicated page](#).

Controversial Weapons Policy

The production of certain weapons has been deemed unacceptable under international conventions and even illegal within certain jurisdictions due to the severe direct harm and long-term health and safety dangers they can impose on civilians. These weapons include **anti-personnel landmines, cluster munitions, and chemical, biological, and nuclear weapons**¹¹. In 2008, we started excluding companies involved in anti-personnel landmines and cluster bombs. Since then, we have added companies that manufacture depleted uranium and chemical and biological weapons, as well as companies in breach of the non-proliferation treaty for nuclear weapons. The scope of exclusion now also includes companies that enable the production of controversial weapons by providing support, research, or technology exclusively to the companies in scope or by having a majority share in an excluded company.

Climate Risks Policy

The historical first instalment of the Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report made it crystal clear: according to physical science, human influence has unequivocally warmed the atmosphere, ocean, and land. Unless stark reductions in CO₂ and other GHG emissions occur in the coming decades, global warming will already exceed 1.5°C and 2°C within the 21st century.¹² With hydrocarbons and fossil fuels being the main source of GHG emissions, we need to transition to a different energy ecosystem to reverse this trend. AXA IM has therefore developed a comprehensive climate risks policy which covers the

⁹ The policies apply to direct product investments, overall with no look-through except when local laws or regulations require to do so (e.g., SFDR). For technical reasons, the policy does not apply to funds of funds composed of funds which are not under the management of AXA IM, passive strategies (index funds and exchange-traded funds – ETFs), funds of hedge funds, and tenants in real estate portfolios. More details on AXA IM top-level policies are available on AXA IM website: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](#)

¹⁰ On specific cases, some funds commercially dedicated to AXA entities are applying AXA Group exclusion policies instead, which are available on AXA website: [investments | AXA](#)

¹¹ Regarding the specific exclusion of companies involved in depleted uranium weapons, while these weapons are not banned by international treaties, they might be prohibited in some countries under national law (such as, but not limited to, Belgium or Ireland at the date of issuance of such policy). In this context, clients have the possibility to opt out solely for assets related to depleted uranium provided that it is compliant with the client's product applicable regulations.

¹² Source: [Intergovernmental Panel on Climate Change \(IPCC\)'s Sixth Assessment Report](#)

exclusion of companies that are incompatible with the energy ecosystem transition or unwilling to adapt, spanning across two industries: **coal** and **unconventional oil and gas**.

Coal

Although coal is a low-cost form of energy available to a large part of the world's population, it is also especially polluting. In 2021, coal-fired electricity generation accounted for an estimated 36% of global electricity generation, but for three quarters of total CO₂ emissions from the electricity sector.¹³ Additionally, many technologically mature low-carbon alternatives are as affordable as coal. In 2017, AXA IM launched the objective to reduce exposure to stranded assets by excluding companies with a specified share of revenues derived from **coal production** or **coal power generation**, as well as companies with a sufficiently large power coal generation capacity. In 2023, we expanded our coal policy by lowering the revenue cut-off share, as well as by excluding all companies with any new coal mining or power generation expansion plan down the line.

Unconventional oil & gas

Crude oil and natural gas accounted for 55% of the primary energy consumption in 2021.¹⁴ Despite their high level of GHG emissions, a sudden drop in supply without compensation by other (renewable) energy sources will lead to price hikes that could severely impact less economically advantaged citizens.¹⁵ To balance the need for a climate-friendly transition with that of a just transition, AXA IM has decided to focus on forms of oil and gas that have an oversized impact on the environment caused by the fragility of the ecosystems from which they are extracted or by the harmfulness of the extraction method. Since 2017, AXA IM started excluding controversial oil and gas producers with **oil sand** activities. In 2022 and 2023, this policy has been expanded to other controversial forms of oil and gas, including those extracted through **shale/fracking** and from the **Arctic**. We also increased our absolute exclusion threshold for oil sand companies, depending on their market and production share.

Ecosystem Protection & Deforestation Policy

The loss of forests and natural ecosystems comes with unique economic, environmental, and social challenges – including biodiversity loss, increased greenhouse gas (GHG) emissions, unsustainable land use and labour issues. Although the rate of deforestation has slowed since the 1990s, global deforestation reached 6.6 million hectares – an area the size of Ireland – in 2022, with primary tropical forest loss at 4.1 million hectares, with an alarming 96% of this takes place in tropical regions.¹⁶ Moreover, data shows there has been a significant rise in the number of wildfires across the globe in recent years.¹⁷

Palm oil

Because of its huge negative impacts, AXA IM believes that investment in companies with a clear contribution to deforestation and natural ecosystem loss should be avoided. Since 2014, we have excluded investments related to palm oil production, focusing on those companies with the worst business practices. It concerns companies with a non-negligible share of their revenues derived from palm oil production, either directly or indirectly, and companies that own a significant number of hectares of palm oil plantations. Additionally, we exclude producers with bad practices – for example, those that have not received internationally recognized production certifications for sustainable palm oil, those that have significant unresolved land rights conflicts, and those that conduct illegal logging.

¹³ Source: [Coal 2023 – Analysis - IEA](#) and [World Energy Outlook 2023 – Analysis - IEA](#)

¹⁴ Source: [Statistical Review of World Energy 2022 \(bp.com\)](#)

¹⁵ See also AXA IM's Investment Institute paper: [Playing with fire: Measuring emissions from the world's oil and gas fields | AXA IM Corporate \(axa-im.com\)](#)

¹⁶ Source: [Forest Pathways Report 2023 | WWF \(panda.org\)](#)

¹⁷ Source: [New Data Confirms: Forest Fires Are Getting Worse | World Resources Institute \(wri.org\)](#)

Soy, Cattle & Timber

Since 2021, our efforts to preserve ecosystems and forests have been expanded to soy, cattle, and timber producers, which together with the palm oil exclusions now make up one integrated deforestation and ecosystem protection policy. Producers of soy (including all meals or oil containing soy and derivatives), cattle products (including all food products containing beef, tallow, and leather-made clothing, furniture, and accessories) and timber products (including all solid timber and processed wood-based products such as paper, cardboard and any other wood-based packaging, and wood-based cellulosic fibres like viscose, acetate, modal or lyocell) are excluded based on their involvement in controversial practices in land use and biodiversity, their involvement in environmental supply chain controversies, and/or the potentially critical impact of their activities on forests.¹⁸

Soft Commodities

Institutional investors commonly gain exposure to commodity markets via commodity derivatives, more precisely exchange-traded future contracts. Although the price of basic food commodities is determined by many factors such as changes in demand and climate change, some academics suggest that food commodity derivatives could artificially inflate them. This could mean these commodities become more expensive in the future and less affordable for the average citizen.

In the light of ongoing debates on the relationship between the trade in commodity derivatives and food prices, AXA IM decided to implement a food (“soft”) commodities exclusion policy in 2014. AXA IM avoids investments in instruments such as commodity futures and ETFs based on food (“soft”) commodities, as well as speculative transactions that may contribute to price inflation in basic agricultural or marine commodities (such as wheat, rice, meat, soy, sugar, dairy, fish, and corn). This policy applies to all single-name financial instruments issued by identified companies or offering exposure to identified companies, and to commodity futures and ETFs based on soft commodities.

Tobacco

By signing the World Health Organisation (WHO) Framework Convention on Tobacco Control in 2003, 181 countries covering more than 90% of the world population made a clear statement against the tobacco industry and the epidemic it has caused. According to the WHO Secretariat, engagement with tobacco industry conflicts with United Nations (UN) principles and values – especially because of the sector’s dependence on child labour. Moreover, to this date the use of tobacco remains the second biggest cause of our society’s deadliest non-communicable diseases, causing 8 million deaths worldwide per year.¹⁹

AXA IM wants to stimulate divestment from this sector and has therefore excluded companies involved in the production of tobacco since 2005. From 2024 onwards, the exclusion of tobacco will become a top-level exclusion policy in order to increase the portion of AXA IM AuM covered.

ESG standards

As a responsible investor, AXA IM wants to encourage the best practices in ESG. Aside from top-level criteria applicable across all our funds, we have therefore developed a stricter “ESG Standards” exclusion policy for our ESG & RI-open funds specifically, *i.e.*, all funds that are categorised as products which promote ESG characteristics (“Article 8”) or which have sustainable investment as their objective (“Article 9”) as defined by the EU SFDR. This exclusion policy is also available to institutional clients on an opt-in basis. To encourage the dissemination of these ESG best practices, we propose to third-party mandates/dedicated funds that they

¹⁸ According to the “CDP Forest” database. Source: [Forests - CDP](#)

¹⁹ Source: [Tobacco \(who.int\)](#)

adopt these guidelines. The ESG standards policy therefore avoids that the ESG-and RI-open portfolios and funds invest in specific sectors that we consider as non-ESG compliant, as well as in companies with clear ESG-unfriendly practices.

AXA IM ESG Standards Policy also applies to all AXA IM entities and all its affiliates worldwide, to joint ventures where AXA IM's stake is 50% or higher, and to funds for which the management is delegated to one of our joint ventures and covers all single-name financial instruments issued by the excluded entities or offering exposure to those entities.²⁰

For more details on our ESG Standards policy, please refer to AXA IM website [dedicated page](#).

Defence: White phosphorus weapons

White phosphorus incendiary weapons are explosives which spontaneously ignite in the open air and continue to burn until they disappear. When they are used in populated areas, they cause horrific injuries by burning deep into the muscle and bone. Protocol III of the UN Convention on Certain Conventional Weapons (CCW) prohibits these weapons when they are primarily designed to set fire to objects or cause burn injuries to people, making civilian populations or objects the attack of incendiary weapons.²¹ Nevertheless, the protocol does not cover weapons that integrate white phosphorus, such as tracers, smoke, or signalling systems – despite their frequent use in populated areas such as Syria or Yemen.

To be consistent as a sustainable and responsible investor, AXA IM has chosen to exclude all white phosphorus weapons from our ESG-and RI-open funds. The policy covers companies involved in the development, production, maintenance, and sale of white phosphorus weapons.

Violations of international norms and standards

AXA IM believes that the behaviour of our investee companies should be consistent with the ESG-standard we hold our ESG-and RI-open funds up to. We therefore avoid investing in companies that are assessed as **non-compliant with several international standards**. We focus our efforts on the UN Global Compact (UNGC), the International Labour Organization (ILO)'s Conventions, the Organization for Economic Cooperation and Development (OECD)'s Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs), which cover human rights, society, labour, and the environment.²²²³

Severe controversies

Apart from companies in violation of international standards, AXA IM also chooses to avoid companies and countries involved in labour, societal and/or human rights controversies. We use Sustainalytics' Controversies Research to assess companies on the nature and scale of the negative impact that the incident has caused to society and the environment, the business risk to the company due to the incident, and the way that the company manages the issue. Companies with a severely negative score across these categories are excluded. For countries, we consider their position on the Freedom House's Civil Liberties ranking, the Walk Free

²⁰ The policy applies to direct product investments, overall with no look-through except when local laws or regulations require to do so. The policy does not apply to non-Responsible Investment open-ended funds nor tenants in real estate portfolios. In the case of fund of funds applying the ESG Standards, at least 90% of underlying open-ended funds under AXA IM's management shall apply the standards.

²¹ Source: [Protocol III of the Convention on Certain Conventional Weapons \(CCW\)](#)

²² For more information on these international standards, please consult their websites: [United Nations \(UN\)'s Global Compact](#), [the International Labor Organization \(ILO\)'s Conventions](#), [the Organization for Economic Cooperation and Development \(OECD\)'s Guidelines for Multinational Enterprises](#) and [the UN Guiding Principles on Business and Human Rights \(UNGPs\)](#).

²³ As a first response, we encourage dialogue and engagement with the companies in case of violations of the UNGC principles. However, when some violations of the UNGC principles are very serious and verified as such, the investment in the company becomes unacceptable according to AXA IM's RI philosophy.

Foundation's Global Slavery index, and UNICEF's Child Labour index. Investments in countries ranked at the bottom of these lists are excluded.²⁴

Low ESG quality

AXA IM wishes to encourage robust ESG-integrated practices in companies where it is invested. As such, we have decided to avoid investing in companies with the worst ESG performance. ESG specialists within all AXA IM BUs develop their own scoring methodologies to evaluate the ESG performance of companies.²⁵ AXA IM has decided not to invest in companies with scores below a minimum threshold (below 1.43 out of 10), reflecting the worst ESG practices.²⁶

Stewardship: Engagement and voting

Overall strategy

Stewardship is the concept where investors seek to promote the long-term success of companies so that the underlying beneficiaries - namely, our clients - also prosper. We believe effective stewardship benefits companies, investors, and society as a whole.

AXA IM takes its stewardship responsibilities seriously and we devote significant resources and efforts to ensure our clients' assets are protected and enhanced over time. There is a dedicated team that conducts engagement and voting around the world. We adopt an active and impactful approach to stewardship by using our scale as a global investment manager to influence company and market practices. In doing so, we strive to reduce investment risk and enhance returns as well as drive positive impacts for our society and the environment. These are key to achieving sustainable long-term value creation for our clients.

We do this through:

- Researching ESG factors for investment and stewardship purposes;
- Addressing material risks and opportunities through dialogue with some investee companies;
- Using our investor rights by actively voting in a considered manner at shareholder meetings;
- Influencing governments, regulators and policy makers;
- Collaborating with other investors and stakeholders.

We believe that real change can be achieved by being an engaged and active investor. To this end, we:

- Seek to understand the ESG issues that impact companies in which we are invested;
- Evaluate a company's policies and practices in relation to relevant issues;
- Encourage companies to align with best practice on ESG issues;
- Engage in constructive dialogue where a company's approach or practices on ESG matters is below investor expectations;
- Leverage our clients' investor rights to push for desired outcomes from investee companies;
- Align our votes at general meetings with our engagement objectives.

²⁴ For more information on these rankings, please consult their websites: the [Freedom House score](#), the [Walk Free Foundation's Global Slavery index](#), and [UNICEF's Child Labor index](#).

²⁵ For more information on our ESG Scoring Methodologies, see the accompanying chapter further down below.

²⁶ This concerns all AXA IM asset classes where AXA IM ESG Standards policy applies.

Engagement

We consider shareholder engagement as a change process where investors seek to improve investee companies' practices with a specific objective in mind. This can be conducted in a variety of ways but more often than not, it is based around long-term and constructive dialogue between two parties. We systematically track and record the progress of engagement. Where there is little progress, we will escalate the engagement in an appropriate fashion.

We take an active engagement approach, emphasising direct dialogue with companies on sustainability and governance issues that have a material impact on long-term financial performance. We also conduct engagement to contribute to the achievement of societal targets such as those defined by the UN SDGs.

We determine our engagement priorities based on our observation of global market developments and emerging ESG practices. Our engagements are linked to our key thematic focus areas and we principally engage in a proactive fashion. We use our research and analytical ability to identify issues and companies which most merit engagement. We engage with a view to a company acknowledging the issue and improving its practices before risks materialise or opportunities are lost. Where necessary, we also engage in a reactive fashion following controversies or breaches of international norms such as the UN Global Compact.

We will seek to meet and engage with representatives from all levels of the investee company. This includes the board, senior management and operational specialists, amongst others.

Below are the key ESG issues which our engagement program focuses on, but are not limited to:

- Climate change mitigation and adaptation in line with the goals of the Paris Agreement;
- Biodiversity, natural resource and ecosystems protection and restoration;
- Human capital and diversity;
- Public health (incl. anti-microbial resistance);
- Labour, customer, supply chain management;
- Human rights included in the International Bill of Human Rights and the ILO's labour standards;
- Data privacy and security;
- Business ethics;
- Corporate governance with a focus on board effectiveness, executive pay and shareholder rights;
- Controversies and breaches of international norms such as the UN's Global Compact Principles, International Labor Organization's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;
- Contributions to various SDGs, through products & services or operations;
- Integrity and quality of the Green, Social and Sustainability-linked Bond market;
- Responsible investment practices.

The philosophy of our engagement policy applies across all asset classes, although certain engagement mechanisms may vary depending on the asset type. Although our engagement process in traditional asset classes is framed by commonly accepted standards and regulations, alternative asset classes operate in fundamentally different ways and many do not benefit yet from market norms or benchmarks enjoyed by traditional listed assets, due to the maturity level and specificities (including a sometime "indirect" positioning) of alternative asset classes. However, AXA IM encourages and promotes the development of best engagement practices in those asset classes, aiming at upholding the same principles of transparency when possible. These specificities are further described in [AXA IM Engagement policy](#).

Voting

We consider voting to be a crucial aspect of being an active shareholder. It is an important part of the investment process and an opportunity to influence the company. Our voting and engagement activities are closely aligned. We regularly engage companies before and after the vote. Our in-house [Corporate Governance & Voting policy](#) is reviewed annually and signed off by the Corporate Governance Committee.²⁷

We vote against items at annual meetings where we consider that the specific proposals are not in the best interests of our clients. These include wide-ranging concerns such as suitability of individual directors, board oversight of key risks and strategy, executive pay, dividend and capital-related issues and diversity as well as transparency and reporting. We also vote against proposals as a method to escalate our engagement when it is not sufficiently progressing, especially as related to the key ESG themes we focus on.

While local best practice codes may adopt different approaches, we expect all companies to seek to closely align with our core global governance principles which set out the fundamentals of corporate governance. AXA IM considers these principles in conjunction with our region-specific policies in our voting and engagement activity, with all companies globally. AXA IM publicly discloses its voting. It is updated on a quarterly basis and we provide the rationale for why we voted against management. Our [full voting records](#) are available publicly.

Our voting and engagement policies, as well as our Active Ownership and Stewardship reports can be found on [AXA IM website](#).

Collaborative engagement & initiatives

We also support and participate in several initiatives focusing on sustainability topics where we believe our involvement will have a material impact. These industry initiatives and groups are intended to reflect on the evolution of practices, establish standards, support companies to address global challenges and/or provide solutions. While most of our engagement is based solely on our own efforts, we also believe that collaborating with other like-minded investors and stakeholders can help us to exercise good governance over the companies in which we have invested. Indeed, using a collective voice is a powerful engagement tool. In most cases, we think collaborative initiatives should serve to bolster and not replace individual engagement. This explains our decision to use a well-thought combination of the two.

A complete list of the investor initiatives and groups where AXA IM is involved is available publicly in our [annual Stewardship report](#).

ESG Scoring and Research Methodologies

Across all our main asset classes, investment teams have access to a wide range of extra-financial data and analyses on ESG factors. More specifically, for traditional asset classes and certain alternative ones, a package of E, S, and/or G KPIs is available in internal front office tools for investment teams, thereby facilitating the analysis and comprehension of ESG performance at the issuer level. To this end, we leverage our relationship with multiple ESG data providers to enrich the quality of our data and analysis. For some alternatives asset classes related to direct project financing, such as real estate and infrastructure, and for funds of funds and funds of hedge funds investments, ESG indicators are sought from the underlying investment or asset through due diligence questionnaires and annual reviews, supported when relevant by sector specific proprietary ESG scoring methodologies.

Moreover, under SFDR, **principal adverse sustainability impacts (PAIs)** are also reported at product and entity levels for products and entities in scope of the Regulation. In many cases, the prioritization, identification and mitigation of PAIs are assessed through various ESG KPIs such as GHG emissions-related KPIs or ESG scoring

²⁷ In the specific case of funds of mandates, voting rights are sub-delegated to external investment managers.

already measured and disclosed at both product and entity levels, including through the mandatory PAIs that are to be disclosed within PAI Statements for in-scope entities²⁸.

For funds which have a **sustainability-related label** (e.g., French SRI label, Towards Sustainability's Quality Standard, LuxFLAG), further reporting on ESG KPIs is expected as part of the labelling schemes, leading to an enhanced consideration of PAI for these fund ranges.

As for **ESG scores** specifically, depending on the asset class, we use composite ESG scores to estimate the ESG profile of our investments during the pre-investment phase and/or to monitor their progress throughout the investment phase. To ensure that investment managers use the most accurate information possible when integrating sustainability into the investment process, the methodologies for ESG factors and exclusion lists are regularly updated with new data available from issuers or from various industry-specific and sectorial frameworks. There is no assurance that such ESG methodologies will fully capture all ESG factors, although our BUs and RI teams strive for maximum compatibility:

- For traditional asset classes (i.e., corporate & sovereign issuers) managed by AXA IM Core, our investment teams leverage our Q² approach, an ESG Scoring Model externally provided by MSCI, and layers it with fundamental proprietary analyses provided by dedicated equity and fixed income analysts. Our ESG & Impact analysts analyse corporates on E, S, and G considerations for our listed equity investments, thereby prioritizing issuers with no or low ESG ratings, and assess companies on their contribution to the UN SDGs for our listed equity impact investments. On the fixed income side, our credit analysts identify material ESG concerns that could impair the credit quality and long-term sustainability of issuers, whereas our Green, Social and Sustainable Bonds (GSSBs) specialists analyse and monitor all new GSSB issuances based on AXA IM's four-pillar framework;
- For *alternative asset classes*, managed by **AXA IM Alts**, special asset class-level methodologies have been created for the different products: for **real assets** (direct real estate property, infrastructure debt & equity, commercial real estate (CRE) debt)²⁹, as well on **alternative credit and other private debt scoring methodologies** (i.e., leveraged loans, collateralized loan obligations (CLOs), asset-backed securities (ABS), insurance-linked securities (ILS), regulatory capital (RegCap), non-performing loans (NPL), our impact investments (in companies, projects and funds), and non-listed private equity and debt through our subsidiary CAPZA)³⁰. All methodologies use both quantitative and qualitative assessments including (i) the assessment of sustainability risks across all asset classes through ESG due diligence, and/or (ii) the use of proprietary ESG methodologies (including ESG scoring or ESG factors monitoring);
- On *funds of funds or mandates* managed by **AXA IM Select**³¹, ESG scores are assigned at manager and fund level. Those ESG scores are the result of an ESG due diligence covering four areas: i) policy and governance, ii) ESG integration, iii) engagement and stewardship, and iv) risk and reporting;
- On *funds of funds* managed by **AXA IM Prime**, ESG scores are calculated using the proprietary ESG Due Diligence & Monitoring Questionnaires (DDMQ) assessing firm and fund responsibility for primary and co-investments. Firms are assessed on their ESG policies, governance, and practices, whereas funds are assessed on their ESG integration process during the pre-investment and ownership phases. A tailored approach applies to secondaries investments.

For more details on the different methodologies, please refer to the dedicated [AXA IM ESG Methodologies handbook](#) available on AXA IM website.

²⁸ More information on AXA IM PAI Statements on AXA IM website: [Sustainable Finance | AXA IM Corporate \(axa-im.com\)](#)

²⁹ Listed Real Estate Equity managed by AXA IM Alts apply the same ESG scores used for AXA IM Core Equity assets (Q²).

³⁰ Leveraged loans and private debt managed by AXA IM Alts apply the same ESG scores used for AXA IM Core assets (Q²), except where not available: for new loans and bonds issued by corporates that are not rated by the Q² methodology, another scoring methodology is put in place.

³¹ Previously managed by Architas.

ESG Integration per investment platform

Across asset classes

As part of AXA IM's fiduciary duties to its clients and of our long term, active investment approach, we have always incorporated broad non-financial criteria and guided companies towards more responsible behaviour. Within each asset class, portfolio managers and financial analysts are provided with ESG information to ensure that ESG risks and opportunities are incorporated in their analysis of a company. This information includes ESG research done by the RI Research team and external parties, as well as exclusion policies on strong ESG risks. Finally, they receive specific ESG scores for investments covering corporates, sovereigns, leveraged loans, infrastructure, real estate, and green, social, and sustainability bonds. AXA IM also manages a range of RI and impact funds to which more ESG-stringent criteria apply.

Per platform

Apart from the integration of ESG information applicable across asset classes, several BUs have developed their own methodology for integrating ESG factors specific to their products, which are divided under platforms. A short description of these approaches is given below, and more detailed are available on each AXA IM BU dedicated website and on our ['Putting ESG to work' report](#) (for AXA IM Core and AXA IM Alts) available on AXA IM website.

AXA IM Core

AXA IM Core has a comprehensive and proactive approach to integrating ESG factors into the decision-making process across equity, fixed income, and multi-asset platforms. This approach, which consists of the 3 AXA IM RI pillars abovementioned, not only allows us to assess risk and return more systematically but also has the potential to create positive impact and contribute to a more sustainable future.

In *Equity* portfolios managed with a quantitative approach, ESG scores and key performance indicator targets are added to traditional alpha and risk measures. This ensures the highest ESG rating is favoured in portfolio construction when faced with identical stocks from a traditional investment perspective. In addition, our research has shown that boardroom diversity influences companies' profitability and, as such, we explicitly consider diversity in our proprietary models to measure earnings quality. This approach helps us to manage risk effectively and create a positive impact by investing in companies which prioritise ESG factors. In equities managed with a judgmental approach, the investment teams work closely with dedicated equity ESG & Impact analysts. These experts conduct proprietary fundamental research on extra-financial criteria of the companies under investment consideration. Their role is to analyse corporates on E, S, and G considerations from both a risk and opportunities perspective ahead of the portfolio construction. In addition, they perform impact assessments on companies based on the contribution of their products and services and/or operations to the UN SDGs, which is used to determine their eligibility for our listed equity proprietary Impact universe.

In *Fixed income*, our credit analysts use ESG measures to identify material concerns that could impair the credit quality and long-term sustainability of issuers. Key ESG topics, risks and KPIs are highlighted at the discretion of the analyst, allowing them to select topics most relevant to the issuer. By incorporating a wide range of ESG factors into credit analyses, we can identify those risks most relevant to credit investors and potentially minimise the downside risk. For sovereign and quasi-sovereign debt, a full assessment of each ESG pillar is made to understand the impact of ESG factors on the (quasi-)sovereign issuer in the long term. These assessments are made available as ESG scores and KPIs in the front office tools used by our analysts and portfolio managers, thereby complementing traditional macroeconomic country analysis.

For Green, Social and Sustainability Bonds (GSSBs), AXA IM has developed a proprietary assessment framework that is notably inspired by the Green and Social Bond Principles (GSBP) and the Climate Bonds Initiative (CBI) and made up of four pillars (see more details in Part IV below):

1. The environmental, social and governance (ESG) quality and strategy of the issuer;
2. The use of proceeds and the process for project selection;
3. The management of proceeds;
4. Impact reporting.

This framework is used by our GSS specialists to define the eligible GSS Bonds universe. Regular interactions also take place between portfolio managers, RI analysts and credit research analysts to exchange perspectives on issuers and stay up to date on the GSS Bonds market developments.

Lastly, the *Multi-Asset* platform uses research from the equity and fixed income platforms and leverages that for its own portfolios. Together with the qualitative research on ESG factors provided by their own team, the use of quantitative data allows multi-asset portfolio managers to prioritise securities with good ESG performance.

More information on the integration of ESG factors into AXA IM Core investment platforms can be found on AXA IM Core website on the [dedicated RI webpage](#).

AXA IM Alts

A substantial part of AXA IM Alts work is dedicated to managing *Real Estate* and *Infrastructure*, for which dedicated methodologies have been developed to reflect asset class specificities. For these two AXA IM Alts platforms, non-financial criteria are included in the entire investment process – from origination of opportunities to the investment assessment and decision-making process at acquisition, and through their active ownership strategy. This allows them to amplify the impact generated through investments while continuing to generate sustainable long-term returns for the clients. As for *Listed Real Estate Equity* in particular, ESG considerations are integrated following the same approach than for AXA IM Core Equity assets.

Lastly, AXA IM's *Natural Capital and Impact Investing* platform reinforces AXA IM's impact investing strategy by targeting the delivery of market rate financial returns alongside the generation of positive, intentional, and measurable ESG-impact returns. Their approach to ESG inclusion is more elaborately discussed in the next chapter.

More information on the integration of ESG factors into AXA IM Alts investment platforms can be found on AXA IM Alts website on the [dedicated RI webpage](#).

AXA IM Prime

AXA IM Prime aims to implement ESG integration in the whole investment cycle from pre-investment to exit phase/maturity with tools and approaches adapted to the type of investment – primaries, secondaries, or co-investment. AXA IM Prime aims to invest only in portfolios whose ability to manage ESG risks and opportunities is demonstrated by either the external manager's membership of the UN PRI, or the existence of an ESG policy with senior-level oversight and dedicated implementation staff, or a commitment to build these capacities within twelve months. To monitor progress, AXA IM Prime uses its proprietary ESG Due Diligence & Monitoring Questionnaire (DDMQ), which is based on industry best practices and recognized international standards and can be used at both investment firm and fund levels. The tool also allows the identification of key improvement areas which may be discussed with investees post-investment.

More information on the integration of ESG factors into AXA IM Prime investment platforms can be found on AXA IM Prime website on the [dedicated webpage](#).

AXA IM Select

To ensure the integration of ESG considerations into their funds, AXA IM Select uses a two-step due diligence process tackling ESG at the firm- and fund-level. First, the ESG Operational Due Diligence (ODD) assessment is undertaken at firm level via a proprietary ESG-questionnaire focused on policies, governance, and firm-level RI commitments, along with assessing the relevant evidence submitted. Based on their response, the firm is categorized as red, amber, green, or green+, with red firms being ineligible for investment (unless there is a reasonable case for exemption from this rule). Second, the ESG Investment Due Diligence (IDD) assessment is undertaken at fund or mandate level with the help of a qualitative, proprietary questionnaire. It consists of three scored sections – ESG integration, Engagement & Stewardship, and Risk & Reporting – with each their own weights. Invested funds or mandates that score below the ESG score thresholds set by AXA IM Select will become part of an escalation process that eventually can lead to removal from the buy list and new funds scoring below the ESG Score threshold is considered ineligible for investment. Separate score thresholds exist for SFDR Article 6 or 8 funds – funds that are not or only partially sustainable – and for Article 9 funds – funds that are 100% sustainable.³²

More information on the integration of ESG factors into AXA IM Select investment platforms can be found on AXA IM Select website on the [dedicated RI webpage](#).

³² For more information on the SFDR fund classification system, please refer to Chapter 4.

Part III: AXA IM Net Zero commitments

At company-level, AXA IM is committed to achieving net zero emissions across our portfolios by 2050 or sooner³³, as well as playing a key role in helping our clients better understand climate change and how it may impact their portfolios and supporting them in adapting their investment decisions accordingly. Our commitment is aligned with the frameworks proposed by the [TCFD](#), the [Institutional Investor Group on Climate Change \(IIGCC\)](#) and the latter, coordinated by the [Paris Aligned Investment Initiative \(PAII\)](#). It is further evidenced by our active involvement in international initiatives such as [Climate Action 100+ \(CA100+\)](#) and the [Climate Bonds Initiative](#). It consists of:

- **Net zero targets³⁴:**
 - AXA IM published its first net zero target in October 2021, as part of the first NZAM progress report³⁵. This target was subsequently revised in April 2022³⁶ to cover **65% of all AuM³⁷** (coverage remains stable at end of 2023);
 - Specific net zero targets have been set for **Corporates (Fixed Income and Listed Equity)**, **Sovereigns**, and direct **Real Estate Equity asset classes** based on industry standards³⁸. A net zero framework is currently under development for our **Infrastructure equity and debt** investments;
 - Since 2022, to support the implementation of those targets, we are using a Climate colour framework incorporating internal and external information to determine the net zero profile of assets and inform investment decisions³⁹. It will continue to be enhanced over time as disclosures and transition plans from companies improve.
- **Stewardship⁴⁰:**
 - Engagement and continued dialogue with companies and clients are crucial to influencing their net zero trajectories. Climate represents a significant portion of our shareholder engagement activities, with an additional “**Three Strikes and You’re Out**” engagement policy focused on companies which are lagging behind from a climate perspective (the so-called ‘climate laggards’). Using a **focus list** of companies, this would mean that, if we do not see progress from companies on the specific objectives set at the beginning of the engagement, we may **divest after three years**;
 - We have the option to vote against the management, the Board Chairman and the CEO if companies in sectors exposed to climate issues do not have a net zero emission strategy with short, medium, and long-term carbon emissions reduction targets or an executive remuneration policy aligned to climate

³³ “Our road to net zero”, AXA Investment Managers, <https://www.axa-im.com/who-we-are/our-road-net-zero>

³⁴ AXA IM has set an initial milestone of 25% reduction by 2025 compared to 2019 at the entity-level, and will soon set a 2030 climate target, in line with our 2050 net zero target: see sections 2.2 “Climate strategy” and 4.6 “Climate dashboard” of the 2022 AXA IM Climate report.

³⁵ See NZAM 2021 progress report, December 2021: [NZAM-Progress-Report.pdf \(netzeroassetmanagers.org\)](#)

³⁶ See NZAM Initial target disclosure report, May 2022: [NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf \(netzeroassetmanagers.org\)](#)

³⁷ These objectives are not currently implemented to alternative credit, private debt and other alternative asset classes (e.g., derivatives).

³⁸ The [TCFD recommendations on metrics and targets](#), the [IIGCC’s Net Zero Investment Framework](#), the [Carbon Risk Real Estate Monitor \(CRREM\) decarbonisation pathways](#) for real estate assets and the [Germanwatch’s Climate Change Performance Index \(CCPI\)](#) for sovereign assets.

³⁹ More details on AXA IM Climate colour framework are available on AXA IM annual TCFD/Art.29 report ((see section 6.4) available on AXA IM website: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](#)

⁴⁰ See AXA IM’s Stewardship & Engagement policies: [Stewardship & Engagement | Responsible Investing | AXA IM Corporate \(axa-im.com\)](#)

strategy objectives. Additionally, we assess the consistency of the transition plan of investee companies against their climate strategy and will ask them to report on the intermediate achievements of the objectives during Annual General Meetings. We have updated this voting policy early 2024, including now the possibility to cast a dissenting vote against the highest-emitting companies that fail to appropriately report on their climate lobbying activities;

- Discussions are also taking place with sovereign issuers on ESG topics during regular meetings with Treasuries, Central Banks and other government ministries and agencies as well as part of discussions on specific green and social bond issuances. This provides an opportunity to deep dive on sovereigns' sustainability public expenditure programs and thus better understand the ESG risks of a country.
- **Exclusions⁴¹:** as described above, AXA IM excludes companies which fail to meet certain climate change criteria, with a particular focus on coal and unconventional oil & gas. Our investment portfolios applying our climate policy exclude coal-based electric power generating utilities and coal mining companies that are not credibly demonstrating a commitment to the energy transition. This policy was expanded in 2023 with by lowering the revenue share at which a company would be excluded, as well as by excluding all companies with new coal mining or coal power generation plans. Since early 2022, we also exclude certain companies in the unconventional oil & gas sector with a focus on tar sands, shale and tight oil & gas (fracking), and Arctic oil & gas production. In early 2023, we tightened some of our exclusion criteria regarding coal and oil sands. Lastly, AXA IM is committed to exiting all coal investments in OECD countries by the end of this decade, and throughout the rest of the world by 2040. This commitment will be implemented over time, through a step-by-step ratcheting-up of our exclusion criteria, with as next step the lowering of the exclusion threshold of revenues from thermal coal & coal power generation from 15% to 10% in 2026 in OECD countries.

Since 2023, we report on an annual basis on progress towards these targets in our [annual TCFD / Article 29 report](#).

In addition to being part of the IIGCC working group on the Net Zero Investment Framework (NZIF), AXA IM also continues to work closely with its parent company in the Net Zero Asset Owner Alliance (NZAOA) with the aim of defining how investment strategies will support the shift of the economy to a pathway consistent with the objectives of the Paris Agreement. We are also considering to implement the NZIF 2.0 once finalized by the IIGCC, having in view to enrich our commitment in particular on infrastructure and private equity assets.

More details on AXA IM Net Zero targets are available on [AXA IM website](#).

⁴¹ See AXA IM's exclusion policies: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](#)

AXA IM Net Zero targets

| Targets | Units | Approaches | |
|--|--|---|--|
| Corporates (Fixed Income and Listed Equity) | | | |
| Weighted average carbon intensity (WACI) reduction | -25% by 2025 and -50% by 2030 (compared to 2019) | <i>tCO₂e/\$M of investee companies' revenues (% compared to baseline)</i> | Including Scope 1 and 2 only due to limited data quality and availability on Scope 3: coverage of Scope 3 to be increased in the coming years, consequently with possible review of the baseline as well. |
| Share of AuM in material sectors net zero, aligned or aligning by 2040 | 100% by 2040 | <i>% of corporates AuM in material sectors net zero, aligned or aligning according to AXA IM Climate colour framework</i> | Encompassing issuers categorised as 'Dark blue', 'Blue' and 'Light blue' under AXA IM Climate colour framework (see section 6.4 of AXA IM TCFD/Art.29 report for more details). |
| Share of financed emissions in material sectors net zero or aligned | 50% by 2025 | <i>% of financed emissions in corporates from material sectors are already net zero or aligned according to AXA IM Climate colour framework</i> | This corresponds to issuers categorized as 'Dark Blue' or 'Blue' in AXA IM Climate colour framework. |
| Share of financed emissions in material sectors under engagement | 70% by 2025 90% by 2030 | <i>% of financed emissions in corporates from material sectors subject to direct or collective engagement and stewardship actions</i> | Engagement activities conducted directly by AXA IM are accounted for the two previous years of engagement, along with emissions subject to collaborative engagement even if AXA IM does not systematically participate, in line with NZIF. Collaborative engagement only includes Climate Action 100+. |
| Sovereigns | | | |
| Beat the global benchmark | Beat the CCPI ⁴² score of the ICE BofA World Sovereign Bond Index at end of each year | <i>Score on 100</i> | Progress is measured against the benchmark not against historical data, following NZIF recommended target setting guidance. |
| Real Estate | | | |
| Carbon Intensity Reduction | -20% landlord operational carbon intensity reduction by 2025 | <i>kgCO₂e/m² (+ % compared to baseline)</i> | Including Scope 1 and 2 only and based on data collected by AXA IM Alts for all landlord utilities where data is completed ⁴³ . |
| Alignment with CRREM pathway | 50% of direct real estate AuM under CRREM pathway ⁴⁴ by 2025 | <i>% of direct real estate equity AuM aligned with CRREM 1.5°C trajectory</i> | Alignment on CRREM pathways is measured on all real estate equity assets (excl. Switzerland, US, Australia and Japan where no data is available to date). |
| All asset classes | | | |
| Share of AuM dedicated to climate solutions | 6% by 2025 | <i>% of total AuM managed by AXA IM invested in climate solutions</i> | Based on AXA IM's Green Investments definition as described in this AXA IM TCFD/Art.29 report (see section 5.1). The methodological approach may evolve as data coverage on sustainable investments & EU Taxonomy alignment will increase in the coming years. |

⁴² [Climate Change Performance Index \(CCPI\)](#).

⁴³ Complete data is defined as >90% coverage of data in time (12 months) and surface.

⁴⁴ [Decarbonisation Pathways – CRREM Global](#)

Part IV: Impact Investing at AXA IM

AXA IM's Impact Investing strategy allocates capital to companies, businesses, and projects that intend to provide positive and measurable impacts on society, while simultaneously delivering financial market rate returns. The objective is to catalyse solutions that directly address environmental and social challenges affecting the planet and under-served people. These efforts date back to 2013, when AXA IM mainly focused on impact investing in private markets through private equity, private debt, and project finance. Nowadays, a wide range of impact investment products across the asset spectrum are offered, which are managed by AXA IM Core and Alts. Apart from impact investing, AXA IM offers a range of responsible investing products under the Sustainable Finance Disclosure Regulation (SFDR), which is more elaborately discussed in the Transparency and Reporting chapter.

Impact investing at AXA IM Core

Core's impact investments mainly cover Equities, Multi Assets, and Green, Social and Sustainable Bonds (GSSBs).

For **Equities** and **Multi Assets**, the ESG & Impact Research team performs in-depth qualitative analysis to assess a company's positive and negative contributions to social and environmental objectives and SDGs. Our listed equity impact analysts focus mainly on how a company's products & services and/or operations contribute to achieving the UN SDGs. For each company, the impact analysts develop a thesis regarding company impact, and identify a range of ESG KPIs, which allows them to measure and report on the impact contribution of companies, and the progression of such contributions over time. We seek to identify the highest rated companies in terms of delivering positive impact using our proprietary AXA IM Impact Framework. Having been an active member of the Global Impact Investment Network (GIIN)'s Working Group Advisory Committee defining best practices of impact investing for listed equities, our definition of impact investing seeks to align with GIIN's framework which is based on five key pillars (Intentionality, Materiality, Additionality, Negative Externalities, Measurability). The GIIN is a worldwide network of over 230 diverse organisations, defining best practices of impact investing. At the very least, an issuer must comply with the framework's criteria to be considered for investment.

As for the **GSSBs**, analysts review, assess, and monitor issuers according to AXA IM GSSB framework described above. AXA IM approach to the GSSB market is stringent, but it is also continuously evolving and aims to fulfil three main objectives:

- Driving investments towards authentic and impactful green assets and social projects
- Raising the integrity and transparency standards of the GSSB market;
- Ensuring that GSSB issuers are committed to fight climate change and to address sustainability challenges, and that this commitment is reflected in business practices and operations.

Selectivity is key in ensuring that only the most relevant and impactful green and social projects receive the necessary financing. This framework relies on qualitative assessment made by the RI Research team into the Q2 scoring frameworks and on Bloomberg database, whether it is a corporate or sovereign bond, to produce an enhanced ESG score for GSSB issuances. It is used in a systematic manner for our Global Green Bonds and Social Bonds strategies specifically, as well as to inform the decisions of portfolio managers for other strategies but not applying in a systematic manner. On average, since 2014, our Green, Social & Sustainability Bonds (GSSB) assessment framework has led us to exclude around one in five bonds presented to us as green, social, or sustainable.

We believe one of the most material tools to contribute to deliver impact as an investor, in addition to investee contribution, is through our active ownership and stewardship strategy. Effecting change in companies through focused investor engagement plays a key role in our impact investing approach across equities and fixed income.

Impact investing at AXA IM Alts

AXA IM Alts' **Natural Capital and Impact** platform invests in a wide range of alternative assets – including private equity, venture capital and project finance – on various impact themes such as climate, biodiversity, healthcare and safety, and human rights. AXA IM Alts' impact investments are thoroughly measured, monitored, and managed to ensure they adhere to our high standard. During the pre-investment stage, analysts assess the investment's theory of change for impacting beneficiaries and establish an impact baseline with qualitative and quantitative targets. Selected investments are regularly monitored on their intended impact and targets, as well as on their financial performance. This also informs AXA IM Alts engagement with the investments and helps them mitigate risks to investors and beneficiaries. Lastly, at the exit-phase, the scale, reach, quality, and depth of impact is measured against the initial targets and objectives, and the impact creation for the beneficiaries over the investment period is validated.

Two main strategies are currently deployed:

- The **Natural Capital strategy** launched in 2022 in response to increasing concerns about climate change, its impact on nature and the increasing and resulting loss of biodiversity, and which has a mission to not only protect biodiversity but also address the climate crisis by focusing on avoidance and removal of CO₂ achieved through the protection of nature. This strategy is making good on its promise to fund credible, investable solutions that deliver positive outcomes. To date the strategy has made a number of investments that align with its mission, and notably includes:
 - Reforestation of degraded lands in the Brazilian Amazon, using native species trees, providing climate mitigation benefits
 - Protecting and restoring degraded peatland in Indonesia, preventing the release of CO₂ stored in peatland;
 - Preventing the deforestation of Forest Protected Areas in Guatemala, protecting the Mesoamerican biodiversity corridor;
 - Promoting sustainable agroforestry practices in Madagascar, thereby protecting the rich and unique biodiversity of Madagascar including four lemur species listed on the IUCN Red list of Threatened Species;
 - 85,000 hectares of land under sustainable management under the stewardship of our Natural Capital Strategy, of which 83,000 hectares are Critical Habitats;
- The **Global Health strategy** launched in 2022⁴⁵, which has a mission to ensure healthy lives, promote well-being and address inequalities in access to quality healthcare. The strategy will contribute tangibly to SDG 3 goals and targets by increasing the availability of innovative products and services targeting global disease burdens; and delivering solutions at accessible price points by addressing high volume, mass markets, serving the healthcare needs of the many and not the few. The strategy will achieve its objective by investing in companies focusing on the clinical development or early commercialization of medical devices, biopharmaceuticals, vaccines, and diagnostics, delivering intentional, measurable, and positive health outcomes relative to the strategy's priority healthcare pillars: women, maternal & child, vision, infectious diseases, diabetes & obesity, and other health conditions with prevalence in high volume markets.

More information about AXA IM Alts impact investing approach can be found on the AXA IM website on a the [dedicated page](#).

⁴⁵ [AXA IM Alts launches \\$500 million private equity healthcare strategy alongside two senior appointments - AXA IM - Real Assets \(axa-im.com\)](#)

Part V: Transparency and Reporting

Reporting scope and definitions

AXA IM attaches great importance to communicating as transparently as possible to clients and to provide them with all the information necessary for understanding our approach to responsible investing. The enactment of the EU SFDR in 2019 reinforced this endeavour in multiple ways. First, it gave a definition of sustainable investments: investments in economic activities that contribute to environmental or social objectives and that do not do any significant harm to such objectives, on the condition that the investee companies follow good governance practices.⁴⁶ Using this definition, asset managers could classify their financial product as “Article 8” or “Article 9” products, depending on whether the product’s eligible assets aim to promote environmental and/or social characteristics or satisfy a sustainable objective. Secondly, the SFDR requires asset managers to disclose on ESG factors, giving AXA IM an additional legal push to their reporting activities. Under the SFDR, asset managers should report on ESG-factors from two complementary perspectives:

1. Their **integration of sustainability risks** – environmental, social or governance events or conditions that could cause a negative material impact on the value of the investment – into the investment decision-making process, and
2. Their **consideration of principal adverse impacts (PAIs)** – impacts of investment advice and decisions that result in negative effects on sustainability factors. Sustainability factors are defined as “environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.”⁴⁷

Entity & product-level reporting

Next to the SFDR reporting, AXA IM discloses financial and non-financial information to comply with other mandatory legislation – including (inter)national legislations for Undertakings in Collective Investment (UCIs), the EU’s revised Shareholder Rights Directive (SRD) and their Markets in Financial Instruments (MiF) regulation, and Article 29 of French Energy Climate Law – and as a party to voluntary reporting initiatives such as the Taskforce on Climate-related Financial Reporting (TCFD) and the UN PRI initiative.⁴⁸ We also make available to our clients, for Sustainable & Impact funds only, the ESG report of our portfolios including ESG KPIs notably the ESG score.

At the **management company-level**, the following reports are available on [AXA IM website](#):

- [AXA IM annual TCFD – Art 29 combined report](#) (including annual reporting on AXA IM NZ targets and various ESG KPIs)⁴⁹;
- [AXA IM annual Stewardship report](#);
- [Full voting records](#) (updated on a quarterly basis; statistics at country and sectors level as well as vote against management rationale);
- [PRI Annual Report](#).

⁴⁷ [Regulation \(EU\) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector](#) and AXA IM’s [Sustainable Finance Disclosure Statement](#).

⁴⁸ For more information on these initiatives, please consider their websites: the [Taskforce on Climate-related Financial Reporting \(TCFD\)](#) and the [UN Principles for Responsible Investing \(PRI\)](#) initiative.

⁴⁹ AXA IM Select France standalone 2023 Article 29 report is available on AXA IM Select website (in French only): [Investissement responsable | AXA IM Select \(axa-im.fr\)](#)

Particularly in the EU and in line with the SFDR, EU AXA IM entities fully disclose on their sustainability risks at the entity-level and on their PAIs at the entity-and product-level since January 1st, 2023. Additionally, we provide information on our Article 8 and 9 financial products separately. Please find the dedicated reports below:

- AXA IM's [Sustainable Finance Disclosure Statement](#), for entity-level sustainability risks disclosure and entity-and product-level PAI disclosure⁵⁰;
- AXA IM's [Approach to SFDR sustainable investment for traditional asset classes](#), for Article 8 and 9 products investing in listed corporate assets;
- [PAI Statements](#) for AXA IM in-scope EU entities: *i.e.*, AXA IM Paris SA, AXA REIM SGP, and AXA IM Deutschland GmbH.

We also publish the following ESG-related information at the **fund-level**. The relevant reports for each fund (which can vary by type and fund domicile) are available on the local websites in "Literature" section of funds' individual pages on [AXA IM Fund Center](#)⁵¹ or via the AXA IM Client Service teams:

- ESG reports (when relevant);
- Voting & engagement reports (for Equity and Multi Asset funds only) – with number of AGMs voted and rationales for any vote against the management;
- Transparency codes (only for funds awarded with a sustainable label);
- Annual impact reports for our range of Listed Impact funds;
- Annual reports and semi-annual reports, incl. funds' inventories
- Monthly comments from the portfolio manager;
- Legal documentation (prospectus, key information documents, annual reports and semi-annual reports, incl. funds' inventories), incl. for SFDR, UK SDR, Art.29 of the French Energy & Climate Law, etc.

⁵⁰ AXA IM Select France specific disclosure statement is available on AXA IM Select website (in French only: [la-reglementation-sfdr-2024.pdf \(axa-im.fr\)](#))

⁵¹ AXA IM Select specific Fund Center is available on AXA IM Select website: [Funds | AXA IM Select \(axa-im.com\)](#)

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AXA IM commitments set out in this report, such as but not limited to the Net Zero targets and the goal to achieve net zero emissions, reflect AXA IM management's current expectations, and are subject to a number of assumptions, variables and uncertainties, including actions of issuers in which we invest in, suppliers and other third parties, as well as a variety of political, economic, regulatory, civil society and scientific developments beyond AXA IM's control. There can be no assurances that our targets and the timetable for any transition will be achieved in whole or in part.

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