



Investment
Managers

Investing for People and Planet

Impact Investing - Private Markets
2020 Annual Review

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A pioneer in impact investing



At AXA Investment Managers, our goal is to bring together private capital, entrepreneurial talent and technology to deliver solutions that advance social equality, and ensure the environment can sustain us now and into the future.

AXA IM Alts was one of the first institutional investors to develop an expertise in impact investing. We established the strategy nearly a decade ago, in 2013.

Since then, our clients have steadily increased their allocations. Today we manage close to \$900m in assets, following a 40% increase in impact AUM in 2020.

This growth in assets under management testifies to the success and increasing maturity of the impact investing model. The strategy aims to generate measurable and intentional environmental and social outcomes, while delivering competitive financial returns. It also reflects the credibility of AXA IM Alts, a global leader in alternative investments, as an active, hands-on impact asset manager.

We work to address the needs and aspirations of under-served people globally while protecting the natural environment in which communities are based and where they earn their livelihoods. Our investments contribute directly and materially to the United Nations Sustainable Development Goals and Targets.

Marco Morelli, Executive Chairman, AXA Investment Managers

Since the beginning of 2020, we have raised capital from investors to address a range of impact themes. We continue to grow our impact investing strategies designed to combat climate change, biodiversity loss, financial inclusion and global health.

“I firmly believe in the power of finance to achieve positive change for both people and planet”

The world’s problems are today too big – and too urgent – to ignore, as the ongoing covid challenge has shown us. I strongly believe that AXA IM Alts has a unique role to play in empowering people and companies to find solutions and foster a sustainable environment and an equitable society.

Source: AXA IM Alts as at May 2021

Highlights

Our objective is to generate demonstrable social and environmental benefits, and the projects and companies we have supported over the years have achieved positive impacts¹ as shown below:



Environment

64 m
tonnes of CO₂e emissions avoided



2.7 m
households provided with clean energy



42.2 k
tonnes of water saved



Social

4 m
students reached



57
healthcare facilities developed in underserved locations



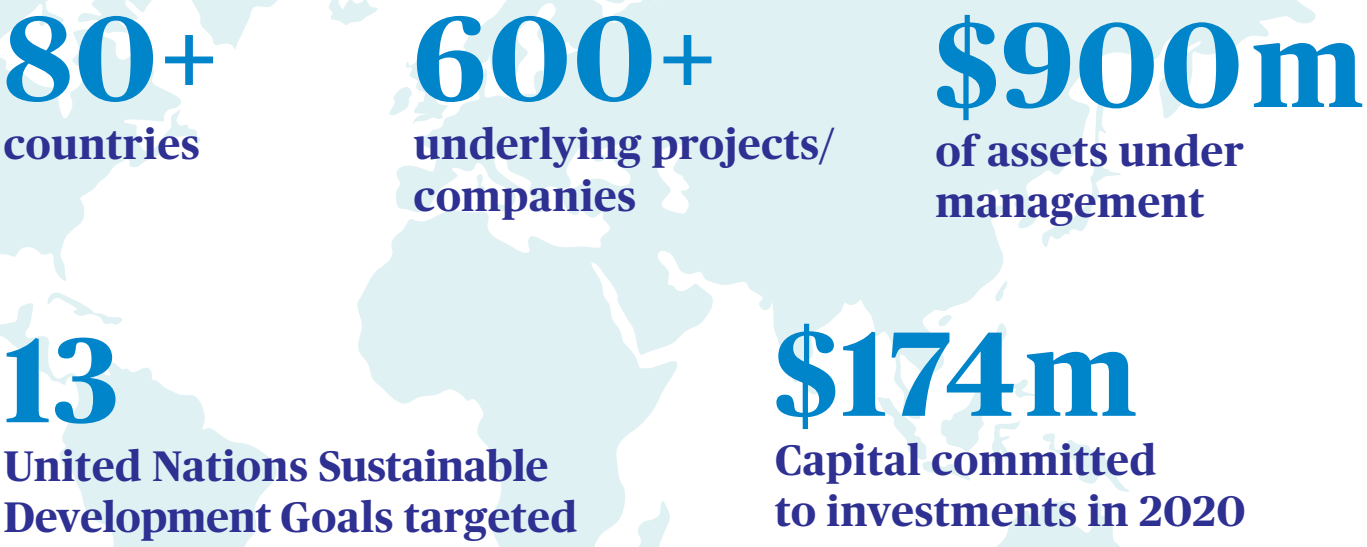
110 m
households provided with clean energy



¹ We have reported aggregate impact numbers as disclosed by investees and our 'share' of the impact results based on our capital contributions. This share is illustrated above by the tag "AXA IM Alts share."

Data contained in case studies is sourced from each individual organisation/project. Data correct as of May 2021. Past performance is not a guide to future performance.

Our global exposure



Source: AXA IM Alts as at May 2021



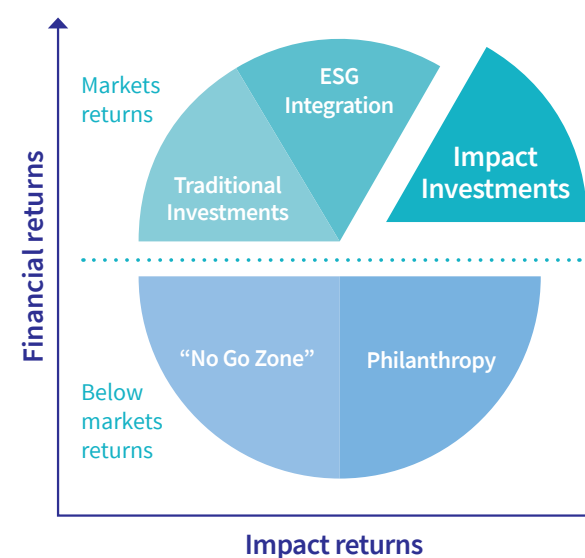
What is Impact Investing?

Impact investing is an investment strategy that aims to generate positive, measurable social and environmental outcomes, while also producing competitive financial returns. At AXA IM Alts, we embrace this definition using a private market approach to identify societal problems, invest in credible solutions to these problems, and measure the contribution of our capital in solving them.

We believe we can generate positive outcomes benefitting both people and the planet, while simultaneously meeting our clients' financial objectives. We achieve this by investing in projects where the financial outcomes and the stated environmental or social impact objectives are linked.

Our focus is on large-scale issues with significant funding gaps. These range from environmental challenges to widespread lack of access to essential products and services in many countries. With our investment horizons stretching over 10 years, we utilise long-term capital and thinking to yield solutions that have lasting impact.

Our programme deploys capital through alternative assets including private equity, venture capital, private debt, and project finance. This strategy provides us with flexibility and access to diversified investment opportunities and helps us generate impact outcomes. Our diversified alternatives strategy, supported by a robust risk framework, is aligned with the risk/return profile of institutional investors seeking to achieve their financial objectives while contributing to societal change.



Impact investing seeks to deliver both impact outcomes and financial returns

Our strategies and impact themes

Our impact strategies target impact across asset classes, themes, and geographies. As of 2020, our investment has benefited more than 600 companies and projects across over 80 countries in both developed and developing markets. Many of these initiatives are in emerging economies with significant social and environmental challenges.



Deep and credible alignment with the UN Sustainable Development Goals

Our strategy goals and impact themes contribute to the UN's Sustainable Development Goals. We have adopted the UN Sustainable Development Goals (SDGs) as an overarching guide to test the credibility, relevance, scale of impact and contributions of our investments to the sustainable development needs of people and planet. We use the SDGs to identify global needs and regions where our capital and other inputs are needed to deliver meaningful impact, helping bridge a \$2.5 trillion annual financing gap (UN, 2018).



Environment

Our impact approach

The climate crisis and loss of biodiversity are critical challenges facing humanity. The level of carbon dioxide in the Earth's atmosphere in 2020 - 412.5 parts per million - has never been higher over the last 3.6 million years¹. Similarly, biodiversity is declining faster than at any time in human history, with current extinction rates from 100 to 1,000 times higher than the baseline rate².



Protecting natural capital

Aligning economic, environmental, and social requirements with financial returns allows us to manage competing priorities for natural capital. We achieve this by investing in solutions that can generate returns based on the sustainable management of an ecosystem. Our investments conserve, protect, and restore the natural capital necessary for conservation and biodiversity. In addition, many of our investments generate payment for ecosystem services by qualifying for verified carbon credits issued under accredited programmes such as REDD+³.



Promoting resource efficiency

The battle against climate change and natural resource depletion cannot be won without innovative solutions. Reducing and preventing greenhouse gas emissions and promoting resource efficiency will be at the forefront of this fight. We invest in multi-dimensional solutions, technologies and innovation that range from clean energy generation and usage, reducing reliance on carbon intensive sources of energy that are damaging to the environment, to promoting energy efficient products and circular economy solutions. These break down the traditional linear approach, which has a take, make, dispose, model of production.



Building climate resilience

The effects of climate change on vulnerable communities threaten the livelihoods and wellbeing of many. The opportunities for investment include the provision of climate and parametric insurance, drought-resistant crops, and technology. Contributing to these solutions enables individuals, business, and communities to adapt and build resilience.

What we measure

We define KPIs for each target outcome

Climate Mitigation

CO₂e avoided

Biodiversity

Hectares of critical habitats protected

Climate Resilience

Number of vulnerable people empowered

Conservation of Natural Capital

Hectares of natural capital conserved

Resource Efficiency

Waste avoided
Water saved

¹Source: NOAA, 2021 ²Source: Dasgupta, 2021 ³REDD+ is an international framework for 'reducing emissions from deforestation and forest degradation, conservation of existing forest carbon stocks, sustainable forest management and enhancement of forest carbon stocks'.

Conservation of Natural Capital

We invest in forestry companies and projects to conserve natural capital, mitigate climate change and build climate resilience.



climate resilience

climate mitigation

Scaling up nature-based carbon sequestration in Kenya

Komaza, a microforestry-to-wood products company in Kenya, is striving to become the largest sustainable forestry company in Africa. The company contributes to reforestation of degraded lands and aligns the financial interest of local communities with conservation.

Farmers earn extra income by using surplus degraded land to grow particularly effective carbon-sequestering trees. By generating a sustainable source of income, the scheme reduces the incentive to harvest wood from existing forests, thereby tackling one of the drivers of deforestation and loss of biodiversity.

Our investment will help Komaza increase its forestry activities, extending its footprint from 5,000 to 37,000 hectares; improve the income of 50,000 farmers; and contribute to carbon sequestration from trees. It will also support Komaza's aims to develop sustainable wood manufacturing and monetise carbon emissions savings through the sale of verified carbon credits.

In 2020 Komaza was awarded the Environmental Finance Impact project/investment of the year – Biodiversity and ecosystems. This is in recognition of the innovative and scalable alternative to traditional forestry models that Komaza has engineered.

Expected impact returns

37k

hectares under improved management

50k

farmers with improved financial outcomes

17.5m

tonnes of CO₂e sequestered



Data contained in these case studies is sourced from each individual organisation/project. Data correct as of May 2021. Past performance is not a guide to future performance.



climate resilience

climate mitigation

Linking landowners' income to preservation

Forest Carbon Works aims to mitigate climate change by protecting family-owned forests in the United States.

It works with owners to monetise their landholdings through verified emissions reductions. These can then be turned into carbon credits and subsequently sold into the regulated California emissions trading scheme. This leads to the sustainable management of forests, preserving biodiversity and maintaining ecosystems and the services they provide.

Expected impact returns

5.4m

carbon credits

Our investment will contribute to the registration of 5.4 million carbon credits over five years, which would represent an 8.5% share of the US carbon credit market. Forest Carbon Works provides an aggregation model enabling small landowners to benefit from carbon markets and other mechanisms that reward for ecosystems services. This is a replicable model that will reduce the administrative and cost complexities in accessing voluntary and compliance-led carbon markets.



natural capital

biodiversity



climate mitigation

Restoring degraded ecosystems

Forest Carbon Indonesia specialises in conserving and restoring degraded peatland, tropical forests, and wetland ecosystems across Indonesia. This will tackle a critical and material global ecological challenge at significant depth, providing considerable climate change mitigation benefits and protecting habitats of high-risk species.

Protecting of natural capital and delivering climate benefits are a priority in Indonesia, which is working to preserve critical ecosystems such as mangrove forest areas which have experienced a decline of nearly 40% in the past three decades. The region also experienced major peatland fires in 2015 and 2019, leading to the release of significant levels of CO₂ emissions.

Our investment will enable Forest Carbon Indonesia to scale up its activity. It will support the conservation and restoration of 74,000 hectares of peatland, mangrove and tropical forests, and avoid 26 million tonnes of CO₂ emissions. It will result in 22 million verified carbon credits, and the protection of at least 10 IUCN Red List endangered species.

Expected impact returns

22m

carbon credits

Safer waste management



resource efficiency

circular economy

Solving waste management hazards through upcycling

Sanergy was founded in 2011 by three MIT students aiming to implement and improve waste management systems in Kenya. The company provides sustainable solutions to tackle the sanitation crisis in slums.

Sanergy adopts a full value-chain approach, working to improve the current system and eliminate the environmental and health hazards caused by poor waste management systems. In Kenya, only 5% of sewage is effectively treated, leading to water and land pollution and the release of GHG emissions from landfills. To combat this, Sanergy adopts a

circular economy approach, collecting and transforming sanitation and organic waste into sustainable, environmentally-aligned products such as insect protein for animal feed, organic fertiliser, and biomass briquettes.

Our investment will enable Sanergy to significantly expand their waste processing capabilities and outputs. By adopting a circular approach to waste management, Sanergy targets the safe removal and processing of over 1.2m tonnes of waste, which will in turn avoid the release of 630,000 tonnes of CO₂e emissions that would otherwise occur without Sanergy's intervention.

Sanergy's process will also support the use of organic fertiliser on 51,000 hectares of land, presenting additional benefits in soil biodiversity and productivity. These activities will be at the forefront of changing waste management models in Kenya and Sub-Saharan Africa.

Expected impact returns

1.2 m

tonnes of waste removed and upcycled

50k

tonnes of bio-fertiliser produced

630k

tonnes of CO₂e emissions avoided



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Sustainable chocolate production



natural capital

biodiversity

Protecting biodiversity in Madagascar

Beyond Good is a cocoa bean-to-chocolate bar company founded in 2008. It sources cocoa directly from farmers in Madagascar as part of a new and sustainable approach to chocolate production.

By working first-hand with local farmers, Beyond Good promotes agroforestry as opposed to traditional cocoa farming. This technique integrates shade trees which provide habitats to support native wildlife. Beyond Good's sustainable farming approach is very different from conventional cocoa production practices, most of which involve clearing significant areas of forest. This inevitably leads to deforestation and loss of biodiversity. At the heart of their cocoa supply chain, Beyond Good values the conservation of natural capital and the protection of biodiversity, themes that are crucial for Madagascar and its unique animal species; 85% of Madagascar's plants and animals are found nowhere else in the world.

Our investment will enable Beyond Good to increase direct sourcing from local farmers. In doing so, it will help build resilient livelihoods for vulnerable communities and align their economic empowerment with the conservation of critical habitats and endangered species.

The investment will also significantly increase Beyond Good's footprint for sustainable cocoa production from 122 hectares to 528 hectares of agroforestry. In turn, this will lead to the protection of four lemur species listed on the IUCN Red List of Threatened Species.

Expected impact returns

528

hectares of critical habitats for biodiversity to be conserved or protected

2.9k

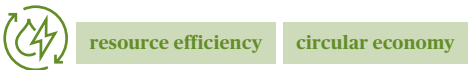
hectares of sustainable agroforestry

3.6k

smallholder farmers to enter Beyond Good's supply chain



Resource efficiency and biodiversity



A sustainable solution replacing single-use plastic

PackBenefit specialises in sustainable product packaging targeted towards the food service industry. The Spanish company uses FSC-certified sustainable wood pulp to manufacture food trays, bowls, and containers. Their products are recyclable, biodegradable, and industrially compostable alternatives to fossil-fuel derived, single-use plastic food trays.

The rising use of single-use plastics and the associated negative effect on the environment, has received increasing attention; the United Nations has identified single-use plastics as one of the biggest environmental challenges of modern times (UN, 2020). PackBenefit aims to avoid the need for plastic in packaging, using a wood-based pulp that provides a credible and circular solution to a myriad of environmental issues associated with the proliferation of single-use plastics.

After use, the products can be recycled in existing paper and card recycling infrastructures, which are well established in PackBenefit's end markets (72% of paper and card is recycled in Europe today). The products can also be composted in industrial compost facilities, converted into biofuel, or decompose, whether it be in landfills or the natural environment.

Our investment will enable PackBenefit to increase production capacity from 30 million to 386 million sustainable food trays. Boosting outputs is expected to displace 6.2k tonnes of single-use plastic by 2024.

Expected impact returns

386 m
single-use plastic
food trays displaced

6.2 k
tonnes of single-use
plastics displaced



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AXA IM Philanthropy Mechanism

To support initiatives and projects that are not commercial prospects for the investment portfolio but still bring significant impact value, we have developed a charitable mechanism for our impact range. We identify organisations whose activities are aligned with our environmental and accessible healthcare priorities.



World Land Trust is an international conservation charity that funds the creation of nature reserves and provides permanent protection for habitats and wildlife through a network of partner organisations around the world.

Our donation will support the restoration of a natural corridor for Indian elephant populations moving between D'Ering Wildlife Sanctuary and Dibru Saikowa National Park, whilst enhancing the capacity and livelihood opportunities of local communities and reducing human-elephant conflicts.

Expected impact returns

700
hectares of land
protected or restored

150 k
trees planted



Ligue pour la Protection des Oiseaux is one of the oldest nature conservation associations in France. Its main focus is bird protection and conservation but it is also active in education and awareness-raising campaigns.

Our donation will support a project to reintroduce four species of European Vultures in the Massif Central, working with local breeders and farmers, authorities and research centres.

Expected impact returns

570
young vultures in flight

850
breeding pairs



Doctors with Africa CUAMM works with local hospitals, health centres, villages and universities to improve the health conditions of the most vulnerable communities in sub-Saharan Africa.

Our donation will support a project at the Chiulo Hospital (Angola) aiming to facilitate 1,400 births and increase access to quality maternal, neonatal and child healthcare services for women and children living in rural areas.

Expected impact returns

6.4 k
prenatal visits

24 k
outpatient visits

So cial

Our impact approach

Many people in developing countries struggle to access essential goods and services. We invest in companies that increase access, reduce costs, and improve the quality of solutions, enabling underserved communities to meet their basic needs. In particular, we seek to empower underserved communities in emerging market countries by providing solutions that embed financial resilience and build healthier communities.



Improving financial inclusion

Access to finance is essential for individual and economic progression. We are helping build a sustainable and inclusive financial system that improves the economic wellbeing of unbanked and underbanked people in low-income communities.

Our financial inclusion solutions provide payment and transfer services, credit, savings, and insurance products for underserved populations. They are aligned with the World Bank Universal Financial Access 2020 Goal which seeks to leverage digital technology to expand financial inclusion for underbanked populations.



Targeting accessible healthcare

The provision of healthcare remains an urgent global challenge in terms of access, quality, and supply. Traditionally, underserved populations are excluded from quality healthcare. The COVID-19 crisis has highlighted these large inequalities in global healthcare provision and solutions.

Through our investments, we aim to increase the availability and affordability of healthcare products and services targeting the disease burdens of developing countries. We also aim to increase their access to hospitals, health centres, and research and development of drugs, vaccines, and medical products.



Providing quality education

Many low-income families across the developing world still struggle to access quality education. It is estimated that 263 million children and young people are not in school and a further 330 million are in school but not learning.

We address this basic need through our educational investments, particularly in primary learning. By supporting institutions providing affordable, quality, and accessible education, we can break the link between poverty and poor educational achievement.

What we measure

We define KPIs for each target outcome

People empowered

Number of people benefiting from financial services and basic needs solutions

Lives improved

Number of lives improved by the provision of healthcare solutions

Lives saved

Number of lives saved by the provision of healthcare solutions

Access to healthcare

Our mission is to improve the health outcomes of beneficiaries principally based in low- and middle-income countries (LMICs) whose health needs are underserved.

Global Access agreements

A key innovation critical to our delivery of our mission is the use of Global Access Agreements. These commit our investee companies to make their products available in target LMICs, at an affordable price and adapt it, where necessary, for the low-resource environment of relevant LMICs. These agreements encourage a universal approach to healthcare that provides access to innovative healthcare solutions to underserved communities in LMICs.



A unique solution to post-partum haemorrhage

Alydia Health is a US-based medical device company tackling postpartum haemorrhage (PPH). It has developed the Jada device, which facilitates the contraction of the uterus after childbirth, stopping bleeding.

PPH affects 10% of all deliveries worldwide and is the leading cause of maternal death globally. Over 100,000 women die yearly from PPH with most of the deaths occurring in LMICs, mainly in sub-Saharan Africa. This is a preventable issue that Jada can solve. Clinical studies have shown that Jada has stopped bleeding in 96% of patients within minutes.

Our investment will allow Alydia to increase the global use of its device in both developed and developing countries. Jada is a cost-effective solution which can be modified for use in typical low-resource settings by developing a battery powered and hand-pump version of the device.

With the aim of reducing the universal maternal mortality rate, Jada will be available for use in 27 LMICs.

Expected impact returns

1.1 k
lives expected to be saved yearly

102 k
lives improved yearly



Providing accessible eyecare for cataract treatment

Z-Optics is a medical device company focused on innovating and developing the next generation of intra-ocular lenses (IOL) for the treatment of cataracts.

Cataracts are the leading cause of blindness, accounting for 51% of the total 39 million cases worldwide (WHO, 2011). Cataracts are also the second-leading cause of poor vision, affecting 95 million people suffering from visual impairments.

Cataracts can be easily treated through various surgical methods that replace the clouded lens affected by cataracts with an IOL. However, the outcomes for patients in developed and developing countries differ. Treatment in LMICs is limited and expensive, and often favours mono-focal lenses which do not restore full-range vision.

Our investment will enable Z-Optics to produce an innovative lens with the potential to deliver full range vision for use in developed and developing countries. Z-Optics will produce a version of the device or make the standard device available at a relevant price point for LMICs, increasing access and affordability for underserved beneficiaries.

Expected impact returns

50 k
lives improved yearly

Fighting COVID-19

The importance of access to healthcare has been underlined by the COVID-19 pandemic. Through our direct investments and portfolio companies, we support the development of vaccines, testing and diagnostics.



accessible healthcare

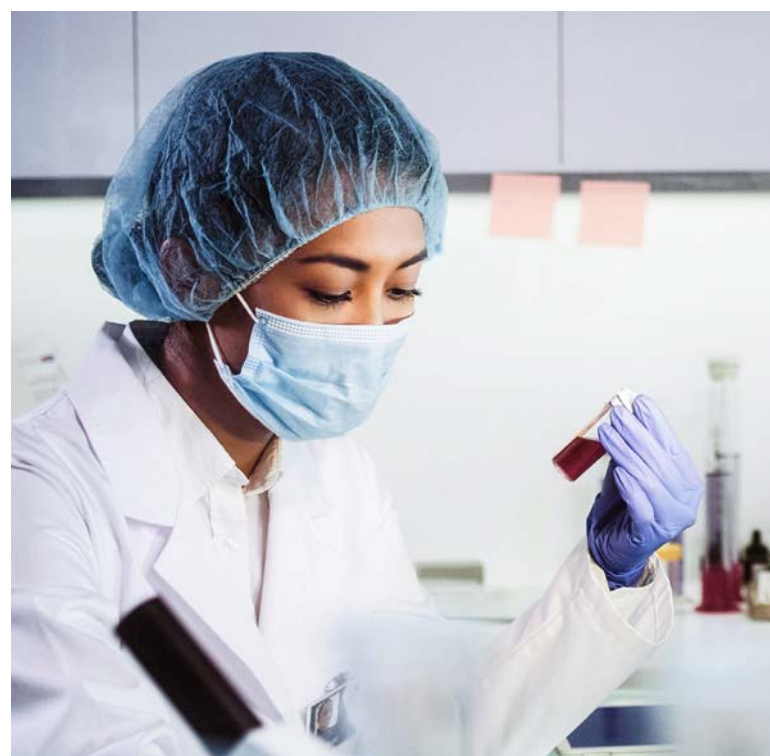
Direct investment

Diagnosing and treating COVID-19

Revelation Biosciences develops diagnostics and therapeutics to detect and treat viral infections. Revelation is developing a suite of products that can be applied to a wide array of viral infections including influenza, COVID-19, and other respiratory infections.

The diagnostic product is a rapid test to be used initially to detect COVID-19 in treatment facilities and will eventually be developed into a self-test. The first therapeutic will be nasal drops used to treat viral infections and in due course prevent infection in high-risk environments. The second therapeutic is intended to be used in parallel with COVID-19 vaccination to support immunisation.

Our investment will help Revelation improve global access to their products and provide long-term solutions to COVID-19 and other viral diseases. The products are inexpensive to produce compared to competitors, making them more relevant for use in LMICs. They do not require cold chain handling, eliminating the need for temperature-controlled transport and storage in developing countries. These factors increase the useability of Revelation's tests and treatments, ultimately achieving the impact outcomes of this investment.



Expected impact returns

12.5 k
lives saved yearly

50 k
lives improved yearly



global health

Portfolio investments

Vaccine development and testing

AccessBio is dedicated to the prevention and early detection of infectious diseases. The company is a leader in accurate, sustainable, and cost-effective diagnosis solutions and is one of the world's largest producers of malaria test strips. In 2020, the company received FDA emergency authorisation for its rapid test strip for COVID-19. The test produces results in 10 minutes without the use of additional equipment.

Strand Lifesciences is an integrated specialised diagnostics company with a focus on next generation precision medicine. It works on clinical diagnostics and bioinformatics relating to oncology, genetics, fertility, women's health, infectious diseases, and wellness. Strand Lifesciences is one of the first private labs in India approved to offer COVID-19 testing.



Serum Institute of India (SII) works to improve the supply and quality of vaccines. One of the world's largest vaccine manufacturers, SII targets a range of diseases, including polio, measles, tuberculosis, diphtheria, pertussis, and tetanus. Serum Institute obtained emergency use authorisation in India for the AstraZeneca COVID-19 vaccine and is producing approximately 50 million doses a month. The approval in India is an important milestone as it will provide supply capacity for India and a large number of countries around the world. Serum is also working with Codagenix, a biotechnology firm, to develop a single-dose, intranasal COVID-19 vaccine. The vaccine has progressed to the clinical test phase and is expected to be ready by early 2022.

Atomo Diagnostics is an Australian based company that designs and manufactures innovative medical devices that allow for rapid testing and diagnosis of infectious and chronic diseases. Atomo's products are already approved and in use in several markets, including for the detection of HIV and malaria. The company's rapid antigen and antibody tests for the detection of COVID-19 were approved by the Australian regulator in 2020. These tests provide results within a 15-minute window to diagnose infections or identify patients who have built up an antibody response to the virus.

Quality education



quality education

Primary education in low-income countries

Bridge International Academies* provide accessible, quality, and affordable schooling to children in underserved communities. Bridge works with governments, local communities, teachers, and parents to support and deliver high quality primary and pre-primary education in a number of countries including Nigeria, Kenya, and Uganda, reaching over 700,000 students in 6 countries.

Bridge provides foundational learning to low-income families in developing countries. They also provide curriculum development and run teacher training institutes to address the global deficit and increase the proportion of trained primary school teachers in sub-Saharan Africa. Bridge uses a technology-and data-driven approach which allows for an objective testing of the efficacy of their solution and improvement in educational outcomes for their students.

Bridge started with running its own schools but has extended the parent-pay model to include partnerships with governments and educational authorities to deliver system-wide change. This will enlarge the number of potential beneficiaries. Additionally, Bridge is particularly focused on gender parity in education, with both girls and boys in Bridge-run schools performing above the national averages, where boys outdo girls.

Our investment will enable Bridge to expand its partnerships with governments, providing access to quality education that is not dependent on ability to pay. This structure will render Bridge services even more accessible to a larger scale of students.

Expected impact returns

6 m

projected
pupils

23 k

schools
reached

*The company is also referred to as NewGlobe



Financial inclusion



financial inclusion

Financial services for small businesses

Baobab is a financial services company providing microfinance and other inclusive finance products and services in sub-Saharan Africa and China. The company's mission is to meet the needs of underserved entrepreneurs by making financial services simple, fast, accessible, and affordable.

Through its activities, the company has empowered over 1 million entrepreneurs, 45% of which are women, in a range of industries. These include self-employed traders and small-medium enterprises in retail, services, manufacturing, and agriculture.

Baobab provides a range of financial services including loans, savings accounts, insurance, and cash and card payment solutions. With branches and kiosks in place across all locations, customers can open accounts quickly and easily. Baobab is also leading the increasing digitalisation of financial inclusion, offering mobile services making its products more accessible to customers.

Our investment supports Baobab in its mission to help financially-underserved entrepreneurs unleash their potential.

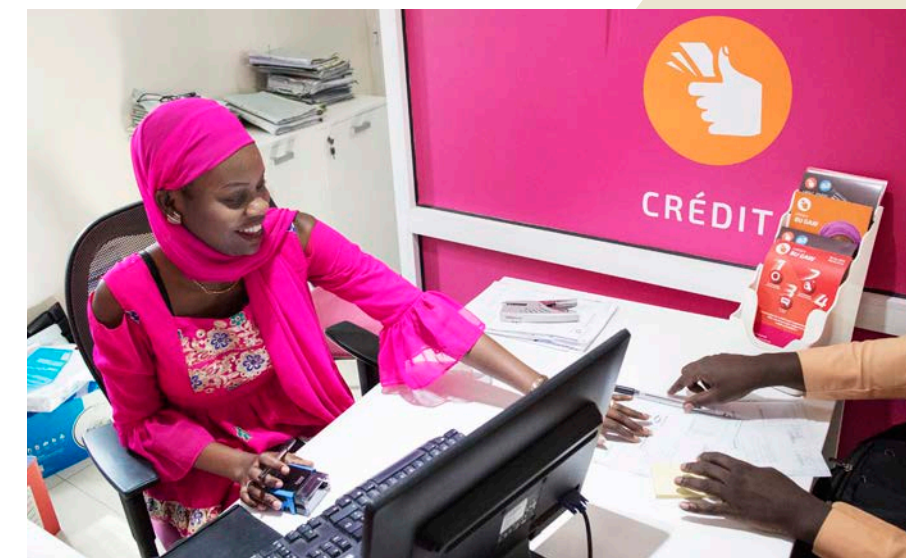
Impact achieved

1 m

customers

€29 m

in microloans approved



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How we measure and manage impact



The AXA IM impact strategy aims to generate measurable outcomes that address the needs of an identified beneficiary group while delivering market-rate financial returns. Managing, monitoring and measuring impact performance is crucial to ensuring we meet this goal.

Our Impact Measurement

and Management System covers all aspects of our investment process, from initial assessment, evaluation and due diligence to investment, monitoring and exit. Environmental, Social and Governance (ESG) considerations are embedded within the investment lifecycle. Our objective is to ensure that impact is generated with intention and focus. It should be a key driver for investment decisions and the management of investments over time.

We evaluate the extent to which investments are generating social and environmental impacts mindfully and meeting predetermined targets using a proprietary system that follows the entire investment trajectory.

This aims to ensure that we are both generating a positive impact for our planet and its people and delivering competitive financial returns.

The following pages provide a comprehensive overview of how AXA IM Alts measures and manages impacts generated. It includes a detailed mapping of those impacts alongside a deep dive into our robust investment process, which fully integrates impact at every level. It also offers information about our due diligence and rating activities.

The ESG data used in the investment process are based on ESG methodologies which rely in part on third party data, and in some cases are internally developed. They are subjective and may change over time. Despite several initiatives, the lack of harmonized definitions can make ESG criteria heterogeneous. As such, the different investment strategies that use ESG criteria and ESG reporting are difficult to compare with each other. Strategies that incorporate ESG criteria and those that incorporate sustainable development criteria may use ESG data that appear similar, but which should be distinguished because their calculation method may be different. ESG Score is a proprietary AXA Investment Managers metric that reflects a company's performance across a range of environmental (E), social (S), and governance (G) criteria. An ESG score may not be available for all of the investments in the universe. It applies a floor at 0 (worst) and a cap at 10 (best). Where securities are not rated by S&P, Moody's and/or Fitch, internal methodology applies.

Mapping our impacts

The impact wheel

Prior to making investments, we use an impact wheel to chart the steps necessary to achieve impacts in line with our strategy. This enables us to review both challenges and solutions, assessing the relevance, directness, depth and scale of proposed investments relative to the impact we are seeking. This is crucial to ensuring that impact is our top priority when investing and helps us maintain our focus over time.

United Nations Sustainable Development Goals (UN SDGs)

We monitor the ways in which our investments further the UN's SDGs, using them to test the relevance of our mission and evaluate contributions made against sustainable development needs.

Mission

Our strategies include clearly defined impact objectives aligned with social and environmental issues. We aim to serve our clients while helping to resolve broader challenges.

Themes

Each mission is distilled down into themes that guide the investments and actions undertaken to achieve impact objectives.

Inputs

Inputs are the businesses, projects and solutions supported by our investment capital and other contributions.

Key Performance Indicators (KPIs)

We use performance metrics, indicators and targets to manage, measure and evaluate how well investments are furthering our impact objectives.

Outputs

Outputs are the concrete and quantifiable results of investment activities, used to assess prospective investments and evaluate the performance of investments in our portfolio.

Outcomes

Outcomes are the long-term, qualitative and sustainable improvements we are seeking for our planet and its people as a result of our investments.



Our investment process

We integrate impact and ESG considerations at every stage of our investment process, ensuring that all potential investments meet our financial and non-financial criteria.

1 Pre-Investment

- Using a Logic Model to confirm Impact Objectives, Impact Metrics, Key Performance Indicators and SDGs with investees
- Include impact focused reporting requirements in side-letters and other legal documents
- Embed Global Access Commitments and other mechanisms to drive impact in legal documents
- Confirm impact-linked performance requirements in compensation agreements
- Agree frequency of reporting and format
- Confirm Environmental & Social Action Plans (ESAP) and timelines



Objectives

- Credible, rigorous investment selection
- Alignment of Impact, Operational and Financial Objectives
- Business/Projects which create positive, intentional and measurable impact

2 Investment - Monitoring & Measurement

- Establish impact baseline, qualitative and quantitative targets, to be used as a benchmark for impact performance of businesses/projects
- Assess impact performance on a quarterly basis relative to objectives, metrics and KPI
- Review execution of ESAP
- Engagement with investees on impact and ESG issues, directly and through participation on governance committees



Objectives

- Active stewardship of investments
- Monitor performance relative to impact and financial targets
- Mitigating risks to investors and beneficiaries

3 Impact Performance

- Confirm impact inputs, outputs and outcomes
- Ratify scale, reach, quality and depth of impact measured against initial targets and objectives
- Validate impact creation and outcomes for target beneficiaries over investment period
- Assessment of achievements versus fund's objectives



Objectives

- Positive, Intentional Impact for Beneficiaries
- Responsible Exit
- Impact-Linked Performance Rewards
- Contribution to the SDGs





Operating Principles for Impact Management

Our impact management system is aligned with the Operating Principles for Impact Management. AXA IM Alts is a founding signatory to the Principles and a Member of the Advisory Board.

Principle 1

Define strategic impact objective(s), consistent with the investment strategy

Our guiding impact thesis is to address the needs and aspirations of underserved people globally while protecting the natural environment in which communities are based and where they earn their livelihoods.

We utilise alternative assets and a private market approach to access a large pool of diversified investment opportunities that aim to generate impact outcomes at scale.

We have adopted the UN Sustainable Development Goals (SDGs) as an overarching guide to test the credibility, relevance, scale of impact, and contributions of our investments to the sustainable development needs of our people and planet.

We use the SDGs to identify global needs and regions where our capital and other inputs are needed to deliver credible impact. We currently contribute directly to 13 of the 17 SDGs.

Principle 2

Manage strategic impact on a portfolio basis

We establish a clear pre-investment impact identity for each of our funds which is based on the established mission and objectives of the fund. This impact identity guides portfolio construction, the selection of underlying investments for each fund and the management of expected impact and financial performance at a portfolio level.

Our Investment Committee monitors overall portfolio and strategy performance regularly at our quarterly review meetings, and as necessary throughout the year. Impact



Operating Principles for Impact Management, launched in April 2019, provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle.

strategy teams are rewarded on the basis of impact and financial performance. At corporate level, we incorporate ESG integration goals across all investment teams.

Principle 3

Establish the Manager's contribution to the achievement of impact

The stage and impact focus of our strategy means that we are often one of the first institutional investors in a portfolio company. Our investments and work with these companies help demonstrate the commercial opportunity in impact-focused businesses, businesses in emerging economies, and businesses working to solve complex societal challenges.

In addition to capital, we provide access to the knowledge and resources of the broader AXA IM and AXA Group to support investee development and the delivery of impact at scale.

Principle 4

Assess the expected impact of each investment, based on a systematic approach

All investments are assessed against their alignment with the impact objectives of a fund. We have established an assessment framework that follows the Impact Management Project's (IMP) Five Dimensions of Impact to determine expected impact.

We also take account of the Global Impact Investing Network's (GIIN) Navigating Impact Project and IRIS+ to confirm strategic goals, the expected contributions of each investment, the impact metrics, and key performance indicators relevant to different themes.

Our objective is that each investment clearly states the impact metrics, key performance indicators (KPIs), and targets against which impact performance will be assessed.

Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment

All investments must respect our Responsible Investment Policies and are assessed against best practice standards.

ESG risks and relevant management resources are identified and reviewed quarterly. We take corrective actions to address any ESG concerns that have not been successfully managed. ESG Action Plans are established and progress reviewed where relevant.

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

We document target financial and impact returns, qualitative and quantitative, of each investment in our Investment Committee memos and actively monitor the performance of our investees over the tenure of our investment. We are active stewards of our investments and use corporate governance tools such as board membership to monitor and influence impact performance.

Principle 7

Conduct exits considering the effect on sustained impact

Our key exit discipline is to invest in business models that are supported by and benefit from providing solutions to a defined underserved beneficiary group or environmental challenge over the long term; and where impact considerations will support the rationale for acquisition by a purchaser. Our preference is for responsible exits, where the acquirer supports the impact objectives. Ultimately, exits will be determined taking account of impact considerations, our fund tenure, and our fiduciary responsibility to our clients.

Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

Impact performance is reviewed at investment, portfolio, and strategy level. We establish impact targets for our investments to allow for a more structured evaluation of performance reviewed impact targets. The insights from our review process informs the effectiveness and use of our impact investing capital and also the continued evolution of our impact investing strategy.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment



Our impact management system has been reviewed and verified independently of the management company by EY & Associés.

The full Disclosure Note is available on the global website: www.axa-im.com.

Aligning with additional industry standards and norms

We play an active role working with other leaders to establish best practice standards and norms around impact investing. These standards have different objectives from ensuring the credibility of impact investing to agreeing common reporting standards for ease of comparability of impact strategies by clients.

Our impact investing practice aligns with the following standards, norms and practices in the industry:



Our impact process takes account of the SDGs as an overarching guide used to test the relevance of our mission and the contributions of our interventions to the sustainable development needs of people and planet. We select Goals, Targets and Indicators that are particularly relevant to our impact mission, rather than addressing all 17 Goals in our strategy.



The IMP framework is an approach that has gained currency amongst impact investors as an industry consensus on how to measure, compare, manage and report on the impact contributions of investments. We use the five dimensions of the Impact Management Project (IMP) (What, Who, How Much, Contribution and Risk) to assess potential investments and evaluate the impact performance of our investments. AXA IM is a funder of and an advisor to the IMP.



AXA IM is an active signatory of the PRI and we align our practices with the six principles of the PRI by incorporating the consideration of environmental, social and governance issues into our investment processes.



This initiative by the Global Impact Investing Network (GIIN) engages experts in each impact theme to build the key elements of an impact strategy and adopt common metrics that indicate performance towards impact goals. AXA IM is an active contributor to this initiative as a common goal that enhances the credibility of impact investing.



The GIIN-sponsored IRIS+ is a generally accepted system for measuring, managing and optimising impact with a particular focus on identifying key impacts. We use IRIS+ to source generally accepted metrics to track, compare and report.

IMPORTANT NOTICE

Risk Factors: The nature of this strategy will involve investing in the private markets, often in emerging market countries, so the strategy is exposed to certain risk that are but not limited to: performance, impact measurement, liquidity, valuation, concentration, geo political, currency, tax, legal etc. This list is not exhaustive.

No Assurance of Investment Performance: The strategy has not commenced operations and, accordingly, has no operating history upon which prospective investors may evaluate its likely performance.

There is no assurance that the Investment Objective will be achieved at any point in time and that the strategy will be able to generate any investment performance. There is a risk of loss of the entire capital invested by the Investors.

Impact measurability may be subjective: Impact projections and results are based on information provided by investee companies and projects. Impact measurement may be subjective in nature and covers a wide variety of possible key indicators which constitute the Impact Performance of the strategy. The data and measurement techniques may be specific and subjective to each underlying investment.

Liquidity risk: Not all securities or instruments invested in by the strategy will be listed or traded on an organised exchange or other venue. Further, the strategy may hold trading positions in unlisted securities and markets that are volatile and of limited liquidity. Timely divestiture or sale of trading positions may be impaired by, among other things, decreased trading volume, increased price volatility, concentrated trading positions, the limitation on the ability to of the strategy to transfer transactions to which the strategy may be a party and the overall position size. It may be impossible or costly for the strategy to liquidate or unwind positions prior to the maturity of any position particularly if there are other market participants seeking to dispose of similar assets at the same time or if the relevant market is moving against the position. Accordingly, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The strategy may also encounter difficulty in disposing of assets at a fair price and may incur high transactions costs and fees in doing so.

Valuation risk: The strategy will invest the whole or potentially a large part of its assets directly or indirectly in illiquid and/or unquoted securities or instruments. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process.

Sourcing/Operations risk: The investment sourcing process for the strategy is completed over a 3-year long ramp-up period. The nature of the strategy involves a lengthy due diligence process which could result in broken deal costs should an investment not reach execution.

Market risk: The strategy is focused on Emerging Markets which is considered to carry higher ancillary risk which could affect the performance of investments. The strategy could have a high concentration in Emerging Market geographies.

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