AXA Investment Managers

Climate Action Report

As the window to act on the climate emergency narrows, as a global investor, business and employer, we know that our response to tackling the climate crisis must go beyond what is expected of an asset manager calling itself 'responsible'. Here, we report on our progress, innovations and commitments that lie at the heart of our climate strategy.

A word from Marco Morelli

Executive Chairman

As we reflect on progress after another critical year of action on the climate and biodiversity crises at AXA IM, it is all too evident that the broader road to net zero has been hit with setbacks. Conflict, the resulting energy crisis, and squeezed supply chains have challenged the global economy, but made our resolve stronger.

Net zero is tough to navigate and tackling it has to be a collective effort. Transitioning takes time. The global climate and biodiversity crises cannot be solved alone. By pooling our efforts, as a responsible asset manager, with others in the net zero ecosystem, it is possible to effect tangible change.

Engaging with companies and clients is crucial in influencing the net zero trajectory and biodiversity loss. Our stewardship activities – engaging with businesses and voting at company AGMs – as well as our decisions to consciously channel capital into innovations and sustainable solutions, are effective ways for us to assert our influence to help accelerate the transition.

Our ambition to be recognised as the leading responsible investor means we are constantly challenging ourselves to go beyond what is expected. For more than 40 years, we have invested in forestry, but now we are using our experience to work alongside AXA Group in the Forests for Good initiative, setting aside forest land to build climate and disease resilience. We are using our investment perspective to help close gaps in critical biodiversity data; in parallel we support nature-based solutions such as carbon sinks and habitat protection for threatened species. In our impact investing and philanthropy programmes, we create access to health and inclusive education as part of a just and green transition. We also back researchers and the scientific community to imagine the solutions of tomorrow.

But we have a moral imperative to do more. By extending our stewardship mandate, going beyond the AGM and the boardroom, and using the principles to drive progress, we believe we can have a far greater positive impact.

This report details the sum of our actions over the last year.

Key figures

65%

of our total AUM in 2022 committed to be managed in line with net zero by 2050[1], an increase on 15% in 2021

25%

carbon intensity reduction in corporate AUM by 2025

100%

of employees to have completed training at the AXA Climate Academy by 2023.

Our climate progress

The latest Intergovernmental Panel on Climate Change (IPCC) report[2] is clear: the world is not on track to limit global temperature increases to 1.5C. It is crucial that all parts of society double down on their efforts to cut carbon emissions without delay. At AXA IM, our purpose is to “act for human progress by investing for what matters” as a responsible investor, business and employer. We have made great strides since 2020 in meeting our ambitious targets to do this, but we must do more, considering the IPCC report. As custodians of our clients’ capital, it is our responsibility to mitigate the risks posed to our investments by climate change. By acting as a responsible company and employer, we can also be the sustainable change we want to see for the planet and for society.

[1] AUM as at December 2021, commitment as of April 2022
[2] IPCC Sixth Assessment Report

LEARN MORE

Our climate progress

Responsible investor

At AXA IM, ESG is central to our investment philosophy. Where appropriate, our investment teams consciously channel capital towards responsible solutions and we are actively growing our green portfolio on behalf of our clients. In this way, we actively invest with purpose, standing by our convictions while balancing the need to deliver long-term value to clients. But our investment choices are only a part of the story: our engagement and dialogue with companies to support them on their transition journey and the way we vote at investee companies' AGMs are essential mechanisms for meaningful action on the climate and biodiversity crises.

Net Zero Asset Managers initiative

In December 2020, we joined the NZAMI (Net Zero Asset Managers initiative) as **founding members**, committing to reaching net zero emissions by 2050 or sooner across all assets under management. In this perspective, we set an initial target in October 2021, committing to manage 15% of our AUM in line with net zero by 2050. In April 2022, we announced an increase to 65% of total assets as of end of December 2021. This increase was possible thanks to extensive work to review how we could integrate net zero methodologies into the management of Corporate, Sovereign and direct Real Estate assets.

We aim to **exit all coal investments in OECD countries by 2030** and the rest of the world by 2040.

Our **climate progress**

2050 is a long way away, what are our shorter-term NZAMI targets?
We introduced a top-down approach at asset class level using frameworks developed by industry initiatives, as well as data from third party providers to implement our net zero strategies.

25% by 2025

Carbon intensity reduction in corporate AUM (listed equity and fixed income)
Baseline of 116.33 tCO2e/$m revenue in 2019

100% by 2040

Corporate AUM in material sectors on a clear net zero transition pathway by 2040
Baseline of 36% in 2021
If not achieved, we will divest from those outstanding by 2040

20% by 2040

Reduction of operational (scope 1 and 2) emissions of real estate assets
Baseline of 8.5 tCO2e/USD mn EV in 2019

6% by 2025

AUM dedicated to climate solutions
Baseline of 2.1%[3] in 2019

50% by 2025

Financed emissions[4] net zero or net zero aligned
Baseline of 46% in 2021

70% by 2025

Financed emissions under AXA IM engagement rising to 90% by 2030
Baseline of 52% in 2021

50% by 2025

Real estate AUM under CRREM[5] (Carbon Risk Real Estate Monitor) pathway

Sovereign AUM

Beat the CCPI (Climate Change Performance Index)benchmark. AXA IM is already compliant with recommended target setting guidance based on CCPI score[6]

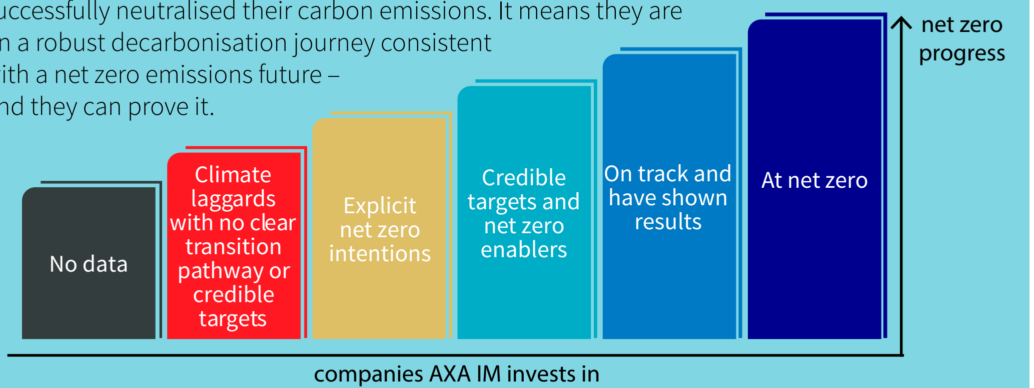
[3] Based on AXA IM's Green investments definition. The definition may evolve as EU Taxonomy is implemented and Net Zero Investment Framework clarify their definition. This would lead us to revise our target.
[4] Financed emissions are emissions generated as a result of financial services, investments and lending by investors and companies that provide financial services.
[5] https://www.crrem.org/pathways/.
[6] https://ccpi.org/.

Our **climate progress**

What does it mean to be "net zero aligned"?

To help us work out how companies are progressing on this journey, we developed the **Carbon Transition Framework** which enables us to track their progress using quantitative as well as qualitative research, leveraging the Net Zero Investment Framework from the Paris Aligned Investment Initiative.

Net zero aligned does not mean that companies[7] have already successfully neutralised their carbon emissions. It means they are on a robust decarbonisation journey consistent with a net zero emissions future – and they can prove it.



Funds in our net zero range (to be developed in H2 2022) will rely on this system to make sure they mostly invest in companies that fall in the blue range. For other funds, if companies at the bottom of the staircase fail to move through the colours, we will divest by 2040 at the latest.

[7] Companies in the corporate portfolio (corporate bonds and equities)

Our climate progress

Responsible business

By acting as a responsible business, we not only act as stewards for progress for our stakeholders, we also future-proof our own company, ensuring it is able to remain relevant and thrive.

In 2021 we:

- Committed to becoming a net zero asset manager for our operations by 2050 and an interim target of **-26% by 2025**.
- Measured our operational global carbon footprint, including full supply chain[8] **scope 3 emissions, for the first time**: 31, 280tCO_2e.
- Designed and defined **targets to reduce our carbon footprint** globally.
- **Purchased carbon credits** from ClimateSeed to offset our footprint.

Responsible employer

At AXA IM our purpose is central to every action we take as a responsible investor – but equally as an organisation and an employer. By ensuring an inclusive culture where our people are valued, compensated, recognised and supported, we empower our employees to act as stewards of their own careers and inspire them to act with us in building a fairer, more environmentally sustainable and resilient world.

- In 2022, 94% of employees completed training at the AXA Climate Academy. We aim to make this **100% by 2023**.
- AXA IM delivered over **68 workshops** on ESG and climate-related topics.
- AXA IM offers all employees both the **CFA Certificate in ESG Investing** and the new **CFA Climate & Investing Certificate**.
- AXA Hearts in Action, our global employee volunteering programme, aims to have **75% climate or biodiversity focused initiatives**.

[8] We have previously measured some of our Scope 3 emissions, but we have now included the supply chain of our operational footprint for the first time. This does not include the Scope 3 emissions of our investments.

Key figures

35bn
in green investments

50%
of our total green investments are real assets

15bn
are green bonds

Growing our green investments

Pledging to reach net zero is the easy part; delivering on that promise is where the hard work comes in. We aim to grow our proportion of net zero aligned AUM to 100% by 2050 – or sooner if we can. Our Carbon Transition Framework is helping our fund managers build portfolios with the least possible impact on the climate.

Alongside the work to reduce the carbon footprint of our existing portfolios, we continue to add to our 'green' products and investments, increasing our AUM by 50% in just 3 years and channelling capital to where it can have the greatest impact. This is part of our effort to go beyond what is expected and act as custodians for future generations.

LEARN MORE

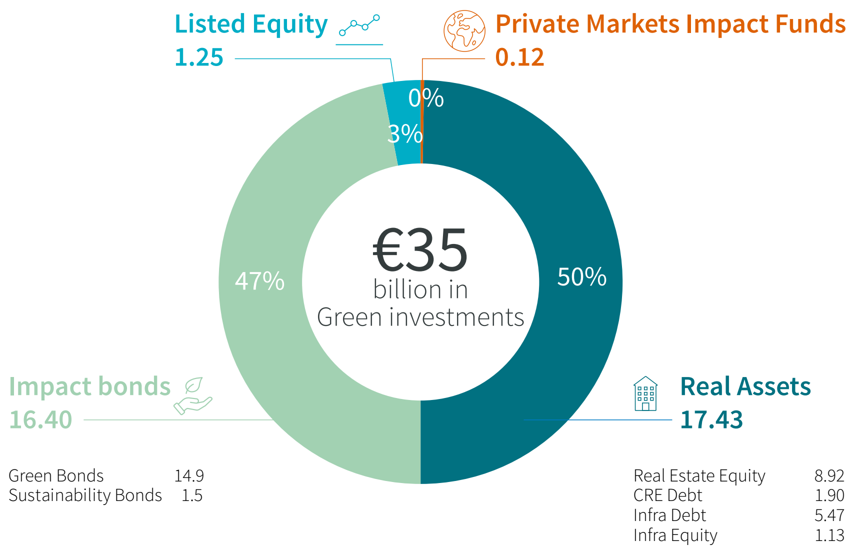
Growing our **green investments**

Our green investments fall into three categories:

Real assets
(real estate, forests, commercial real estate debt and infrastructure debt and equity)

Impact bonds
(green bonds and sustainability bonds)

Green thematic equities
(Listed equity, private markets and impact funds)



Growing our **green investments**

Real assets

Real assets comprise 50% of our total green investments. We have strict criteria for an asset to be included. Any direct real estate must have a minimum EPC rating of B and an excellent or gold level of independent environmental certification. Any forestry assets must be sustainably managed as demonstrated with an FSC[9] or PEFC[10] certification. Similarly, commercial real estate debt investments must be certified to an excellent or gold level of independent environmental certification and infrastructure debt and equity need to be eligible as aligned with a low carbon future by relevant bodies such as the Climate Bonds Initiative.

While we measure the quantity of green investments which meet our criteria, we are actively investing in the transition of both existing and new assets. The following examples showcase this strategy in action.

These assets will be aligned with the Green Investment threshold upon completion.

CASE STUDY

Greener living at Dolphin Square

This ambitious refurbishment project will transform the UK's largest privately rented residential complex into a low-carbon site with 1,234 units. This environmentally driven update will ensure Dolphin Square serves London into the next century.

95% reduction in carbon emissions with 100% reduction in fossil fuel usage.

80% reduction in onsite energy demand.

Fibre Optic broadband in **every apartment** and modern facilities throughout.

1.4 hectares of public garden protected in the centre of London.

[9] The Forest Stewardship Council (FSC) is a market-based certification programme used as a transnational environmental policy.
[10] The Programme for the Endorsement of Forest Certification (PEFC) promotes sustainable forest management through independent third-party certification.

Growing our
green investments

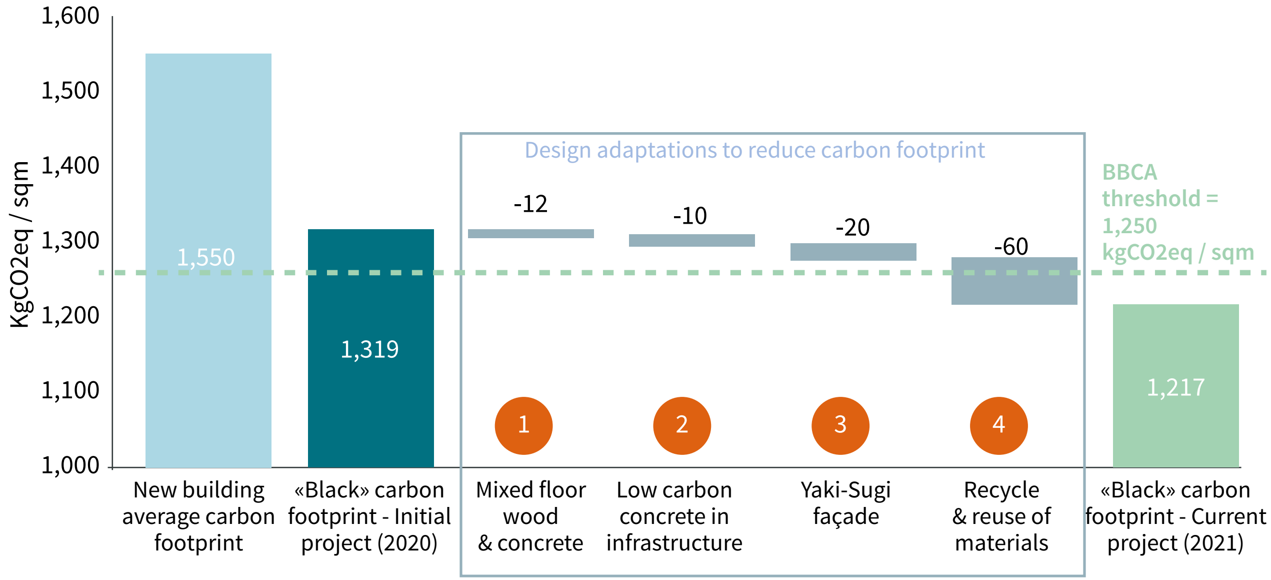
CASE STUDY

Black: High-quality office space with sustainability at its core

Black is a distinctive new office development aiming to create an inspiring modern workspace. Built on reclaimed industrial land in a designated eco-district of Paris, Black is defined as a social project taking a new approach to urban renewal for the city.

- Reuse of material from other AXA sites, including parquet, handrails, tiles and technical false floor, reduced carbon impact by 3,000 tonnes.
- Flame-treated wood selected for façade as a lower carbon, more sustainable material.
- Building designed to achieve BBCA certification as a low carbon building.

BLACK - Carbon footprint reduction (kgCO2eq / sqm)



Growing our **green investments**

Private markets impact investing

Across AXA IM Alts' $900m of AUM, we aim to generate environmental and social benefits. Based on our capital contributions, the impact achieved by projects and companies we have supported so far add up to:

- 11.1m tonnes of CO2e emissions avoided
- 1m households provided with clean energy
- 57.3k hectares under sustainable management
- 34k tonnes of waste avoided

As part of our impact investing, our **Climate and Biodiversity strategy** seeks solutions to climate change and biodiversity loss. Emissions from deforestation and land degradation are responsible for 20% of greenhouse gas emissions. Forests are crucial to climate mitigation, adaptation, clean water provision, biodiversity conservation and community livelihoods. For that reason, we allocate capital in this strategy to companies and projects that conserve, protect and restore natural capital.

CASE STUDY

Impact portfolio company: Komaza

A Kenyan micro-forestry to wood products company that partners with smallholder farmers to turn unused, degraded land into forest. Komaza provides farmers with seedlings, a tech platform, coordinated commercial log harvesting and a ready market for wood.

37,000 hectares under improved management

17.5m tons of carbon emissions sequestered

50,000 farmers with improved income

CASE STUDY

Impact portfolio company: Forest Carbon Indonesia

This company specialises in conserving and restoring degraded tropical forests, peatland and wetland ecosystems in Indonesia, Malaysia and Cambodia.

74,000 hectares of peatland, mangrove and tropical forests conserved

26m tonnes of carbon emissions sequestered

22m verified carbon credits generated

10 species on the IUCN Red List of Threatened Species protected, including the Bornean Orangutan, Proboscis Monkey, Sumatran Tiger and the Irrawaddy Dolphin

Growing our green investments

Forests

With more than 84,000 hectares of eco-certified forestry assets across 4 countries representing more than €800m in assets under management, we are an active player in an asset class that contributes to the transition to a low carbon world and to biodiversity protection. In 2021 we:

- Diversified our portfolio into **new forest species** on new continents.
- Acquired over **25,000 hectares** to bring our total to 84,000 hectares.
- **Extended harvest cycles** to allow trees to grow larger before being felled, increasing the average carbon stock in working forests. In this way, we **sequestered 188,840 tons of carbon dioxide**, net of annual harvesting.
- **100%** of our forest products were **certified under either PEFC or FSC**.

Impact bonds

Impact bonds also form a significant proportion of our green investments, making up 47% of the total. At the end of 2021, **we managed €15bn** of green bonds using our rigorous internal green bond qualitative framework to inform investment decisions, an increase of 58.76% since 2020. We also invested **€1.5bn in sustainability bonds.**

Listed equity

Our **ACT range** is designed to allow clients to target specific ESG goals, such as climate change and inequality.

In April 2022, we launched a **new ACT Biodiversity strategy** to invest in listed companies whose activities are effectively preserving life on land, water and air through providing sustainable alternative products and services which are protecting and supporting ecosystem preservation.

Key figures

2.71°C

The warming potential of AXA IM's investments in 2021, decreased from 2.9°C in 2020

1st time

we have published our biodiversity footprint in our TCFD report

Measurement

Measuring the effects our investments are having on the planet is one of the most important parts of AXA IM's work.

Methodologies to measure the warming potential of investments are constantly evolving, whilst procedures to measure the impact companies have on biodiversity loss are at differing levels of maturity. We are committed to helping develop these systems and we constantly strive to make sure we have the most up-to-date and relevant data, both from historical and forward-looking perspectives, to help make the right investment decisions and to allow us to report on the impact our investments may have on the planet.

Measurement

Biodiversity footprint

Following our partnership with Iceberg Data Lab (IDL) and iCare&Consult, AXA IM piloted a metric to quantify companies' impact on biodiversity and nature which we are helping to develop by sharing our testing and providing feedback with the wider investment community.

Called the **corporate biodiversity footprint (CBF)**, the metric examines companies' activities throughout their value chain and captures relative loss of biodiversity caused by:

- Change of land use
- Greenhouse gas emissions
- Water and air pollution

The single unit of biodiversity impact used to calculate the CBF is the **Mean Species Abundance (MSA)**. This measures the average abundance of native species in a delimited space compared to their original abundance in undisturbed ecosystems.

IDL calculates biodiversity footprints at a company level and these results can then be modelled and aggregated at a portfolio level. The methodology is still evolving and it is not yet able to capture other causes of biodiversity loss, such as invasive species, sea use change and overexploitation of natural resources. In parallel, the **EU Commission's Align Project** is currently developing recommendations for a common standard on biodiversity measurements and valuation.

Our results

We have published biodiversity footprints in the TCFD report for two of our strategies. Please refer to page 104 of TCFD for data points and detail on the methodology.

TCFD REPORT

Measurement

Measuring the warming potential of our investments

We began working on the concept of our investments' warming potential with MSCI in 2018 for our corporate AUM.

For sovereign investments, we work with Beyond Ratings' model to measure their temperature.

The global warming potential of AXA IM's investments decreased from 2.9°C in 2020 to 2.71°C in 2021.

As the number of signatories to net zero initiatives increases, MSCI is developing and progressively replacing its warming potential metric with an Implied Temperature Rise model. This considers the remaining carbon budget left for the world if global warming by 2100 is to be kept well below 2°C and how much a company can emit and remain within the limitations.

As warming potential methodologies continue to evolve regularly, we use them for reporting purposes, rather than as investment tools, for the time being.

Key figures

5,546

We voted at 5,546 general meetings in 2021

59%

We did not fully support management at 59% of relevant meetings

23

in 2021 we voted on 23 say-on-climate proposals

Stewarding **progress**

As a responsible asset manager, it is our duty to act for progress on climate change. Optimal allocation of capital is only the beginning: the real work starts as we guide companies on their transition to a sustainable future. We do this by **engaging with companies, voting** with conviction and updating our exclusion policies regularly in line with our responsible ambitions. In 2021, we **bolstered our engagement policy** to include a new "three strikes and you're out" rule for companies we deem to be climate laggards and this was implemented in 2022. **We strengthened our voting policy** in H1 2022, to further integrate ESG issues into corporate governance and pay particular attention to climate change issues. And **we updated our climate risks policy** to define thresholds to exclude investments in oil and gas companies exposed to certain areas, such as oil sands, the Arctic and fracking. These changes were rolled out in 2022.

MORE ON STEWARDSHIP

Stewarding **progress**

Engagement

Our main theme of dialogue in 2021 was climate change, which was also embbeded in 38% of our meetings addressing corporate governance, reflecting the trend towards the integration of ESG across companies' business activity. The biggest change to our engagement policy came in the form of our "**three strikes and you're out**" rule for climate laggards – a selection of companies without a clear and credible decarbonisation strategy. AXA IM will engage with these companies from 2022, define clear objectives (such as carbon emissions reduction targets), monitor actions until 2025 and divest if progress on those targets is not substantial.

in 2021, we conducted

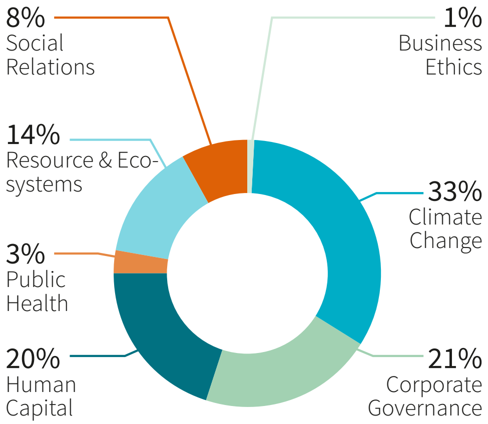
283

engagements with 245 entities

71

engagements at senior level executive or board director level

Our engagement with companies covers a broad spectrum of key ESG themes



Engagement and open dialogue with companies and clients are crucial to understanding and influencing the net zero trajectories. If we don't see progress and strong commitments from companies, we need to be brave and bold in our investment decisions and be ready to divest. The road to net zero is all about transition. We must give companies the time to adjust, but we must also adopt a no-compromise approach with investee companies that don't take climate change seriously.

Marco Morelli
Executive Chairman

Stewarding **Progress**

Voting

In 2021 we voted at 5,546 general meetings and did not fully support management at 59% of relevant meetings.

Our new voting policy is designed to make sure investee companies consider environmental and social issues. Our new requirements mean:

- Directors must have experience and proven track record in managing environmental and social issues.
- Clear ESG elements must be included in the bonus or long-term incentive plans of senior management.
- **Companies in sectors exposed to climate issues must have a net zero emission strategy and ensure executive renumeration is aligned to climate strategy objectives.**
- Companies must adopt international frameworks to report on sustainability information.

Say-on-climate resolutions

In 2021 we voted on 23 say-on-climate proposals at company AGMs, 18 of which were submitted by management and five by shareholders.

What are they? Shareholders' say-on-climate resolutions are historically how the climate issue has been addressed. But in 2021 there was a marked increase in management say-on-climate resolutions, in which the company itself sets emission reduction targets and commits to submit its climate action plan to an annual vote.

How do we decide how to vote? We carefully analyse company practices, disclosures and commitments and consider the long-term impact the say-on-climate resolution would have. For example:

Chevron Corp
Dutch campaign group Follow This asked Chevron to reduce its Scope 3 emissions in the medium and long-term. Despite setting targets to do this, Chevron's Scope 3 emissions are rising and it is earmarking capital expenditure for traditional oil and gas production. We therefore **voted in favour of this shareholder resolution, which was successful**.

BP PLC
Follow This also asked BP to publish a set of targets to bring emissions into alignment with the Paris Agreement. We engaged with BP directly and found the company was committed to being more ambitious and setting clearer targets in the future, so we **voted against this resolution, which was rejected**.

Exercising our voting rights as an investor is a fundamental part of our ability to influence decisions. Including ESG requirements, and carbon emissions reductions commitments within our voting policy will ensure we allocate capital to companies that have clear ESG commitments and targets.

Clémence Humeau,
Head of RI Coordination and Governance at AXA IM

Stewarding **progress**

Climate risks policy

In 2021, the world economy rebounded – and so did greenhouse gas emissions, driven by the highest ever level of coal power generation. The resulting concentration of carbon dioxide in the atmosphere reached its highest recorded level since the industrial revolution. According to the IPCC, the world has already warmed by 1.1C and some analysts argue a 2.5C rise is more likely than the 1.5C or 2C rise called for by the Paris Agreement. In light of this, we decided to focus our efforts on hydrocarbons and fossil fuels. We strengthened our climate risks policy, adding exclusions in the unconventional oil and gas sector and strengthening our engagement asks.

From February 2022, in addition to existing exclusion criteria, we banned we banned any investment in companies that:

- derive more than 10% of their oil and gas production from the Arctic
- derive more than 30% of their oil and gas production from fracking
- produce more than 5% of the global oil sands production

Coal

We have committed to exit all coal investments in OECD countries by 2030 and the rest of the world by 2040. To build our coal exclusion list, we use the Global Coal Exit List produced by German NGO Urgewald on which we apply our criteria as defined in our climate risks policy. We also launched an engagement initiative targeting issuers that are exposed to coal but lie below our exclusion thresholds. In this way, we can request robust transition plans with science-based carbon reduction targets, including plans to close coal plants.

Climate change engagement

We held detailed discussions with French groups TotalEnergies and Vinci and signed a letter with other investors coordinated by Climate Action 100+ to be read at TotalEnergies' 2021 AGM, highlighting how the company could improve its climate strategy. We also took part in collective engagements with Engie, Renault and Ecopetrol, all of which improved their climate commitments. And at US oil group ExxonMobil, we voted in three new board members in 2021, against the explicit wishes of management.

Biodiversity engagement

In the fourth quarter of 2021, we launched an engagement programme with companies which use raw materials associated with deforestation – soy, palm oil, cattle and timber. Working with the World Wildlife Fund and the Carbon Disclosure Project, we developed an engagement questionnaire to help these companies set up clear deforestation-free goals, supported by concrete actions.

MORE ON CLIMATE CHANGE ENGAGEMENT

Key figures

40%
reduction per FTE of emissions related to business travel by end 2025

100%
of our employees to be trained by the AXA Climate Academy by 2023

26%
reduction in our operational carbon footprint by 2025

Treading lightly on **the planet**

It is not enough to be an active player in responsible investment: we must also walk the talk. We hold ourselves to the same high standards that we ask of others. In 2021, we measured our entire global carbon footprint, including Scope 3 emissions from our supply chain (indirect GHG emissions including our purchase of all goods and services), for the first time, accounting for 96% of our emissions. We have taken this extra step now so that we can start to take action on our total carbon footprint and because we expect it of the companies we invest in. With increasing regulation and expectation surrounding the reporting and disclosure of carbon footprints across the industry, it is the responsibility of companies like ours to lead by example in measuring and reporting carbon emissions with the greatest accuracy. The data we provide should be complete, transparent and available for scrutiny.

In parallel, we launched an ambitious plan to reduce our carbon emissions globally as a business. Our strategy to measure, reduce and compensate for those emissions we are responsible for but cannot yet avoid means we are taking steps to tread as lightly as possible on our planet.

As part of the plan to reduce our Scope 3 supply chain emissions, we intend to apply our engagement mindset to encourage our suppliers to work on their own ambitious net zero transition pathways.

Treading lightly on **the planet**

Energy crisis calls for energy sobriety

Current global affairs have had strong consequences on energy price and supply. Authorities anticipate a difficult situation in the winter regarding energy and states are calling for energy sobriety from all stakeholders.

Reducing our emissions has been a topic we have been addressing for many years, however given this current context it is particularly pertinent.

2021 total of

31,280 tCO2e

Our total operational carbon footprint in 2021 was higher than our initial estimate of approx. 9,000 tCO2e, because we have included Scope 3 emissions from our supply chain for the first time. Due to the Covid-19 pandemic, 2021 was also a low-travel year – a trend which we are keen to see continue.

AXA IM is measuring Scope 3 emissions for the first time

Flights
Car Fleet
Electronics
Office

Scope 1

Direct GHG emissions from owned or controlled sources such as gas combustion for heating buildings or fuelling our car fleet.

830 tCO2e (3% of total emissions measured)

Car charging
Electricity
Heating/Aircon

Scope 2

GHG emissions from purchased electricity or from the consumption of steam, heat or cooling (some of our AXA IM buildings are connected to such a heat network)

430 tCO2e (1% of total emissions measured)

Water
Business Services
Suppliers
Recycling and Waste
Other Travel
Events
Home working

Scope 3

Other significant GHG indirect emissions (mostly from suppliers, as we exclude our investments in this study) such as business travel, the purchase of services, purchase of goods including IT material, cloud usage, commuting, catering and home working.

30,020 tCO2e (96% of total emissions measured)

Investments not included, but covered under our targets for the Net Zero Asset Managers Initiative

Treading lightly on **the planet**

DID YOU KNOW?

Food produces 25% of the world's greenhouse gases, but **a vegetarian meal produces on average**

2.5 times

less CO2 than meat

Reduce, reduce, reduce

We have set out a series of ambitious targets to reduce our carbon emissions in three areas, including energy, car fleet and business travel, and to significantly reduce our use of natural resources through our consumption of paper, water and the waste and rubbish we generate. Every year we will report transparently on our progress against our stated targets. The largest reductions are likely to come from working globally with procurement and our supply chain and the global technology teams. We realise that many of carbon reduction plans and priorities will differ depending on geography and are working closely with local teams to set goals that are fair but ambitious.

DID YOU KNOW?

54%

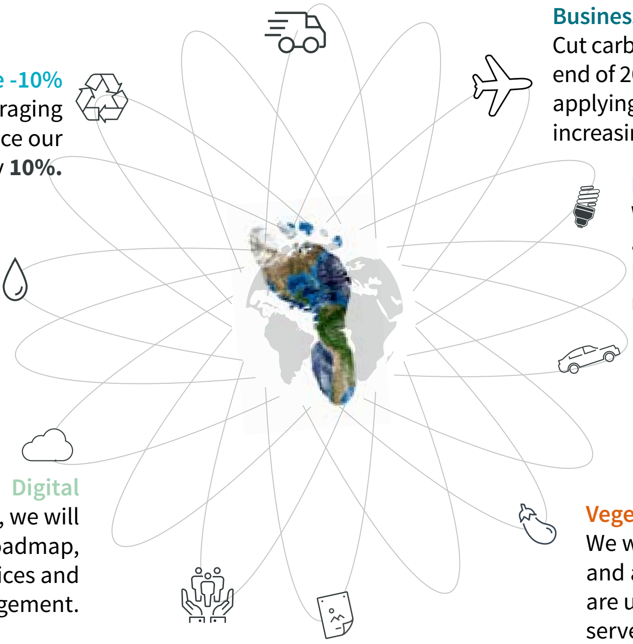
of our global technology emissions comes from the manufacture of devices*.

By encouraging our employees to keep their smart phones, computers and tablets for longer, we can cut our emissions.

*AXA Group CO2 measurement study of AXA IM's digital footprint in 2021

Using 2019 as a baseline, we aim to make the following reductions and changes by 2025:

Supply chain
We want to engage with our most material suppliers and service providers regarding their net zero roadmap, to ensure that we can influence change across our value chain.



Unsorted waste -10%
We plan to continue encouraging recycling efforts and reduce our unsorted waste by **10%.**

Business travel - 40%
Cut carbon emissions by 40% per FTE by the end of 2025 at a rate of 12% per year by applying stricter rules for air travel and increasing use of rail travel.

Power - 36%
We plan to reduce energy consumption across our offices and make sure all our European offices are supplied by 100% renewable energy by 2025.

Water -10%
We plan to reduce the consumption of water in our offices by **10%.**

Car fleet - 15%
We plan to cut carbon emissions by 15% by the end of 2025 by transitioning fleets to e-vehicles or reducing car fleet sizes.

Digital
Working with technology teams, we will build a digital sustainability roadmap, across infrastructure, cloud services and device management.

Vegetarian meals first
We will propose vegetarian menus first and ask that locally sourced ingredients are used by our providers. When meat is served, we will systematically exclude red meat from our catering.

Corporate gifts refocus
We will end the practice of handing out corporate and seasonal gifts from 2023. Money will instead be donated to charity.

Paper: marketing paper and office printing - 20%
Venue branding, such as banners, will not include event names or dates so they can be reused.

Treading lightly on **the planet**

Changing attitudes AXA Climate Academy

Our ambitious reduction targets will only be reached if we are all on board. Employee awareness is the key to AXA IM achieving net zero by 2050 as it helps employees to understand the role they can take as individuals.

That's why we plan to make sure 100% of our employees have been trained by the AXA Climate Academy by 2023. To date we have trained 94%. AXA IM delivered 68 workshops on ESG and climate-related topics and supported 103 employees working towards certifications since 2020*.

*(workshops include formal training, Learning week initiatives, workshops with internal RI experts, HiPO programme – CFA "Know ESG! game ; certifications include number of registered or completed).

Voluntary carbon offsetting of residual emissions

We are realistic enough to know that even with strong reduction targets in place, we will not be able to run our business without generating some carbon emissions. We do not consider carbon offsetting a solution – it is a tool to support us while we work towards our net zero goal.

We used ClimateSeed to calculate our global emissions and organise our offsets using nature-based solutions.

In 2021 we bought carbon credits to offset our carbon footprint in the areas that we are responsible for but cannot yet avoid. The first of these carbon credits helped to fund the Conservation Coast project in the Guatemalan Caribbean. This project protects forests which are a critical migratory corridor for biodiversity, including hundreds of bird species that travel between North and South America .

This is the world's largest grouped forest-based carbon project. Hundreds of landowners, including governmental, NGO, private and community, have joined to protect **675 parcels of forest making up a total of 54,157 hectares**.

Conservation Coast project, Guatemalan Caribbean

- The project works with local farmers to make sustainably produced commodities such as spices and jungle leaves.
- It is developing this beautiful coastline into a thriving eco-tourism hub.
- The project is critical to local water supply, as municipal water comes from the watershed protected by these forests.
- The forests help coastal defence and disaster risk reduction for local communities.

Treading lightly on **the planet**

Giving back through action

Our way of demonstrating that the actions we take can help to mitigate climate change and help protect our ecosystems.

Our volunteer community 'AXA Hearts in Action' enables our employees to dedicate their time and expertise to local charities focused on supporting climate-related and other projects with a positive societal impact. Our calendar of activity runs all year but culminates with a week (AXA Week for Good) for our employees, which is dedicated to increasing awareness, engagement and involvement in climate change and biodiversity related activities.

Our goal to drive climate action is to dedicate 75% of our efforts through AXA Hearts in Action to climate or biodiversity focused initiatives. At AXA IM at least **200 employees participated in 16 events** globally, ranging from forest cleaning in the BukHan Mountains, South Korea, to a three-month long community cycling initiative in Germany swapping cars for bikes and avoiding 147,5 kg of CO2, to a 'Bushcare regeneration scheme in Sydney, Australia.

Philanthropy programme

WORLD LAND TRUST

LPO

Through our impact philanthropy programme, we commit both time and money to support carefully chosen charities for three years. We donate 5% of the management fees from our priority strategies within our impact range to provide this assistance to, among others, The World Land Trust and the Ligue pour la Protection des Oiseaux.

By committing to both organisations long term, we allow them to focus maximum resources on delivery, and enable them to plan their own pipeline with greater confidence. In this way, we ensure they each have the maximum impact possible.

The World Land Trust protects the world's most biologically significant and threatened habitats, whether that's tropical forests in Belize or wildlife corridors in India and Malaysian Borneo to allow Asian elephants, tigers and orangutans to roam safely.
The Ligue pour la Protection des Oiseaux implements national restoration projects for some of France's most threatened birds. It also coordinates European species conservation programmes and manages over 24,000 hectares of natural capital spread over 27 nature reserves in France.

We advocate for:

Relevant, comparable sustainability-related information to become available for a broader scope of issuers.

Addressing the shortcomings of the SFDR, including a more specific definition of what constitutes a "sustainable investment".

Bringing net zero efforts and sustainable finance policy implementation closer together.

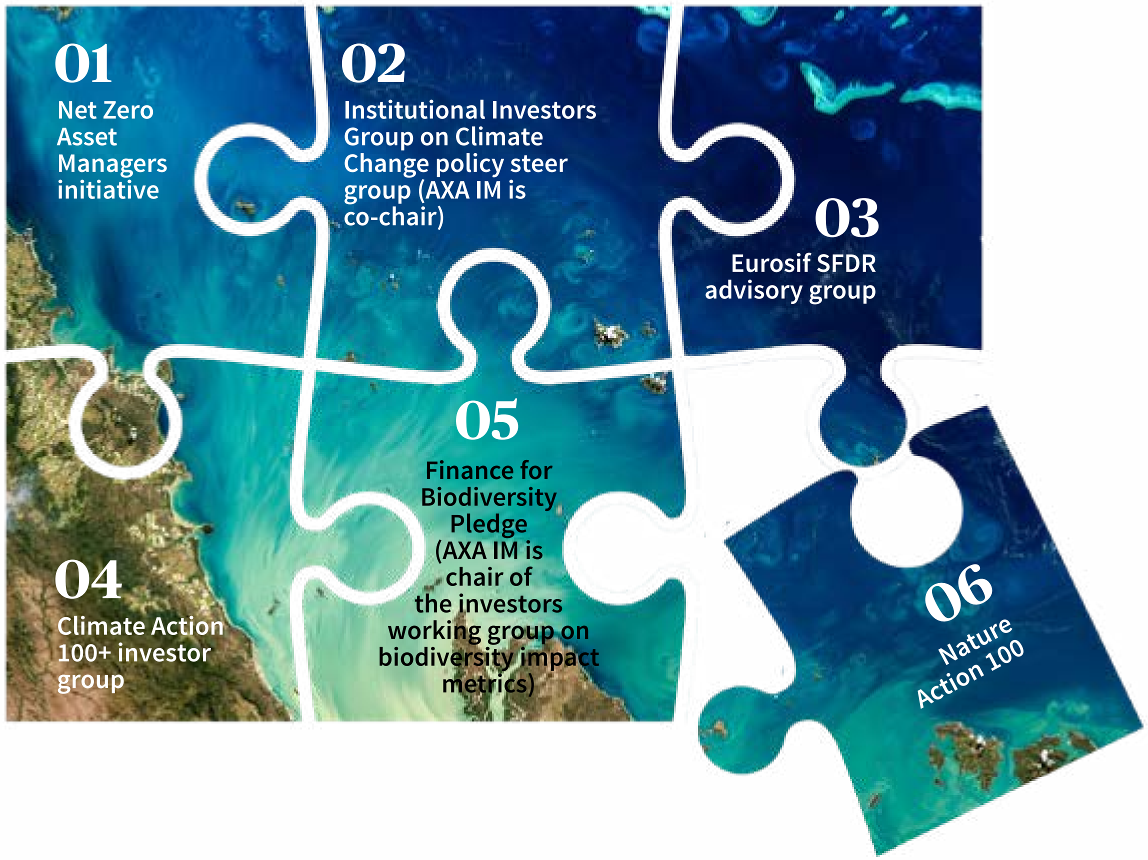
Faster and better **together**

2021 was a big year for public policy on environmental issues in the financial industry and this looks set to continue in 2022. The Sustainable Finance Disclosure Regulation (SFDR) came into force, along with its French counterpart, the AMF Doctrine 2020-03, and the International Sustainability Standard Board was created. As the financial industry works out how these ground-breaking standards will be implemented, it is more important than ever for us to engage with the policy makers behind them. We want to encourage a regulatory framework where sustainability and responsible investing are taken seriously.

We want to see rhetoric matched by action.

Faster and better **together**

But we know that when it comes to influencing public policy, we work faster and better together. That's why we joined forces with other investors through initiatives like the Net Zero Asset Managers and participate in industry working groups like the Institutional Investors Group on Climate Change policy steering group.



AXA IM Climate Transition Award

In November 2021, we announced Dr Floor van der Hilst as the winner of the inaugural AXA IM Climate Transition Award. This initiative, in partnership with the AXA Research Fund, highlights and funds the work that researchers and scientists are doing around the world to fight climate change.

We cannot solve the climate change problem with existing technology and ideas alone. To protect our planet, we need to push the envelope, explore new ideas and develop nature-based solutions. Dr Floor van der Hilst was awarded €100,000 for her research on "Sustainability of Bioenergy".

LEARN MORE

Last word

I opened this report by stating that the global climate and biodiversity crises are too big for any one player to solve alone. At a personal level, the challenge can feel overwhelming, but if we work together as organisations and as individuals, we can make a tangible difference.

It is my intention for every one of us at AXA IM to feel empowered to continuously evolve how we behave and operate. We know we must all play our part in helping to achieve carbon neutrality for our own operations, being accountable for reducing business travel, improving digital sustainability and making our events more sustainable by taking red meat off the menu.

As an industry, we need to work together to act decisively against companies that do not progress in developing and implementing a path to net zero. Our new commitment to divest from climate laggards if we believe they are still not taking climate action seriously after three years of engagement will have little effect if other investment companies step in to provide capital. We call on our peers to be bold and join us in taking a stand against climate laggards as we work with governments and regulators to influence robust policies capable of effecting change.

We will continue to apply this stewardship mindset as we develop an even stronger inclusive culture where each individual feels valued and inspired to build and safeguard a better future with us.

#BeyondStewardship
#BeInvestedInBetter
#DriveProgressWithAXAIM

Investment Managers

All data as at end December 2021 unless otherwise stated

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