AXA-IM’s Approach to Sustainable Finance Disclosure Regulation Product Disclosures

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (as amended, the “SFDR”) put the emphasis on reinforced transparency on the promotion of environmental or social characteristics approaches, as well as on Sustainability Risks and Principle Adverse Impacts. This document sets out the requirements of the article 10 of SFDR and describes where detailed information can be found.

What is AXA IM’s approach to the integration of sustainability risks?

AXA Investment Managers (“AXA IM”) uses an approach to sustainability risks that is derived from the deep integration of ESG (environment, social and governance) criteria in its research and investment processes. It has implemented a framework to integrate sustainability risks in investment decisions based on sustainability factors which relies notably on:

- Sectorial and normative exclusions policies
  www.axa-im.com/responsible-investing/sector-investment-guidelines
- Proprietary ESG scoring methodologies.

These policies and methodologies are described in our SDFR Entity Disclosure document. They contribute to the management of sustainability risks in two complementary ways:

- Exclusion policies aim to systematically address the most severe sustainability risks into the investment decision-making process. For certain alternative asset classes, exclusion policies are applied to direct investments and covers Controversial Weapons, Soft Commodities, Palm Oil and Climate Risks.
- The use of ESG score in the investment decision process enables focus the investment on assets with an overall better ESG performance and lower sustainability risks

Complementing these global approaches, AXA IM has integrated when relevant specific sustainability risk assessments within its investment processes for some portfolios, notably for some alternative asset classes.

For listed assets products, AXA IM uses the ESG score of its products in its assessment of the likely impacts of sustainability risks on the product’s return:

<table>
<thead>
<tr>
<th>ESG Score</th>
<th>Less than 4</th>
<th>Between 4 and 6</th>
<th>Above 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability risk level</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>

This level derived from the ESG score of the product may be adjusted based on the specific investment processes of the product (e.g. products with a sustainable investment objective), or overall risk profile (e.g. money market funds).

For alternative asset classes (listed and non-listed) such as direct real estate, commercial real estate loans, infrastructure, leveraged loans and other securitized products, proprietary methodologies are implemented to conduct specific sustainability risk assessments based on ESG factors, notably during the investment due diligence phase for a contemplated investment. Depending on the type of investment and strategy, the assessment can be carried out on any or a combination of the following
items, without limitation: the underlying asset (including the issuer), the sector, the counterparty of the trade, the originator, servicer, or manager of underlying portfolio. For indirect investment, the due diligence may cover, among ESG factors, the assessment of the exclusion policies implemented by the relevant counterparty, originator, servicer, or manager of underlying portfolio.

One of the main limitations of these approaches is related to the limited availability of data relevant to assess Sustainability Risks: such data is not yet systematically disclosed by issuers, and when disclosed may follow various methodologies. Most of the ESG factors information is based on historical data that may not reflect the future ESG performance or risks of the investments. The assessment of the impact of Sustainability risks on the performance of a given product is difficult to predict and is subject to inherent limitations such as the availability and quality of the data.

Where can information be found about the approach in place for products which promote environmental or social characteristics (“Article 8”)?

AXA IM Article 8 products incorporate ESG criteria throughout the investment process, with ESG information used in addition to traditional financial information to make investment decisions. Those products follow AXA IM Responsible Investment framework, enabling them to promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, while ensuring that the companies in which the investments are made follow good governance practices. For open funds, information on how those characteristics are met can be found in the prospectus of the product, which is available in AXA IM’s Fund Center: www.axa-im.com/fund-centre.

For mandates and dedicated funds, this information is available in the prospectus or pre-contractual information disclosure made available to clients, via their usual Client Service correspondents.

Where can information be found about the approach in place for open funds which have sustainable investment as an objective (“Article 9”)?

AXA IM Article 9 products are designed with the purpose of supporting the transition to a more sustainable economy, with investment decisions guided by either ESG themes or measurable/positive impact. ESG criteria is central to the security-selection and portfolio-construction process. For open funds, information on these sustainable investment objectives can be found in the prospectus of the product, which is available in AXA IM’s Fund Center: www.axa-im.com/fund-centre.

For mandates and dedicated funds, this information is available in the prospectus or pre-contractual information disclosure made available to clients, via their usual Client Service correspondents.

Where can information be found about the categorisation of a product?

From April 2021, the SFDR category of each product will be made available in the “European MiFID Template” (“EMT”) published by AXA IM. Clients may request this EMT or further information on AXA IM’s approach to SFDR regulation through their usual Client Service correspondents.

Where can information be found on the ESG framework and methodologies used by AXA IM?
AXA IM’s “RI Policy” document describes the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments of our products. It includes details on the data sources and ESG factors used in our investments processes. It is available on AXA IM’s website: axa-im.com/documents/20195/607482/RI+Policy+ENG+approved+06.04.20_update+20.10.19.pdf