June 2024

Responsible Investing

AXA IM ESG Standards Policy

As stewards of our clients' assets, our primary goal is to help them preserve and grow their wealth. An important part of achieving this is by investing responsibly. We believe that responsible investment (RI) can not only deliver sustainable, long-term value for clients but that it can also make a positive impact on society.

As a responsible investor, at AXA Investment Managers ("AXA IM") we want to manage ESG risks and opportunities when investing on behalf of our clients. We have identified certain sectors, products and services, in which we will not invest in, above a certain threshold due to ESG-related risk factors. These standards reflect our convictions as a responsible investor and apply to our ESG and Responsible Investment (RI) open-ended funds[1]. They are also available to institutional clients on an opt-in basis. They complement the Responsible Investment sectorial policies which are applied across AXA IM (incl. climate risks policy, controversial weapons policy, ecosystem protection and deforestation policy etc.) and are one dimension of our ESG integration approach[2]. AXA IM's ESG standards help us to manage ESG and sustainability tail-risks and mitigate the negative impacts our investments might have on sustainability factors. They focus on material issues such as certain aspects affecting health, human rights and social capital, while also considering severe controversies as well as low ESG quality.

As described in more detail below the ESG standards exclude the Tobacco sector, White Phosphorus weapons producers and companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD guidelines for Multinational Enterprises, as well as companies which are involved in severe ESG-related incidents. We also minimize our exposure to ESG Low Quality issuers. Finally, we also refrain from investing in instruments issued by countries where specific categories of serious violations of Human Rights are observed which are described in more details below.

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[1] These include open-ended funds categorised as products which promote ESG characteristics ("Article 8") or which have sustainable investment as their objective ("Article 9") according to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Detail on our RI categories is available on AXA IM website.
[2] Detail of AXA IM ESG integration approach, and RI sectorial policies is available in our RI policy.

- **Tobacco**

We avoid investing in companies involved in the production of tobacco. The negative impact of tobacco is well documented and as a result many investors are divesting from the sector. The World Health Organization (WHO) observed that the industry is in conflict with United Nations' principles due to the fact that it uses child labor to produce tobacco. In 2018, the head of the secretariat of the WHO's Framework Convention on Tobacco Control (FCTC), referring to International Labor Organization estimates, stated that about 1.3 million children a year were working in tobacco fields in 2011. The numbers are rising with a shift in tobacco growing from some of the better-off countries to some of the poorer. Even though it declined between 2000 and 2013 in some countries, it is still widespread in other countries such as Brazil, Indonesia, the USA, Argentina, India and Malawi[3]. The WHO calls the tobacco epidemic "one of the biggest public health threats the world has ever faced", as it kills more than 8 million people every year, and circa 15% of these deaths are the result of passive smoking[4]. The policy applies to companies manufacturing tobacco products and includes manufacture of cigarettes, cigars, tobacco for pipes and snuff, smokeless tobacco products and e-liquid / complete e-cigarettes as well as companies that distribute their own label tobacco products.

- **White phosphorus weapons producers**

We avoid investing in companies involved in the development, production, maintenance or sale of white phosphorus weapons. White phosphorus, derived from the chemical element phosphorus, can be used as a munition in incendiary weapons. Such munitions can burn in the open air for a prolonged period and when used in populated areas, cause horrific injuries, burning deep into the muscle and bone. White phosphorus weapons are covered by Protocol III of the Convention on Certain Conventional Weapons (CCW)[5] when the "weapons [are] primarily designed to set fire to objects or to cause burn injury to persons. It is prohibited in all circumstances to make the civilian population as such, individual civilians or civilian objects the object of attack by incendiary weapons". However, white phosphorus can also be used in other weapon devices, such as illuminants, tracers, smoke or signaling systems, all of which are notably not covered by Protocol III, where it is considered that such munitions "which may have incidental incendiary effects" are excluded from incendiary weapons. Recently these types of weapons have been used more frequently in populated areas *e.g.* Syria and Yemen.

- **Violations of International norms and standards**

We avoid investing in companies which cause, contribute or are linked to violations of international norms and standards in a material manner, focusing in particular on UN's Global Compact Principles, International Labor Organization's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). Those standards notably focus on Human Rights, Society, Labor and Environment. We believe this helps us to avoid reputational damage and to proactively manage related financial risks.

- **Severe controversies**

We avoid investing in companies involved in incidents and events that pose a severe business or reputation risk to a company due to the impact on stakeholders or the environment. Sustainalytics' Controversies Research provides an assessment of a company's involvement in incidents with negative ESG implications, by conducting news screening on a daily basis, where incidents with negative ESG implications are identified and assessed. Companies are assessed on the following aspects: i) the nature and scale of the negative impact that the incident has caused to society and the environment; ii) the business risk to the company as a result of the incident; and iii) how the company manages the issue. Companies are then rated on a scale of Category 1 (low severity) to Category 5 (most severe) to reflect the severity of the issue and the company's level of involvement as well as response. We exclude companies rated in Category 5.

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4 [Child Labour in Tobacco Growing - unfairtobacco]
5 It entered into force on 2 December 1983.

- **Low ESG quality**

To manage ESG risks, and promote best practices, we avoid investing in companies with a poor ESG performance. We have developed our own Corporate ESG scoring methodology[6] to evaluate the ESG performance of companies worldwide and aim to limit exposure to companies with an ESG Score below 1.43 (on a scale of 0 to 10) in our Responsible Investment open-ended funds.

- **Countries with severe human rights violations[7]**

We avoid investing in debt instruments issued by countries where the worst forms of human right violations are observed. While we do consider democracy as the best regime to preserve human rights, our intention is not to make a value judgement on the different type of regimes. Therefore, our screen focuses on civil liberties – relying on the Freedom House's Civil Liberties scores, modern slavery – relying on the Walk Free Foundation's Global Slavery index, and child labor relying on UNICEF data, with the aim of preventing investments in those countries where the worst practices are observed.

Excluded Companies / Countries

Sector / Area	Exclusion criteria	Approach and frequency of the updates	Sources and qualitative review process
Tobacco	- Companies involved in the production of tobacco (revenue generated by production of tobacco >0%)	Affiliates[8] of excluded companies may also be excluded in particular if they act as a securities issuance entity for or act in a similar sector as the related excluded company. The exclusion lists are updated at least on a yearly basis unless a specific event requires an intermediate revision[9] or a delay in the publication of data requires to postpone the update.	We may rely on external providers to prepare an initial list of issuers in scope. The lists are then reviewed qualitatively and discussed within our RI governance committees on a regular basis, at least annually. AXA IM may override these exclusion rules based on a qualitative analysis demonstrating that the risks are mitigated in an efficient manner[10]. Such overrides are subject to a validation in a RI governance committee, and regularly reviewed. An engagement can be initiated with the issuer in certain cases[11].
White phosphorus weapons producers	- Companies involved in the development, production, maintenance or sale of white phosphorus weapons		
Severe controversies	- Companies exposed to severe controversies (category 5 of Sustainalytics' Controversies Research methodology)		
Violations of international norms and standards	- Companies assessed as being "non-compliant" with the UNGC, OECD guidelines for MNE, ILO Conventions or UNGP for Business and Human Rights		
Low ESG quality	- Companies with a low ESG score (<1.43 scores between 0 and 10), using AXA IM ESG scoring methodology		
Countries with severe human rights violations	- Countries in the bottom quintile of the Civil Liberties score from Freedom House - Countries in the bottom quartile of the Global Slavery index from the Walk Free Foundation - Countries in the bottom quartile of the Child Labor index of UNICEF		

Sources: Sustainalytics, ISS ESG, MSCI, Freedom House, Walk Free Foundation, UNICEF.

[6] Since November 2021, AXA IM is using the Q² scoring methodology, an internal methodology using MSCI ESG scoring model as a starting point, and completed by fundamental ESG analysis provided by AXA IM ESG analysts (when MSCI doesn't provide a rating for an issuer) which is turned into a quantitative ESG score following MSCI scoring normalization (from 0 to 10).For more details on AXA IM ESG scoring methodologies, see our annual Climate report (combined TCFD – art.29 LEC report): Policies and reports | AXA IM Corporate (axa-im.com)
[7] As defined by various screens. Please refer to AXA IM Human Rights policy for additional details: Human rights & Vigilance plan | AXA
[8] For the purpose of this policy, the term "affiliate" shall mean any entity, individual, firm or corporation, directly or indirectly, through one or more intermediaries, controlling or controlled by excluded companies.
[9] Examples given: major newsflow. The list is not systematically updated following corporate actions.
[10] For sovereign issuers caught by the abovementioned exclusion criteria, AXA IM may decide to apply a "watch-list" status with a ban on new investments in the sovereign assets and a possibility to maintain existing investments in such sovereign when AXA IM determines that further RI analysis should be conducted.
[11] Progress of Engagement activities is monitored by the same RI governance committee.

Scope

Financial instruments

Our ESG Standards Policy covers all single-name financial instruments issued by the excluded entities or offering exposure to those entities.

Portfolios

The ESG Standards Policy applies in principle to all RI open-ended funds under AXA IM's management[12/13], including dedicated funds and third-party mandates when the client has formally opted in, unless the fund or mandate has been exempted totally or partially for legal, client or risk management reasons.

The policy does not apply to non-Responsible Investment open-ended funds nor tenants in real estate portfolios.

The policy applies to direct product investments, overall with no look-through except when local laws or regulations require to do so.

Entities

This policy applies to AXA IM and all its affiliate worldwide, to joint ventures where AXA IM's stake is 50% or higher, and to funds for which the management is delegated to one of our joint ventures.

Implementation

These ESG standards are implemented on a best-effort basis, taking into account local regulation and the best interests of both the client and the fund's objective. This implementation process may be adapted for alternative asset classes. If the application of this standard dictates divestments, portfolio managers shall disinvest as soon as possible on a best-effort basis taking into account the technical implementation timing and the portfolio impacts based on market conditions, liquidity and portfolio construction constraints. In practice, some targeted instruments could remain in the funds or mandates for a period if deemed in the best interest of their clients and provided that it is compliant with the applicable Laws; however, those holdings cannot be increased[14]. For certain alternative products such as Collateralized Loan Obligations ("CLOs"), Mutual Securitization Funds ("FCT" in French), closed-ended alternative funds and other alternative products, if the divestment is considered impossible, such holdings in portfolio could be kept until maturity following an internal validation process.

The exclusion-lists are prepared using information from external data providers, and although a qualitative review is performed, AXA IM is therefore not responsible for the accuracy of this data.

The implementation of these standards is subject to compliance with asset management local laws or regulations; therefore, some specific alternative implementation mechanisms of this policy may be put in place locally. In the EU, the implementation of these standards is part of the compliance with SFDR requirements as it constitutes AXA IM's approach to consider sustainable investments for the 'Do No Significantly Harm' (DNSH) criteria (*i.e.*, applicable to Article 8 and Article 9 funds). Thus, if the application of this standard dictates divestments, portfolio managers shall disinvest for their product to be classified Article 8 or Article 9, following the abovementioned implementation process.

Tobacco exclusion is becoming a standalone policy which is gradually being implemented across the range of financial products to which it applies, as the legal documentation of concerned financial products is updated when needed. When such implementation will be fully completed, the tobacco exclusion will be removed from this standard.

[12] Open-ended funds in scope refer to "AXA IM ESG standards" in their prospectus and / or are part of our ESG integrated, Sustainable and Impact investing fund ranges. Specifically, in the EU, those open-ended funds are categorised as products which promote ESG characteristics ("Article 8") or which have sustainable investment as their objective ("Article 9") according to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Detail of the RI categories of each fund is available on demand.
[13] In the case of fund of funds applying the ESG Standards, at least 90% of underlying open-ended funds under AXA IM's management shall apply the standards.
[14] Such tolerance could be applied, for example in relation to strategies with accounting objectives (*e.g.*, 'buy & maintain' strategies) or for concentrated strategies with appropriate validation from oversight functions.