March 2020

Responsible Investing
AXA IM Climate Risks Policy

According to the Intergovernmental Panel on Climate Change ("IPCC"), +2°C is considered to be the maximum temperature rise before triggering significant risks to society. Staying below this threshold requires significantly limiting carbon emissions globally and reducing our economies' dependence on fossil fuels.

Coal is often a low-cost form of energy, and is widely available to a large proportion of the world's population. However, coal is also the most carbon-intensive energy source and generates a high level of other polluting emissions. Coal accounts for almost 40% of electricity generation and more than 40% of energy-related carbon dioxide emissions. As such and while political and economic realities vary from one country to another, the development of coal capacities should be constrained if we want to keep the world below a two-degree increase in temperatures. To be consistent with the Paris agreement, in order to limit the global warming to a maximum of two-degree, the "Below 2 degrees scenario" (B2DS) developed by the International Energy Agency (IEA), recommends a gradual exit from coal energy by 2030 for OECD countries and by 2040 for other countries.

Tar sands is a non-renewable energy source with a strong impact on climate, biodiversity and health. It clearly contributes negatively to the United Nations Sustainable Development Goals. It is one of the strongest emitters of greenhouse gas emissions, emitting three times more than conventional oil. As such, the development of this non-conventional oil is not consistent with 2° scenario of the IPCC. Tar sands extraction destroys forest and peatlands, resulting in strong impact on biodiversity. Due to the use of solvent during the extraction process, it is also responsible for air pollution, with the emission of particles and methane. Both the destruction of biodiversity and the pollution emitted during the extraction process have direct social and health impacts on local communities and workers of oil sands producers. AXA IM believes that the development of this energy is not consistent with good management of climate risks, preservation of our environment at large and fight against global warming. The development of tar sand capacities, as well as the major companies carrying oil sand via pipelines, should be constrained if we want to keep the world below a two-degree increase in temperatures.

While these activities still represent short term financial prospects, we believe that in the long term, the political commitments to fight climate change as well as cost arbitrages will keep putting coal and oil sand activities under pressure globally.

In this context, AXA IM Management Board has decided in 2017 to encourage divestments in coal and tar sand activities, in the belief that:

1) It contributes to de-risking our portfolios in the long-term,

2) It is consistent with our ESG integration process,

3) It contributes to the global transition to a low-carbon economy.

Principle

AXA IM considers that investments in companies most exposed to coal and tar sand related activities ("Excluded Companies") should be avoided. The exclusion policy covers companies from coal power generation, extraction mining sector for coal activities and mining companies and pipelines companies for tar sand activities.

Excluded Companies

Sector / Area	Exclusion criteria	Approach	Source
Climate risks	- Companies that derive 30% or more of their revenue from thermal coal - Mining companies that extract more than 20 million tonnes of coal per year - Power generation companies that have 30% or more of electricity generation capacities powered by coal - Power generation companies that plan to expand coal power generation capacity by more than 3000 MW in the medium run. - Companies that derives 50% or more of their revenue from coal. - Mining companies that derive 20% or more of their revenue from tar sands extraction - Pipelines companies that derive 20% or more of their revenue from tar sands transportation.	Affiliates of Excluded Companies may also be excluded if they act as securities issuance entity for or act in a similar sector as the related excluded company. The exclusion list is updated on a yearly basis unless a specific event requires an intermediate revision[1].	We 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. A temporary engagement approach can be chosen for certain issuers, instead of an exclusion approach[2].

[1] Example given: major newsflow. The list is not systematically updated following corporate actions.
[2] Progress of Engagement activities is monitored by the same RI governance committee.

Scope

Instruments
Our Climate Risks Policy excludes all financial instruments issued by the excluded companies or offering exposure to excluded companies.

Portfolios
The policy applies in principle to all portfolios under AXA IM's management, including dedicated funds and third-party mandates, unless the client has given different instructions, or the fund has been exempted for Risk Management reasons.

The policy does not apply:
- to funds of funds composed of funds which are not under the management of AXA IM.
- to index funds
- to funds of Hedge funds
- to direct real estate and infrastructure assets.

Entities
This policy applies to AXA IM and to all of its subsidiaries worldwide. It applies to Joint Ventures when AXA IM's stake is 50% or higher.

Implementation

This Climate Risks Policy is implemented on a best effort basis, taking into account local regulation and both the client's as well as the fund's best interests, with a transition period following the initial implementation for the funds / mandates in scope, and following periodic revisions of the exclusion-lists. If the application of this standard dictates divestments, portfolio managers shall disinvest at their discretion within this transition period taking into account 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; however, those holdings cannot be increased. For certain structured assets such as Collaterized Loan Obligations ("CLOs"), Mutual Securitization Funds ("FCT" in French) and other securitization 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.