

Responsible Investing

AXA IM Palm Oil policy



The acceleration of palm oil demand, poses major environmental and social challenges. According to RSPO 36% of the expansion by large-scale oil palm plantations between 1990 and 2010 caused direct forest loss in Indonesia, Malaysia and Papua New Guinea.

This deforestation has devastating consequences and has pushed many species to the brink of extinction. In addition, the destruction of forests that store large quantities of carbon releases significant amounts of greenhouse gases into the atmosphere.

NGOs and environmental groups have highlighted bad business practices associated with palm oil unsustainable land use and labour issues. For example, the land appropriation by the palm oil companies raises many conflicts between local residents and such palm oil companies.

AXA IM has been a member of the PRI since 2007 and is committed to promoting the responsible investment (RI). We define RI as the integration of environmental, social and corporate governance (ESG) considerations into our investment processes. For these reasons, the Management Board of AXA IM decided in December 2014 to implement a policy for investments related to palm oil production.

AXA IM considers that investment in companies involved in bad business practices (“excluded companies”) in palm oil production should be avoided. This policy defines a set of rules and procedures which aim to address this principle within AXA Investment Managers.

Excluded Companies

Sector / Area	Exclusion criteria	Approach	Source
Palm oil	<ul style="list-style-type: none"> - Companies that have not achieved or committed to achieve RSPO certification or other internationally recognised certification. Mining companies that extract more than 20 million tonnes of coal per year - Companies that have unresolved land rights conflicts - Companies that are unable to prove the legality of their operations and complied with all laws and standards. - Companies that have not undertaken social and environmental impact assessments. - Companies that have not consulted with stakeholders prior to commencing operations. - Companies that have undertaken illegal logging. 	<p>This policy applies to Palm Oil producers which:</p> <ul style="list-style-type: none"> - derives at least 5% of their revenues from palm oil production whether directly or indirectly through majority-owned (50%) subsidiaries - own over 30.000 ha of palm oil plantations but this threshold may be reduced in the case of significant controversies. <p>The exclusion lists are updated at least on a yearly basis unless a specific event requires an intermediate revision.</p>	<p>We rely on external providers to prepare an initial list of issuers in scope. The list is then reviewed qualitatively and discussed within our RI governance committees on a regular basis.</p>

Scope

Financial instruments

The 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.

The policy does not apply:

- to funds of funds composed of funds which are not under the management of AXA IM. AXA IM will choose asset managers that have committed to these principles.
- to index funds.
- to funds of hedge funds.

Entities

This policy applies to AXA IM and to all its subsidiaries worldwide.

Implementation

This palm oil policy is implemented on a best effort basis, taking into account the client's / fund's best interest, 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 policy dictates divestments, portfolio managers shall disinvest within this transition period taking into account the portfolio impacts based on market conditions, liquidity and portfolio construction constraints.

In order to comply with regulations and to implement the principles defined in this policy, AXA IM bases itself on the information gathered and the interpretation provided by external providers/advisers and is therefore dependent on the quality and accuracy of information.

The implementation of this policy is subject to compliance with asset management local laws or regulations, therefore some specific implementation mechanisms of this policy may be put in place locally.