

Sustainable Finance Disclosure Statement

AXA Investment Managers



Document's objective

The European Union has launched an ambitious Sustainable Action Plan in order to support the delivery of the objectives of the European Green Deal by channelling private investment into the transition to a climate-neutral, climate-resilient, resource-efficient and just economy. As part of this action plan, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (as amended, the “SFDR”) was enacted in November 2019. It introduces new rules on disclosures related to sustainable investments and sustainability risks, which are applicable from March 10, 2021.

This document provides the entity-level information related to sustainability risk policies and adverse sustainability impacts required under Articles 3 and 4 of the SFDR, and in application of the SFDR Delegated Regulation (EU) 2022/1288.

For purposes of this document's objective, under SFDR, “sustainability risks” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment, and “sustainability factors” means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. “Principal adverse impacts” (PAI, or “principal adverse sustainability impacts” – PASI) refers to the impacts of investment decisions that result in such material negative effects on any of the aforementioned sustainability factors.

Disclaimer: In a context of recent implementation of sustainable finance regulatory requirements in the EU, which are expected to continue to evolve over the next years, the presented approach is subject to change.

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Scope of this document

AXA Investment Managers (“AXA IM”) has implemented a global set of policies and investment processes across its entities, which aims at ensuring a consistent approach on the integration of Environmental, Social and Governance (“ESG”) factors.

The information provided in this document relates to the following legal entities, which, as financial market participants, are subject to the SFDR disclosure requirements.

Legal Entity Name	LEI
AXA Funds Management S.A.	213800WTLOHUYAEVHR55
AXA Investment Managers Deutschland GmbH	2138008Q2ZUL58MR3R34
AXA Investment Managers Paris S.A.	969500S4JU30ML1J3P20
AXA Investment Managers UK Limited ¹	213800PZDUGEXMRMKR15
AXA Real Estate Investment Managers SGP S.A.	2138003CWF7Z28U7S234

Introduction to AXA IM approach to Responsible Investment

AXA IM is progressively incorporating ESG factors with respect to each class of assets it manages, and in the development of a range of innovative responsible- and impact-investment products.

AXA IM has been involved in Responsible Investment (RI) for more than 20 years and believes that being a responsible asset-management company is crucial to our long-term success. We believe that ESG factors can influence, not just the management of investment portfolios across all asset classes, sectors, companies and regions, but also a range of interests affecting clients and other stakeholders.

Our investment philosophy is based on the conviction that issues relating to sustainability factors are and will remain a major concern for the coming years. We believe that combining fundamental ‘non-financial factors’ with traditional financial criteria will help us build more stable portfolios that perform better in the long term. The non-financial approach has become a necessity in more ways than one:

1. It is instrumental in removing companies or underlying assets from portfolios when they cause exposure to high levels of ESG risk, which would ultimately affect financial performance;
2. It helps identify and focus on companies that have implemented best practices regarding the management of their environmental impacts, governance and social practices, and whose responsible practices leave them better prepared, in our view, to meet the major challenges of the future, or on improving assets’ performance regarding ESG factors; and
3. It enables improved performance by means of active dialogue with companies on managing ESG concerns around investments and limiting our clients’ exposure to reputational risk and/or with key stakeholders related to our investment activities to embed them in our ESG strategy.

As highlighted by recent non-financial regulatory evolutions, a large number of ESG factors may be analysed from two complementary perspectives:

¹ AXA Investment Managers UK Limited is a financial market participant (FMP) covered by the SFDR, being a non-EU alternative investment fund manager (AIFM) which manages one or more EU alternative investment funds (AIFs). AXA Investment Managers UK Limited is not required to consider the principal adverse impacts of investment decisions on sustainability factors as, of its balance sheet date, it had less than an average number of 500 employees during the financial year. AXA Investment Managers UK Limited does not currently consider the PAI of investment decisions on sustainability factors at entity level under Article 4 of the SFDR. This is because it invests in a wide range of asset classes on behalf of funds under management with varying, and in some cases, minimal reliable data coverage of PAI indicators. Accordingly it is of the view that aggregating PAI indicators across all asset classes does not provide investors with meaningful or decision-useful information on how their investments impact sustainability factors. AXA Investment Managers UK Limited therefore considers it more appropriate to disclose at product level, rather than at entity level, whether and if so, how, PAIs are considered in investment decisions.

- impact on the development, performance or position of a company or an asset, as well as the financial value of an investment, in a broad sense (*i.e.*, “financial” materiality), referring to the integration of sustainability risks in their investment decision-making process following Article 3 of SFDR;
- external impacts of the company’s or investment’s activities on ESG factors (*i.e.*, “environmental, social and governance” materiality), referring to the consideration of principal adverse impacts of investment decisions on sustainability factors (PAI, or principle adverse sustainability impacts – PASI) following Article 4 of SFDR.

AXA IM’s RI policies and processes address both of these impacts, and our RI Framework is organised around three pillars that are described below:

1. ESG Quantitative and Qualitative Research;
2. Exclusion policies;
3. Stewardship policies.

Besides, as part of SFDR requirements, we have published our approach to SFDR sustainable investment for traditional asset classes (*i.e.*, listed corporate and sovereign issuers)², which is available on AXA IM’s website³. Approaches for alternatives asset classes⁴ are under progress⁵, and being developed in conjunction with industry, and will be published later in 2023.

² At AXA IM, traditional asset classes encompasses both corporates and sovereigns listed equities and bonds, including green, social and sustainability bonds (GSSB) and sustainability-linked bonds (SLB).

³ [Sustainable Finance | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainable-finance)

⁴ At AXA IM, alternatives asset classes encompass direct real estate property, commercial real estate (CRE) debt, infrastructure debt & equity, leveraged loans, collateralised loan obligations (CLOs), asset-backed securities (ABS), insurance-linked securities (ILS), regulatory capital (RegCap), non-performing loans (NPL), our impact investments (in companies, projects and funds), and non-listed private equity and debt through our subsidiary CAPZA.

⁵ A SFDR SI methodology is in place for the AXA IM Private Markets Impact funds categorised as Article 9, which is available on demand.

I. AXA IM approach to integrate sustainability risks

With respect to the financial products that it manages as well as investment advice it provides, when relevant, AXA IM uses an approach to sustainability risks that is derived from the integration of ESG criteria in its research and investment processes. We have implemented a framework to integrate sustainability risks in investment decisions based on sustainability factors which relies notably on:

1. **sectorial and normative exclusions policies;**
2. **proprietary ESG scoring methodologies.**

These policies and methodologies are each further described below. We believe that they contribute to the management of sustainability risks in two complementary ways:

1. exclusion policies aim to **exclude asset exposed to the most severe sustainability risks** identified in the course of our investment decision-making process;
2. the use of ESG scores in the investment decision process enables AXA IM to **seek lower sustainability risks**, and enable either to **focus on assets with an overall better ESG performance** or to **ascertain a current level of ESG performance of our assets and improve it over time.**

Complementing these global approaches, AXA IM has integrated specific sustainability risk assessments within its investment processes for some portfolios for which market-based data or ESG scoring methodologies do not exist, such as within specific non-listed asset classes.

This framework helps us to ensure we consider how sustainability impacts on the development, performance, or position of a company or an asset, as well as having material effects on the financial value in a broad sense (financial materiality). It also helps us to assess the external impacts of an asset's operations or activities on ESG factors (ESG materiality).

This framework is complemented with:

- **In-house ESG research** on key themes including climate change, biodiversity, gender diversity and human capital management, responsible tech as well as on corporate governance, supported by broker research as well as regular meetings with companies, participation to conferences and industry events. This research helps us to better understand the materiality of these ESG challenges on sectors, companies, asset type and countries.
- **Internal qualitative ESG and impact analysis** at companies, assets and countries levels.
- **ESG Key Performance Indicators (KPIs)**: investment teams have access to a wide range of extra-financial data and analysis on ESG factors, across asset classes. More specifically, for traditional asset classes, a package of Environmental, Governance and Social KPIs is available in an internal Front Office tool to allow the understanding and analysis at issuer level, which now includes SFDR Principal Adverse Impact indicators. This leverages our relationship with providers such as MSCI, S&P Global Trucost, and Sustainalytics⁶. For some alternatives asset classes related to direct project financing, such as Real Estate and Infrastructure, ESG indicators are sought from the underlying investment or asset through due diligence questionnaires and annual review via sector specific proprietary ESG scoring methodologies.
- **Stewardship strategy**⁷: we adopt an active and impactful approach to stewardship (engagement and voting) by using our scale as a global investment manager to influence company, key stakeholders and market practices. In doing so, we strive

⁶ Full list of ESG data providers is available AXA IM's TCFD / Article 29 Law Energy Climate report published on an annual basis and available on our website.

⁷ See AXA IM's Stewardship & Engagement policies: [Stewardship & Engagement | Responsible Investing | AXA IM Corporate \(axa-im.com\)](#)

to reduce investment risk and enhance returns as well as drive positive impacts for our society and the environment. These are key to achieving sustainable long-term value creation for our clients. Our engagement policy is further described below.

If such sustainability risks materialise in respect of any investment, they may have a negative impact on the financial performance of the relevant investment. AXA IM does not guarantee that the investments are not subject to sustainability risks to any extent and there is no assurance that the sustainability risks assessment will be successful at capturing all sustainability risks at any point in time. Investors should be aware that the assessment of the impact of sustainability risks on the performance is difficult to predict and is subject to inherent limitations such as the availability and quality of the data.

1. Sectorial & normative exclusion policies

Sectorial and normative exclusion policies are one of the pillars of AXA IM’s approach to sustainability risks and PAI. Exclusion lists are based on data provided by third party providers and aim to enable AXA IM to exclude from its contemplated investments the assets exposed to significant sustainability risks or that may have a significant adverse impact on sustainability factors.

Our sectorial and normative exclusion policies are focused on the following ESG factors with specific exclusion criteria defined for each:

- **Environmental (E):** climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines; shale and tight oil & gas; arctic oil & gas), ecosystem protection & deforestation (palm oil & derivatives; soy meal, oil & derivatives; cattle products; timber products) and soft commodities (food commodities derivatives);
- **Social (S):** health (tobacco producers), labor, society and human rights (violations of international norms and standards⁸; controversial weapons manufacturing; white phosphorus weapons producers; exclusion of investments in securities issued by countries where serious violations of Human rights are observed);
- **Governance (G):** business ethics (severe controversies, violations of international norms and standards), corruption (severe controversies, violations of international norms and standards).

Overall, the vast majority of AXA IM assets⁹ have implemented the sectorial exclusions related to the following AXA IM policies that are detailed in the table below:

- AXA IM Climate risks policy;
- AXA IM Ecosystem protection & deforestation policy;
- AXA IM Soft commodities policy;
- AXA IM Controversial weapons policy.

In addition, AXA IM financial products which have ESG characteristics or which have sustainable investment as their objective have implemented additional ESG exclusions by following **AXA IM ESG Standards policy**.

Set of Policies	AXA IM RI Sectorial Policies	AXA IM ESG Standards
Environmental	Climate (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines; shale and tight oil and gas; arctic oil and gas)	

⁸ 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).

⁹ On December 1st of 2022, 87% of eligible assets (*i.e.*, traditional and real assets) applies all our sectorial exclusion policies. The remaining 13% comprise strategies which are out of scope of the policy for technical reasons (*e.g.*, index funds, funds of hedge Funds), client opt-out and exemptions. Joint ventures (JVs) are excluded from this figure.

Ecosystem protection & deforestation / Biodiversity (palm oil & derivatives; soy meal, oil & derivatives; cattle products; timber products)

Soft commodities (food commodities derivatives)

Human Rights (Controversial Weapons)

Social

Health (Tobacco producers)

Labor, society and human rights (violations of international norms and standards; white phosphorus weapons producer; exclusion of investments in securities issued by countries where serious violations of Human rights are observed)

Governance

Business ethics (severe controversies, violations of international norms and standards)

Corruption (severe controversies, violations of international norms and standards)

Further details on these sectorial and norm-based exclusion policies and their scope of application are available on the dedicated section of AXA IM's website¹⁰.

2. ESG scoring methodologies

One of the challenges faced by investment managers when integrating sustainability risks or PAI in their investment process is the limited availability of relevant data for that purpose: such data is not yet systematically disclosed by issuers, investee companies or tenants or, when disclosed, may be incomplete or may follow various methodologies. Most of the information used to establish the exclusion lists or determine ESG factors is based on historical data, which may not be complete or accurate or may not fully reflect the future ESG performance or risks of the investments.

The methodologies for exclusions policies and ESG scoring applied by AXA IM are regularly updated to take into account changes in the availability of data or methodologies used by issuers or from various industry-specific or sectorial frameworks to disclose ESG-related information, but there is no assurance that such ESG methodologies will be successful at capturing all ESG factors.

For **traditional asset classes** (*i.e.*, corporate & sovereign issuers):

- AXA IM has implemented scoring methodologies to rate issuers on ESG criteria. We have recently adopted a single-provider ESG scoring model which is coupled with an overlay of AXA IM's own analysis. Entitled Q² (Qual and Quant), this new and enhanced qualitative and quantitative approach offers increased coverage as well as fine-tuned fundamental analysis and provides a structured score. Using MSCI ESG scoring model as the starting point, Q² methodology allows to increase the coverage provided by MSCI as when MSCI doesn't provide a rating for an issuer, AXA IM ESG analysts can provide a documented, fundamental ESG analysis, which in turn will be transformed into a quantitative ESG score following MSCI pillars aggregation methodology and scores normalisation, such coverage-enhancing ESG scores are referred to as "qual-to-quant". When MSCI does cover an issuer but AXA IM's ESG analysts disagree with MSCI's ESG assessment (for example because the assessment is based on scarce and/or outdated data), a documented, fundamental ESG analysis can be submitted to the peer review of the ESG Assessment and Review Committee (ESARC), chaired by the Head of AXA IM Research; if the ESARC validates the analysis, it will be transformed into a quantitative ESG score and will override the existing, previously prevailing MSCI score;

¹⁰ [Policies and reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com)

- In the corporate methodology, the severity of controversies is assessed and monitored by MSCI in its model on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores;
- The data used in these methodologies include greenhouse gas (GHG) emissions, water stress, health and safety at work, supply chain labour standards, business ethics, energy security risk, wellness. AXA IM rates issuers on ESG criteria (corporates and sovereigns) based on quantitative data and/or qualitative assessment from internal and external research;
- These ESG scores provide a standardised and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and Social factors and further incorporate ESG risks and opportunities in the investment decision.

For **alternative asset classes**, a specific set of methodologies has been developed using both quantitative and qualitative assessments for the various asset classes where we often face a significant lack of reliable, accessible and relevant data in many of our markets. This includes (i) the assessment of sustainability risks across all asset classes through ESG due diligence, and/or (ii) the use of proprietary ESG methodologies (including ESG scoring or ESG factors monitoring). These methodologies assess both country, counterparty and asset/project ESG factors. In many instances, these methodologies form only one part of a broader sustainability risk assessment for a given investment. More specifically:

- For **direct real estate property**: The ESG rating methodology is a proprietary tool, initially developed in 2016, in line with regulation and industry benchmarks requirements, such as BREEAM-in-use and GRESB, in order to integrate the expectations of the main stakeholders and to guarantee the coherence of the actions conducted at asset level. This rating grid has been further developed during 2021 to integrate new risks (e.g. climate-related physical risks), and to reflect evolving impact indicators, sectorial frameworks and regulations. The assessment is linked to the performance of a building over a defined period and therefore takes into account criteria that can be measured at the asset level. All E, S and G pillars are linked to the building itself or to its management method and are defined to allow the evaluation of any type of physical real estate asset, regardless of its asset class (residential, office, hotel, etc.).
- For **commercial real estate (CRE) debt and infrastructure equity & debt**: ESG criteria are taken into consideration during the due diligence and investment committee process. A scoring methodology specific to these asset classes was developed in 2016 for the purpose of allocating an ESG score, with various set of indicators and assessments for each asset class.
- For **leveraged loans & private debt**: For new loans and bonds issued by corporates that are not rated by the previous methodology, another scoring methodology is put in place based on Ethifinance data provider. In 2023, the methodology will be reviewed to integrate the Findox ESGx solution.
- For **other alternative asset classes (i.e., CLOs, ABS, mortgages, NPL, ILS, and RegCap)**: proprietary ESG scoring methodologies capturing their specificities through quantitative and qualitative indicators and related assessment have been developed in 2021.

Further details on AXA IM ESG Methodologies and their scope of application are available on AXA IM annual TCFD / Art.29 LEC report available on AXA IM's website¹¹.

3. Governance & internal controls

Governance & committees

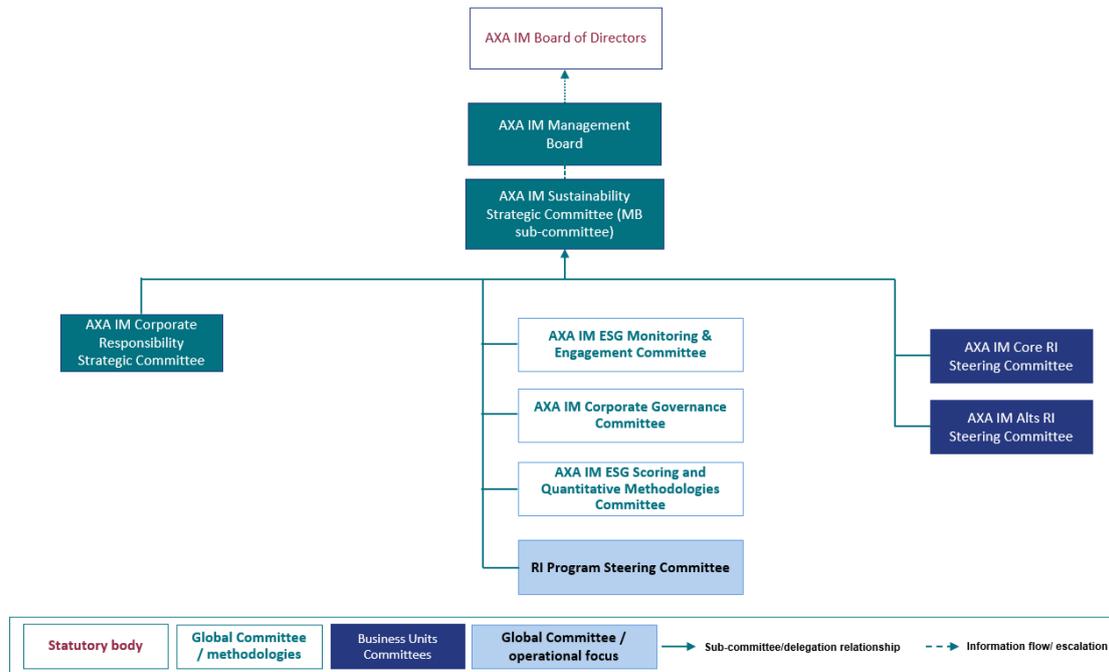
AXA IM's governance structure in relation with sustainability aims at embedding ESG across all business units of AXA IM and support functions. This organisation allows AXA IM to:

- define and implement an ambitious RI Strategy across its activities in an effective manner, covering both traditional and alternative assets classes ;

¹¹[2022 AXA IM TCFD – Article 29 report](#)

- improve collaboration and synergies between the business units and better consider specificities of each asset class;
- ensure alignment with our own operations and practices through a joint work with the CR team.

This governance structure helps us to ensure our integration of sustainability risks into investment decisions is sufficiently robust and transparent for all our clients and external stakeholders¹².



Main committees	Objectives
AXA IM Board of Directors	<ul style="list-style-type: none"> - Discusses and oversees key components of AXA IM ESG strategy and regulation directly or through the sub-committees of the Board (Audit and Risk Committee / Remuneration and Nomination Committee)
AXA IM Sustainability Strategic Committee	<ul style="list-style-type: none"> - Leading body in charge of defining AXA IM's strategy and roadmap with regards to Sustainability (encompassing RI and CR) and monitoring its delivery - This notably includes the definition of sectorial policies and RI product framework as well as piloting efforts on selected themes such as climate change or biodiversity - It also reviews how AXA IM and AXA Group Sustainability strategies interact
AXA IM Corporate Responsibility Strategic committee	<ul style="list-style-type: none"> - Define AXA IM CR strategy, taking into AXA Group strategy, with concrete roadmap - Animate a community through communication and business actions - It reports to the AXA IM Sustainability Strategic Committee
AXA IM ESG Scoring and Quantitative methodologies committee	<ul style="list-style-type: none"> - Ensure coordination of ESG integration focusing on more quantitative aspects - Validates quantitative methodologies
AXA IM Corporate Governance committee	<ul style="list-style-type: none"> - Provide strategic oversight of AXA IM's corporate governance, stewardship and voting activities in relation to investee companies and ensuring clients' rights and obligations are exercised in a manner consistent with good practice standards

¹² AXA IM Prime was formed during 2022, and its specific ESG governance will be implemented in 2023.

AXA IM ESG Monitoring & Engagement committee (and sub-committee)	<ul style="list-style-type: none"> - Ensure views developed on ESG risks and opportunities, from exclusion to engagement topics are discussed collegially, considering possible implications for AXA IM as a whole, including on controversies - Facilitate coordination between various stakeholders in the implementation of the engagement strategy. This includes priorities for engagement on certain sectors, which can encompass listed and non-listed assets - Act as a gatekeeper of AXA IM exclusion policies - Oversee the ESG scores override process (ESARC)
AXA IM Alts and Core RI steering committees (and sub-committees)	<ul style="list-style-type: none"> - Endorses the RI strategy of the Business Units based on the AXA IM strategy agreed at AXA IM level, implements and monitors ESG methodologies, scores and RI processes for both business units. It keeps the AXA IM Sustainability Strategic Committee informed where appropriate, with the aim of ensuring consistency - Define (and adapt when needed e.g. to regulatory standards) our common impact investment framework
RI Program Steering Committee	<ul style="list-style-type: none"> - Monitors progress of RI-related projects with an operational focus

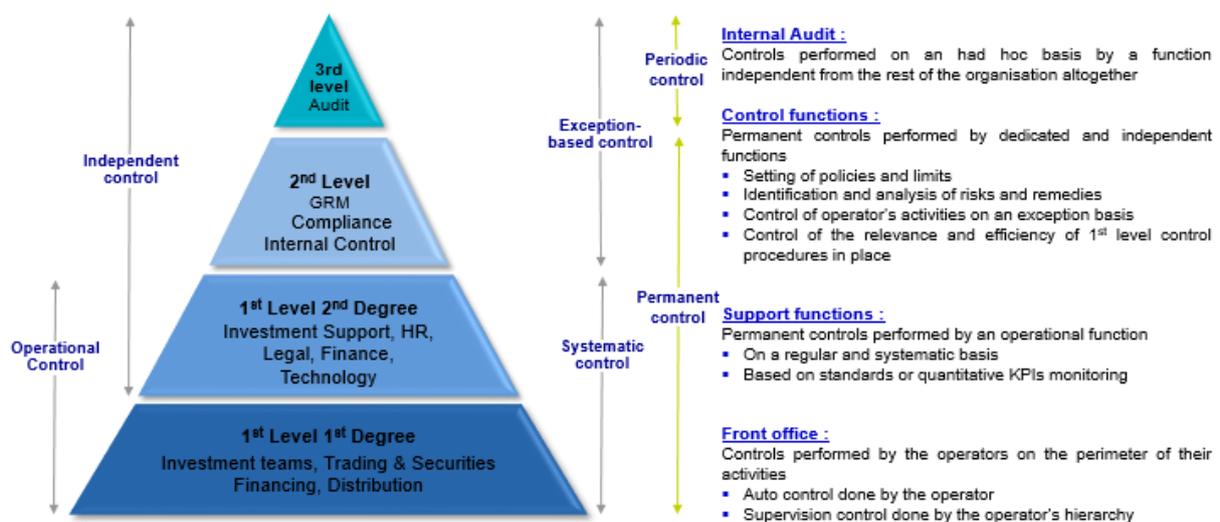
Internal controls & audit

All our ESG policies and integration factors are covered by AXA IM's control framework, with responsibilities spread between the first level of controls performed by the business and second level of controls performed by dedicated teams.

Standard level of internal controls

ESG-related investment guidelines consist of the implementation of our exclusion policies, as well as of eligibility criteria and rules specific to funds which have been awarded sustainability-related labels. They are monitored by:

- The portfolio management teams;
- A dedicated Investment Guidelines (IG) team or equivalent with independent and systematic pre- and post-trade controls;
- The Compliance department with *ad hoc* controls on the work performed by the IG team;
- The risk management department assess the likely impact of sustainability risks in the products' return;
- The Audit department which performs periodic controls.



Regularly, through the integration of a wide range of ESG KPIs into our Front Office tools available for traditional asset classes, investment teams are able to analyse and monitor each individual holding and the portfolio positioning on ESG factors and ESG related metrics.

Pre-trade controls are performed by the business teams themselves. The COO ensures that fund managers divest all investments in restricted companies and do not invest in restricted companies as long as there are restricted or absent new instruction.

Our IG team is monitoring the correct application of the exclusion list with pre-trade and post-trade monitoring systems. Following the update of the eligible universe, the portfolio manager divests from assets taking into account both a client's as well as fund's best interest. These ban lists are integrated into our Front Office tools.

The Compliance and Risk Management teams are part of the RI governance committees. They oversee the adherence to regulatory requirements and management of risks related to these topics, through control plans which cover RI-related processes. At AXA IM, the Compliance department is in charge of monitoring regulatory changes and works closely with investment teams as well as responsible investment professionals and Risk Management department.

Moreover, as part of the sustainability-related regulatory changes, AXA IM has launched several working groups that are in charge to monitor regulatory changes related to responsible investment, to define our position, set up action plans and to adapt our commercial offer. In addition, we participate and share our views with industry bodies such as the EFAMA and regulators.

Additional level of internal control for Real estate direct property

Direct property provides us with ability to collect directly actual data. We utilize both internal and external data controls to ensure the quality of the data. Throughout the data collection process automated and manual data controls are undertaken within an ESG data management platform for real estate properties by asset managers, the RI Team and an external auditor. Automated alerts have been set in our platforms to flag any inconsistency in the data collected or flag potential risks. Several alerts, which flag sensitive information, are a mandatory stage of the data collect process for our property managers, who are incentivised on their ability to comply on our data collect requirement. At the end of the data collect process, qualitative and quantitative data automatically populate various ESG rating forms. Asset managers are required to verify and validate the data directly implemented in the form and RI team performs additional data control by performing several consistency tests.

II. AXA IM approach to consider adverse sustainability impacts

1. Identification and prioritisation of PAI

Following the double materiality perspective, AXA IM is using the aforementioned sectorial & normative exclusions and ESG scoring methodologies to address the PAI of its financial products.

The sectorial exclusions are linked to specific industry sectors which have been identified as having some of the most severe PAI, such as the impact of palm oil on biodiversity, or of coal and oil sands on climate. These sectorial exclusions represent the most important PAI avoidance factor.

Our ESG scoring methodologies are also applied by AXA IM in order to enable a prioritisation of PAI which is relevant for each industry sector, and for each asset class. PAI are also generally identified and assessed through ESG KPIs such as GHG emissions, or respect of human and labour rights.

For **traditional asset classes**, as described above, AXA IM uses its Q² methodology described above which mainly relies on ESG scores provided by MSCI and is applied to all corporate and sovereign issues. MSCI incorporates controversies analysis in its ESG Rating model. On top of that, in our AXA IM ESG Standards, we take into account severe controversies, reflecting events in which the issuer has had a material negative impact on sustainability, social or governance factors, combining Sustainalytics' Controversies Research methodology and internal qualitative analysis. We avoid investing in issuers with a low ESG score¹³ and in those facing severe controversies, relying on external and internal analysis.

For some **alternative asset classes**, as described above, AXA IM has developed ESG scoring methodologies, which includes the identification of relevant PAI for different types of asset classes. While our current ability to meaningfully assess these impacts is limited by an absence or a limited availability and quality of information, data and indicators for certain asset classes, AXA IM will continue to further develop these processes to gather, when available, information and data on PAI of our investments.

Moreover, for funds which have a sustainability-related label (e.g., French SRI label, Towards Sustainability's Quality Standard, LuxFLAG), further reporting on ESG KPIs is expected as part of the labelling schemes, leading to an enhanced consideration of PAI for these fund ranges.

Starting 2023, for the purpose of reporting on our PAI across all our portfolios for our aggregated entity-level PAI statement (for each legal entity mentioned above) and for product-level reporting for our range of SFDR Article 8 and Article 9 funds, we rely on:

- For **traditional asset classes**: data provided by S&P Global Trucost;
- For **alternative asset classes**¹⁴:
 - For direct real estate property and CRE debt: directly collected data from surveys;
 - For infrastructure equity & debt: data partly collected by surveys and proxy data provided by Iceberg Data Lab;
 - For ABS, ILS and RegCap: data provided by MSCI (Carbon Delta), S&P Global Trucost and Bloomberg;
 - For leveraged loans: data provided by Findox.

The list of ESG factors and data sources are periodically reviewed to best reflect AXA IM analysis of PAI priorities and ESG quality of issuers. However, the ESG modelling process engaged in by the investment manager is complex and involves research and

¹³ All issuers below 1.43 (out of 10) in the Q² methodology.

¹⁴ For our impact investments and non-listed private equity and debt through our subsidiary CAPZA, the approach is still under progress and will be disclosed by end of June 2023.

modelling, embedding uncertainty in the consideration of PAI in investment decision-making. Although a rigorous selection process of such third-party providers is applied with a goal of providing appropriate levels of oversight, its processes and proprietary ESG methodologies may not necessarily capture all sustainability risks and, as a result, AXA IM's assessment of the PAI on the product's return may not be entirely accurate or unforeseen sustainability events could adversely affect the portfolio's performance.

In addition, and whilst a thorough selection process has taken place to define the data providers supporting the implementation of regulatory requirements in relation with PAI, data quality and coverage remain an issue as the indicators are at this stage not reported on a standardised nor a mandatory manner by investee companies. In addition to ongoing engagements with its data providers, AXA IM has joined early 2023 a collaborative initiative led by the CDP aimed at enhancing the awareness and reporting of such PAI data by investee companies, within the European Union and beyond. AXA IM is supportive of the systematic inclusion of PAI indicators in the future CSRD requirements.

2. Description of PAI and action plans

As previously mentioned, AXA IM has developed several frameworks aiming to capture the relevant PAI for each main type of issuers, which are detailed in Appendix 1.

In a context of recent implementation of sustainable finance regulatory requirements in the EU, which are expected to continue to evolve over the next years, the presented approach is subject to change.

Description of PAI

While for **traditional asset classes**, the approach to assess PAI is the same – using S&P Global Trucost as a single data provider across asset classes – for **alternative asset classes**, PAI are specific to the relevant sub asset classes with both different data providers, as mentioned above, and overall ESG approach across the main PAI. For example, for real estate assets AXA IM assesses indicators such as energy efficiency and GHG emissions and where AXA IM has management control, specific asset level plans are developed to address these indicators. For our impact investments, as part of AXA IM Impact Investing Strategy, we have established a framework for the management of ESG issues that takes account the applicable ESG regulations, standards and norms. This framework is used to identify the ESG risks associated with each impact theme and associated investments and details a range of actions that will be taken to manage and mitigate relevant ESG risks. For certain alternative asset classes, where information and data available are currently significantly limited, action plans will be assessed and implemented when quantitative information on principal adverse impacts is available.

Action plans related to the consideration of PAI

At entity-level

On **climate**, following its decision to join the Net Zero Asset Managers initiative (NZAMi)¹⁵ in December 2020, AXA IM worked over the year on the reinforcement of its climate strategy to set its Net Zero targets and drive meaningful environment and social change. AXA IM published its first Net Zero target in October 2021, as part of the first NZAMi progress report, committing to apply net zero approaches on 15% of our assets under management (AuM)¹⁶. This target was subsequently revised in April 2022¹⁷, to cover 65% of the AuM. Accordingly, we have developed and we are progressively ramping up a net zero framework on applied to traditional asset classes which follows industry standards¹⁸ considering internal and external information to determine the net zero profile of companies.

¹⁵ [AXA IM to join the Net Zero Asset Managers initiative and to commit to net zero emissions goal | AXA IM Corporate \(axa-im.com\)](#)

¹⁶ [NZAM-Progress-Report.pdf \(netzeroassetmanagers.org\)](#)

¹⁷ [NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf \(netzeroassetmanagers.org\)](#)

¹⁸ The [Task Force on Climate-related Financial Disclosures](#), the [IIGCC](#), the [CREEM](#) and the [GermanWatch Climate Change Performance Index](#)

On **biodiversity**, we have strengthened our strategy to better integrate the challenges relating to biodiversity protection in our investment process, fundamental research and our engagement strategy. We work in close collaboration with data providers to develop metrics to measure impact of our investments on biodiversity ecosystem services (biodiversity footprint) we have applied to some pilot funds in 2022 and will enlarge to further assets in 2023. The measurement of the biodiversity footprint represents an aggregation of various PAI, *i.e.* the pressures on ecosystems generated by human activities, among them: water and air pollution; land artificialization, exploitation and pollution; and climate change.

At fund-level

Overall, **for all traditional asset classes**, AXA IM monitors on an annual basis at minimum the ESG score and GHG emissions of its worldwide holdings, as well as a selection of ESG-related (incl. climate-related) indicators depending on the asset class.

More specifically, for **Article 8 and Article 9 product from traditional asset classes**, the ESG reporting available for our Article 8 and Article 9 products include an enhanced climate section, combining historic metrics (carbon intensity for scope 1 and 2 as well as upstream scope 3) as well as forward-looking ones (incl. implied temperature rise and proportion of companies with Science-Based Targets in the portfolio). From 2023, this reporting will also include the net zero profile of the portfolio. The implementation of net-zero targets to most of our funds is based on the entity-level net zero strategy which defines specific objectives for various asset classes. However, for some funds with SRI label, carbon intensity objectives at fund level are defined (see dedicated section on the French SRI label in the ESG report of the concerned funds).

For **Article 8 and Article 9 funds from alternative asset classes**, from 2023, the ESG reporting available for our Article 8 and Article 9 products will include, when possible depending on available data, an enhanced climate section, including GHG emissions. In addition, we collect actual data for all direct real estate properties within our external ESG data management platform. All buildings in scope are qualified to get a clear understanding of scope of responsibilities and assets characteristics within a maximum of 15 months after a building is acquired. Qualitative data are updated on a yearly basis to reflect improvements brought to the asset. Quantitative data (energy, water, waste) are collected manually on a yearly basis (during the first quarter). Since 2021, we deploy data collect automation wherever possible to ease data collect and improve data quality.

3. Engagement policy

AXA IM has adopted a global engagement policy¹⁹ where we seek to improve issuers' practices with a specific objective in mind, on behalf of our equity and bond holdings.

This Engagement Policy describes AXA IM engagement process with corporates and governments, individually and as part of collaborative initiatives.

As for our engagement with **corporates**, at AXA IM we have rolled out a clear process for selecting priorities, defining engagement objectives and a system for tracking engagement progress, with a range of possible outcomes and escalation points, as follows:

- **Selection of priorities:**
 - We seek to engage companies across our ESG thematic in a constructive manner with identified and achievable goals. We challenge companies on their strategy and risks, financial and non-financial performance, and their commitments to strong environmental, social, and governance philosophies;
 - More intense engagement is deployed for a **focus list of companies** which is revised at least annually. The list is extracted from a broad engagement universe put together by the RI Experts teams, based on various inclusion criteria (*e.g.* materiality, size of exposures, thematic priorities, etc.) and validated in the ESG Monitoring & Engagement

¹⁹ [Our Policies | AXA IM Corporate \(axa-im.com\)](#)

committee. A specific focus is made in sectors which are targeted by AXA IM RI policies (incl. Climate risks policy, Ecosystem Protection & Deforestation policy)²⁰;

- **Definition of engagement objectives:** we distinguish regular dialogue conducted with investee companies around their sustainability practices (referred to as “sustainability dialogue”) from active engagement with specific, identified objectives (referred to as “engagement with objectives”):
 - Sustainability dialogue is key in establishing and developing a constructive relationship with the company, as well as gaining insights its policies and practices. However, while it may feed into future potential targeted engagement, this type of dialogue is less intensive and mainly aims at gathering information;
 - In the case of engagement with objectives, which seek to influence change at investee companies, we define targeted objectives related to the key ESG with clear targets, and the timeframe we consider appropriate to see progress depending on the nature of the objectives;
 - This engagement policy, combined with our Corporate Governance and Voting policy, allows AXA IM to consider adverse impacts.
- **Governance of the engagement process:**
 - For engagement with objectives, we share these objectives with investee companies at the outset of the engagement, and systematically track and record the progress of engagement as described below. Where there is little progress, we will escalate the engagement in an appropriate fashion;
 - While our belief is that long-running confidential and constructive discussions based on trust is often the most effective way to create change over time, we also value transparency and may communicate externally on our engagement activities in selected cases;
- **Tracking, escalation and conclusion of the engagement:** AXA IM has established a system for tracking dialogue and engagement progress with investee companies in traditional asset classes:
 - Each and every time an interaction with a company is logged, an engagement report is uploaded and made visible to all AXA IM investment platforms.
 - Escalation of the discussion through other means and/or at other levels of the hierarchy are options we can utilise in order to progress on our engagement asks. An escalation strategy is therefore determined for every engagement activity, which may include:
 - Targeting higher level of the corporate hierarchy;
 - Collaborating with other investors (including through joint public statements in certain cases);
 - Voting against resolutions at the AGM, and informing investee companies in advance of the AGM of such votes and of the rationale behind them when possible;
 - Co-filing resolutions at the AGM; or
 - Divestment.

Engagement is about change and the AXA IM engagement programme is set up with achievable milestones, deliverables and reporting. We acknowledge changing cultural behaviour rarely happens overnight. Some companies might be more willing to listen to us than others. In most cases, it will need several interactions before reaching any concrete progress.

²⁰ [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](#)

This is why our engagement policy is completed by a more forceful mechanism that aims at applying sufficient pressure to effect timely change within a selection of companies which are considered to be materially lagging versus their peers on a given topic or failing to meet baseline expectation, representing a higher risk: the **Three Strikes and You're Out** mechanism. Clear objectives are defined for each of those companies, which follow our engagement policies and are tailored to their activities and communicated to their management at the inception of the engagement. AXA IM engages regularly with those companies to steer them to achieve progress on those objectives, using escalation techniques when necessary (e.g., voting against management). If the objectives have not been achieved after three years (for climate, *i.e.*, if progress on their net zero path is not considered sufficiently substantial), we will divest. This mechanism applies to a selection of companies which do not have climate net zero commitments, or which have quantified emissions reduction targets which are deemed not be credible or demanding enough (*i.e.*, climate laggards). A similar approach, although less systematic, may also be taken for engagement on other themes, if the desired outcome has not been reached.

As for our engagement with governments, as the Sustainable Finance regulatory agenda intensifies, we work with regulatory authorities and policymakers to ensure that public policy supports an investment environment which takes seriously sustainability and responsible investment issues. In particular our public engagement aims to contribute to ensuring the regulatory framework under development promotes effective comparability, transparency and robustness in the ESG approaches developed by the financial sector.

In addition, AXA IM is an active member of several industry initiatives – at global and local levels – which pursue the same objective (see following section).

The deployment and success of the engagement efforts across AXA IM traditional asset classes is overseen by the ESG Monitoring and Engagement Committee, and the Corporate Governance Committee.

Further details on AXA IM's engagement policy are available on AXA IM's website²¹.

4. Adherence to responsible business codes & internationally recognized standards

AXA Investment Managers seeks to comply and adhere to various principles, standards, and codes, considered best practices in the market, which govern our policies and practices. AXA IM is signatory of the following codes:

- **Principles for Responsible Investment**²², since May 2007;
- **Japanese Stewardship code**, since 2014;
- **UK Stewardship code**, since 2010 (and of the revised code in 2020);
- **Task Force on Climate-Related Financial Disclosure (TCFD)**, since 2017.

As part of the AXA Group, which is signatory of the **United Nations Global Compact**, AXA IM follows these principles as part of its RI policy.

We also support and participate to a number of initiatives focusing on sustainability topics where we believe our involvement will have a material impact. These industry initiatives and groups are intended to reflect on the evolution of practices, establish standards, support companies and markets to address global challenges and/or provide solutions.

²¹ [Stewardship & Engagement | Responsible Investing | AXA IM Corporate \(axa-im.com\)](#)

²² [PRI | Home \(unpri.org\)](#)

The complete lists of our investor initiatives and investment industry partnership and collaboration are available in our annual Active Ownership and Stewardship report²³.

²³ [Stewardship & Engagement | Responsible Investing | AXA IM Corporate \(axa-im.com\)](#)

Appendices

Appendix 1: Consideration of PAI at both entity and product levels

The following table applies to AXA IM as a group, and consequently to the 5 legal entities in scope for which individual PAI statements are complementarily disclosed in the following appendices as well as in their respective national websites, as requested by the Delegated Regulation (EU) 2022/1288 following the template statement on principal adverse impacts of investment decisions on sustainability factors in Table 1 of Annex 1 of the SFDR Delegated Regulation.

ESG thematic	PAI indicator	Metric	Action taken, actions planned and targets set for the next reference period			
			General entity-level approach	Related sectorial and/or normative exclusion policies ²⁴	Related engagement policies	Specific approach at a fund-level ²⁵
Indicators applicable to investee companies						
Environmental	1. GHG emissions	Scope 1	AXA IM is committed to achieving net zero emissions across our portfolios by 2050 or sooner, as well as playing a key role in helping our clients better understand climate change and how it may impact their portfolios and supporting them in adapting their investment decisions accordingly. AXA IM published its first Net Zero target in October 2021, as part of the first NZAMI	Climate risks policy : Exclusion of: - Coal: mining, power generation, and industry partners (e.g., equipment suppliers or infrastructure players); - Oil sands: production and pipelines; - Shale and tight oil & gas production; - Oil & gas production in	While we purposefully engaged with companies in the most material sectors – such as energy, waste management and materials – we also were careful to meet companies from across the entire economy. In brewing, real estate development or banking, for instance, the energy transition implies a system change which concerns everyone. This was also reflected in the 2022 version of the ‘say-on-climate’ trend, which saw a rising number of companies operating in various industries (such as energy and financials, but also real estate) submitting their transition plans to a vote. Following the 2021 proxy season and the strengthening of our Climate Risks Policy in early 2022 (which was recently reviewed	For Article 8 and Article 9 products from corporate assets, the ESG reporting available include an enhanced climate section, combining historic metrics (carbon intensity for scope 1 and 2 as well as upstream scope 3) as well as forward-looking ones (incl. implied temperature rise, global warming potential and proportion of companies with Science-Based Targets in the portfolio). From 2023, this reporting will also include the net zero profile of the portfolio. The
		Scope 2				
		Scope 3				
		Total				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				

²⁴ Further details on the exclusion criteria of our sectorial & normative exclusion policies are available on AXA IM's website: [Sustainability Policies and Reports | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainability-policies-and-reports)

²⁵ For Article 8 and Article 9 financial products with minimum sustainable investments from asset classes for corporates, the application of the DNSH for the sustainable investments of a financial product also intends to make means that the following investee companies cannot qualify as sustainable: i) the issuer should not have a CCC (or below 1.43) ESG score according to AXA IM's Q² scoring methodology, and ii) the issuer should not be causing harm along any SDG (meaning no SDG score strictly below -5 based on a quantitative database from external provider on a scale ranging from +10 to -10 – unless this score is overridden by an internal qualitative analysis).

As for green, social & sustainability bonds (GSSB) and sustainability-linked bonds (SLB), we apply a specific framework for qualifying investments as sustainable following SFDR.

Further details on AXA IM approach to SFDR sustainable investment for traditional asset classes are available on AXA IM's website: [Sustainable Finance | AXA IM Corporate \(axa-im.com\)](https://www.axa-im.com/sustainable-finance)

4. Exposure to companies active in the fossil fuel sector	<i>Share of investments in companies active in the fossil fuel sector</i>	<p>progress report, committing to apply net zero approaches on 15% of its AuM. This target was subsequently revised in April 2022, to cover 65% of the AuM. Accordingly, we have developed a net zero framework on applied to traditional asset classes and real estate assets which follows</p>	<p>Arctic. In April 2023, we have tightened multiple exclusion criteria regarding coal and oil sands. Further upgraded exclusion criteria on the unconventional oil & gas sector will also be announced later in 2023.</p>	<p>in April 2023), we have refined our framework to assess climate transition plans, defining clear requirements while leaving sufficient consideration to the specific challenges of the industry and market where the company operates. As a result, in 2022 we did not shy away from opposing incomplete or opaque transition plans, such as those presented by certain European financial institutions, or the say-on-climate vote at an Australian oil and gas company. In terms of collective engagement, the year was busy, especially the scope of our involvement within the Climate Action 100+ (CA100+) initiative. Since April 2023, we also ask companies to integrate their value chain – upstream and especially downstream – in their climate strategy, a necessary step to achieve net zero for Scope 3 emissions.</p>	<p>implementation of net-zero targets to all covered assets is based on the entity-level net zero strategy. However, for some funds with SRI label, carbon intensity objectives at fund level are defined (see dedicated section on the French SRI label in the ESG report of the concerned funds).</p>
5. Share of non-renewable energy consumption and production	<i>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</i>	<p>industry standards considering internal and external information to determine the net zero profile of companies. Overall, for all traditional asset classes, AXA IM monitors on an annual basis at minimum the GHG emissions of its worldwide holdings, as well as a selection of other climate-related indicators depending on the asset class.</p>		<p>During the COP26 climate change conference in Glasgow, AXA IM announced a new 'Three strikes and You're Out' policy. This is a more forceful engagement campaign with a list of companies we view as 'climate laggards'. These companies, across sectors and geographies, were deemed to have shown either a lack of net-zero commitments or quantified emissions reduction targets that were insufficiently demanding or not credible. Over 2022, the AXA IM Executive Chair sent a letter to the relevant CEOs and/or Chairs, explaining our net zero commitment and engagement policy, as well as clearly laying out our engagement requests and our intention to divest in case of insufficient progress. By year-end, only one company had failed to respond, and we have already held our first meetings, with representatives ranging from investor relations to sustainability teams to CEOs. All were receptive to our engagement and willing to discuss, but the maturity level and willingness to further change or address challenges was varied. For those that we feel are insufficiently responsive, we will consider the use of escalation techniques (such as voting against resolutions or co-filing a resolution) as of their 2023 AGM, and will consider divestment should the remaining issuer remain unresponsive. The climate laggards list will be reviewed in 2023 and some names could change, with new additions and potentially removals following divestments or significant progress made by the issuers. The definition of laggards will evolve as well, as we expect that the criteria to identify companies deemed to be underperforming will become more demanding over time – for example, an increased focus on delivery of transition plans or a stricter requirement for science-based validation</p>	<p>As part of our ACT fund range, we also have low-carbon, carbon transition, and carbon offset strategies. Low-carbon funds aim at reaching at least a 30% reduction in carbon intensity and water intensity. Carbon transition funds aim at keeping their weighted average carbon intensity (WACI) lower than their benchmark while maintaining a low turnover of bonds held by the fund, where the benchmark is calculated initially as a 30% reduction of the WACI of the index. Thereafter, the benchmark will be calculated as a further 7% reduction of the WACI per year, based on the WACI of the benchmark from the previous year. Lastly, carbon offset funds compensates for the portfolio's remaining GHG emissions, while supporting projects which integrate conservation and sustainable economic development.</p>
6. Energy consumption intensity per high impact climate sector	<i>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</i>		<p>Climate risks policy (considering an expected correlation between GHG emissions and energy consumption and production): see above</p>		

<p>7. Activities negatively affecting biodiversity-sensitive areas</p>	<p><i>Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas</i></p>			<p>Ecosystem protection & Deforestation policy: Exclusion of commodities with significant land use change impacts: - Palm oil & derivatives; - Soy meal, oil & derivatives; - Cattle products; - Timber products.</p>	<p>For traditional asset classes, we complement our exclusion policy with engagement approaches by discussing with companies that are exposed to these issues but are not subject to severe controversy and are working to reduce these risks. Our engagement was structured around the companies' responses to an engagement questionnaire developed to facilitate dialogue and informed by our knowledge sharing with CDP and WWF. The results of these campaign are reassuring with several of the companies having committed to a deforestation-free goal and developed respective action plans. As part of AXA IM's policy and particularly this commitment, we work on issues beyond deforestation with the objective of understanding how these companies respond to issues related to the protection of biodiversity and natural capital.</p>	
<p>8. Emissions to water</p>	<p><i>Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</i></p>		<p>AXA IM have strengthened its strategy to better integrate the challenges relating to biodiversity protection in our investment process, fundamental research and our engagement strategy. We work in close collaboration with data providers to develop metrics to measure impact of our investments on biodiversity ecosystem services (biodiversity footprint) we have applied to some pilot funds in 2022 and will enlarge to further assets in 2023. The measurement of the biodiversity footprint represents an aggregation of various PAI, i.e. the pressures on ecosystems generated by human activities, among them: water and air pollution; land artificialisation, exploitation and pollution; and climate change.</p>	<p>ESG Standards policy: Exclusion of issuers with low ESG score (<1.43, CCC)</p>	<p>In 2022, our engagement initiatives were underpinned by the integration of new, biodiversity-specific data and a new metric – biodiversity footprint. We used this new data from an experimental modelling approach designed by Iceberg Data Lab to help us select and prioritise sectors and companies which present a significant biodiversity footprint, and to focus our engagement efforts accordingly. The objective of this engagement is to share industry best practice with those companies and set up action plans with them to address biodiversity loss. The ultimate goal being to develop a comprehensive biodiversity strategy and to control the potential risks associated with biodiversity loss while supporting a 'nature-positive' transformation of these companies. Initial meetings with the target companies were conducted during 2022 and the dialogue will continue in 2023. End of 2022, our engagement approach was also reinforced to better incorporate social considerations of biodiversity protection.</p>	
<p>9. Hazardous waste and radioactive waste ratio</p>	<p><i>Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average</i></p>		<p>AXA IM have strengthened its strategy to better integrate the challenges relating to biodiversity protection in our investment process, fundamental research and our engagement strategy. We work in close collaboration with data providers to develop metrics to measure impact of our investments on biodiversity ecosystem services (biodiversity footprint) we have applied to some pilot funds in 2022 and will enlarge to further assets in 2023. The measurement of the biodiversity footprint represents an aggregation of various PAI, i.e. the pressures on ecosystems generated by human activities, among them: water and air pollution; land artificialisation, exploitation and pollution; and climate change.</p>	<p>ESG Standards policy: Exclusion of issuers with low ESG score (<1.43, CCC)</p>	<p>AXA IM also conducts constructive discussions on biodiversity topics with WWF, CDP, Ceres, Global Canopy, and other external experts. In 2022 we became members of the two new important collaborative engagement initiatives: dialogue with chemical companies on management of hazardous substances supported by ChemSec; and collaborative engagement on biodiversity, pollution and waste led by FAIRR. In 2022, resources & ecosystems accounted for 18% of our overall engagements with companies.</p>	<p>In 2022, we have published our biodiversity footprint following the CBF methodology provided by Iceberg Data Lab (IDL) for two funds. In 2023, we will enlarge these measurements to a wider share of our traditional assets. As part of our ACT fund range, we also have funds with biodiversity and plastic & waste transition strategies, as well as investment objectives to reduce the water intensity for funds from this range with a low-carbon strategy.</p>

Social	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	<i>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</i>	<p>As part of our ESG Standards policy, since 2021, 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. In addition to mitigating main related negative impacts, we believe this helps us to avoid reputational damage and to proactively manage related financial risks.</p>	<p>ESG Standards policy: Exclusion of companies in violation of international norms and standards, i.e., companies assessed as being “non-compliant” with the UN Global Compact (UNGC), OECD guidelines for Multinational Enterprises (MNE), ILO Conventions or UNGP for Business and Human Rights</p>	<p>With corporates, we seek to engage companies across our thematic in a constructive manner with identified and achievable goals. We challenge companies on their strategy and risks, financial and non-financial performance, and their commitments to strong environmental, social, and governance philosophies. Engagement can be triggered reactively in cases where we need to engage in response to a specific event, such as severe controversies and violations of international norms and standards such as the OECD Guidelines for MNE, or UNGC breach, negative news flow or ban list updates.</p>	<p>For Article 8 and Article 9 financial products with minimum sustainable investments for traditional asset classes, SFDR article 2(17) requires that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. Those 4 pillars are addressed through exclusion of companies which cause, contribute or are linked to violations of international norms and standards in a material manner. Those standards focus on Human Rights, Society, Labor and Environment, and as such, provide a methodology to help assess the appropriate governance of investee companies in general, and more specifically help to ensure that we avoid investments in investee companies where poor management structure lead to corruption or money-laundering as examples, and where very poor practices in terms of management of human capital, which can include employee relation or remuneration of staff are observed. AXA IM relies on an external provider’s screening framework and excludes any companies that have been assessed as “non-compliant” to 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).</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	<i>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</i>		<p>ESG Standards policy: Exclusion of companies in violation of international norms and standards (considering an expected correlation between companies non-compliant with international norms and standards and the lack of implementation by companies of processes and compliance mechanisms to monitor compliance with those standards): see above</p>		
	12. Unadjusted gender pay gap	<i>Average unadjusted gender pay gap of investee companies</i>	<p>We publish our own pay gap reports annually in France and the UK.</p>	<p>ESG Standards policy: Exclusion of issuers with low ESG score (<1.43, CCC)</p>	<p>N/a</p>	

	13. Board gender diversity	<i>Average ratio of female to male board members in investee companies, expressed as a percentage of all board members</i>	AXA IM has included gender diversity criteria in its voting policy since 2020. As of June 2022, the percentage of women in our Management Board is 33%. In line with the French Rixain Law, we have committed to improving the representation of women among those making investment decisions from 20% to 25% by 2030. We have also signed the Women in Finance charter and are EDGE (Economic Dividends for Gender Equality) certified. We have also begun the process of Edge re-certification in 2022, in recognition of our global commitment to gender equality in the workplace	ESG Standards policy: Exclusion of issuers with low ESG score (<1.43, CCC)	Since 2021, we deploy a systemic voting criterion linked with board gender diversity: a 33% diversity target for OECD countries, and with targeted companies in emerging markets on gender diversity issues. In line with our ambitions and with the objective to join forces, we helped create the 30% Club France Investor Group in November 2020, calling other asset managers to join us and encouraging large French companies to commit to promoting gender diversity at senior level. The goal is to reach at least 30% by 2025, compared to just 21% in 2020. In 2022, the investor group focused on the following: - 'Soft' engagement to inform companies listed on the SBF120 equities index of the advancements of the coalition and to outline our reporting expectations on gender diversity; - In-person engagement meetings and detailed conversations with 18 companies identified as potential laggards to help them improve; - Creation of partnerships and workshops to learn from the 30% Club France Investor Group industry stakeholders working on gender diversity.	N/a
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	<i>Share of investments in investee companies involved in the manufacture or selling of controversial weapons</i>	As part of our Controversial weapons policy, we avoid investing in controversial weapons regulated by international conventions, i.e., anti-personnel landmines, cluster munitions, chemical, biological and nuclear weapons.	Controversial weapons policy: Exclusion of: - Companies that produce, use, store, trade, or ensure the maintenance of, transport or financing of controversial weapons including components specifically designed for those types of controversial weapons (customised components) - Companies that provide support, research or technology dedicated only to those controversial weapons - Companies that breach the Treaty on the Non-proliferation Treaty of Nuclear Weapons - Companies that own 50% or more of any excluded company following the previous criteria	N/a	The exclusions applies to all funds managed by AXA IM (see our Controversial weapons policy for more details on the scope of the policy).

Indicators applicable to investments in sovereigns and suprationals						
Environmental	15. GHG intensity	<i>GHG intensity of investee countries</i>	<p>AXA IM has defined climate targets for sovereign assets, following the Net Zero Investment Framework (NZIF) target setting guidance and the guidance by UN-led ASCOR project. Our defined target for sovereign assets consists in beating our main global benchmark on GermanWatch's Climate Change Performance Index (CCPI) weighted average score.</p> <p>We also leverages the CLAIM model developed by Beyond Ratings to assess the "temperature" of AXA IM's investment portfolios on sovereign assets.</p>	N/a	<p>Involvement with policymakers and industry groups is a key part of our active ownership and stewardship strategy. AXA IM is an active member of several industry initiatives – at global and local levels – which pursue the same objective. The complete lists of our investor initiatives and investment industry partnership and collaboration are available in our annual Active Ownership and Stewardship report.</p>	N/a
Social	16. Investee countries subject to social violations	<i>Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law</i>	<p>As part of our ESG standards policy, we avoid investing in countries with severe human rights violations.</p> <p>We also rely on MSCI to assess the ESG score of sovereign assets: Our ESG scoring methodology for sovereign assets includes i) human capital risk (including criteria regarding basic human capital and needs, higher education and technology readiness, knowledge capital, human capital infrastructure, human capital performance, and the economic environment).</p>	<p>ESG Standards policy: Exclusion of countries with severe human rights violations:</p> <ul style="list-style-type: none"> - 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 UNESCO 		N/a

Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels	<i>Share of investments in real estate assets involved in the extraction, storage,</i>	Same as PAI 5 (see above)	Climate risks policy: see above	Same as PAI 5 (see above). As for tenants of real estate, we progressively embed ESG clause in all new lease signed or renewal covering data sharing,	For Article 8 and Article 9 funds from real estate assets, from 2023, the ESG reporting available for our Article 8 and Article 9

	through real estate assets	<i>transport or manufacture of fossil fuels</i>			asset certification or energy efficiency measures implementation. We also monitor tenant satisfaction through annual surveys conducted each year on a sample of assets and require our Property Managers to conduct green committees to share key ESG information.	products will include, when possible depending on available data, an enhanced climate section, including GHG emissions. In addition, we collect actual data for all direct real estate properties within our external ESG data management platform. All buildings in scope are qualified to get a clear understanding of scope of responsibilities and assets characteristics within a maximum of 15 months after a building is acquired. Qualitative data are updated on a yearly basis to reflect improvements brought to the asset. Quantitative data (energy, water, waste) are collected manually on a yearly basis (during the first quarter). Since 2021, we deploy data collect automation wherever possible to ease data collect and improve data quality.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	<i>Share of investments in energy-inefficient real estate assets</i>		Climate risks policy (considering an expected correlation between GHG emissions and energy consumption and production): see above		

Additional climate and other environment-related indicators						
GHG emissions	4. Investments in companies without carbon emission reduction initiatives	<i>Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement</i>	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)
Water, waste and material emissions	6. Water usage and recycling	<i>1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies</i> <i>2. Weighted average percentage of water recycled and reused by investee companies</i>	Water consumption & stress is a key pillar of the ESG scoring methodology used for traditional asset classes.	ESG Standards policy: Exclusion of issuers with low ESG score (<1.43, CCC)	N/a	In addition to reduction of the carbon intensity, our Low carbon funds also commit to outperform its benchmark on water consumption intensity.
GHG emissions	18. GHG emissions	<i>Scope 1 GHG emissions generated by real estate assets</i> <i>Scope 2 GHG emissions generated by real estate assets</i>	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)	Same as PAI 1 to 4 (see above)

		<i>Scope 3 GHG emissions generated by real estate assets</i>				
		<i>Total GHG emissions generated by real estate assets</i>				

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	<i>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption</i>	As part of our ESG Standards policy, 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, which can include corruption and bribery.	ESG Standards policy: - Exclusion of companies exposed to severe controversies (i.e., category 5 of Sustainalytics' Controversies Research methodology) - Exclusion of issuers with low ESG score (<1.43)	As part of our engagement policy, we engage and escalate with companies facing severe controversies, including regarding corruption and bribery. For example, in 2022, we escalated with a Swedish IT company by divesting following recurring and structural concerns of corruption.	N/a
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	<i>Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery (%)</i>				

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