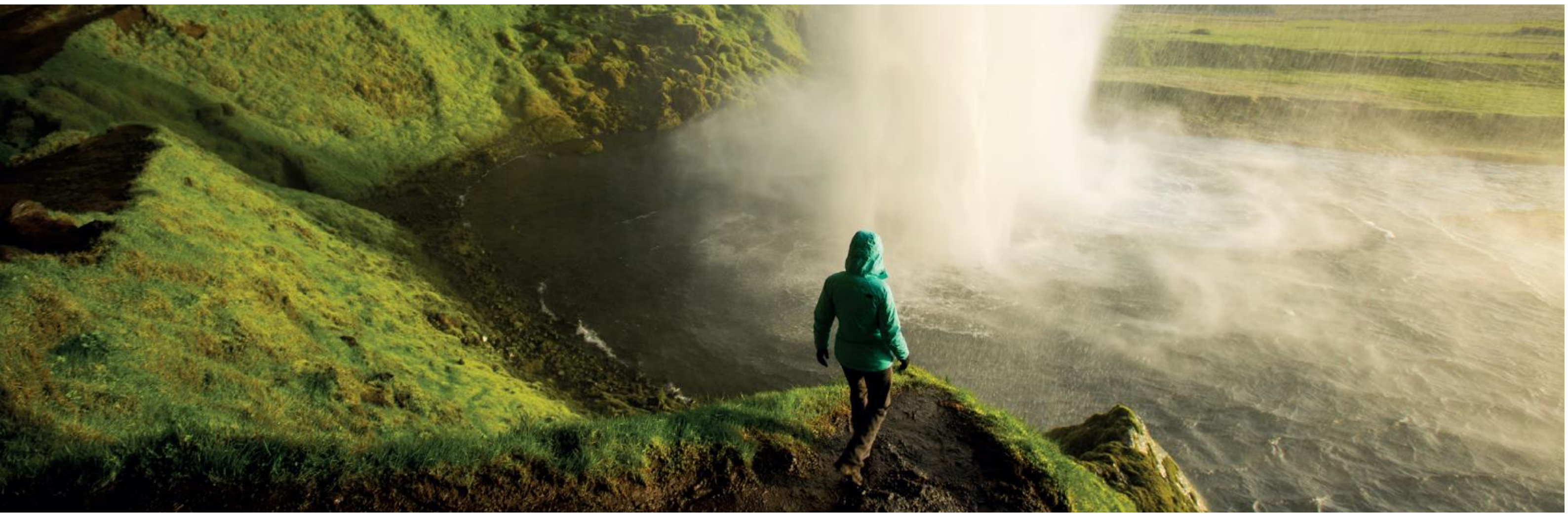
April 2021

Responsible Investing
AXA IM Climate Risks Policy



According to the Intergovernmental Panel on Climate Change ("IPCC"), +1.5°C is considered to be the maximum temperature rise before triggering significant risks to society[1]. 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. In 2018, coal accounts for almost 33% of global electricity generation and coal-fired electricity generation accounts for 30% of global CO_2 emissions[2]. As such and while political and economic realities vary from one country to another, the use of coal and development of coal capacities should be constrained if we want to achieve the objectives of the Paris Agreement.

The Paris Agreement was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. While the Paris Agreement has an objective of "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels", the 2018 special report of the IPCC made clear that the world should aim at limiting global warming at 1.5°C.

According to the IPCC, in most 1.5°C scenarios, virtually no primary energy from unabated coal use remains in 2050. To achieve the +1.5°C objective, a gradual exit from coal energy must therefore be achieved by 2030 for OECD countries and by 2040 for other countries.

[1] IPCC "Most adaptation needs will be lower for global warming of 1.5°C compared to 2°C".

[2] https://www.iea.org/reports/world-energy-outlook-2019

Oil 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. Oil 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 oil sand capacities, as well as the major companies carrying oil sand via pipelines, should be constrained if we want to keep temperature rise within the limit of 1.5°c.

In this context, AXA IM Management Board has decided in 2017 to implement an exclusion on coal and oil sand activities, with the objective of de-risking our portfolios in the long-term by reducing the exposure to stranded assets and supporting the goals of the Paris Agreement and the transition to a low-carbon economy.

In 2020, AXA IM took the decision of strengthening the following exclusion criteria:

- A new ban on power generation companies with more than 10GW of installed coal-based power production ;
- Development of coal capacitites with a more stringent threshold resulting in the exclusion of companies with coal power expansion plans of over 300MW (vs 3000MW previously). In addition, mining companies developing new coal mining and coal industry partners developing significant new coal assets are now excluded. This rules out investments in most new coal projects around the world.

AXA IM is also committed to exit all coal investments in OECD countries by the end of this decade, and throughout the rest of the world by 2040. Following this commitment, an engagement initiative was launched targeting issuers which are exposed to coal but are below our exclusion thresholds, to inform them of our decision, and ask them to define robust transition plans, implementing Science-Based Carbon Reduction targets and Transition Pathways in line with the Paris Agreement's +1.5°C ambition, and report regularly on progress.

We will continue to implement this commitment over time, and will provide regular updates on progress in our annual reports[3].

Focus on exclusion approach

AXA IM considers that investments in companies most exposed to coal and oil 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 transport companies for oil sand and coal-related activities.

[3] Information on remaining coal exposure at AXA IM level, number of exemptions, and % of AUMs in scope of the policy is available in the annual TCFD / Climate report of AXA IM

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 coal share of power production - Power generation companies that plan to expand coal power generation capacity by more than 300 MW, - Mining companies developing new coal mining and coal industry partners (equipment suppliers or infrastructure players eg. port terminals, dedicated railways) developing significant new coal assets - Power Generation companies with more than 10 GW of installed coal-based capacities. - 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. The exclusion list is updated on a yearly basis unless a specific event requires an intermediate revision[4].	We rely on external providers to prepare an initial list of issuers in scope. For the Coal criteria, we rely on Urgewald Global Coal Exit List, using the thresholds defined in this policy. The lists are then reviewed qualitatively and discussed within our RI governance committees on a regular basis. AXA IM may consider exceptions to these exclusion rules for issuers that have defined robust transition plans[5].

Scope

Instruments
Our Climate Risks Policy excludes all single name 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.

For funds of funds composed of funds which are not under the management of AXA IM, the RI credentials of the manager of the underlying active funds are looked at as part of the due diligence process for funds of funds, including the existence of a Coal exclusion policy.

The policy does not apply:
- to index funds
- to funds of Hedge funds
- to tenants in real estate portfolios[6].

The policy applies on direct product investments with no look-through.

[4] Example given: major newsflow. The list is not systematically updated following corporate actions.
[5] Exemptions can only be granted to issuers which are close to the exclusion threshold, and where a robust transition plan is being implemented successfully. This exemption process is overseen by a RI governance committee. The exemptions are reviewed when the ban list is updated on an annual basis. A specific approach to exemptions may be applied for AXA IM Joint-Ventures in scope of the policy.
[6] Every investment proposal for real estate and infrastructure undertakes a review against group exclusion policies.Regardless of the fact that the policy does not apply to tenants in real estate portfolios, potential conflicts/issues in relation with this policy are assessed as part of the due diligence process.

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.