



Investment
Managers

A full-page background image showing a person standing on a large rock in the middle of a waterfall. The person is looking up at the water. The waterfall is surrounded by dense green foliage and mossy rocks. The water is white and foamy as it falls. The scene is set in a lush, tropical-looking forest.

2022 Climate Report

AXA Investment Managers UK

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1. Introduction

1.1 Scope and structure of the report

The Climate Report 2022 (“Report”) for AXA Investment Managers UK Limited (“AXA IM UK” or the “Company” or “Firm”) has been prepared in line with the recommended disclosures of the Task Force on Climate-related Financial Disclosures (“TCFD”), including the Supplemental Guidance for Asset Managers. The Report also meets AXA IM UK’s requirement, as an entity regulated by the Financial Conduct Authority (“FCA”), to publish a TCFD entity report pursuant to the FCA’s Environmental, Social and Governance (“ESG”) Sourcebook. The Report covers the calendar year 2022.

The Company is indirectly wholly owned by AXA Investment Managers SA and its ultimate parent is AXA SA. AXA Investment Managers SA and its subsidiaries (“AXA IM”) have prepared the AXA IM 2022 TCFD – Article 29 Combined Report (“AXA IM Report”) to address Article 29 of the French 2019 Energy & Climate Law and its implementation decree and to meet TCFD recommendations¹. The AXA IM Report provides a comprehensive overview of AXA IM’s approach to Sustainability and Responsible Investment (“RI”) and covers the calendar year 2022. AXA IM has a globally consistent RI strategy and investment philosophy and has built an RI framework, policies and processes which are applicable across the organisation and all its business lines (AXA IM Core (“Core”) being Fixed Income, Equities, and Multi Asset) and AXA IM Alts (“Alts”) being Real Estate Equity, Private Debt & Alternative Credit, and Private Equity & Infrastructure) in 2022) and support functions. AXA IM UK is fully aligned with the AXA IM RI strategies, policies and processes in respect of its in-scope business and its own operations. Therefore, where relevant, reference is made in this Report to relevant AXA IM information provided in the AXA IM Report, as permitted in the FCA’s ESG Sourcebook. Reference and links are also made in the Report to third-party information where relevant and in order to provide additional explanatory information.

The structure of the Report is aligned to the four TCFD pillars:

- Governance
- Strategy
- Risk Management
- Metrics and targets

¹ See AXA IM Report: [Sustainability Reports](#)

1.2 AXA IM 2022 review

AXA IM's RI activities were guided by the regulatory developments seen in the UK and EU during 2022. In that context AXA IM pursued its advocacy efforts on sustainable finance policies by aiming to help ensure rules around disclosure and defining what is 'green' or 'sustainable', are robust, comparable and science-based where possible – but also usable by the financial sector and corporates, and understandable for all investor types².

On climate, AXA IM significantly enlarged in April 2022 the scope of assets under management ("AuM") covered by our net zero ("NZ") targets³, from 12%, as initially set in 2021, to 65% of AUM committed to be managed in line with net zero by 2050; a coverage that has now reached 64% as at the end of 2022. In the UK, coverage was 66% at the end of 2022.

AXA IM's desire to be a leader on sustainability requires us to be clear on red lines, practices or activities which we do not think can be part of the transition to a more sustainable world. In early 2022 we reinforced our Climate Risks Policy by putting in place a new ban on investing in unconventional oil and gas, such as oil sands, and decided to strengthen our exclusion criteria on coal in late 2022⁴.

Stewardship is another key element of AXA IM's RI framework. Our voting policy was reinforced at the beginning of 2022 to further integrate ESG considerations in our review of resolutions. Climate remained our main theme, while the trend we identified in 2021, of an increase in corporate governance-related engagement, also continued this year. A number of environmental and social topics are now addressed alongside governance-related topics, showing increasing integration of environmental and social considerations into the heart of corporate strategy, which we see as very positive. We have committed to significantly increase our engagement on biodiversity by joining various collaborative initiatives. This reflects the trend towards the integration of ESG across companies' business activity and organisations as they pursue genuinely effective ESG strategies.

We also updated AXA IM's RI Governance structure, as well as AXA IM's Public Affairs Charter⁵ and Remuneration Policy⁶.

AXA IM has committed to providing transparency on the integration of ESG criteria at fund level. We also continued to work on the improvement of our existing ESG, Engagement and Voting reporting to our clients.

AXA IM announced the creation of the new AXA IM Prime⁷ business unit (in addition to the AXA IM Core and AXA IM Alts business units) in May 2022. As AXA IM Prime was formally established within AXA IM from 1 January 2023, it is not covered in this report, but will be included in AXA IM UK's 2023 Climate Report.

² See 'Public policy' section of AXA IM 2022 Stewardship report, pp.34-37: [Stewardship and Engagement | AXA IM Corporate \(axa-im.com\)](#)

³ [Our Road to Net Zero | Sustainability | AXA IM Corporate \(axa-im.com\)](#)

⁴ Implementation was effective in 2023.

⁵ [AXA IM Public Affairs Charter Nov22.pdf \(axa-im.com\)](#)

⁶ [Remuneration | AXA IM Corporate \(axa-im.com\)](#)

⁷ [AXA IM aims to create a new business unit to further develop its offering in private markets | AXA IM Corporate \(axa-im.com\)](#)

1.3 Compliance Statement

AXA Investment Managers UK Limited's Climate Report 2022, along with references to the 2022 AXA IM Article 29 - TCFD Combined Report and third-party information, meet the criteria for a TCFD entity report as laid down in the FCA's ESG Sourcebook, ESG 2.2 TCFD Entity report.

The Report is also aligned to the guidelines laid out by TCFD for sharing standardised, reliable, and valuable information concerning the risks and opportunities associated with climate change.

A handwritten signature in black ink, appearing to read 'Marcello Arona', with a stylized flourish at the end.

Marcello Arona

Chief Executive Officer

AXA Investment Managers UK Limited

2. Governance

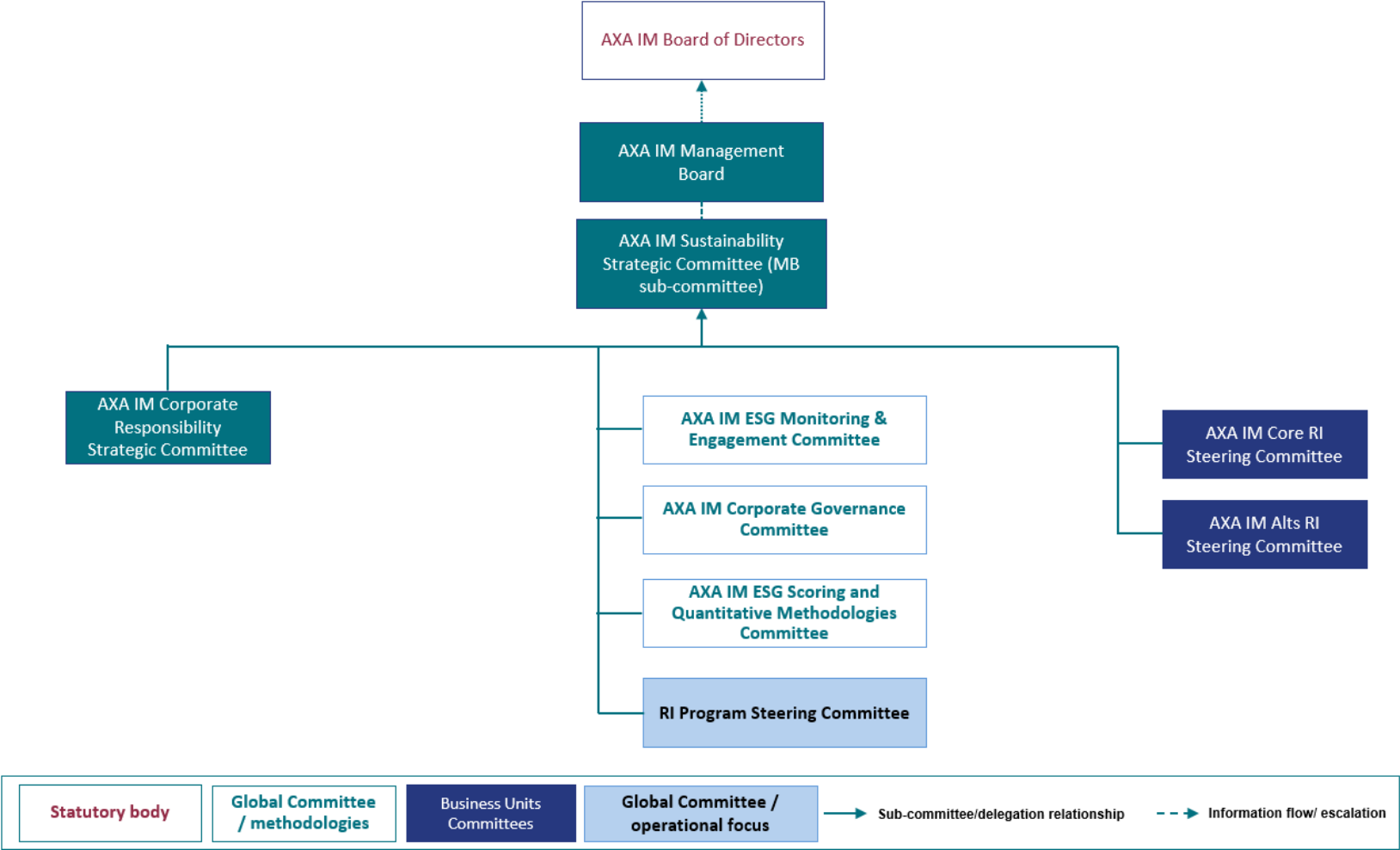
2.1 AXA IM RI Governance structure

AXA IM's governance structure was changed during 2022, as part of the reorganisation of the RI and Corporate Responsibility ("CR") activities by AXA IM's Management Board. The changes resulted in significant enhancements in the path to continue the embedding of ESG within the AXA IM Core and AXA IM Alts business units. The new organisation allows AXA IM to:

- redefine and strengthen its RI Strategy across its activities, covering both traditional and alternative asset classes;
- improve collaboration and synergies between the two main business units and better consider specificities of each asset class;
- ensure alignment with our own operations and practices through joint work with the CR team.

The governance structure helps AXA IM to ensure its integration of sustainability risks into investment decisions is sufficiently robust and transparent for all its clients and external stakeholders.

AXA IM RI Governance and Committees



Source: AXA IM February 2023

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 includes the definition of sectoral 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 (AXA SA and its subsidiaries) sustainability strategies interact
AXA IM Corporate Responsibility Strategic Committee	<ul style="list-style-type: none"> Defines AXA IM CR strategy, taking into account AXA Group strategy, with concrete roadmap Animates 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"> Provides 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
AXA IM ESG Monitoring & Engagement Committee (and sub-committee)	<ul style="list-style-type: none"> Ensures views developed on ESG risks and opportunities, from exclusion to engagement topics, are discussed collegially and considers possible implications for AXA IM as a whole, including on controversies Facilitates 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 Acts as a gatekeeper of AXA IM exclusion policies Oversees 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 Defines (and adapts 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

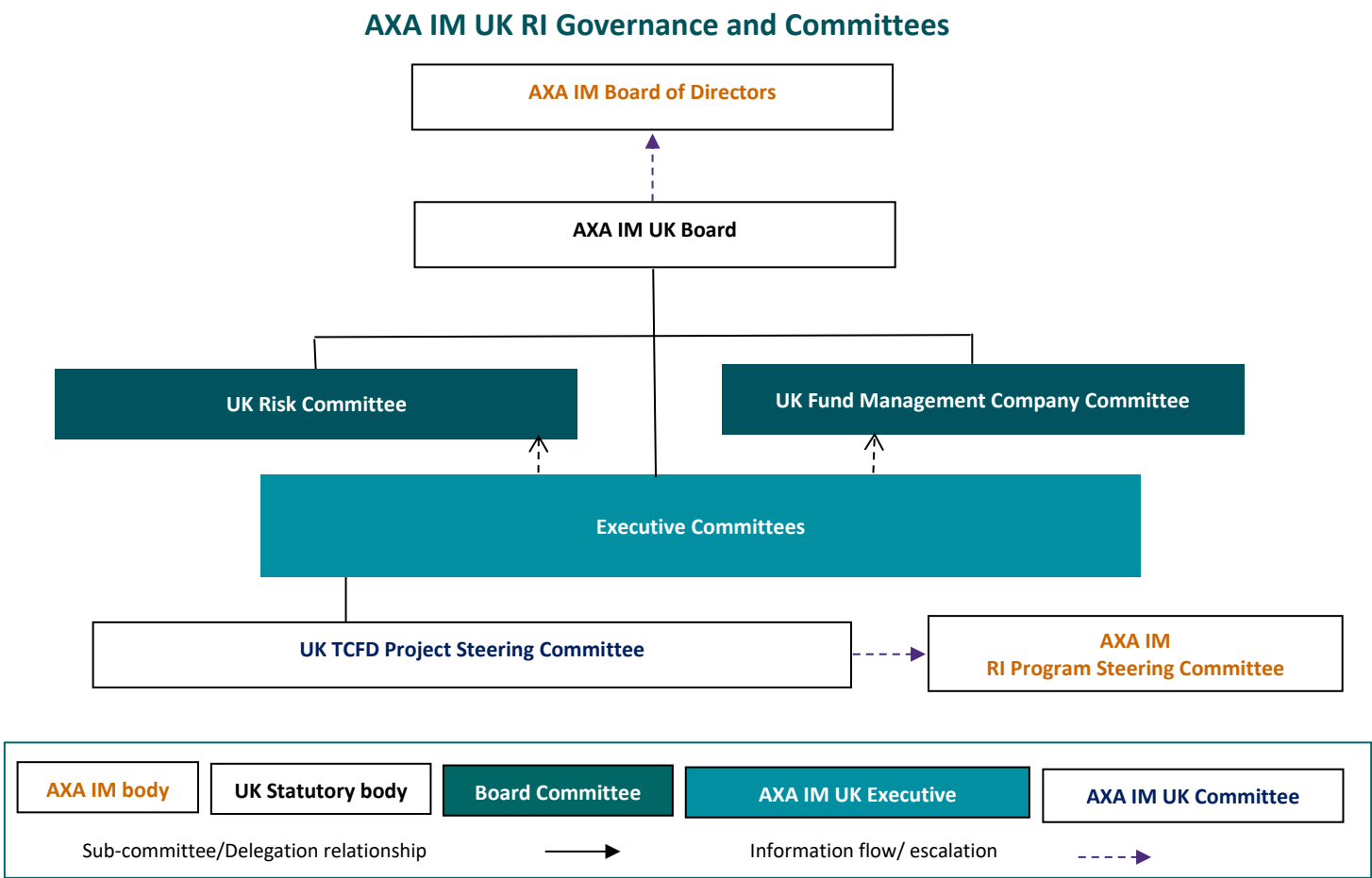
See also the RI organisational chart in the AXA IM Report for further information on the AXA IM Core and AXA IM Alts RI professionals, refer to section 3.1 of the AXA IM Report.

A number of AXA IM UK executives and AXA IM executives based in the UK are members of the AXA IM RI Committees set out above.

2.2 AXA IM UK RI Governance structure

AXA IM has a globally consistent RI strategy, framework, policies and processes, including RI governance, which are applicable across the organisation. The AXA IM UK RI governance structure is aligned to the AXA IM structure and there is relevant UK representation by AXA IM UK executives and AXA IM executives based in the UK on the AXA IM RI Committees set out above.

Sustainability is embedded within AXA IM UK’s strategy. The Board delegates certain responsibilities to the Board Committees and to the Chief Executive Officer. AXA IM UK’s RI governance structure has been established as follows:



Main committees	Objectives and Activities
AXA IM UK Board	<ul style="list-style-type: none"> ▪ The Board is responsible for the oversight of AXA IM UK's strategy. Sustainability is embedded in each of the UK strategic priorities, with CR activities being a key element of the priority covering our Operating Model, Organisation and People. ▪ The Board considered climate related matters at each of its four main meetings in 2022: including AXA IM UK and business level strategy reviews, TCFD reporting and regulatory developments. ▪ The Board has an annual Learning and Development programme in place to provide training and updates on key regulatory, governance, conduct, operational and business topics. Relevant sustainability matters are considered in all training. During 2022, the Board received specific training on the FCA's TCFD-aligned regulatory requirements with respect to entity and product reporting.
UK Risk Committee	<ul style="list-style-type: none"> ▪ The Committee provides oversight and support to the AXA IM UK Board in relation to risk management and risk governance, including the embedding of climate-related risks into the Company's Enterprise Risk Management Framework and consideration of climate-related risks and opportunities. ▪ During 2022 the Committee considered the incorporation of climate-related risks into the enhanced Enterprise Risk Management Framework implemented in the year, TCFD regulatory reporting and climate-related regulatory developments.
UK Fund Management Company Committee	<ul style="list-style-type: none"> ▪ The Committee provides oversight and support to the AXA IM UK Board in respect of its role as an authorised fund manager. ▪ During 2022 the Committee considered climate-related strategic and business matters, reviewed the appointment of ESG data providers and fund reporting, began incorporating ESG criteria into the annual Assessment of Value it performs for each of its UK UCITS and climate-related regulatory developments.
Executive Committees: UK Executive Committee, Executive Risk Committee, Fund Governance Committee	<ul style="list-style-type: none"> ▪ The UK Executive Committee has been established with delegated authority from the AXA IM UK Board in respect of certain mandated activities including the development and implementation of the UK strategy in conjunction with the AXA IM UK Board, and oversight of climate-related risks and opportunities and TCFD regulatory reporting. ▪ The Executive Risk Committee and Fund Governance Committee are sub-committees of the UK Executive Committee and support and report to the UK Risk Committee and UK Fund Management Company Committee, respectively. ▪ During 2022 the Committees reviewed and reported to the Board and Board Committees on the climate-related matters set out above.
UK TCFD Project Steering Committee	<ul style="list-style-type: none"> ▪ Monitors progress of the UK TCFD entity and product reporting projects and reports into the UK Executive Committees and the AXA IM RI Program Steering Committee.

Our employees are regularly trained on ESG and RI through internal and external training:

- Our flagship AXA Group-wide 'AXA Climate Academy' programme was launched in October 2021 with the aim of supporting our collective effort to mitigate the effects of climate change. AXA committed to train 100% of its staff by 2023 as part of AXA's Driving Progress 2023 plan. Over several hours, employees learn why climate matters increasingly to our clients, the main risks associated with climate change, the impact all along the value chain for insurance and investment companies, as well as how they can contribute to reducing the carbon footprint of our company through professional and personal practices. AXA IM will continue to build on the AXA Climate Academy programme in 2023 with the 'ACT playlist' from the AXA Climate School, with a role-specific content available for functions including HR, technology, purchasing, finance and legal to help employees understand how sustainability impacts their jobs.
- The AXA IM ESG Academy was launched in 2020 to increase access to ESG upskilling for all employees. In the same year, the major analysts' associations launched ESG certifications, including an ESG Certificate from the Chartered Financial Analyst ("CFA") Institute as well as a Certified ESG Analyst programme from the European Federation of Financial Analysts Societies. The widespread access to this external training and certification has been provided to AXA IM staff since 2020, with a particular focus on the participation of Core and Core client group teams. This upskilling journey has been accelerated by live sessions, delivered in partnership with external training companies, as well as by encouraging investment, research and sales professionals to make progress towards achieving major industry qualifications, including the newly introduced CFA Certificate in Climate Investing.
- A foundational real estate ESG training was also launched in Q4 2022. Developed uniquely for AXA IM by an external training provider, the internal RI team and the Talent Development team, this 3-hour course aims at developing the knowledge and understanding of this increasingly dynamic, rapidly evolving and critical agenda for real estate investment. Delivery of the training commenced in 2022 with further rollout in 2023.
- In addition, RI teams organise regular training on ESG issues for AXA IM staff. These sessions cover sustainable regulations, real estate ESG fundamentals and AXA IM's RI strategy (e.g. net zero commitment and methodologies, scoring methodologies, engagement and voting activities).

Finally, we use Workplace and SharePoint to share any RI updates internally. We have a dedicated RI and Corporate Responsibility SharePoint accessible to all AXA IM employees, which details our ESG strategy and actions implemented, and includes all materials we produce (e.g. standards, policies, presentations). We communicate regularly on various Workplace groups on our RI framework and actions we take to reach our net zero objectives.

2.3 Integration of ESG factors into remuneration policy

ESG and RI considerations are included in the appraisal process of various teams, including Responsible Investment dedicated teams. Since 2018, all heads of investment platforms at AXA IM have had ESG objectives included in the target letters they cascade to the relevant teams in their department. Since January 2021, individual and collective objectives for investment teams have also included elements related to the sustainability risk framework, as well as updated investment processes which include the monitoring of these risks. Thus, the individual level of the variable portion of compensation will depend on the achievement of individual qualitative and quantitative objectives, as well as collective performance criteria. From 2023, an ESG development goal will have to be shared by everyone at AXA IM, including AXA IM UK. It aims to embed responsibility as an AXA IM employee. For example, real estate equity asset management teams are assigned individual ESG objectives which target data collection coverage, asset certification and decarbonisation measures.

At AXA IM, we believe variable remuneration must account for appropriate qualitative criteria, such as sound and effective risk management (including regulatory compliance) and client service which delivers fair, high-quality outcomes. As AXA IM variable pay is potentially composed of cash and deferred variable pay, from 2023, the deferred part of the variable pay is indexed to an ESG performance Index, aligned with the AXA IM net zero ambition⁸. From 2023, the deferred compensation that will start to be paid in 2024 will include, alongside existing criteria, the ESG metrics according to the employee's business area and remit and is applicable to UK employees in scope:

- The weighted average carbon intensity ("WACI") to reach the target of 25% reduction in carbon intensity for corporate portfolio by 2025: for the ESG part of the deferred compensation, this metric accounts for 75% for AXA IM Core and 37.5% for employees in support functions in scope;
- The target of having 50% of directly managed AuM from real estate portfolios aligned with the Carbon Risk Real Estate Monitor ("CRREM") trajectories by 2025: for the ESG part of the deferred compensation, this metric accounts for 75% for AXA IM Alts and 37.5% for employees in support functions in scope;
- The reduction of the corporate operational greenhouse gas ("GHG") emissions, to reach the interim target to reduce it by 26% by 2025: for the ESG part of the deferred compensation, this metric accounts for 25% for all AXA IM Core, AXA IM Alts and employees in support functions in scope.

This new policy is reflected in the "AXA IM for Progress Monitor"⁹, launched in early 2023, which details a set of metrics selected due to their material contribution towards AXA IM's ambition of becoming a leading responsible asset manager.

⁸ [AXA IM aligns compensation of senior executives to its ESG ambitions | AXA IM Corporate \(axa-im.com\)](#)

⁹ [AXA IM For Progress Monitor | AXA IM Corporate \(axa-im.com\)](#)

3. Strategy

3.1 Introduction

At AXA IM we believe the financial industry has a key role to play in the fight against climate change and the move to more sustainable economies, and this guides our Responsible Investment strategy and roadmap. The asset management industry is exposed to material climate related risks and opportunities. These risks, alongside the journey to net zero, give rise to opportunities which are also considered in the strategic decisions taken by the firm.

The Firm's targets are aligned with its parent entity, AXA Investment Managers SA, and the strategy discussed in this section is designed to support the wider AXA Investment Managers group in achieving its climate related targets.

In this section we describe our climate strategies, including the key target of achieving net zero emissions across our portfolios by 2050. In carrying out our strategy, we understand that we will face a number of specific risks and opportunities, which have been detailed in section 3.3 below. The AXA IM Responsible Investment Framework has been created, set out in section 3.4.1 below, and we consider our risks and opportunities in the context of the framework.

3.2 Net Zero Targets

AXA IM is committed to achieving net zero emissions across its portfolios by 2050 or sooner¹⁰, as well as playing a key role in helping clients better understand climate change and how it may impact their portfolios, and supporting them in adapting their investment decisions accordingly. As shareholders it is also our responsibility to engage with investee companies and this dialogue allows us to actively monitor our investments and to ensure we maintain open channels that can enable change to the benefit of society and the planet.

Our Climate strategy is aligned with the frameworks proposed by the TCFD¹¹, the Institutional Investor Group on Climate Change ("IIGCC")¹² and the Paris Aligned Investment Initiative ("PAII")¹³ coordinated by the IIGCC and is evidenced by our active involvement in international initiatives such as Climate Action 100+ ("CA 100+")¹⁴ and the Climate Bonds Initiative¹⁵. It consists of:

¹⁰ "Our road to net zero", AXA Investment Managers, <https://www.axa-im.com/who-we-are/our-road-net-zero>

¹¹ [Task Force on Climate-related Financial Disclosures](#)

¹² [The Institutional Investor Group on Climate Change](#)

¹³ [Paris Aligned Investment Initiative](#)

¹⁴ [Climate Action 100+](#)

¹⁵ [Climate Bonds Initiative](#)

Net zero targets¹⁶:

- AXA IM published its first net zero target in October 2021, as part of the first Net Zero Asset Manager (“NZAM”) progress report¹⁷. This target was subsequently revised in April 2022¹⁸, to cover 65% of all AUM at the end of 2021.
- Specific net zero targets have been set for investments in Corporates (Fixed Income and Listed Equity), Sovereigns, and direct real estate asset classes which follow industry standards¹⁹. A net zero framework is currently under development for our infrastructure equity investments.
- In 2022, to support the implementation of those targets, we developed a Climate Colour Framework, incorporating internal and external information to determine the net zero profile of assets, which helps to inform investment decisions. It will continue to be enhanced over time as disclosures and transition plans from companies improve.

Stewardship²⁰:

- Engagement and continued dialogue with companies and clients are crucial to influencing the net zero trajectories. Climate represents a significant portion of our shareholder engagement activities and we have developed a “Three Strikes and You’re Out” engagement policy focused on companies which are lagging behind from a climate perspective. Using a focused list of companies, this means that, if we do not see progress from the companies on the specific objectives set at the beginning of the engagement, we will divest after three years.
- We may vote against the management, the Board Chairman and the CEO, if companies in sectors exposed to climate issues do not have a net zero emissions strategy with short, medium and long-term carbon emissions reduction targets, as well as executive remuneration aligned to climate strategy objectives. Additionally, we assess the consistency of the transition plan of investee companies against their climate strategy and will ask them to report on the intermediate achievements of the objectives during Annual General Meetings.
- Discussions are also taking place with sovereign issuers on ESG topics during regular meetings with Treasuries, Central Banks and other government ministries and agencies, as well as part of the discussions on specific green and social bond issuances. This provides an opportunity to undertake deep dives on sovereigns’ sustainability public expenditure programmes and thus better understand the ESG risks of a country.

Exclusions:

- AXA IM excludes companies which fail to meet certain climate change criteria, focusing in particular on coal and unconventional oil & gas. Our investment portfolios exclude coal-based electric power generating utilities and coal mining companies that are not credibly demonstrating a commitment to energy transition. Since early 2022, we also exclude certain companies in the unconventional oil & gas sector with a focus on tar sands, arctic and shale. In early 2023, we tightened some of our exclusion criteria regarding coal and oil sands and will commit to updated exclusion criteria later in 2023. AXA IM is committed to exiting all coal investments

¹⁶ AXA IM has set an initial milestone of 25% reduction by 2025 compared to 2019 at the entity-level, and will soon set a 2030 climate target, in line with our 2050 net zero target: see sections 2.2 “Climate strategy” and 4.6 “Climate dashboard” of the 2022 AXA IM Climate report.

¹⁷ See NZAM 2021 progress report, December 2021: [NZAM-Progress-Report.pdf \(netzeroassetmanagers.org\)](#)

¹⁸ See NZAM Initial target disclosure report, May 2022: [NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf \(netzeroassetmanagers.org\)](#)

¹⁹ The [TCFD recommendations on metrics and targets](#), the [IIGC Net Zero Investment Framework](#), the [Carbon Risk Real Estate Monitor \(CRREM\) decarbonisation pathways](#) for real estate assets and the [Germanwatch Climate Change Performance Index \(CCPI\)](#) for sovereign assets.

²⁰ See AXA IM’s Stewardship & Engagement policies: [Stewardship & Engagement | Responsible Investing | AXA IM Corporate \(axa-im.com\)](#)

in OECD countries by the end of this decade, and throughout the rest of the world by 2040. This commitment will be implemented over time, by using exclusion, and also engagement.

We faced a number of challenges in the development of our net zero strategy, including access to reliable and tangible raw data and metrics. Although initiatives to encourage companies to report in a more homogeneous, transparent and usable manner are multiplying, ESG data remains diverse and therefore complicated to use when investing and reporting. We are dependent on the ways in which companies report on environmental data, methodologies developed by external data providers and the frequency of data refresh. Therefore, as interest in ESG grows among clients and regulators in many geographies, the need for common, clear and usable standards is a top priority for the financial industry. This forms an important area for our public policy engagement, and we actively participate in industry bodies and interact with regulators.

In addition, the interpretation of regulatory guidance needs to take into account the characteristics of our portfolios, including geographies, asset classes and sectors. At the product development stage, we also consider the operational implementation of the strategy to make sure our commitments are monitored in a robust and efficient manner.

In addition to being part of the IIGCC working group on Net Zero Investment Framework (“NZIF”), AXA IM also continues to work closely with its parent company in the Net Zero Asset Owner Alliance (“NZAOA”) with the aim of defining how investment strategies will support the shift of the economy to a pathway consistent with the objectives of the Paris Agreement.

AXA IM UK is aligned in its activities in supporting AXA IM to meet its over-arching net zero targets.

AXA IM’s net zero targets are aligned to the UK Government’s commitments to ensure the UK reduces its GHG emissions by 100% by 2050.

For more information on the implementation of our net zero targets across AXA IM’s business lines, AXA IM Core and AXA IM Alts, refer to section 6.4 in the AXA IM Report.

3.3 Climate Risks and Opportunities

In this section we provide information on the key climate-related risks and opportunities to which AXA IM UK is or could become exposed, the potential impact on the Firm and the applicable timeframes over which we assess they may materialise.

Climate risks and opportunities are considered across the following time horizons:

- Short term: the impact of these risks and opportunities would be observed over a timeframe of 0 to 5 years
- Medium term: the impact of these risks and opportunities would be observed over a timeframe of 5 to 10 years
- Long term: the impact of these risks and opportunities would be observed over a timeframe from 10 years up to 2050, which is the target for the group to achieve net zero.

It should be noted that the severity of the impact of each of the climate risks will also differ depending on the underlying cause of the risk.

3.3.1 Climate Risks

Further information regarding how we identify, assess and manage climate-related risks can be found in section 4 on Risk Management below. The key climate risks that we face as a business are shown in the table below. Whilst climate risks form an important element within our overall assessment of the risks facing our business, they mainly influence our assessment of pre-existing risks within our risk taxonomy rather than create entirely new ones. Pre-existing risks within our taxonomy are tested via severe yet plausible scenarios applied to our business model (e.g. severe economic conditions or loss of clients) or on our operational risks (e.g. denial of important business services), for which climate risks may be a causal factor amongst others. Given that climate risks tend to be mixed in with a number of other causal factors that affect our business, we do not apply standalone climate scenarios, believing that applying such elements would be over-simplistic and may give rise to misleading conclusions.

Climate Taxonomy	Description	Timeframe	Impact on the Firm
Transition/Market	Secular downturn in markets due to climate concerns.	Long	Downturn in markets leading to lower AUMs which in turn results in lower fee income.
	Inflationary pressures as result of climate change increasing costs along the supply chain.	Medium	Increased business costs.
	Inadequate integration of climate risk into the investment process, resulting in poor performance against fund objectives.	Medium	Client withdrawals leading to lower AUMs which in turn results in lower fee income.
	Failure to meet consumer demand for products tackling climate change results in lost opportunities to gain assets and/or attrition of current book of assets.	Short	Client withdrawals leading to lower AUMs which in turn results in lower fee income.
Transition/Reputational	Risk that RI related product disclosure (including climate related topics) misleads clients, or that failures in the processes underpinning these policies result in the occurrence of operational errors (e.g. incorrect reporting, incorrect investment decisions).	Short	Reputational damage suffered by the Firm could result in clients leaving, in turn reducing the AUM base and therefore fee income. The Firm may need to make client redress payments, incur remediation costs and/or incur regulatory sanction.
Transition/ Policy-Legal	Failure of the Firm to adequately meet the requirements of changing climate regulations (on entity and/or product)	Short	As above for transition/reputational

Climate Taxonomy	Description	Timeframe	Impact on the Firm
Physical/ Acute	Business disruption caused by extreme climate events (either at the Firm or its critical service providers) leads to interruption in ability to provide vital business services for our clients.	Short	As above for transition/reputational

3.3.2 Climate Opportunities

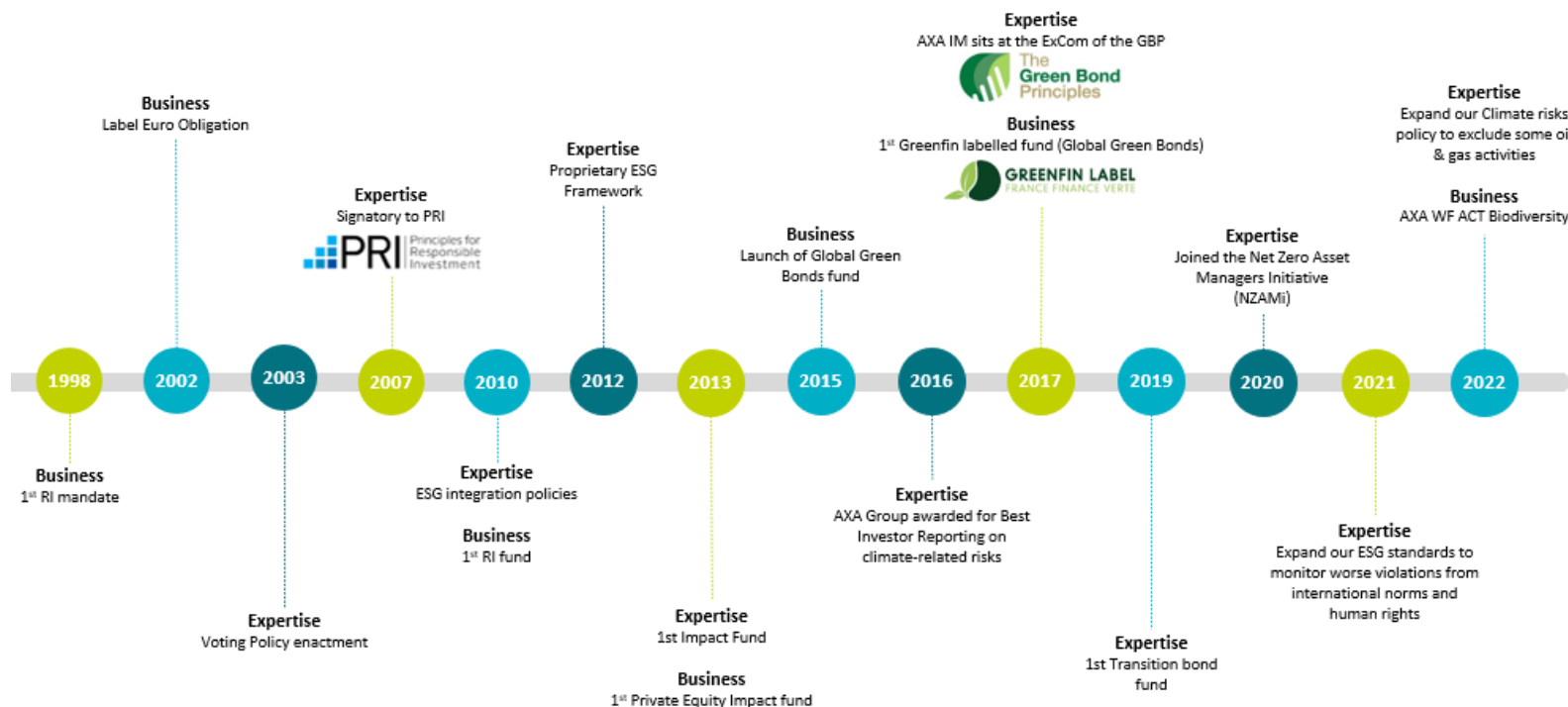
The journey to net zero does provide the Firm with opportunities in both the products that it manages and also as a corporate entity. Being part of a global group allows the Firm to be innovative and able to meet the requirements of its diverse client base.

Climate Taxonomy	Description	Timeframe	Impact on the Firm
New Products/ Services	If new climate focused product ranges are innovative enough, potential to gain market share as the Firm would be able to attract and retain clients by aligning their investment needs with the products that we offer.	Medium	Innovative products could attract new clients, resulting in higher AUMs and therefore increased fee income.
	New reporting tools provide clients with enhanced data regarding their investments and their journey on de-carbonisation, allowing them to ensure that they are able to meet any commitments that they may have made.	Short	Having reporting tools that provide more clear and concise data could attract clients from competitors, leading to greater fee income.
	Through the process of providing new products that are resilient to the effects of climate change, investment valuations may be more resilient to the impact of climate risks.	Long	Superior financial performance could attract new clients and hence increase fee income.

Climate Taxonomy	Description	Timeframe	Impact on the Firm
Resource Efficiency/ cost savings	Climate efficiency measures, such as in relation to energy or business travel policy may save costs.	Short	Efficiency initiatives could result in ongoing cost savings.

3.4 Our approach to investments

AXA IM, including AXA IM UK, has been involved in responsible investment for more than 20 years and is actively engaged in progressively incorporating ESG factors into each area of management expertise and in the development of a range of responsible- and impact-investment products.



Source: AXA IM as at 16/12/2022. (1) Principle for Responsible Investment; (2) ESG ratings from AXA IM in-house RI platform; (3) Awarded by the Environmental French Ministry in 2016²¹

Our RI capabilities are embedded within each of AXA IM's business units (AXA IM Core for traditional asset classes and AXA IM Alts for alternative asset classes). RI is now embraced by all investment teams which perform RI-related activities as part of their day-to-day work. AXA IM Core and Alts teams work collaboratively in the implementation of AXA IM's RI Strategy described in this report, notably to reach net zero greenhouse gas emissions by 2050 across all assets under management.

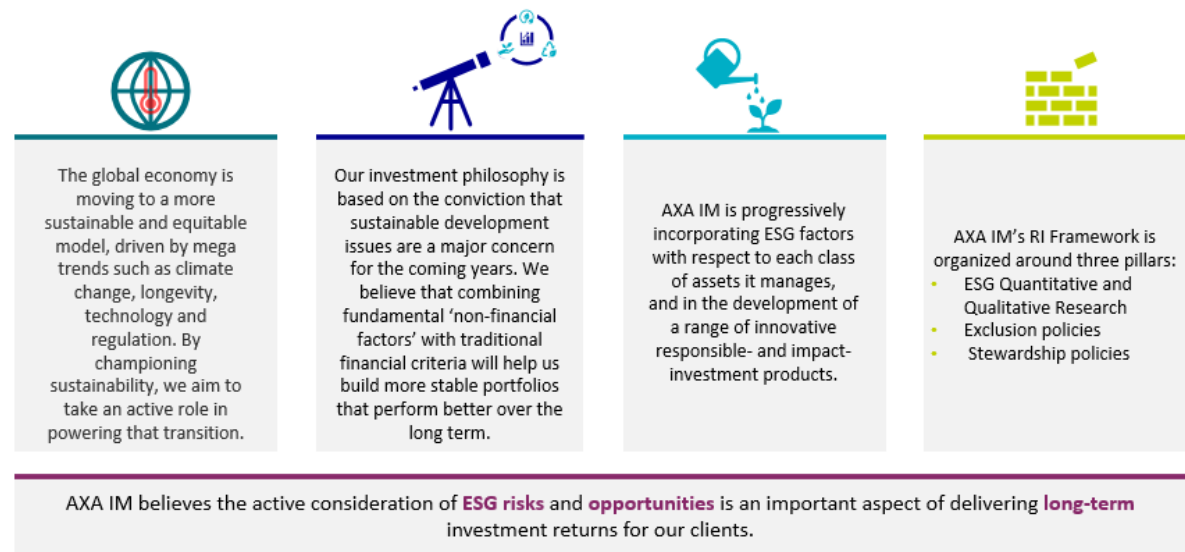
²¹ References to league tables and awards are not an indicator of future rankings in league tables or awards.

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 sustainable development issues are currently and will continue to be a major concern. We believe that combining fundamental ‘non-financial factors’ with traditional financial criteria will help us build more stable portfolios that perform better over the long term. The non-financial approach has become a necessity in more ways than one:

- It is instrumental in removing companies and investments from portfolios when they cause exposure to high levels of ESG risk, which would ultimately affect financial performance
- It focuses on companies and investments that have implemented best practice in managing 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
- It may support improved performance by means of active dialogue with companies on managing ESG concerns around investments and limiting our clients’ exposure to reputational risk

AXA IM’s RI framework, policies and processes are built to consider both impacts, at varying degrees depending on the level of integration of our products.



3.4.1 AXA IM's Responsible Investment Framework

AXA IM is a long-term, responsible investor with the aim of delivering sustainable returns for clients. We aim to achieve this goal via in-depth research, data analysis and the construction of portfolios which look to optimise both financial and non-financial factors. Our investment process reflects our core belief that a focus on sustainability can help deliver robust economic and financial performance over the long term.

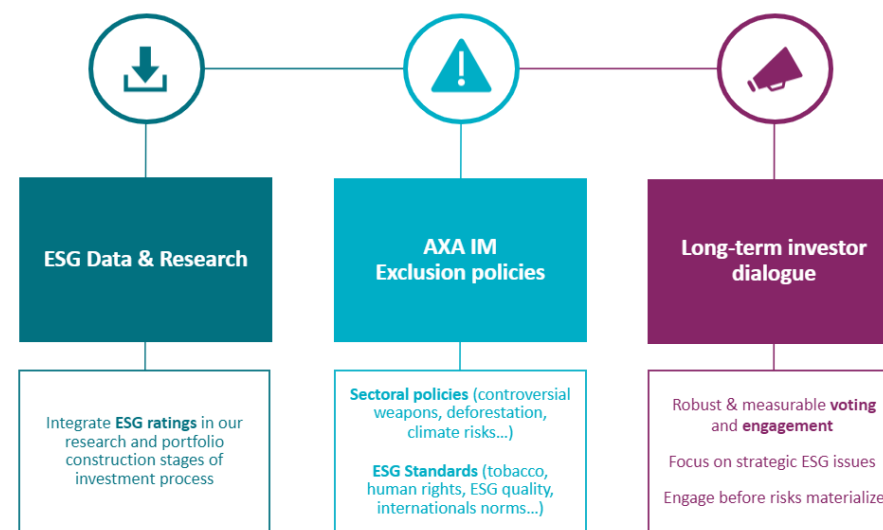
AXA IM's RI Framework is organised around three pillars:

1. ESG quantitative and qualitative research
2. Normative and sectorial exclusion policies
3. Stewardship strategy

Our ESG quantitative and qualitative research is designed to help us better understand the materiality of ESG challenges for sectors, companies, and countries. This research feeds our integration and exclusion strategies by identifying where assets might be exposed to ESG risks that could have a detrimental and irreversible effect on the performance of our portfolios, as well as on long-term global sustainability. Our normative and sectorial exclusions set the red lines and send a clear message to companies and sovereigns on what we consider unacceptable from an ESG perspective.

For assets where we remain exposed, we apply our voting and engagement strategies with the objective of supporting issuers in their transition journey. In applying our stewardship strategy, for engagement with objectives, we aim to set out meaningful objectives which are clearly communicated to management of the issuer. We then hold meetings with issuers to verify and evaluate progress on ESG issues and we vote with conviction or pursue other escalation techniques when required, which may lead to divestment in the case of the most problematic engagement.

The detailed information on the AXA IM RI Framework can be found in section 1.2 of the AXA IM Report.



Source: AXA IM, 2022. For illustrative purpose only.

3.4.2 AXA IM Core in the UK

Recent years have seen growing interest in Paris-aligned/net zero investing on traditional asset classes and listed markets. New initiatives and frameworks have emerged to provide a foundation for new climate-aware investment approaches, and the industry has voiced greater commitment to incorporating these objectives into their investment decision processes. We are optimistic in the ability of our industry to benefit from the abundance of tools and data. We are committed to assessing and integrating climate models, but also in engaging with data providers and industry groups to refine these methodologies. Investment managers are beginning to move from commitment to action and they must make important decisions about what tools to use and how to deploy them. At AXA IM, we propose to start from a set of principles guiding our decision-making and framing the selection of tools and key performance indicators (“KPIs”) to achieve portfolio alignment. We believe that by following these principles we can most effectively navigate the evolving landscape and constructively tackle the challenge of aligning our strategies with the Paris Agreement.

Further information can be found on AXA IM Core’s specific approaches, product offering and internal resources and ESG capacity building in the AXA IM Report and covering:

- AXA IM Climate colour framework, refer to section 6.4 of the AXA IM report.
- Sustainable and ACT family of funds, refer to section 1.3 “Sustainable & ACT family of funds” of the AXA IM report.

AXA IM has invested significant resources into recruiting RI experts and analysts who work with our investment teams to integrate ESG issues into their investment processes. The range of backgrounds includes fund management, sell-side research, quantitative analysis, strategy and project management, in addition to relevant RI experience; ensuring that RI issues are integrated using an investment-relevant approach. In total, thirty employees in AXA IM Core are involved full-time in RI / ESG activities. There are also other professionals whose ESG work is embedded in their day-to-day activities.

More specifically, since 2021, the RI research capabilities within AXA IM Core is organised as follows:

- RI experts teams, including Co-ordination and Governance, Research, Research and Impact, and Solutions, Tools and Models.
- RI champions within the business

In addition, certain employees from operational functions within AXA IM Core and within the Global COO department are fully dedicated to ESG to ensure the adaptation of our operational and IT framework to ESG integration and proper level of oversight from control functions.

Additional information on Core can be found in section 2.1 of the AXA IM report and information on the technical resources used by the RI Solutions, Tools and Models team can be found in the AXA IM Report section 2.3.

3.4.3 AXA IM Alternative Investments in the UK

As one of the world's largest real assets managers, we believe that the decisions we make when investing can do much more than generate financial returns. We can contribute to a sustainable future by minimising the environmental impact of our assets, protecting them against the effects of climate change and working collaboratively to unleash the transformative potential of our ingenuity.

The built environment contributes significantly to the world's annual carbon emissions, giving us the opportunity to make an important contribution to decarbonisation. We are actively investing towards a low carbon future, be it through the creation of infrastructure for renewable energy, developing best-in-class real estate, or regenerating and transforming existing building stock worthy of a place in the low carbon future.

At AXA IM Alts we see growing interest in solutions which invest in innovation. From natural capital and nature-based solutions to clean energy generation and usage, to reducing reliance on carbon intensive sources of energy that are damaging to the environment.

Further information can be found on AXA IM Alts' specific approaches and product offering in the AXA IM Report and covering:

- Internal programme to accelerate our contribution to decarbonisation, including: approach, asset level modelling, output and review, and key learnings and implications for our decarbonisation strategy and next steps. Refer to section 6.4 of the AXA IM report.
- Impact investing in private markets, including healthcare and natural capital strategies and impact performance framework. Refer to section 1.3 of the AXA IM report.
- Real estate direct and other property certification schemes. Refer to section 1.3 of the AXA IM report.

In addition to the breadth of RI experts embedded within the asset management business to provide thematic research, coordination and governance, AXA IM Alts has a dedicated central team of seven experts to support investment teams in identifying and managing ESG related risks and opportunities specific to Alternative asset classes.

For Real Estate Equity, the RI teams coordinate a network of ESG leads, ESG experts within the Asset Management team, who are in charge of the operational deployment of our ESG strategy within real estate assets:

- RI team: a dedicated team which supports the ESG integration of the Real Estate and Infrastructure business through specific research and analysis of portfolio ESG performance, climate related risk assessment and reporting, in addition to day-to-day support for all investment teams.
- Local ESG leads overseeing integration of ESG across real estate assets in their geographies by leading sustainability related projects, including the UK.
- ESG resources servicing the Natural Capital and Alternative Credit business line including a dedicated Impact Investing team in the UK.

Additional information can be found in the AXA IM Report section 2.1.

3.4.4 AXA IM Impact Philanthropy Mechanism

Starting in 2020, to further deliver a positive impact on society in the long-term, AXA IM implemented an innovative philanthropic mechanism for its impact fund range, across listed and private markets.

5% of this range’s management fees are now used to fund additional projects aimed at developing solutions with a societal impact. These projects are focused on the themes which are at the heart of AXA IM’s Corporate Responsibility and RI strategies, and aligned with selected United Nations Sustainable Development Goals (“UN SDGs”), such as:

- SDG 3 – Good Health and Well-Being
- SDG 4 – Quality Education
- SDG 13 – Climate Action
- SDG 15 – Life on Land

Partnerships with five charities have been put in place thanks to the mechanism:

Charity	Missions	SDGs
<div>EPIC</div> <div></div>	Epic aims at supporting the development of a world in which every child and youth has access to safety, empowerment, and equal opportunity. To do so, it finds, selects, backs, and monitors high impact organisations in order to catalyse their impact on underserved children and youth and the systems affecting their lives. It relies on a thorough and cutting-edge sourcing, vetting and monitoring process, bringing trust, transparency and accountability.	<div></div>

Charity	Missions	SDGs
<div>Ligue pour la Protection des Oiseaux</div> <div></div>	<p>LPO is one of the oldest nature conservation association in France and is affiliated with the BirdLife International network, LPO implements national restoration projects for some of France’s most threatened birds, coordinates European species conservation programmes and manages the reintroduction of endangered birds.</p> <p>LPO manages over 24,000 hectares of natural capital spread over 27 nature reserves in France.</p>	<div></div>

Charity	Missions	SDGs
<p>Access to Medicine Foundation</p> 	<p>The Access to Medicine Foundation is an independent non-profit organisation based in the Netherlands, seeking to transform the healthcare ecosystem by motivating and mobilising companies to expand access to their essential healthcare products in low- and middle-income countries.</p> <p>Their approach involves defining the actions that healthcare companies should take, analysing what companies are actually doing, and promoting best practices across the private and public sectors.</p>	

Charity	Missions	SDGs
<p>Doctors with Africa</p> 	<p>Doctors with Africa CUAMM cooperates with local hospitals, health centres, villages and universities, to improve the health conditions of the most vulnerable communities of Sub-Saharan Africa. The organization designs and implements healthcare cooperation projects, also carrying out capacity-building activities and conducting and disseminating scientific research.</p>	

Charity	Missions	SDGs
<p>World Land Trust</p> 	<p>World Land Trust is an international conservation charity that protects the world's most biologically significant and threatened habitats. Through a network of partner organisations around the world, WLT funds the creation of reserves and provides permanent protection for habitats and wildlife. Partnerships are developed with established and highly respected local organisations who engage support and commitment among the local community. In 2019, WLT supported the restoration and conservation of 38,000 acres, across 22 countries and 82 reserves, also planting 39,000 trees.</p>	 

3.5 Climate scenario analysis

AXA IM has explored forward-looking metrics over the past years. In 2022, and through its collaboration with MSCI, Beyond Ratings and Iceberg Data Lab (“IDL”), we have continued to investigate innovative forward-looking metrics to measure exposure of our investments to transition and physical risks and the global warming potential of our investments. For this current report we are not providing quantitative examples.

To test for the sensitivity of our business models to climate change, AXA IM is using the MSCI/Carbon Delta’s Climate Value-at-Risk (“CVaR”) methodology, which uses the Network for Greening the Financial System (“NGFS”) scenarios, widely recognised by the market²². CVaR represents an estimation of how the value of AXA IM’s investment portfolios – of corporate bonds, listed equity and commercial real estate (“CRE”) debt – could be impacted (up or down) by climate policy risk, technology transition opportunities and extreme weather events. This model is currently applicable only to corporate and real estate assets on which global future potential costs or benefits within three given climate scenarios (1.5°C, 2°C or 3°C scenario) are assessed for three types of risks: policy risks (i.e. transition risks), technology opportunities and physical risks are assessed separately, and also combined into a single CVaR metric.

In addition, to assess the global warming potential of its investments, AXA IM has been using the MSCI “Implied Temperature Rise” (“ITR”) metric since 2021 to assess how AXA IM’s investment portfolios on corporate bonds and listed equities align with global temperature targets. The ITR model estimates the global temperature increase by 2100 if the entire economy were to exceed or fall short of its carbon budget in the same way as a specific company or portfolio. The metric, expressed in °C, is therefore a forward-looking and extrapolation-based one. For sovereign assets, AXA IM measures the same indicator by leveraging the CLAIM (Climate Liabilities Assessment Integrated Methodology) model developed by Beyond Ratings. For real assets, AXA IM Alts is also using the same indicator and using a model from IDL based on the Science-Based 2°C Alignment (“SB2A”) methodology for estimating the temperature of infrastructure portfolios (equity and debt).

Both metrics provide insights on the assets most impacted and at risk from climate change effects, and how AXA IM manages these risks year-over-year. However, the underlying assumptions of these methodologies are complex (e.g. merging climate science and hypothetical forward-looking macroeconomic scenarios). Therefore, these indicators should be taken as orders of magnitude over long time horizons and are difficult to use in day-to-day investment decisions. Other than some specific use at a fund-level (see below), the metrics are not used for the purpose of setting investment objectives at an entity or product level. Nevertheless, we regularly discuss the enrichment of the underlying assumptions of the methodologies with our data providers in order to improve the quality of the information for use in our investment processes. More information on the CVaR and ITR methodologies are available in section 6.5 of the AXA IM Report. . AXA IM Alts utilises a suite of external modelling capabilities to assess various climate scenarios used for investment decision-making, in particular in respect of physical risks. For example, for real estate investment in the UK, AXA IM works with the AXA Group natural catastrophe modelling (“NatCat”) team to assess risks based on historical or backward-looking data. Other consultancies, including AXA Climate and MSCI, provide CVaR capabilities and scenario analysis to assess forward-looking scenarios to better understand physical risk levels and determine appropriate adaptation efforts to limit such exposures to climatic events. For infrastructure, initial assessments have been undertaken in conjunction with AXA Climate and IDL to provide insight into climate-related risks on underlying investments. However, we note the limitations in the use of these tools due to

²² The Network for Greening the Financial System (NGFS) is a network of 114 central banks and financial supervisors created in 2017 that aims to accelerate the scaling up of green finance and develop recommendations for central banks’ role for climate change. Its climate scenarios, presented in June 2020, have gained significance in the recent years, making them a notable reference in the field. The scenarios are based on the three integrated assessment models REMIND-MAGPIE (Potsdam Institute for Climate Impact Research), GCAM (University of Maryland) and MESSAGEix-GLOBIOM (International Institute for Applied Systems Analysis). Their results were fed into the NiGEM model (National Institute of Economic and Social Research) to conduct further macroeconomic analyses on inflation or unemployment. In addition, climate data provided by Climate Analytics and the ETH Zurich are published.

challenges and absence of available or consistent data points in many alternative asset classes. This means that there is less homogeneity across different tools, so making them largely not comparable. In addition, for real assets, the AXA IM Alts strategy is also based upon moving towards alignment with the CRREM pathways for real estate.

At product level

In the UK, for some products specifically, and following the FCA ESG sourcebook, ESG 2.3 product-level reporting, we also report on:

- how climate change is likely to impact our assets under ‘orderly transition’, ‘disorderly transition’ and ‘hothouse world’ scenarios using the CVaR methodology, and
- the global warming potential of the products using the ITR metric.

CVaR is assessed on all listed corporate assets under these three climate scenarios on both policy risks, technology opportunities and physical risks, and we also identify the five issuers with the highest CVaR for each type of risk separately.

In addition, the AXA ACT Framlington Clean Economy Fund uses the CVaR Technology opportunities metric (following a 1.5°C scenario), a forward-looking indicator to measure the attainment of its defined sustainable investment objective. The metric provides an indication of how much an investee company may benefit from the transition to a low-carbon economy through offering new low-carbon products and services.

3.6 Our own operations – UK corporate responsibility strategy

We believe that it is not enough to be an active player in responsible investment - we must also ‘walk the talk’ and hold ourselves to the same high standards that we ask of others. AXA IM’s Corporate Responsibility strategy is therefore driven across the same three pillars of ESG as we follow as an investor in order to align our investment commitments with how we embed sustainability across our business operations. Within the Environmental pillar, we have committed to become a net zero company by 2050 or sooner. To guide us, we have in place a three-step programme to Measure – Reduce – Offset our emissions across all our operations, including in the UK.

▪ Measure

AXA IM has measured its footprint across Scopes 1, 2²³ and business travel in the UK for AXA Group since 2012 and taken action to progressively reduce emissions. Since 2021, we have extended this measurement to include all our locations, including the UK, as well as all scopes of emissions, including Scope 3 emissions from our supply chain (indirect GHG emissions, including our purchase of all goods and services), accounting for more than 90% of our emissions. For this annual CO2 Measurement Study, we partner with ClimateSeed, which uses the GHG Protocol Corporate Standard methodology. We have taken this extra step so that we can start to take action on our total carbon footprint and because we expect it of the companies that we invest in.

²³ See more information on the different Scopes of emissions in section 5.4 of this report

■ Reduce

In parallel, we have launched plans to reduce our carbon emissions by 2025 in the UK, as outlined in our AXA IM Climate Action Report²⁴. The minimum reduction targets for the UK are:

METRICS	Power (tCO ₂ e)	Business Travel (tCO ₂ e)	Car fleet (tCO ₂ e)	Marketing paper (kg/FTE)	Office paper (kg/FTE)	Water (m ³ /FTE)	Unsorted waste (kg/FTE)
2025 % reduction	36%	40%	100%	60%	75%	30%	30%

These targets are for delivery by the end of 2025, against a baseline of 2019, and we measure and report externally on our annual progress. We are currently in the process of onboarding a new environmental tool and consultant so that we can report more regularly on progress, forecast scenario outcomes, and evolve our global and UK strategy.

We have also developed some new ‘standards’ for implementation in the UK to ensure that we act in a sustainable manner. First, we have created a guide for running sustainable events, the Sustainable Events Standard, in order to reduce our emissions when managing, planning and attending events. It promotes, for example, the reuse of branding materials in our different events or the reduction of event-related travel. In addition, the standard proposes vegetarian menus first and asks that locally sourced ingredients are used by our providers. When meat is served, we now systematically exclude red meat from our catering. The Corporate Gifts Standard includes ending the distribution of corporate gifts in order to reduce the CO₂ from the manufacture, distribution, and end-of-life processes of these gifts. Instead, money is now donated to charity. As an example, in 2022, money was donated to our selected Impact Philanthropy partners: Doctors with Africa CUAMM, Ligue pour la Protection des Oiseaux, Epic Foundation and the World Land Trust.

We have also taken action to limit and monitor business travel emissions. While face-to-face client meetings are essential to running our business, we recognise the need to optimise business travel, which is the second highest generator of emissions at AXA IM UK. AXA IM UK has decided to go further than its targets set by AXA Group (-25% by 2025) and committed to achieve a 40% reduction in travel per FTE by 2025, against a baseline of 2019. To reach this objective, our internal travel policy has been adapted to ensure that travel is considered only where necessary and undertaken in the most sustainable way. It means, for example, only taking trains for journeys of less than 3 hours and reducing long haul business travel.

As a complement to this revised travel policy, AXA IM will shortly launch an internal dashboard which will track business travel emissions year-on-year by country, entity, and business unit, as well as helping to identify areas where improvement must be made. This dashboard is expected to be operational in Q3 2023.

An important milestone in our commitment to reduce emissions in the UK was the move by AXA IM UK in 2021 to the flagship property 22 Bishopsgate. This new state of the art building was designed with sustainability at the heart of the building concept and benefits from an energy analytics programme which uses machine learning

²⁴ [AXA IM Climate Action Report](#)

and research and development to understand how energy consumption can be reduced. We are also using 100% renewable energy in the UK. With the introduction of flexible working in 2021, AXA IM UK has also been able to reduce its total space and use the office in a more collaborative and efficient way.

In 2023, further key priorities include:

- how we engage with our supply chain suppliers and service providers to reduce emissions from the services we consume, to understand more about our providers' sustainability strategies, and to push them towards adopting net zero roadmaps
- the development of a digital sustainability roadmap. With IT and Technology teams, looking at ways to reduce our digital footprint through, for example, the increased use of refurbished equipment.

These two priorities will both support us in the UK and globally to reduce our Scope 3 emissions further.

▪ Offset

As a final stage, we offset those emissions which we cannot yet remove. This is not seen as a solution in itself, but it is recognised that we will never run our business without GHG emissions. In 2022, AXA IM purchased carbon credits which supported a large forestry project in Guatemala in respect of 2021 emissions.

A simple and transparent way to communicate our progress towards Net Zero: AXA IM for Progress Monitor

In Q1 2023, AXA IM launched the AXA IM for Progress Monitor, which brings together a set of existing metrics in a simple and transparent way, to better communicate and showcase our journey to net zero.

This is comprised of eight metrics selected for their strategic importance and material contribution towards our goal of becoming net zero as a business and investor by 2050.

The metrics included represent the way we know we can effect change on the road to net zero:

- Decarbonisation across the main asset classes and for our own operations.
- The importance of active engagement as an active asset manager, both internally and externally.
- Providing solutions to encourage clients to consciously channel capital to companies and projects that can help accelerate the transition.

Our progress towards these interim targets will be reported annually with the first update due in July 2023 and the AXA IM for Progress Monitor will evolve in time to factor in AXA IM's commitments towards E, S and G criteria.

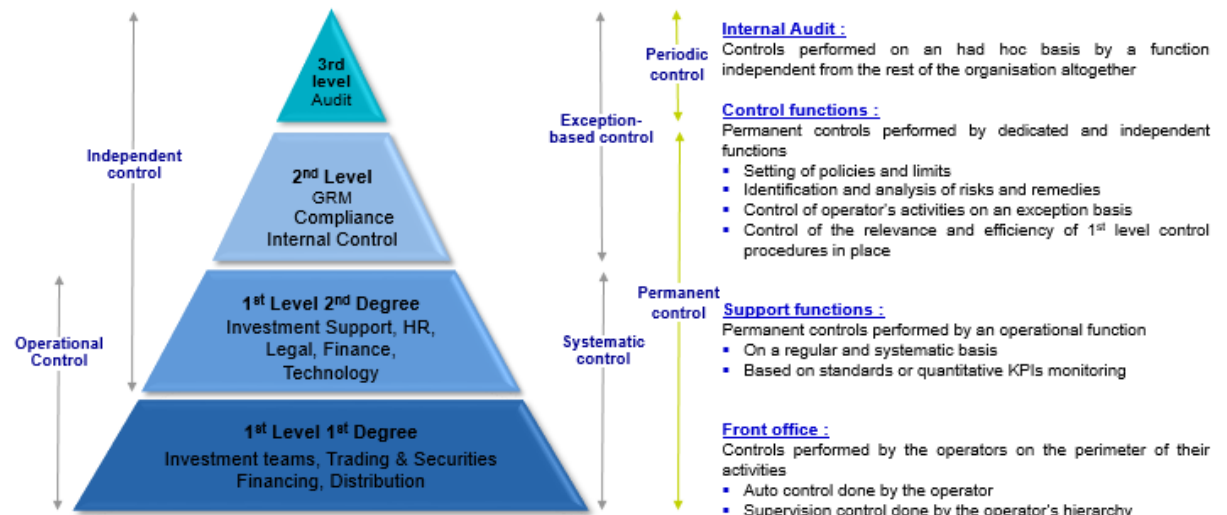
4. Risk Management

4.1 Introduction

As an asset management company, climate related risks can affect not just us as a firm (our 'entity' assessment) but also our clients through the investments we make on their behalf (risks at the 'product' level). Whilst in practice there may be some overlap/ spillover effects between the two, it is important for us to explain our assessment and processes around them through two separate prisms (namely 'entity' and 'product').

As a firm we adopt a three lines of defence model to the management of our risks (whether at entity or product level), whereby:

- The first line of defence (front office business units) have direct accountability for risk acceptance, decisions and implementing and managing appropriate controls;
- The second line (independent controls functions such as Risk and Compliance) are responsible for providing oversight and challenge to the effectiveness of risk decisions taken by the business units; and
- The third line of defence is the independent assurance provided to the Firm by the Internal Audit Team.



Climate risk assessment can be categorised according to physical risks and transition risks. Physical risks are risks resulting from climatic events which could be acute such as the immediate disruption from storms and floods on physical assets, or chronic such as the effect of rising sea levels, temperature changes or disruption to ecosystems that could affect our business model or that of our investments. Transition risks arise from the process of adjustment towards a low-carbon economy. The impact may be seen in potential costs of changing business models to adapt to the emergence of disruptive technology or business models, costs and penalties imposed by climate developments in policy and regulation, or changing patterns of consumer demand (e.g. a growing appetite amongst investors for products that incorporate varying degrees of responsible investment, including products that meet investors' climate related objectives).

4.2 Entity Level Climate Risks

Our approach to identifying, assessing, and managing climate-related risks

The Firm's Board is ultimately responsible for the identification, assessment and management of all risks facing the Company, including the repercussions of climate change on our risks and opportunities. Climate Risk assessment and management is integrated within our Enterprise Risk Management Framework.

Risks are assessed regularly via the combination of a top-down process (led by the Board) and a bottom-up process via interviews with business heads and risk owners. The results are combined into a principal risk register which is then approved by the UK Risk Committee and Board. This process also incorporates consideration of climate risks. Risks are considered according to the following time frames: 0-5 years being short term risks, 5-10 years being medium term risks and 10+ years being long term risks. The assessment of the materiality of each risk is made using the standard probability/ impact matrix integrated within our Enterprise Risk Management framework.

Following the identification and materiality assessment, net risks are then compared to the risk appetite of the Firm, and action plans implemented to address the risks that are outside the stated appetite. The Risk Department helps identify and monitor key risk indicators to track the progression of risks, which are reported to the UK Risk Committee in regular reporting. The assessment of risks and associated controls also helps the Risk Department to develop its Controls Assurance Programme and for the Firm to calculate appropriate capital required to cover residual risks.

4.3 Risk management monitoring framework of sustainability risks (including climate) for our products

Identification and Mitigation of Sustainability Risks in our Products

With respect to the investment 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. The Firm is fully integrated within the AXA IM approach. We have implemented a framework to integrate sustainability risks in investment decisions based on sustainability factors which relies in particular on:

1. Sectoral and normative exclusion 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 assets exposed to the most severe sustainability risks identified in the course of our investment decision-making process: i.e. for climate, AXA IM Climate Risks Policy;
2. The use of ESG scores in the investment decision process enables AXA IM to seek lower sustainability risks, and to whether focus on assets with an overall better ESG performance and to seek lower sustainability risks or ascertain on a current level of ESG performance of our assets and improve it over time.

Complementing these 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.

The 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).

The 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 in 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 company, asset and country levels.
- ESG 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 KPIs is available in an internal Front Office tool to allow the understanding and analysis at issuer level. This leverages our relationship with providers such as MSCI, S&P Global Trucost, and Beyond Ratings. 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: 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 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.

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.

Monitoring and Controls

ESG-related investment guidelines consist of the implementation of our exclusion policies, as well as of eligibility criteria and (where relevant) rules specific to funds' non-financial objectives. Within the three lines of defence framework, outlined in Section 4.1 above, they are monitored in the following ways:

- 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 they are restricted or absent new instruction.
- Our independent Investment Guidelines ("IG") team monitors the correct application of the exclusion lists 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 a fund's, best interest. These exclusion 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. The Compliance department is in charge of monitoring regulatory changes and works closely with investment teams as well as responsible investment professionals and the Risk Management department.
- In addition, AXA IM has launched several working groups that are responsible for monitoring regulatory changes related to responsible investment, defining our position, setting up action plans to address and adapting our commercial offer, as necessary. In addition, we participate and share our views with industry bodies and regulators.

5. Metrics and Targets

5.1 Introduction

AXA IM considers a number of emission-based metrics and targets in order to measure and assess our journey in meeting the commitments we have made to address climate change and the move to sustainable economies. By utilising these metrics, we are able to judge whether, by the actions we are taking under our RI strategy and framework, we are responding appropriately to the climate related risks and opportunities we face. Within this section, we include metrics for both the investment decisions made by the Company, as well as our own Corporate emissions.

5.2 Our investment emissions

Following AXA IM's commitment to reach the target of 25% reduction in the WACI of all our corporate investments by 2025, and as requested by the FCA, we are disclosing our carbon intensity and absolute emissions for AXA IM UK at the end of 2022 on our main traditional asset classes (i.e., listed equity, corporate & sovereign bonds). We are also comparing our current climate performance with certain global benchmarks.

	AUM	Weighted average carbon intensity (WACI) – Scope 1 + 2		Absolute emissions – Scope 1 + 2	
	£M	tCO ₂ e / £M revenues or GDP	Coverage (%)	MtCO ₂ e	Coverage (%)
AXA IM UK	84,146				
- Equities	37,212	106	99%	1.16	99%
- Corporate bonds	28,761	166	82%	1.20	72%
- Sovereign bonds	7,765	171	90%	n/a	90%
- Real estate	849	63	23%	0.00	39%
- Infrastructure	8,354	199	94%	7.51	60%
- Alternative credit (incl. impact funds)	1,205	189	58%	0.07	58%
Global benchmarks					
- MSCI All Country World Index (ACWI)		196	99%		
- ICE BofA Global Broad Market Index		277	92%		
- JP Morgan GBI Global Govies		247	100%		

Source: AXA IM, Trucost, MSCI, Iceberg Data Lab, Findox, 2022.

While at AXA IM level we have already reduced WACI by 23% at the end of 2022 compared to 2019, thus being on track to reach our 2025 target, at the UK level AXA IM's listed assets' WACI is already significantly below their global benchmarks. Most notably, the equities and corporate bonds that we have invested in on behalf of our clients are 52% below the ICE BofA Global Broad Market Index and 33% below the MSCI ACWI, and the sovereign bonds are 31% below the JP Morgan GBI Global Govies index at the end of 2022.

Refer to Appendix 6.4 for description of ESG KPI methodologies.

5.3 Our investment emissions targets

As of April 2022, and as part of the second NZAM progress report²⁵, AXA IM's net zero target covered \$650bn AuM, i.e., 65% of our total AuM including joint ventures (75% excluding JVs)²⁶. This target encompasses all corporate (Fixed income and listed equity) assets, all sovereign government bonds, and most of our real estate assets. AXA IM has defined specific asset class-level targets which follow industry standards²⁷ that are available in the second NZAM report and in the AXA IM report, with progress measured on some targets in the latter. A net zero framework is currently under development for our Infrastructure equity investments.

AXA IM is committed to reporting regular progress on these targets, within the AXA IM Report and future NZAM target disclosure reports, but also as part of the AXA IM for Progress Monitor (see above).

While a net zero target has not been set for AXA IM UK on its scope, AXA IM UK is aligned to and part of the AXA IM net zero journey.

In the UK, coverage was 66% at the end of 2022.

5.4 Our operations emissions (Scope 1, 2 and 3)

To report on our carbon emissions, in partnership with ClimateSeed, we adopt the GHG Protocol Corporate Standard methodology. The GHG Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify and manage GHG emissions. It serves as the foundation for nearly every GHG standard and programme in the world, as well as hundreds of GHG inventories prepared by individual companies.

The GHG Protocol Corporate Standard spreads emissions into 3 scopes, each divided into sub-categories, see section 6.1.

- SCOPE 1: Direct GHG emissions: emissions from fixed and mobile sources (heating, company vehicle fleet) from industrial processes, from biomass, fugitive emissions.
- SCOPE 2: Indirect GHG emissions related to energy: emissions associated with the purchase of electricity, heat, or steam.

²⁵ See NZAM Initial target disclosure report, May 2022: [NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf \(netzeroassetmanagers.org\)](#)

²⁶ These objectives are not currently implemented to other alternative asset classes (i.e., Alternative credit, and Structured finance).

²⁷ The [TCFD recommendations on metrics and targets](#), the [IIGC Net Zero Investment Framework](#), the [Carbon Risk Real Estate Monitor \(CRREM\) decarbonisation pathways](#) for real estate assets and the [Germanwatch's Climate Change Performance Index \(CCPI\)](#) for sovereign assets.

- **SCOPE 3: Other indirect GHG emissions:** other indirect emissions indirectly produced by the activities of an organisation that are not included in Scope 2 but are related to the value chain of the company. For instance: purchase of raw materials, services, transport of employees, inbound and outbound freight, waste directly generated by the organisation, use phase and end-of-life of sold products.

For the detailed descriptions of emission categories, refer to Appendix 6.1.

AXA IM has measured its footprint across Scopes 1, 2 and business travel in the UK for AXA Group since 2012 and taken action to progressively reduce emissions. Since 2021, we have extended this measurement to include all our locations as well as all scopes of emissions, including Scope 3 emissions from our supply chain (indirect GHG emissions, including our purchase of all goods and services), accounting for more than 90% of our emissions. For this annual CO2 Measurement Study, we partner with ClimateSeed, who endorse the GHG Protocol Corporate Standard. We have taken this extra step now so that we can start to take action on our total carbon footprint and because we expect it of the companies that we invest in.

5.5 Our own operations targets

The UK, in partnership with the Corporate Responsibility team, has established fair and ambitious targets. These targets are reinforced by recommended actions to take and resources for effective communication to teams.

The targets for AXA IM UK's own operations by 2025 against a 2019 baseline

METRICS	Power (tCO2e)	Business Travel (tCO2e)	Car fleet (tCO2e)	Marketing paper (kg/FTE)	Office paper (kg/FTE)	Water (m ³ /FTE)	Unsorted waste (kg/FTE)
2025 % reduction	36%	40%	100%	60%	75%	30%	30%

We track performance and progress against the 2025 targets we have set in the UK for all environmental metrics above.

2022 GHG Inventory for AXA IM London office – GHG Protocol format

Following AXA IM's commitment to reduce carbon emissions in three areas including energy, car fleet and business travel, and to reduce our consumption of paper, water and the waste we generate, we are disclosing our carbon footprint for the AXA IM London office for the year 2022. This GHG inventory was prepared using the GHG Protocol Corporate Standard, the most widely used international accounting tool to understand, quantify and manage GHG emissions.

According to the GHG Protocol, there are two methods for reporting a carbon footprint: the location-based and the market-based approach. The location-based method calculates Scope 2 emissions based on the emissions intensity of the local grid area where electricity usage occurs, while a market-based method calculates Scope 2 emissions based on electricity that companies have purchased through instruments like Renewable Energy Certificates, for example. For greater transparency and consistency, we choose to report emissions in both methods (dual reporting) as it provides disclosure in a way that allows all stakeholders to be satisfied.

For 2022, ClimateSeed calculated AXA IM London office emissions to be 6,263 tCO₂e using a location-based approach, and 6,049 tCO₂e using a market-based approach.

It is to be noted that some sub-categories of emissions are excluded from this GHG inventory as they are not relevant to AXA IM. Indeed, some of the sub-categories relate to specific activities or sources of emissions that are not typically part of the operations of financial services companies like AXA IM. For example, category 3-12 covers emissions from the waste disposal and treatment of products sold by a company. AXA IM, being primarily service-oriented, does not have direct involvement in such activities.

Categories of emissions	Sub-category	Emission sources	Total GHG emissions (tCO ₂ e)
Scope 1	1-4	Direct fugitive emissions	35
Scope 2	2-1 (location-based)	Indirect emissions from electricity consumption	183
	2-1 (market-based)	Indirect emissions from electricity consumption	0
Scope 3	3-1	Purchased goods or services	4,760
	3-2	Capital goods	36
	3-3 (location-based)	Emissions related to fuels and energy (not included in scope 1 and scope 2)	88
	3-3 (market-based)	Emissions related to fuels and energy (not included in scope 1 and scope 2)	56
	3-5	Waste generated in operations	11
	3-6	Business travel	822
	3-7	Employees commuting	328
TOTAL (location-based approach)			6,263
TOTAL (market-based approach)			6,049

6. Appendix

6.1 Mapping to TCFD disclosures

TCFD Pillar	TCFD recommended disclosures	Section the disclosures are included in
Governance Disclose the organisation's governance around climate-related issues and opportunities	a. Describe the board's oversight of climate related risks and opportunities	<ul style="list-style-type: none"> AXA IM RI Governance structure (see page 4)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> AXA IM UK RI Governance structure (see page 8)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	<ul style="list-style-type: none"> Climate Risks and opportunities (see page 14)
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> Climate Risks and opportunities (see page 14) Our own operations – UK corporate responsibility strategy (see page 25)
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> Climate scenario analysis (see page 24)

TCFD Pillar	TCFD recommended disclosures	Section the disclosures are included in
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks	a. Describe the organisation's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> Entity Level Climate Risks, Identification, assessing and managing climate-related risks (see page 29)
	b. Describe the organisation's processes for managing climate-related risks	<ul style="list-style-type: none"> Risk management monitoring framework of sustainability risks (including climate for our products) (see page 29)
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> Risk management monitoring framework of sustainability risks (including climate for our products) (see page 29)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> Our operations emissions (Scope 1,2 and 3) (see page 33)
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	<ul style="list-style-type: none"> Our operations emissions (Scope 1,2 and 3) (see page 33) Our own operations targets (see page 34)
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> Our own operations targets (see page 34)

6.2 Description of emission categories – GHG Protocol Standard

SCOPE 1

1-1 - Direct combustion from fixed sources: Emissions from combustion of fuels in stationary equipment such as boilers, furnaces, burners, turbines, heaters, incinerators, engines, flares, etc.

1-2 - Direct emissions from mobile sources: Emissions from combustion of fuels in transportation devices (owned or leased) such as automobiles, trucks, buses, trains, airplanes, boats, ships, barges, vessels, etc.

1-3 - Direct emissions from processes: Emissions from physical or chemical processes such as CO₂ from the calcination step in cement manufacturing, CO₂ from catalytic cracking in petrochemical processing, PFC emissions from aluminium smelting, etc.

1-4 - Direct fugitive emissions: Emissions from intentional and unintentional releases such as equipment leaks from joints, seals, packing, gaskets, as well as fugitive emissions from coal piles, wastewater treatment, pits, cooling towers, gas processing facilities, etc.

SCOPE 2

2-1 - Indirect emissions linked to electricity consumption: Emissions associated with the generation of purchased or acquired electricity (e.g., exploration, drilling, flaring, transportation).

2-2 - Indirect emissions linked to the consumption of steam, heating or refrigeration: Emissions associated with the generation of purchased or acquired steam, heating, or cooling.

SCOPE 3

3-1 - Purchased goods and services: All upstream (i.e., cradle-to-gate) emissions from the production (extraction, transformation, transportation) of goods and services purchased or acquired in the reporting year, not otherwise included in previous categories.

3-2 - Capital goods: All upstream (i.e., cradle-to-gate) emissions from the production (extraction, transformation, transportation) of capital goods purchased or acquired in the reporting year. Capital goods are final products that have an extended life and are used by the company to manufacture a product; provide a service; or sell, store, and deliver merchandise.

3-3 - Fuel and energy-related activities not included in scope 1 or scope 2: Emissions related to the production of fuels and energy purchased and consumed in the reporting year that are not included in scope 1 or scope 2. This category includes emissions from four activities:

- Upstream emissions of purchased fuels (Extraction, production and transportation of fuels);
- Upstream emissions of purchased electricity (Extraction, production, and transportation of fuels consumed in the generation of electricity, steam, heating, and cooling that is consumed by the reporting company);
- Transmission and Distribution (TD) losses;
- Generation of purchased electricity that is sold to end users (Utility companies and energy retailers).

3-4 - Upstream transportation and distribution: Emissions from:

- Transportation and distribution of products purchased in the reporting year, between your tier 1 suppliers and your own operations, in vehicles not owned or operated by you;
- Third-party transportation and distribution services purchased in the reporting year (either directly or through an intermediary), including inbound logistics, outbound logistics (e.g., of sold products), and third-party transportation and distribution between a company's own facilities.

3-5 - Waste generated in operations: Emissions from third-party disposal and treatment of waste generated by owned or controlled operations in the reporting year. This category includes emissions from disposal of both solid waste and wastewater.

3-6 - Business travel: Emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars.

3-7 - Employee commuting: Emissions from the transportation of employees between their homes and their worksites. It may include emissions from teleworking (i.e., employees working remotely).

3-8 - Upstream leased assets: Emissions from the operation of assets that are leased by your company in the reporting year (and not already included in your scope 1 or scope 2). This category is applicable only to companies that operate leased assets (i.e., lessees).

3-9 - Downstream transportation and distribution: Emissions that occur in the reporting year from transportation and distribution of sold products in vehicles and facilities not owned or controlled by your company. This category also includes emissions from retail and storage. Category 9 includes only emissions from transportation and distribution of products after the point of sale.

3-10 - Processing of sold products: Emissions from processing of sold intermediate products by third parties (e.g., manufacturers) subsequent to sale by your company. Intermediate products are products that require further processing, transformation, or inclusion in another product before use, and therefore result in emissions from processing subsequent to sale by the reporting company and before use by the end consumer.

3-11 - Use of sold products: Emissions from the use of goods and services sold by your company in the reporting year. End users include both consumers and business customers that use final products.

3-12 - End-of-life treatment of sold products: Emissions from the waste disposal and treatment of products sold by your company in the reporting year, at the end of their life. This category includes the total expected end-of-life emissions from all products sold in the reporting year.

3-13 - Downstream leased assets: Emissions from the operation of assets that you possess (acting as lessor) and lease to other entities in the reporting year that are not already included in scope 1 or scope 2. This category is applicable to lessors (i.e., companies that receive payments from lessees).

3-14 - Franchises: Emissions from the operation of franchises not included in scope 1 or scope 2. A franchise is a business operating under a license to sell or distribute another company's goods or services within a certain location. This category is applicable to franchisors (i.e., companies that grant licenses to other entities to sell or distribute its goods or services in return for payments, such as royalties for the use of trademarks and other services). Franchisors should account for emissions that occur from the operation of franchises (i.e., the scope 1 and scope 2 emissions of franchisees) in this category.

3-15 - Investments: Emissions associated with your investments in the reporting year, not already included in scope 1 or scope 2. This category is applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. This category also applies to investors that are not profit driven (e.g. multilateral development banks). Investments are categorised as a downstream scope 3 category because providing capital or financing is a service provided by the reporting company.

6.3 Definition of key metrics included in operational targets

- **Power** (tCO₂e): total CO₂ emissions resulting from energy consumption (tCO₂e)
- **Car fleet** (tCO₂e): This covers total CO₂ emissions resulting from all AXA IM employees' vehicles on an annual payroll:
 - AXA owned or leased vehicles
 - If relevant, personally owned vehicles used for business purposes (mileage allowance)

- **Marketing paper** (kg/FTE): This covers the total direct (printed internally) and indirect (printed externally / outsourcing) amount of paper ordered/ printed for distribution and marketing activities focused on employees, customers and potential customers whatever its environmental quality.
- **Office paper** (kg/FTE): This covers the total amount of office paper consumed, whatever its environmental quality. We estimate that the amount consumed = the amount purchased.
- **Water** (m3/FTE): Consumption of water per person
- **Unsorted waste** (kg/FTE): This concerns unsorted waste primarily from offices. Unsorted waste comprises mixed office and maintenance waste, small-scale expendable office equipment, excluding electronic and IT equipment, plastics.
- **Business Travel** (CO2e/FTE): CO2 emissions resulting from business travel by airplane and train for a year.

6.4 Description of ESG KPI methodologies

Absolute emissions

For the absolute GHG emissions, we rely on Trucost S&P for listed corporate assets, MSCI and Iceberg Data Lab for real estate and infrastructure, and FinDox for alternative credit, for the volume of GHG emissions released into the atmosphere in 2022. It is expressed as the sum in tons of CO2 equivalent of the Scope 1 + 2 GHG emissions of each investee company and calculated on the share of our holding in each company based on their market value (i.e. whether using Total Enterprise Value (“TVE”) or the Enterprise Value Including Cash (“EVIC”)), as follows:

$$Absolute\ Emissions = \sum_i \frac{AuM_i}{EVIC_i\ or\ TEV_i} \times GHG\ Emissions_i^{Scope\ 1+2}$$

Carbon Intensity by revenues

For the carbon intensity by revenues, we rely on Trucost S&P for listed corporate assets, MSCI and Iceberg Data Lab for real estate and infrastructure, and FinDox for alternative credit, for the amount of GHG emissions released into the atmosphere in 2022 in proportion to each investee company’s revenue. It is expressed in tons of CO2 equivalent per £ million of revenues of the Scope 1 + 2 GHG emissions of each investee company and weighted as set out below:

$$Carbon\ Intensity\ by\ Revenues = \sum_i \omega_i \times \frac{GHG\ Emissions_i^{Scope\ 1+2}}{Revenue_i}$$

where $\omega_i = AuM_i / \sum_{i \in I} AuM_i$ ω_i is the weight of each individual invested instrument as a proportion of I , the subset of the universe of invested instruments belonging to a particular asset class (e.g. listed equities) where data is available on numerical carbon intensity.

For direct real estate assets, scope 1 and 2 emissions are capturing emissions attributable to the landlord of each asset (e.g. common area of the building), while scope 3 captures emissions attributable to the tenants. To be included in the reported coverage, assets must have greater than 90% coverage (in surface area and months of data) of all utilities in scope for the asset. While this reduces the perceived coverage of the indicator, it ensures greater quality and reliability of the reported data. Furthermore, in accordance with the 'precautionary principle' described in PCAF (Partnership for Carbon Accounting Financials) 2023 guidance, where there is no metered allocation of emissions to a tenant, (e.g. for heating of an asset) the resultant emissions are reflected in landlord-related scope 1 and 2 emissions. This approach may overstate the total reported Scope 1 and 2 emissions and accordingly AXA IM may re-allocate these emissions, where appropriate allocation can be made in the future. As a result, the reported metrics reflect limited coverage for real estate assets in absolute values.

For indirect real estate ("CRE Debt"), emissions are calculated on the proportion of the outstanding value of the loan to the initial investment value. GHG emissions estimates for underlying assets are provided by third-party data providers, derived from typology and location-based benchmarks and applied over the floor area of an asset.

For infrastructure, the emissions are based on a blend of modelled data (provided by third party data provider) and directly disclosed data (collected from the borrower or investee companies). For modelled data, coverage is based on assets with available data using a modelling approach based on revenue streams from underlying issuers associated with specific NACE (Nomenclature of Economic Activities) codes.

Carbon intensity by GDP (for sovereign investments only)

For the carbon intensity of sovereign assets, we rely on World Bank data, which accounts for GHG emissions produced during consumption of solid, liquid, and gas fuels and gas flaring. It is expressed in tons of CO2 equivalent per £ million of GDP PPP (Purchasing Power Parity) and weighted by the share of our holdings in all countries, as follows:

$$\text{Carbon Intensity by GDP} = \sum_i \omega'_i \times \frac{\text{GHG Emissions}_{\text{Cement+Foss Fuel}}}{\text{Purchasing Power Parity} - \text{Adjusted GDP}}$$

where $\omega'_i = AuM_i / \sum_{i \in S} AuM_i$ ω_i is the weight of each individual invested instrument as a proportion of S , the subset of instruments belonging to the sovereign universe.



This document is for informational purposes only pursuant to the requirements of the FCA's Environmental, Social and Governance Sourcebook relating to the disclosure of climate-related financial information consistent with TCFD Recommendations and Recommended Disclosures and does not constitute investment research or financial analysis relating to transactions in financial instruments as defined in MIF Directive (2014/65/EU), nor does it constitute on the part of AXA Investment Managers or its affiliated companies an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalized recommendation to buy or sell securities.

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