2023 Climate Report

AXA Investment Managers UK

Contents

1. Introduction

1.1 Scope and structure of the report

The 2023 Climate Report ("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 2023.

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 2023 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 recommendations[1]. The AXA IM Report provides a comprehensive overview of AXA IM's approach to Sustainability and Responsible Investment ("RI") and covers the calendar year 2023. 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 four business lines - AXA IM Core ("Core") being Fixed Income, Equities, and Multi Asset; AXA IM Alts ("Alts") being Real Estate, Infrastructure & Alternative Credit, including Private Equity & Debt; AXA IM Prime ("Prime") being private markets investment solutions (including private equity, private debt, infrastructure, hedge funds and funds of funds); and AXA IM Select ("Select") being unit-linked related assets, including funds of funds - support functions in 2023. 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 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 Policies and Reports | AXA IM Corporate (axa-im.com)

1.2 AXA IM 2023 review

AXA IM's RI activities were guided by the regulatory developments seen in the UK and EU during 2023. In that context, AXA IM pursued its advocacy efforts on sustainable finance policies by helping to 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 types.[2]

On climate, AXA IM significantly enlarged the scope of assets under management ("AuM") covered by our net zero ("NZ") targets in April 2022,[3] from 12%, as initially set in 2021 to 65% of AUM committed (excl. joint ventures – JVs) to be managed in line with net zero by 2050. This coverage is still at 65% as at the end of 2023 (73% incl. JVs). As for the Firm specifically, coverage was **72%** at end of 2023 (compared to 67% 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 April 2023, we reinforced our Climate Risks Policy by tightening multiple exclusion criteria on coal and unconventional oil and gas, in particular oil sands.[4]

Stewardship is another key element of AXA IM's RI framework. Climate change mitigation remained our main theme, while the increase in corporate governance-related engagement we witnessed in 2022 also continued this year. We have also committed to significantly increasing our engagement on biodiversity by joining various collaborative initiative. We are also pursuing our efforts on many other environmental and social topics, which are now addressed alongside governance-related topics, such as human rights and corporate governance concerns. This reflects the trend towards integration of ESG across companies' business activities and organisations as they pursue genuinely effective ESG strategies.

In 2023, AXA IM also initiated the integration of two new business units (in addition to the AXA IM Core and AXA IM Alts business units), AXA IM Prime[5] and AXA IM Select (previously Architas). AXA IM Prime assets managed by AXA IM UK are now integrated in the Report. AXA IM Select has not made any investments in the UK in 2023.

To better integrate these new business units, we further updated AXA IM's RI Governance structure in late 2023 (see section 2.1).

AXA IM has committed to providing transparency on the integration of ESG criteria at fund level. In 2023, we reviewed the AXA IM Fund Centre where we display a full package of RI reports made up of an ESG report, dedicated engagement report and voting report for our range of ESG integrated, Sustainable and ACT funds, unless regulatory requirements prevent the publication[6]. We also continued to work on the improvement of our existing ESG, Engagement and Voting reporting to our clients. In 2023 we published TCFD product reports for the calendar year 2022 for the in-scope funds managed by AXA IM UK, in compliance with the FCA's requirements. The TCFD product reports are also available in the AXA IM Fund Centre.

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[2] See 'Public policy' section of AXA IM 2023 Stewardship report, pp.40-43: Stewardship and Engagement | AXA IM Corporate (axa-im.com)
[3] Our Road to Net Zero | Sustainability | AXA IM Corporate (axa-im.com)
[4] Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)
[5] AXA IM aims to create a new business unit to further develop its offering in private markets | AXA IM Corporate (axa-im.com)
[6] AXA IM Fund Centre - AXA IM UK (axa-im.co.uk)

Lastly, in late 2023, AXA IM UK decided to consider the labelling of some of its funds under the FCA's Sustainability Disclosure Requirements (SDR) and investment labels regime The first consumer-facing and pre-contractual disclosures are expected to be released in 2024 and dedicated Sustainability product reporting to start in 2025 and to be built from TCFD product reports. UK SDR entity-level disclosures for AXA IM UK are expected to start in Q2 2026 (in the 2025 Climate Report).

1.3 Compliance Statement

AXA Investment Managers UK Limited's 2023 Climate Report, along with references to the 2023 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.

2. Governance

2.1 AXA IM RI Governance structure

AXA IM's RI governance structure was reviewed in Autumn 2023 as part of the integration of the two new AXA IM business lines, Prime and Select, and the reorganisation of the RI and Corporate Responsibility ("CR") activities by AXA IM's Management Board. The changes resulted in significant enhancements in our endeavour to further embed ESG within all AXA IM business units, including AXA IM Prime and AXA IM Select. The new organisation allows AXA IM to:

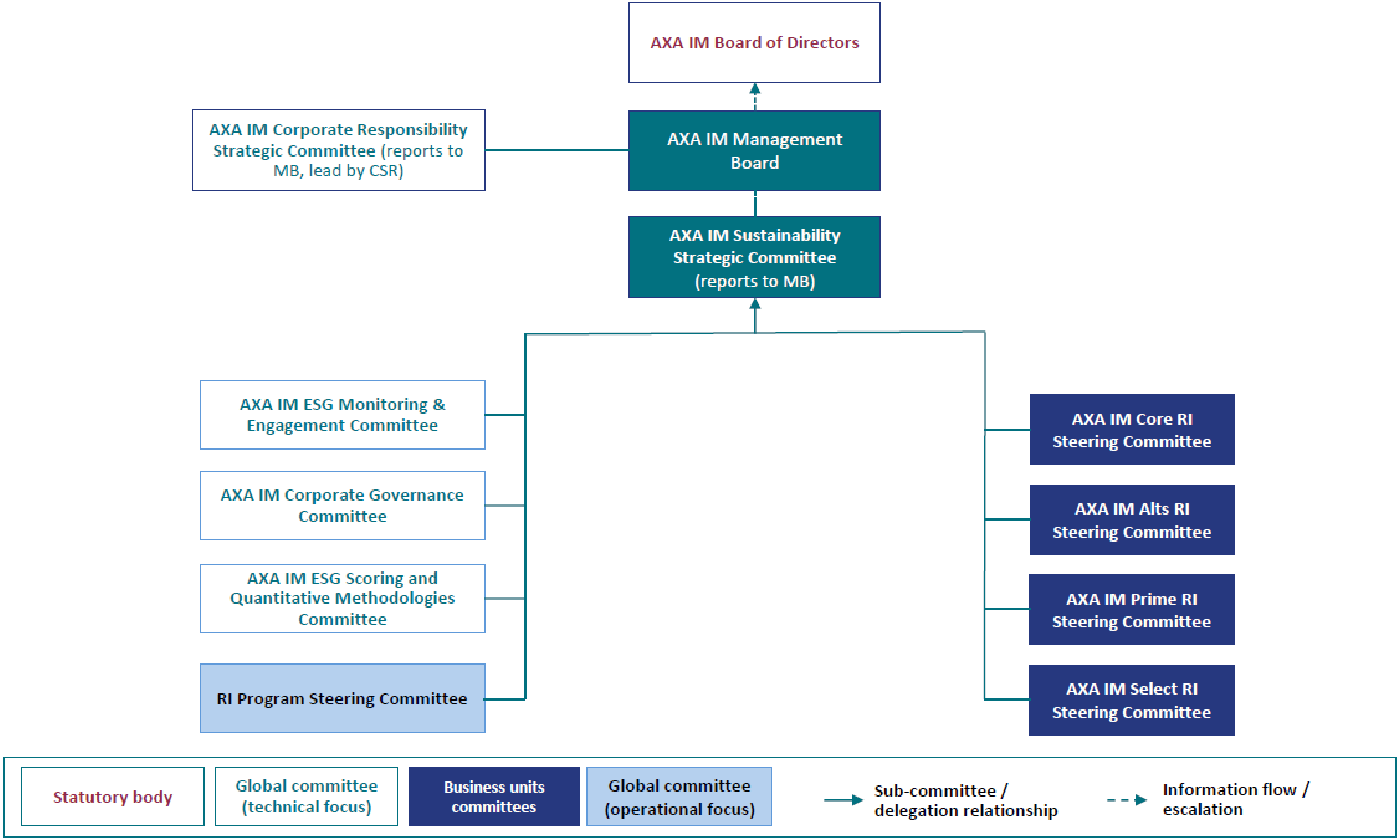
- redefine and strengthen its RI Strategy across its activities, covering both traditional and alternative asset classes;
- improve collaboration and synergies between the four main business units and better consider specificities of each asset class;
- ensure alignment with our own operations and practices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

As the top-level governance structure within AXA IM, the AXA IM RI governance structure is embedded within AXA IM UK's strategy and local governance and applicable for all AXA UM UK's in-scope business for this Report. Several AXA IM UK executives, and AXA IM executives based in the UK, are members of the AXA IM RI Committees set out below.

See also the RI organisational chart in the AXA IM Report for further information on the AXA IM Core, AXA IM Alts and AXA IM Prime RI professionals, and refer to sections 2.1 and 3.1 of the AXA IM Report.

AXA IM RI Governance and Committees



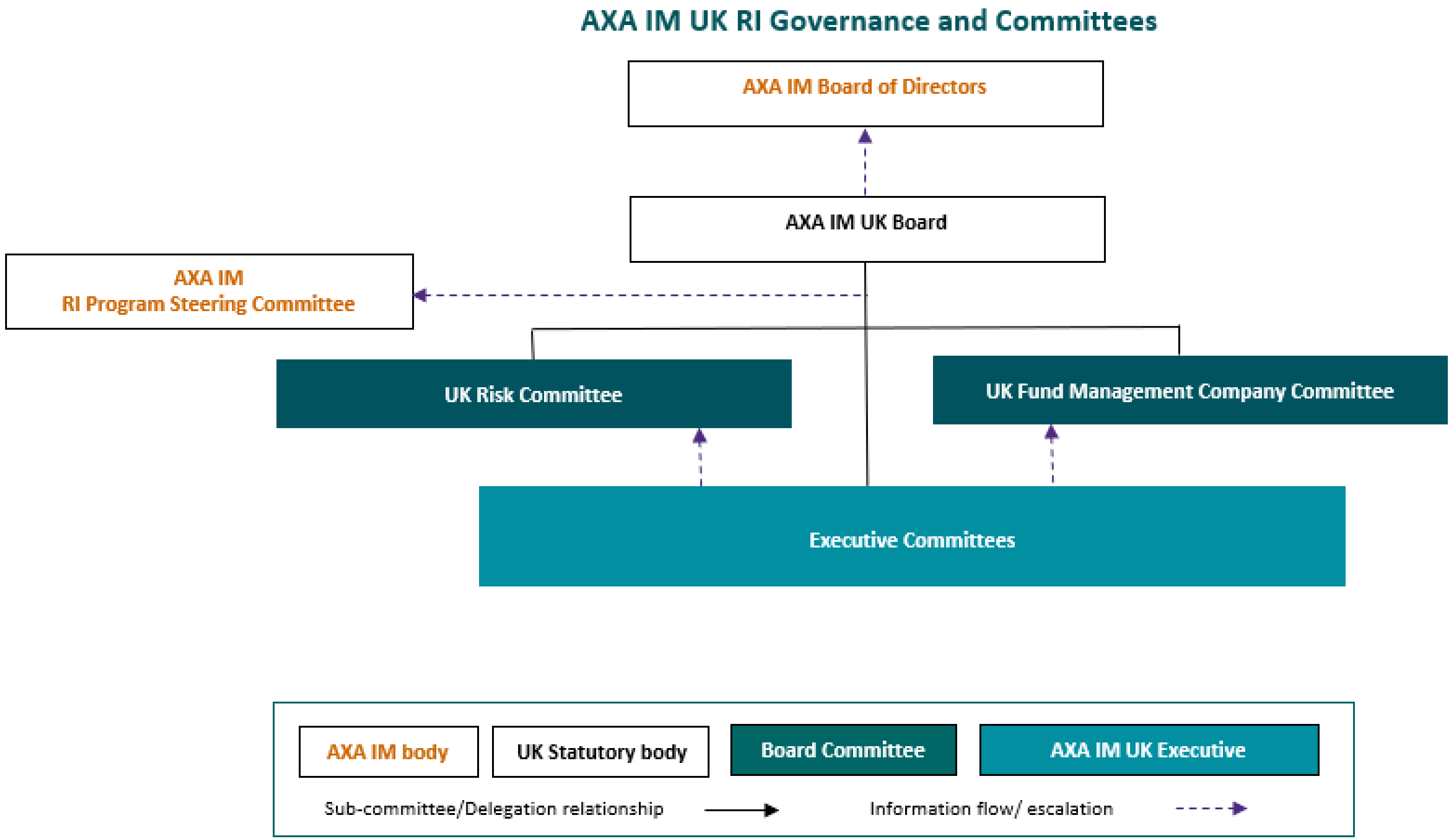
Source: AXA IM, November 2023.

Main committees & frequency of meetings	Objectives
AXA IM Board of Directors *(At least five times a year)*	• __Validates__ key components of AXA IM RI strategy at AXA IM Group level and regulation directly or through the sub-committees of the Board (Audit and Risk Committee / Remuneration and Nomination Committee), including entity-level sustainability regulatory reports and entity-wide commitments.
AXA IM Management Board *(Monthly)*	• __Validates__ AXA IM RI strategy, as well as changes to RI policies (exclusion, voting, engagement), AXA IM-wide commitment, and sustainability regulatory reporting at the entity-level.
AXA IM Sustainability Strategic Committee *(Monthly)*	• __Proposes__ AXA IM's RI strategy and monitors its delivery, including RI policies, AXA IM-wide commitments, and investment components of the Monitor and ESG-linked remuneration. • __Validates__: ○ Material quantitative methodologies (e.g. ESG scoring, the EU's Sustainable Finance Disclosure Regulation Sustainable Investment ("SFDR SI"), carbon footprint) and the choice of material ESG data providers, ○ RI product frameworks with a regulatory lens, ○ Shareholder Engagement priorities (themes, focus-list including climate laggards), ○ Positions on material sustainable finance consultations. • __Consulted__ on Business Units' ("BU") RI product strategy from a business perspective. • In this context, it considers how AXA IM and AXA Group Sustainability strategies interact.
AXA IM ESG Scoring and Quant Methodologies Committee *(Bi-monthly)*	• __Validates__ methodologies for less material quantitative methodologies, business specifications for ESG metrics (incl. carbon-related metrics), and the regular refresh of ESG scores and SFDR SI datasets. • __Reviews__ annually the quality of service of ESG data providers.
AXA IM Corporate Governance Committee *(Three times a year)*	• __Proposes__ AXA IM's corporate governance and voting policy. __Validates__ voting decisions on selected resolutions (for accounts which follow AXA IM's policy).
AXA IM ESG Monitoring & Engagement Committee *(Monthly)*	• __Validates__ ban-lists updates. • __Validates__ ESG-scores overrides. • __Reviews__ progress on engagement activities.
Business Units RI steering Committees *(At least quarterly)*	• __Validates__ BUs RI product strategy from a business perspective. • __Recommends__ the RI product framework with a regulatory lens, as well as quantitative methodologies and metrics. • __Consulted__ on other relevant topics ahead of the AXA IM Sustainability Strategic Committee.
RI Program steering committee *(Every 6 weeks)*	• __Monitors__ progress of RI-related projects with an operational focus.
Global Risk Committee *(Weekly)*	• __Consulted__ on the RI product framework and exclusion policies with an operational lens. • __Informed__ on entity-level regulatory reporting.

2.2 AXA IM UK RI Governance structure

AXA IM has a globally consistent RI strategy, framework, policies, and processes. This includes AXA IM's RI governance, which is 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.

As explained 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:



Source: AXA IM, 2023.

Main committees & frequency of meetings	Objectives and Activities
AXA IM UK Board *(At least quarterly)*	▪ The Board is responsible for the oversight of AXA IM UK's strategy. Sustainability underpins each of the UK strategic business priorities, as well as the inclusion of a CR priority within our Operating Model, Organisation and People strategic pillar. ▪ The Board considered climate-related matters at each of its four main meetings in 2023, including AXA IM UK and business level strategy reviews, product development, TCFD reporting and regulatory developments. The Board approved the inclusion of ESG-related key risk indicators ("KRIs") in the Company's Risk Appetite Statement. ▪ 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 2023, the Board received specific training on AXA IM's ESG ratings methodology and framework and the FCA's Policy Statement on SDR and investment labels.
UK Risk Committee *(At least five times a year)*	▪ 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 the consideration of climate-related risks and opportunities. ▪ During 2023, the Committee reviewed ongoing ESG-related enhancements to the Enterprise Risk Management Framework, the risk framework for RI products, TCFD regulatory reporting, and climate-related regulatory developments. The Committee reviews Firm-wide KRI reports on a quarterly basis, many of which incorporate climate-related risks.
UK Fund Management Company Committee *(At least quarterly)*	▪ The Committee provides oversight and support to the AXA IM UK Board in respect of its role as an authorised fund manager. ▪ During 2023, the Committee considered climate-related strategic and business matters and product development, TCFD product reporting, ongoing enhancements to the incorporation of ESG criteria into the annual Assessment of Value process and climate-related regulatory requirements and developments.
<u>Executive Committees:</u> **UK Executive Committee ("ExCom"), Executive Risk Committee ("ERC"), Fund Governance Committee ("FGC")** *(Monthly for the ExCom; At least quarterly for the ERC and FGC)*	▪ 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. ▪ 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 2023, the Committees reviewed and reported to the Board and Board Committees on the climate-related matters set out above.

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. Over several hours, employees learn why climate matters increasingly to our clients, the main risks associated with climate change, the impact along the value chain for insurance and investment companies, as well as how they can contribute to reducing the carbon footprint of the AXA Group through professional and personal practices. Since 2023, AXA IM has built on the AXA Climate Academy programme with the ‘ACT playlist’ from the AXA Climate School, which helps employees to understand how sustainability impacts their jobs through role-specific content. By the end of 2023, 99% of AXA IM employees have been certified under the AXA Climate Academy programme, which brings AXA IM close to its goal of training 100% of its staff by 2023.
- Outside of the material available at the AXA Group level, AXA IM provides its employees with a dedicated learning journey consisting of internally available ESG and RI courses. Since 2023, each employee has also been required to undertake a personal ESG development goal. AXA IM’s ESG offering includes the following:
    - 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. AXA IM provides widespread access to this external training and certification for its staff, with a particular focus on the participation of the Core investment 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 launched in Q4 2022. Developed uniquely for AXA IM by the training provider Hillbreak, in cooperation with 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. In 2023, 320 employees completed the foundational real estate ESG course;
    - In addition, RI teams organise regular training on ESG issues for AXA IM staff. These sessions cover sustainable regulations 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 the dedicated RI teams. Since 2018, all heads of investment platforms at AXA IM have had ESG objectives included in the target letters that are cascaded to the relevant teams in their department. Since January 2021, individual and collective objectives for investment teams have also included elements related to the AXA IM sustainability risk framework, as well as to the updated investment processes which include monitoring of these risks. As such, the individual level of the variable portion of compensation will depend on the achievement of individual qualitative and quantitative sustainability-related objectives, as well as collective performance criteria. To instil a sense of responsibility in our employees, since 2023 each AXA IM employee has been required to undertake a personal ESG development goal (as explained above) – including those working at AXA IM UK. 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 take account of 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, since 2023 the deferred part of the variable pay has been indexed to an ESG performance index, aligned with AXA IM's net zero ambition framework.[7] 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 them 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 policy is reflected in the "AXA IM for Progress Monitor" launched in early 2023,[8] which details a set of metrics selected due to their material contribution towards AXA IM's ambition of becoming a leading responsible asset manager.

All principles related to remuneration are set out in the AXA IM Remuneration Policy, which takes into account AXA IM's business strategy, objectives, risk tolerance, and the long-term interests of AXA IM's clients, shareholders, and employees.[9]

[7] AXA IM aligns compensation of senior executives to its ESG ambitions | AXA IM Corporate (axa-im.com)
[8] AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
[9] Remuneration | 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 a sustainable economy, and this guides our Responsible Investment strategy and roadmap. The asset management industry is exposed to material climate related risks. 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 IM 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 all our portfolios by 2050[10]. In carrying out our strategy, we understand that we will face specific risks and opportunities, which have been detailed in section 3.3 below. These risks and opportunities are considered in the context of the AXA IM RI Framework, which is set out in section 3.4.1 below.

3.2 Net Zero Targets

AXA IM is committed to achieving net zero emissions across all its portfolios by 2050 or sooner,[11] as well as playing a key role in helping clients better understand how climate change may impact their portfolios, and supporting them in adapting their investment decisions accordingly. As shareholders, it is our responsibility to engage with investee companies, which 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.

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[10] As stated in the Net Zero Asset Manager initiative (NZAMi) commitment, we also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face.

[11] "Our road to net zero", AXA Investment Managers, https://www.axa-im.com/who-we-are/our-road-net-zero

Our Climate strategy is aligned with the frameworks proposed by the TCFD,[12] the Institutional Investor Group on Climate Change ("IIGCC"),[13] and the Paris Aligned Investment Initiative ("PAII")[14], the latter being also coordinated by the IIGCC and evidenced by our active involvement in international initiatives such as Climate Action 100+ ("CA100+")[15] and the Climate Bonds Initiative.[16] It consists of:

Net zero targets:[17]

- AXA IM published its first net zero target in October 2021, as part of the first Net Zero Asset Manager ("NZAM") progress report[18]. This target was subsequently revised in April 2022[19], 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 Equity asset classes which follow industry standards[20]. A net zero framework is currently under development for our Infrastructure Equity investments.
- In 2023, to support the implementation of those targets, we have continued to use the AXA IM Climate Colour Framework, incorporating internal and external information to determine the net zero profile of assets, to help to inform investment decisions. It will continue to be enhanced over time as disclosures and transition plans from companies improve.

Stewardship:[21]

- Engagement and continued dialogue with companies and clients are crucial to influencing their 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[22]. 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

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12 Task Force on Climate-related Financial Disclosures
13 The Institutional Investor Group on Climate Change
14 Paris Aligned Investment Initiative
15 Climate Action 100+
16 Climate Bonds Initiative
17 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 6.1 "Climate strategy" and 6.5 "Climate dashboard" of the 2023 AXA IM Climate report.
18 See NZAM 2021 progress report, December 2021: NZAM-Progress-Report.pdf (netzeroassetmanagers.org)
19 See NZAM Initial target disclosure report, May 2022: NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf (netzeroassetmanagers.org)
20 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.
21 See AXA IM's Stewardship & Engagement policies: Stewardship & Engagement | Responsible Investing | AXA IM Corporate (axa-im.com)
22 Evidence of the « Three Strikes and You're Out » policy is disclosed in AXA IM 2023 Stewardship report: https://www.axa-im.com/championing-sustainability/stewardship-and-engagement

achievements of the objectives during Annual General Meetings. We focus our efforts where materiality is greatest, notably in the energy sector and the building materials industry. Companies engaged are selected based on their absolute emissions and on the exposure in the portfolios we manage for our clients.

- 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, with a particular focus on coal and unconventional oil & gas, applying various revenue- and/or product-based criteria[23]. Our investment portfolios exclude coal-based electric power generating utilities and coal mining companies that are not credibly demonstrating a commitment to energy transition. This policy was expanded in 2023 by lowering the revenue share at which a company would be excluded, as well as by excluding all companies with new coal mining or coal power generation plans. Since early 2022, we also exclude companies in the unconventional oil & gas sector with a focus on tar sands, fracking/shale and Arctic production. In 2023, we tightened our policy by lowering the threshold of absolute production for oil sand companies, depending on their market and production share. Lastly, AXA IM is committed to exiting all coal investments 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 with the help of exclusion and engagement.

In developing our net zero strategy, we faced several issues related to accessing 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 companies reporting on environmental data, methodologies developed by external data providers, and the frequency with which this data is updated. As the interest in ESG grows among clients and regulators across geographies, the need for common, clear, and usable standards has become 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, at the product development stage, we also consider the operational implementation of the strategy to ensure 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"),[24] 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.

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[23] More details on AXA IM Climate risks policy exclusion criteria are disclosed on the policy available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)

[24] See the United Nation (UN)'s Environment Programme Finance Initiative dedicated website.

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 AXA IM 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. This relates to the value of assets that the Firm manages on behalf of its clients. If investee companies' business models are not adapted sufficiently to climate change, then this can have a negative impact on their share prices and on the credit and liquidity risk of the debt that they issue. A similar issue may arise for holdings in real estate and infrastructure assets. The symptoms of climate change are numerous and will vary from sector to sector.	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 overweight positions to climate affected assets within client portfolios and consequent 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) mislead 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 (at entity and/or product level)	Short	As above for transition/reputational.
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.

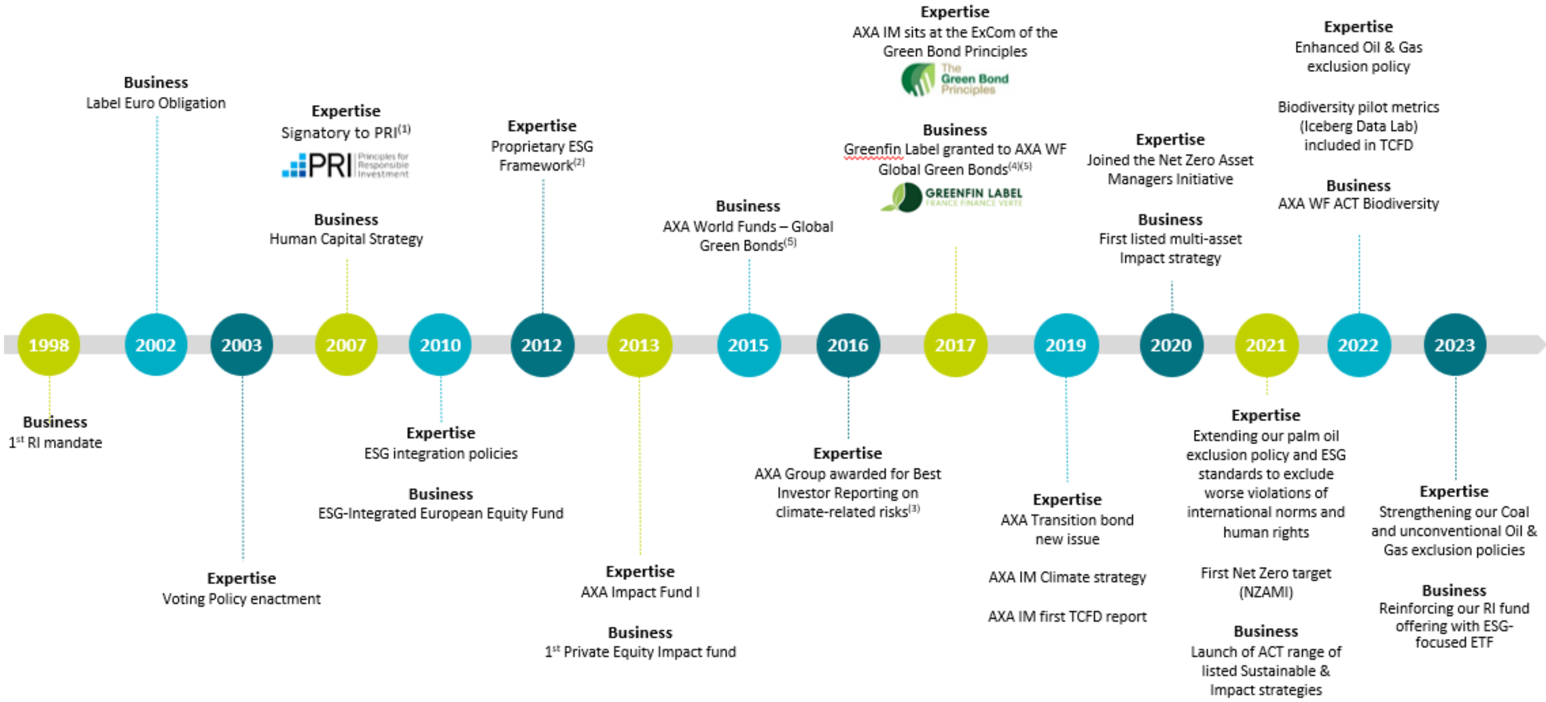
3.3.2 Climate Opportunities

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
Transition / Market	Superior analysis of climate risk in the investment process may enable the Firm to rebalance client portfolios into those investments that are more resilient to climate risks or actively gain from changes in climate, thus boosting long term financial returns. Examples include investing in assets with the technology and infrastructure needed to transition away from carbon emissions, renewable energy technologies, electrification of transport and investing in real estate assets with high levels of climate resilience.	Medium	Superior financial performance could attract new clients and hence increase fee income.
	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.	Short	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.	Medium	Having reporting tools that provide more clear and concise data could attract clients from competitors, leading to greater fee income.
Resource efficiency / Cost savings	Climate efficiency measures, such as in relation to energy (such as low-carbon properties) 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. We are 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 of 30/12/2023. (1) Principle for Responsible Investment; (2) In-house RI platform; (3) Awarded by the French Ministry of Ecology in 2016. (4) Launched at the end of 2015 following the COP21 by the French Ministry of the Ecology, the Greenfin label helps to comply and fulfil a fund's commitment to financing the green economy; the label has set out the share of eligible green activities to be held to claim the label.[25]

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

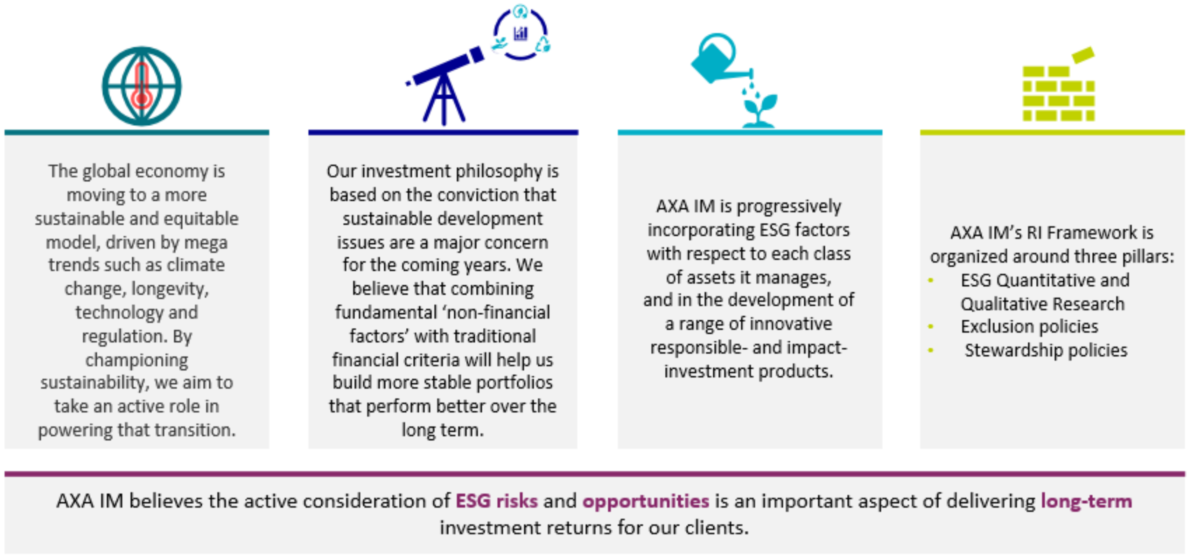
[25] References to league tables and awards are not an indicator of future rankings in league tables or awards.

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 multiple ways:

- 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, 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.



Source: AXA IM, 2023.

More information on ESG integration by investment platform and asset class are available in a dedicated document available on the AXA IM website[26].

[26] AXA IM ESG Methodologies Handbook, available on AXA IM website: [Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)]

3.4.1 AXA IM's Responsible Investment Framework

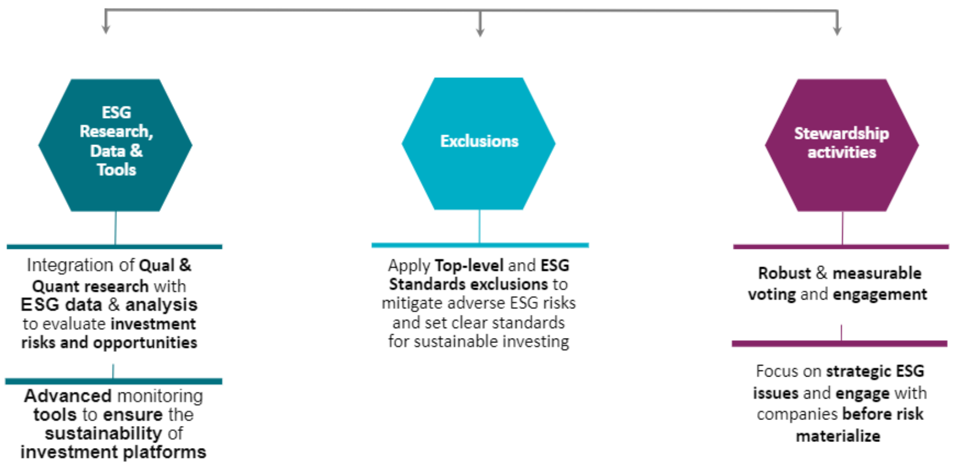
AXA IM is a long-term, responsible investor who aims to deliver sustainable returns for clients through in-depth research, data analysis, and the construction of portfolios seeking to optimise both financial and non-financial factors. Our investment process reflects the core belief that a focus on sustainability 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 with a potential detrimental and irreversible effect on the performance of our portfolios, as well as on long-term global sustainability. Our normative and sectoral exclusions define our 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 so that we can support issuers in their transition journey. In applying our stewardship strategy – specifically for engagement with objectives, we aim to set out meaningful objectives and clearly communicate those to the management of the issuer. We then hold meetings with issuers to verify and evaluate progress on ESG issues. When necessary, we vote with conviction or pursue other escalation techniques which may lead to divestment in the most problematic cases, or when commitments agreed by investee companies (or progress agreed upon) have not been fulfilled.

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



Source: AXA IM, 2023. For illustrative purposes 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 are making 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, internal resources and ESG capacity building at:

- AXA IM Climate colour framework, section 6.4 of the AXA IM report;
- Sustainable and ACT family of funds, 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 dedicated full-time to 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 are organised among:

- RI experts teams, including the RI Research and Impact team, and the RI Solutions, Tools and Models team;
- RI champions within the business.

In addition, certain employees from operational functions within AXA IM Core and within the Global Chief Operating Officer (COO) department are fully dedicated to ESG development to ensure the adaptation of our operational and IT framework to reflect 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 RI 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.

3.4.4 AXA IM Private Markets investments in the UK

AXA IM Prime is a fully integrated provider of investment solutions across private markets, including private equity, private debt, infrastructure and hedge funds, established in 2022, and is an advanced ESG investor that aims to create sustainable value by encouraging best practices in private markets. Its goal is to promote sustainable ambition in the sector, a philosophy which is directly rooted in AXA IM's DNA to act for human progress by investing for what matters.

A dedicated ESG team of 4 full-time employees supports AXA IM Prime's investment teams in the implementation of their ESG strategy. The Prime ESG Team supports AXA IM Prime's investment teams in the implementation of the overall ESG strategy in close cooperation with the ESG Champions within each investment team and support & control function teams (each being responsible for promoting the implementation of the ESG Strategy in their teams' daily work). The ESG team provides them with subject-matter expertise as well as training and guidance on key ESG issues and best practices enabling the ESG Champions to work optimally, and meet at least on a monthly basis and work on operational matters related to ESG integration at AXA IM Prime. Finally, a RI Steering Committee oversees all aspects of AXA IM Prime' ESG strategy and implementation.

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

3.4.5 AXA IM Impact Philanthropy Mechanism

In 2020, AXA IM developed a new mechanism allowing its Impact fund range to contribute to philanthropic goals and deliver an even bigger positive impact on society[27].

5% of the management fees from selected Impact strategies are used to fund additional projects aimed at developing solutions with a societal impact. These projects are focused on themes that are at the heart of AXA IM's Corporate Responsibility and RI strategies, 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**:**

[27] AXA IM Impact fund range is defined within AXA IM 2023 TCFD/Art.29 report (see section 1.3 "Our Responsible Investment product offering") available on AXA IM website: [Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)]

	Mission	SDG
DOCTORS WITH AFRICA CUAMM	Improving the health conditions of the most vulnerable communities in Sub-Saharan Africa through cooperation with local hospitals, health centres, villages and universities.	3 GOOD HEALTH AND WELL-BEING
LPO	Implementing national resoration projects for for the most threatened birds that France hosts and managing the reintroduction of endangered species	15 LIFE ON LAND
epic	Fostering access for every child and youth to safety, empowerment, and equal opportunity by catalazing and monitoring the positive contribution of existing impact organizations	4 QUALITY EDUCATION
access to medicine FOUNDATION	Transforming the healthcare eosystem by motivating and mobilising companies to expand access to their essential healthcare products to low-and middle-income countries	3 GOOD HEALTH AND WELL-BEING
WORLD LAND TRUST	Protecting the world's most biologically significant and threatened habitats through the creation of reserves and the provision of permanent protection for habitats and wildlife.	13 CLIMATE ACTION; 15 LIFE ON LAND

Source: AXA IM, 2023. For illustrative purposes only.

This three-year philanthropy programme comes to a close in 2024 and we are currently evaluating how to evolve our impact mechanism and continue to ensure maximum positive impact for society.

3.4.6 Climate scenario analysis

At entity level

AXA IM has explored forward-looking metrics over the past years. In 2023, and through its collaboration with MSCI, Beyond Ratings and Iceberg Data Lab ("IDL"), AXA IM has 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.

To test for the sensitivity of our business models to climate change, AXA IM uses 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 market[28]. CVaR represents an estimation of how the value of AXA IM's investment

[28] 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

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 (not applicable to sovereign 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 used the MSCI "Implied Temperature Rise" ("ITR") metric since 2021 to assess how AXA IM's investment portfolios of 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 based on climate scenario analysis. 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 also uses the same indicator and uses 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 uses 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 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

Following a reshaping of the AXA Buy & Maintain Credit Fund in June 2022 into the AXA ACT Carbon Transition Buy & Maintain Credit Fund the fund now pursues an objective based on forward-looking commitments to reduce its carbon intensity. It aims to keep its Weighted Average Carbon Intensity lower than its carbon emissions benchmark (i.e., the marker for the WACI calculated relative to its index's WACI, the ICE BofA ML Sterling Non-Gilt index), calculated initially as a 30% reduction of the

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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.

WACI of the Index as of 31 December 2021 and, thereafter, as a further 7% reduction of the WACI of the carbon emissions benchmark per year, based on the WACI of the Emissions Benchmark from the previous year.

In addition, 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.

The 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.

3.5 Our own operations – UK Corporate Responsibility strategy

At AXA IM, we recognise the critical importance of aligning our actions with our principles of responsible investment – in other words, 'walking the talk'. Therefore, our Corporate Responsibility ("CR") strategy is structured around the same three pillars of ESG considerations that guide our investment decisions. Within the Environmental pillar, we have set an ambitious objective to become net-zero by 2050 or sooner, reflecting our commitment to combat climate change and contribute to a more sustainable future. To achieve this goal, we have implemented a comprehensive three-step program for our emissions: Measure, Reduce, and Offset. This program encompasses all our operations, including those in the UK, ensuring that we systematically assess our emissions, implement measures to reduce them, and offset any remaining emissions through verified carbon offset projects.

- **Measure**

AXA IM has been measuring its footprint across Scope 1 + 2 and business travel in the UK as part of the annual AXA Group Environmental Reporting Campaign since 2012, and has taken proactive steps to progressively reduce emissions. Starting from 2021, we have expanded this measurement initiative to encompass all our global locations, including the UK, and all scopes of emissions, including Scope 3 emissions from our supply chain (indirect GHG emissions, including our purchase of all goods and services). To conduct our annual CO_2e Measurement Study, we partner with the environmental reporting company ClimateSeed, leveraging the GHG Protocol Corporate Standard methodology for accurate and reliable reporting of data. This expanded measurement effort allows us to not only track our emissions, but also enables us to take meaningful action to reduce our impact on the environment. Finally, it underscores our expectation for transparency and accountability from the companies we invest in to align with our commitment to responsible investment practices.

- **Reduce**

In alignment with our commitment to reduce our emissions, AXA IM has embarked on ambitious plans to achieve emissions and consumption reductions by 2025 in the UK, as outlined in our AXA IM Climate Progress Report.

Metrics	Power (tCO_2e)	Business Travel (tCO_2e)	Car fleet (tCO_2e)	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, set against a baseline of 2019, are aimed at delivering tangible results, with progress measured and reported externally on an annual basis. In addition, to enhancing our reduction capabilities, we have now onboarded ClimatePartner, an environmental consultancy, to design a new net zero roadmap, tackle Scope 3 supply chain emissions, and engage employees more effectively in our journey. This strategic partnership will enable us to strengthen our sustainability initiatives and align our efforts with best practices.

We have implemented sustainability standards for our operations in the UK. One such standard is the Sustainable Events Standard, designed to reduce the environmental impact associated with event management, planning, and attendance. This standard encourages practices such as the reuse of branding materials, reduction of event-related travel, and prioritisation of vegetarian menus with locally sourced ingredients. Additionally, we have introduced the Corporate Gifts Standard, which discontinues the distribution of corporate gifts to minimise the environmental impact from manufacturing, distribution, and end-of-life processes. Instead, funds are redirected towards charitable donations, aligning with our commitment to social responsibility. In 2023 money was donated to one of our selected Impact Philanthropy partners: Doctors with Africa CUAMM.

In our efforts to curb emissions from business travel in the UK, AXA IM has set an ambitious target for reducing travel emissions by 2025, compared to 2019 levels. To achieve this, we have revised our internal travel policy to prioritise the most sustainable ways of travelling, promoting alternatives such as train travel for short-distance journeys and reducing long-haul travel. Additionally, we are in the process of launching an internal dashboard to track business travel emissions by country, entity, and business unit, so facilitating targeted improvements. However, it is noteworthy that in 2023 business travel emissions in the UK increased by 39% compared to 2022. Despite this increase, we remain on track to achieve the 2025 business travel target. Nevertheless, further actions will be necessary to maintain alignment with our 2025 trajectories. These actions include reinforcing our business travel policy and increasing monitoring efforts.

An important milestone in our emissions reduction journey was AXA IM UK's relocation to 22 Bishopsgate in 2021, a flagship property renowned for its sustainable design and energy efficiency features. Leveraging renewable energy sources, coupled with flexible working arrangements introduced in 2021, has enabled us to operate in a more sustainable and collaborative manner.

Looking ahead to 2024, key priorities include:

- Continued development of a new science-aligned net zero roadmap with ClimatePartner, aimed at guiding our efforts in line with latest scientific recommendations;
- 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;
- Rethinking our carbon offsetting strategy to ensure alignment with our sustainability goals and maximise effectiveness in having a positive environmental impact;
- 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 priorities will both support us in the UK and globally to reduce our emissions further and catalyse positive change.

▪ Offset

As a final stage, we offset those emissions which we cannot yet eliminate. While carbon offsetting is not viewed as a standalone solution, we acknowledge that certain emissions may be unavoidable in running our business. In 2023, AXA IM continued its commitment to carbon neutrality by purchasing carbon credits to offset emissions generated throughout our operations. These credits supported a large forestry project in Guatemala. By investing in this high-quality carbon offset project, we aim to mitigate the environmental impact of our operations while actively working towards reducing our overall carbon footprint.

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.

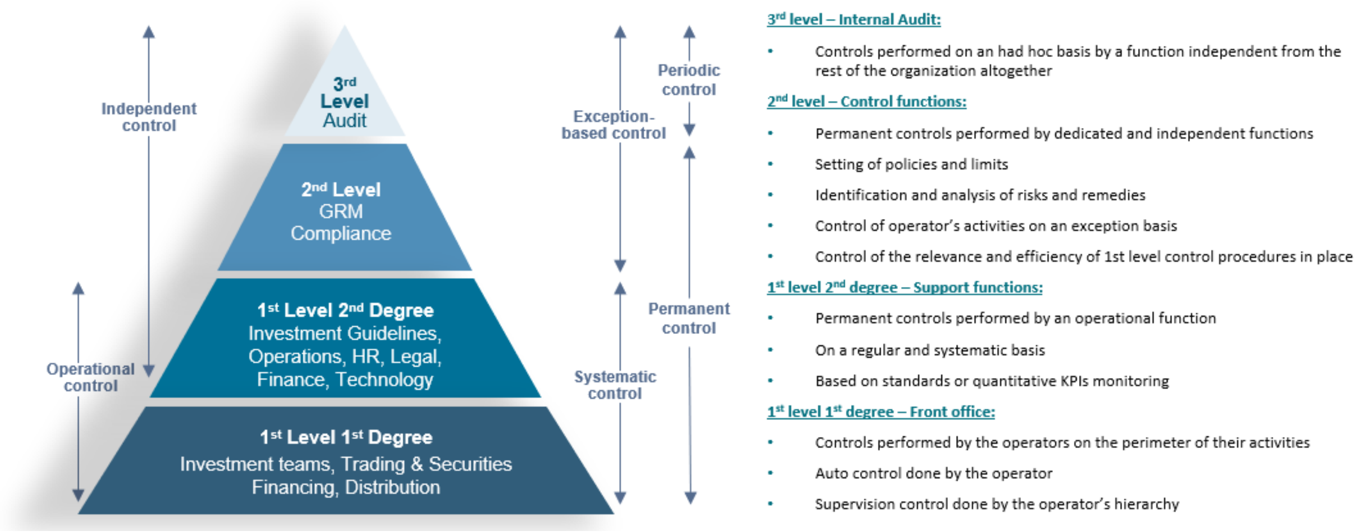
4. Risk Management

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: 'entity' and 'product'.

AXA IM UK adopts a model based on three lines of defence to manage our risks, whether at entity or product level:

- The first line of defence (front office business units) is directly accountable for pre-trade controls (incl. e.g., the monitoring of ban lists and/or eligible investment universe updates), overall risk acceptance of investment decision-making and the implementation and management of appropriate controls;
- The second line (independent control functions such as Risk and Compliance teams) is responsible for overseeing and challenging 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 according to an annual risk-based audit plan approved and monitored by the relevant governance bodies.



Source: AXA IM, 2023.

When assessing climate risks, we distinguish between physical and transition risks. Physical risks result from climate events that are either acute – such as the immediate disruption of physical assets caused by storms and floods – or chronic – such as the potential effect of rising sea levels, temperature changes and the disruption of ecosystems on 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 the potential costs of changing business models to adapt to the emergence of disruptive technologies, in the costs and penalties imposed by climate developments in policy and regulation, or in changing patterns within 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 guided by 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 their time frame over which they are observed, with 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 tolerance of the Firm, and action plans implemented to address the risks that are outside the stated tolerance. 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

4.3.1 Identification and Mitigation of Sustainability Risks in our Products

AXA IM manages the sustainability risks of its financial products and investment advice using an approach derived from the integration of ESG criteria. The Firm is fully integrated within AXA IM's overall approach which is applied to our research and investment processes and relies on our sectoral and normative exclusion policies and our proprietary ESG scoring methodologies, as described below.

We believe that these policies contribute to the management of sustainability risks in two complementary ways. Exclusion policies aim to exclude assets exposed to the most severe sustainability risks identified in the course of our investment decision-making process (e.g. for climate, our AXA IM Climate Risks Policy). The use of ESG scores in the investment decision process enables AXA IM to seek lower sustainability risks. It also helps us decide whether to seek lower sustainability risks by focusing on assets with an overall better ESG performance, or to focus on improving the current level of ESG performance of our assets and improve it over time.

Complementing these approaches, AXA IM has also integrated specific sustainability risk assessments within its investment processes for those 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 the development, performance, or position of a company or an asset, as well as how it materially affects the financial value of assets (financial materiality). It also helps us to assess the external impact of an asset's operations or activities on ESG factors (ESG materiality).

The framework is complemented by:

- In-house ESG research on key themes, including climate change, biodiversity, gender diversity and human capital management, responsible technology, and corporate governance, which is 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 types and countries.
- Internal qualitative ESG and impact analysis at the company, asset, and country-level.
- 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 reviews via sector-specific proprietary ESG scoring methodologies.

- Stewardship strategy. We adopt an active and impactful approach to stewardship (engagement and voting) by using our weight as a global investment manager to influence companies, key stakeholders and market practices. In doing so, we strive to reduce investment risk and enhance returns, as well as to generate a positive impact on 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 performance is difficult to predict and is subject to inherent limitations such as the availability and quality of the data.

4.3.2 Monitoring and Controls

ESG-related investment guidelines consist of the implementation of our exclusion policies, as well as of eligibility criteria and, where relevant, of 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:

- Through the integration of a wide range of ESG KPIs into our Front Office tools available for traditional asset classes, investment teams can regularly 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 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 by considering both the client's and the 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 oversees the monitoring of regulatory changes and works closely with investment teams, as well as with the RI professionals and the Risk Management department.
- In addition, AXA IM has launched several working groups that are responsible for monitoring regulatory changes related to RI, defining our position, and setting up action plans to address and adapting our commercial offering, 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 several 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 to move to sustainable economies. Using these metrics allows us to judge whether, by the actions we are taking under our RI strategy and framework, we are responding appropriately to climate-related risks and opportunities. 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 reduce the WACI of all our corporate investments by 25% before 2025, and as requested by the FCA, we are disclosing our carbon intensity and absolute emissions for AXA IM UK at the end of 2023 on our main traditional asset classes (i.e., listed equity, corporate and sovereign bonds). We are also comparing our current climate performance with certain global benchmarks.

2023 data (Scope 1 + 2 + 3)

	AUM	Weighted average carbon intensity (WACI) – Scope 1 + 2 + 3		Absolute emissions – Scope 1 + 2 + 3	
	£M	tCO_2e / £M revenues or GDP	Coverage (%)	$MtCO_2e$	Coverage (%)
AXA IM UK	***64,399***				
- Equities	*25,052*	**204**	*99%*	**12.46**	99%
- Corporate bonds	*20,601*	**253**	*82%*	**8.35**	82%
- Sovereign bonds	*5,157*	**160**[29]	*93%*	n/a	n/a
- Real estate	*640*	**71**	*79%*	**0.01**	79%
- Infrastructure	*9,120*	**4,751**	*94%*	**8.20**	95%
- Alternative credit (incl. impact funds)	*1,158*	**456**	*85%*	**0.26**	85%
- Funds of hedge funds	*2,671*	**101**[30]	*85%*	**0.25**[31]	*85%*
Global benchmarks					
- MSCI All Country World Index (ACWI)		298	100%		
- ICE BofA Global Broad Market Index		371	92%		
- JP Morgan GBI Global Govies		243[32]	100%		

Source: AXA IM based on Trucost, MSCI, World Bank, Iceberg Data Lab, Findox, ClimateSeed, 2023.

As for traditional assets, while at AXA IM level the WACI have already been reduced by more than 48% at the end of 2023 compared to 2019 on Scope 1 + 2 emissions, thus already outperforming our 2025 target, at the UK level AXA IM's listed assets' WACI is already significantly below their global benchmarks, both in 2022 and 2023, on Scope 1 + 2 emissions only as well. When including Scope 3 emissions, the equities and corporate bonds that we have invested in the Firm's clients (i.e., an average 226 tCO_2e / £M revenues of total listed equity & corporate bonds) are 39% below the ICE BofA Global Broad Market Index and 24% below the MSCI ACWI at end of 2023. As Scope 3 emissions are not available on sovereign assets to date, as for the sovereign bonds, the Scope 1 + 2 WACI is 34% below the JP Morgan GBI Global Govies index at the end of 2023 (compared to 31% below at end of 2022).

[29] Scopes 1 & 2 only.
[30] *Idem.*
[31] *Idem.*
[32] *Idem.*

As for real assets, we have improved our reporting coverage by also collecting Scope 3[33] operational data, while systematically using emission attribution factors to accurately reflect our share in investments' GHG emissions[34]. Assessing and interpreting WACI for private real estate and infrastructure remains however a highly nuanced exercise especially given the lack of well-established benchmarks.

For direct real estate assets, Scope 1 and 2 emissions are capturing emissions controlled by the landlord of each asset, while Scope 3 captures emissions controlled by 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. It should be however noted that obtaining whole building operational data constitutes a key challenge, especially for full repairing & insuring (FRI) leases and long leases that are covered by the entity, since we depend on the willingness of the tenant to share their data.

For indirect real estate (*i.e.*, CRE Debt), GHG 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.

Following an ESG data collect and analysis process enhancement for infrastructure investments, we have improved our access to investee companies and borrowers GHG emissions data (Scope 1 + 2 + 3) in 2023. Exclusions from our reporting scope of investments with GHG emission data quality[35], as well as the systematic use of GHG emission attribution factors resulted in a Scope 1 + 2 + 3 absolute emissions of 8.20 MtCO_2e as of December 2023, which is above the 7.51 MtCO_2e reported for Scope 1 + 2 alone last year.

As for Alternative credit, Natural Capital & Impact, WACI reported figures show a significant improvement in both coverage (for Scope 1 + 2 + 3) and qualitative GHG reporting, benefiting from the input of ClimateSeed expertise for the Natural Capital & Impact scope.

As for funds of hedge funds, investment teams are starting their ESG reporting journey, with to date GHG emissions data only available on Scope 1 + 2, still already having a relatively high data coverage. Work is ongoing to extend the carbon footprinting exercise for fund of hedge funds to include scope 3 emissions in future reporting cycles.

Refer to Appendix 6.4 for description of ESG KPI methodologies.

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[33] For infrastructure debt assets scope 3 includes upstream and downstream carbon emissions, whenever available.
[34] In last year's TCFD report, GHG emissions' attribution factors have only been applied for ESG-integrated funds' holdings.
[35] At the end of 2023, overall ESG data excludes certain infrastructure debt holdings for which no actual GHG data was provided, and proxy GHG data quality was deemed not representative or irrelevant.

2022 data (Scope 1 + 2)

	AUM[36]	Weighted average carbon intensity (WACI) – Scope 1 + 2		Absolute emissions – Scope 1 + 2	
	£M	tCO_2e / £M revenues or GDP	Coverage (%)[37]	$MtCO_2e$	Coverage (%)
AXA IM UK	***62,351***				
- Equities	*26,109*	**106**	*99%*	**1.16**	99%
- Corporate bonds	*20,342*	**166**	*82%*	**1.20**	72%
- Sovereign bonds	*5,492*	**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 based on Trucost, MSCI, World Bank, Iceberg Data Lab, Findox, 2022.

[36] Following data consistency checks, discrepancies were found in the reported AuM of some of the asset classes in the Firm's 2022 Climate Report. These discrepancies did not affect the reported WACI and absolute emissions included in the 2022 Climate Report and shown above.

[37] The data coverage on eligible assets disclosed in this report reflects the proportion of eligible assets for which data is available and provided in this report. Eligible assets refer to all investments in the relevant asset class, whatever the type of financial instrument, excluding some irrelevant assets (e.g., parking, land, or cellars, as for real estate assets), assets where proxy data quality was deemed not representative or irrelevant (e.g. as for infrastructure debt holdings).

5.3 Our investment emissions targets

As of April 2022, and as part of the second NZAM progress report[38], AXA IM's net zero target covered $650bn AuM, representing 65% of our total AuM including JVs and 73% excluding JVs at end of 2023.[39] This target encompasses all corporate (fixed income and listed equity) assets and sovereign government bonds, and most of our real estate assets. AXA IM has defined specific asset class-level targets based on industry standards[40], which 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.

As for the Firm, coverage was **72%** at end of 2023 (compared to 67% at the end of 2022; including all listed corporate and sovereign assets and direct real estate equity assets managed by the Firm).

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

To accurately report on our carbon emissions, we partner with ClimateSeed and adhere to the GHG Protocol Corporate Standard methodology. Widely recognised as the leading international GHG accounting tool, the GHG Protocol is instrumental for governments and businesses in comprehensively understanding, quantifying, and managing GHG emissions. It serves as the foundation for numerous GHG standards and programmes globally and is used in the preparation of hundreds of GHG inventories by companies worldwide.

The GHG Protocol Corporate Standard categorises emissions into three scopes, each with sub-categories. This approach provides clarity and consistency in assessing emissions across our operations. For further details on our emissions reporting methodology, please refer to 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;

[38] See NZAM Initial target disclosure report, May 2022: NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf (netzeroassetmanagers.org)
[39] These objectives are not currently implemented to other alternative asset classes (i.e., Alternative credit, and Structured finance).
[40] 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 been diligently measuring its footprint across Scopes 1, 2, and business travel in the UK as part of the annual AXA Group Environmental Reporting Campaign since 2012, and has taken proactive steps to progressively reduce emissions. Starting from 2021, we have expanded this measurement initiative to encompass all our global locations, including the UK, and all scopes of emissions, including Scope 3 emissions from our supply chain (indirect GHG emissions, including our purchase of all goods and services). To conduct our annual CO_2e Measurement Study, we partner with the environmental reporting company ClimateSeed, leveraging the GHG Protocol Corporate Standard methodology for accurate and reliable reporting of data. This expanded measurement effort allows us to not only track our emissions, but also enables us to take meaningful action to reduce our impact on the environment. Finally, it underscores our expectation for transparency and accountability from the companies we invest in to align with our commitment to responsible investment practices.

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 be undertaken and resources for effective communication to teams.

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

METRICS	Power (tCO_2e)	Business Travel (tCO_2e)	Car fleet (tCO_2e)	Marketing paper (kg/FTE)	Office paper (kg/FTE)	Water (m^3/FTE)	Unsorted waste (kg/FTE)
2025 % reduction	36%	25%	100%	20%	20%	10%	10%

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

2023 GHG Inventory for AXA IM London office – GHG Protocol format

Following AXA IM's commitment to reduce carbon emissions in the areas of energy, car fleet and business travel, and to reduce our consumption of paper, water and generated waste, we have disclosed our carbon footprint for the AXA IM London office for the year 2023. 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. The GHG Protocol outlines two distinct methods for reporting a carbon footprint: the location-based approach and the market-based approach. Under the location-based approach, Scope 2 emissions are calculated based on the emissions intensity of the local grid area where electricity consumption occurs. In contrast, the market-based method calculates Scope 2 emissions based on the purchase of specific market instruments, such as Renewable Energy Certificates.

For greater transparency and consistency, we are adopting a dual reporting approach, wherein we report emissions using both location-based and market-based methods. This dual reporting strategy ensures comprehensive disclosure and enables stakeholders to assess our environmental performance from multiple perspectives. By providing information through both methods, we aim to meet the diverse expectations of stakeholders, while upholding our commitment to transparency in emissions reporting.

For 2023, ClimateSeed calculated AXA IM London office emissions to be 6,293 tCO_2e using a location-based approach, and 6,185 tCO_2e using a market-based approach.

It is important to highlight that certain sub-categories of emissions are excluded from our GHG inventory as they are not relevant to AXA IM's operations. These exclusions typically encompass activities or sources of emissions that are not representative for financial services companies like AXA IM. For instance, category 3-12 addresses emissions associated with the waste disposal and treatment of products sold by a company. Given AXA IM's primarily service-oriented nature, direct involvement in such activities is minimal or non-existent. As a result, emissions from these specific activities are not included in our inventory.

Categories of emissions	Sub-category	Emission sources	Total GHG emissions (tCO_2e)
Scope 1	1-4	Direct fugitive emissions	35
Scope 2	2-1 (location-based)	Indirect emissions from electricity consumption	139
	2-1 (market-based)	Indirect emissions from electricity consumption	68
Scope 3	3-1	Purchased goods or services	3,891
	3-2	Capital goods	133
	3-3 (location-based)	Emissions related to fuels and energy (not included in Scope 1 and Scope 2)	67
	3-3 (market-based)	Emissions related to fuels and energy (not included in Scope 1 and Scope 2)	31
	3-5	Waste generated in operations	9
	3-6	Business travel	1678
	3-7	Employees commuting	340
TOTAL (location-based approach)			6,293
TOTAL (market-based approach)			6,185

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	▪ AXA IM RI Governance structure (see page 4)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	▪ 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.	▪ 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.	▪ 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.	▪ 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.	▪ 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	▪ 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.	▪ 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.	▪ 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.	▪ 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.	▪ 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 CO_2 from the calcination step in cement manufacturing, CO_2 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 (tCO_2e): total CO_2 emissions resulting from energy consumption (tCO_2e).

Car fleet (tCO_2e): This covers total CO_2 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 (CO_2e/FTE): CO_2 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 or 2023 (depending on the date of collected data). It is expressed as the sum in tons of CO_2 equivalent of the Scope 1 + 2 + 3 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:

$$Absolute\ emissions = \sum_i \frac{AuM_i}{EVIC_i\ or\ TEV_i} \times GHG\ emissions_i^{Scope\ 1+2+3}$$

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 or 2023 (depending on the date of collected data) in proportion to each investee company's revenue. It is expressed in tons of CO_2 equivalent per £ million of revenues of the Scope 1 + 2 + 3 GHG emissions of each investee company and weighted as set out below:

$$Carbon\ intensity\ by\ revenues = \sum_i \omega_i \times \frac{GHG\ emissions_i^{Scope\ 1+2+3}}{Revenue_i}$$

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.

As these data are initially calculated in €, yearly average exchange rates between € and £ are used: 0.86979 GBP/EUR[41].

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 CO_2 equivalent per £ million of GDP PPP (Purchasing Power Parity) and weighted by the share of our holdings in all countries, as follows:

$$Carbon\ Intensity\ by\ GDP = \sum_i \omega_i' \times \frac{GHG\ Emissions^{Cement+Foss\quad Fuel}}{Purchasing\ Power\ Parity - Adjusted\ GDP}$$

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.

As these data are initially calculated in €, yearly average exchange rates between € and £ are used: 0.86979 GBP/EUR[42].

[41] Source : ECB, 2024: [Euro foreign exchange reference rates (europa.eu)]
[42] *Ibid.*