AXA IM – 2023 Report

TCFD / Article 29

Contents

Explanation of the report structure

This report aims to address the Article 29 of the French 2019 Energy & Climate Law and its implementation decree[1], fulfil the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and provide a comprehensive overview of AXA IM's approach to Sustainability and Responsible Investment (RI).

In addition, the report addresses some of the requirements of the Securities and Futures Commission (SFC) of Hong Kong on the management and disclosure of climate-related risks by fund managers. As for the recent climate-related reporting requirements of the Financial Conduct Authority (FCA) in UK, while the report covers part of the requirements, a dedicated disclosure is available on AXA IM UK website[2].

Since 2023, the report follows the structure of the implementation decree of the Article 29 of the French law, as requested by the French financial market authority (*Autorité des marchés financiers* – AMF), as follows:

1. The entity's general approach to the consideration of environmental, social and governance criteria;
2. Internal resources and actions deployed by the entity dedicated to the integration of ESG criteria in the investment strategy;
3. Consideration of ESG criteria at the entity's governance level;
4. Engagement strategy of the entity with issuers or management companies;
5. Share of assets in sustainable and fossil fuel sectors and activities;
6. Climate strategy and alignment with long term climate goals as defined by the UNFCCC Paris Agreement;
7. Biodiversity strategy and alignment with long term biodiversity goals defined by the UN CDB;
8. Integration of ESG criteria into risk management;
9. List of financial products referred as Article 8 or 9 under the SFDR.

The French regulatory requirements, acting as a complementary set of disclosure requirements of the EU Sustainable Finance Disclosure Regulation (SFDR) in France, are among the most advanced non-financial disclosure requirements on Environmental, Social and Governance (ESG) criteria. Beyond covering the main features of the TCFD recommendations with regards to climate change reporting, the French regulation also covers disclosure on various other ESG issues, notably on biodiversity impacts, risks & opportunities, engagement and stewardship policies, and the integration of ESG criteria into governance practices.

All reported ESG key performance indicators (KPIs) in the report are based on worldwide holdings at end of 2022 and 2023 managed by **AXA IM Paris**, **AXA REIM SGP** and **AXA IM Prime**, covering the three main AXA IM business units, AXA IM Core, AXA IM Alts and AXA IM Prime (see graph below), split by main asset class, with the exceptions of i) the progress measured on AXA IM net zero (NZ) targets, ii) our exposures to fossil fuel in alternative and other private market assets that are both measured across all AXA IM entities and iii) all other AXA IM Alts Alternative Credit reported KPIs (ESG scores & weighted average carbon intensity – WACI – in addition to the fossil fuel exposure). It encompasses open-ended funds as well as dedicated funds and mandates under the management of the respective AXA IM entities:

- AXA REIM SGP: AXA IM's investments in real assets, whose figures correspond almost entirely to those reported on the Real Estate and Infrastructure assets further down in this report;
- AXA IM Prime: AXA IM's investments in private and alternative assets, whose figures correspond to those reported on Private Assets;
- AXA IM Paris: A more heterogenous set of AXA IM's investments, encompassing:

[1] See more on Legifrance (French only): Décret n° 2021-663 du 27 mai 2021 pris en application de l'article L. 533-22-1 du code monétaire et financier - Légifrance (legifrance.gouv.fr)
[2] See more on AXA IM UK website: Our Policies and Reports | AXA IM UK (axa-im.co.uk)https://www.axa-im.co.uk/

- Traditional assets managed by AXA IM's business unit Core;
- Other private assets managed by AXA IM's business unit Prime, that fall outside of the reporting category Private Assets. This concerns funds of funds, hedge funds in the area of private debt and equity and infrastructure, and thematic hedge funds.
- Real assets and alternative credit, including private, managed by AXA IM's business unit Alts.

This report covers AXA IM Paris, AXA REIM SGP and AXA IM Prime as one organisation. Approaches defined within AXA IM aim at being consistent and harmonized, when possible, across all business units while considering the specificities of each entity and asset classes.

As for the reported year 2023, AXA IM Select France (ex-Architas France)[3] discloses a standalone Art.29 report for AXA IM Select France (ex-Architas France). It was integrated within the AXA IM Group in January 2024, and will be integrated in AXA IM's report starting 2025 for the report covering calendar year 2024.

Founded in **1994**

€844bn[1 2] of assets under management

2822 Employees

23 Offices

AXA IM Core
€501bn
AUM

Fixed Income
High Yield
IG Credit
Inflation
Emerging Markets
Govt bonds
Money Markets

Equities
Global
Regional & Country
Thematic
Sustainable & Impact

Multi-Asset
Targeted outcome
(Capital growth, capital preservation, income generation, inflation, impact)

AXA IM Alts
€183bn
AUM

Private Debt & Alternative Credit
Real estate debt
Infrastructure debt
Alternative credit

Real Estate Equity
Private real estate
Listed real estate

Infrastructure & Private Equity
Infrastructure Private Equity
Impact Private Equity

AXA IM Prime
€35bn
AUM

Private Assets
Private equity,
Infrastructure equity
Private debt
Nav financing
GP stake

Liquid Alternative Strategies
Hedge Funds

Solutions
Outsourced CIO
Multi private assets mandate

AXA IM Select
€30bn
AUM

Multi Manager
Funds of Funds
Investment Advisory
Discretionary Portfolio Management
Individualised Protected Solutions
UL Oversight

Source: AXA IM, data as at 31/12/2023. (1) AXA IM - Assets under management (AuM) including €97bn Assets under Distribution in joint ventures (JVs)/revenue as at 31/12/2023. (2) AXA IM's total AuM includes the contribution from AXA IM Select and AXA IM Prime, with the exclusion of double accounting between the various business units. AXA IM Alts assets also include c. €4bn managed by its private debt subsidiary CAPZA.

[3] AXA IM Select is AXA IM's specialist investment multi-manager, which encompasses AXA IM Select France – a 100% subsidiary of AXA France – serving all AXA Group retail customers through active open-ended funds, as well as offering structured finance and dedicated funds and financial advisory.

2023 in review

Reinforcing our Responsible Investment policies

In 2023, we continued to reinforce and expand our policies regarding responsible investment and the integration of ESG factors into our investment decisions. In Q1 2023, we launched the **AXA IM for Progress Monitor** to better communicate and showcase our journey to net zero, which brings together a set of existing metrics in a simple and transparent way. 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: i) decarbonisation across the main asset classes and for our own operations; ii) the importance of active engagement as an active asset manager, both internally and externally; iii) 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 given in July 2023 and the AXA IM for Progress Monitor will over time be refined to increasingly reflect AXA IM's commitments towards E, S and G criteria.

As our 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. We reinforced our **exclusions** under our **Climate risks policy** by strengthening our exclusion criteria on **coal** and **oil sands** in early 2023. On the **engagement** side, in 2023, we kept the same focus in ESG themes as in 2022: climate change, corporate governance and resources & ecosystems were in 2023 the main themes addressed by our engagement with objectives. We have continued to reinforce our efforts to build momentum on engagement through collaborative initiatives such as the **Nature Action 100 (NA100)**. Overall, escalation techniques were more often used in 2023, when analysing absolute numbers, to push companies to achieve their engagement targets. We have also initiated a pilot of the **Task-force on Nature-related Financial Disclosures (TNFD) pilot** on the agrifood and auto sectors.

Lastly, AXA IM's **sustainability governance structure** was further reviewed in November 2023 to enhance the integration of two new business units, AXA IM Prime and AXA IM Select (ex-Architas). The RI capabilities are now organised with a transversal RI Center which works together with dedicated Sustainability teams within AXA IM Core, AXA IM Alts, AXA IM Prime and AXA IM Select, and reports to the Executive Chairman. This organisation aims at ensuring robust ESG integration and common foundations when relevant between BUs, maintaining AXA IM's status of "advanced" player in the RI space, allowing for successful innovation and collaboration while considering the specificities of each asset class and properly tackling greenwashing risks.

Highlights of product innovation in traditional asset classes

At the product-level, we built on our long RI experience and the growing interest of our clients to continue to develop and strengthen our RI fund offering. This is mainly done through our ACT range of funds, the most advanced in terms of sustainability delivery, alongside **ESG-focused ETFs** such as USD Credit PAB. Our fund offering now allows us to cover a wide spectrum of themes, from clean energy to biodiversity preservation, to social progress as impact bonds (green and social bonds), both through active and passive strategies.

Implementing and helping to shape effective Sustainable Finance policies

2023 saw the entry into force of new requirements as part of recent sustainable finance policy developments, which continued to mobilize AXA IM's teams efforts:

- The first year of disclosures under **SFDR**, with the **first principle adverse sustainability impacts (PAI) statements** for some AXA IM EU entities[4], as well as the review of AXA IM SFDR entity-level disclosures to better specify our approaches to i) sustainability risks and ii) PAIs, and the **first product pre-contractual, websites and in periodic disclosures** which specify various aspects in relation to i) the principle of 'do not significant harm' (DNSH), ii) sustainability indicators and principle adverse sustainability impacts (PAIs), and iii) the promotion of environmental or social characteristics and sustainable investment objectives. We have disclosed in early 2023 our **sustainable investment ("SI") approach for listed corporate assets** and have worked on the SI definition of other asset classes, in particular impact investments in private markets and real estate equity[5];
- The first year of disclosure under the **UK FCA rules on climate-related reporting requirements** with a first TCFD entity-level report specific to AXA IM UK Ltd in June 2023[6] in conjunction with this report and our first TCFD product-level reports;

We have also initiated the reporting on the **EU Taxonomy** eligibility ratio in 2023, and with a **first disclosure of our EU Taxonomy alignment ratio in this report and from 2024 onwards** thereby gathering data, starting to assess its quality and using it notably to inform certain engagement discussions. While we believe the EU Taxonomy will be a very useful, unifying framework in the EU, the lack of a robust approach to estimates makes it difficult at this stage to set related targets at portfolio level, the latter often being invested globally. In that context, AXA IM pursued its **advocacy efforts** on sustainable finance policies, aiming through those to help ensure rules around disclosure and definitions in terms of defining of what is 'green' or 'sustainable' are robust, comparable and science-based where possible – but also usable by the financial sector and by corporates, and understandable for all investor types[7]. We have been involved in several industry working groups, including the **EU Platform on Sustainable Finance (PSF)** to help address the current shortcomings of the regulation and ensure it can reach its end goal which is well aligned with our own ambition of accompanying the transition to a more sustainable world. We have also been focusing on helping our clients and stakeholders understand ESG-related regulations in EU, UK, France, US among other countries, their objective and different requirements.

[4] AXA IM Paris, AXA REIM SGP, AXA IM Deutschland and AXA Funds Management as for the 2023 reporting exercise on the calendar year 2022.
[5] See more on SFDR-related disclosures AXA IM website: Sustainable Finance | AXA IM Corporate (axa-im.com)
[6] See more on AXA IM UK website: Our Policies and Reports | AXA IM UK (axa-im.co.uk)
[7] See 'Public policy' section of our 2023 Stewardship report, pp.40-41: Stewardship and Engagement | AXA IM Corporate (axa-im.com)

Key figures in 2023

Reduce the carbon intensity of our investments in investee companies[8]
(Corporate bonds & equities)

-49% achieved between 2019 and 2023

-25% 2025 target vs 2019

Baseline (2019): 147.8 tCO_2e/$M of investee companies' revenues

Reduce the carbon intensity of our real estate investments[9]
(Real estate equities)

-33% achieved between 2019 and 2023

-20% 2025 target vs 2019

Baseline (2019): 31.3 $kgCO_2e/m^2$

Share of investments in companies from material sectors that are net zero, aligned or aligning by 2040[10]
(Corporate bonds & equities)

80% of all AuM in investee companies at end of 2023

100% 2040 target

Baseline (2021):36%

AXA IM portfolios' implied temperature rise (ITR)[11]
(Corporate bonds & equities)

2.2°C AXA IM portfolios

2.4°C Average of 2 global benchmarks[12]

(Sovereign bonds)

2.0°C AXA IM portfolios

2.5°C Global benchmark[13]

AXA IM's fossil fuel exposure[14]
(Corporate bonds & equities)

	AuM (€bn)	% of total AuM in investee companies
Coal	1.2	0.39%
Overall oil & gas	5.3	1.76%
Of which unconventional oil & gas	2.9	0.97%

Average ESG scores[15]
(Corporate bonds & equities + Sovereign bonds)

6.86/10 AXA IM portfolios

6.51/10 Average of 3 global benchmarks[16]

Share of GHG emissions financed in companies from material sectors that are under engagement[14]
(Corporate bonds & equities)

69% of all AuM in investee companies at end of 2023

70% 2025 target

90% 2030 target

Baseline (2021): 52%

€40bn in 2023 of investments in climate solutions ("green investments")[15]

4.7% of total AuM dedicated to climate solutions at end of 2023

6% 2025 target

Baseline (2019): 2.1%

[8] Scope 1 and 2 only.
[9] Idem.
[10] Including issuers categorised as 'Dark blue' (net zero), 'Blue' (aligned with a net zero pathway) and 'Light blue' (aligning with a net zero pathway by 2040) according to AXA IM Climate colour framework described in the report (see section 6.4), and based on the Net Zero Investment Framework (NZIF) V1.0.
[11] The ITR represents how portfolios are aligned with global temperature targets, estimating the global temperature increase by 2100. For listed equities and corporate bonds use MSCI ITR model, while the reported one for sovereign bonds uses Beyond Ratings' CLAIM model.
[12] The two listed corporate global benchmarks used for comparison purposes are the MSCI All Country World Index (ACWI) and the ICE BofA Global Broad Market Corporate (using an equally weighted average).
[13] The global sovereign benchmark used for comparison purposes is the JP Morgan GBI Global Govies.
[14] AXA IM's exposure to fossil fuel activities relies on S&P Trucost and Urgewald's databases, accounting for all our exposure to any issuer with any revenue (>0$) from these activities.
[15] ESG scores for traditional assets are based on MSCI ESG scoring model coupled with an overlay of AXA IM's qualitative analysis.
[16] The three global benchmarks used for comparison purposes are the MSCI All Country World Index (ACWI), the ICE BofA Global Broad Market Corporate and the JP Morgan GBI Global Govies (using an equally weighted average).
[17] Including engagement activities conducted directly by AXA IM are accounted for the two previous years of engagement, along with emissions subject to collaborative engagement initiated by Climate Action 100+, in line with the NZIF V1.0.
[18] Based on AXA IM's Green Investments definition as described in this report (see section 5.1 for more details).

1- Our approach to ESG integration: AXA IM Responsible Investment Framework

1.1 Our philosophy

AXA IM has been involved in responsible investment for more than 20 years and is actively engaged in progressively incorporating Environmental, Social and Governance ("ESG") factors into each area of management expertise, as well as in developing a wide range of responsible- and impact-investment products.

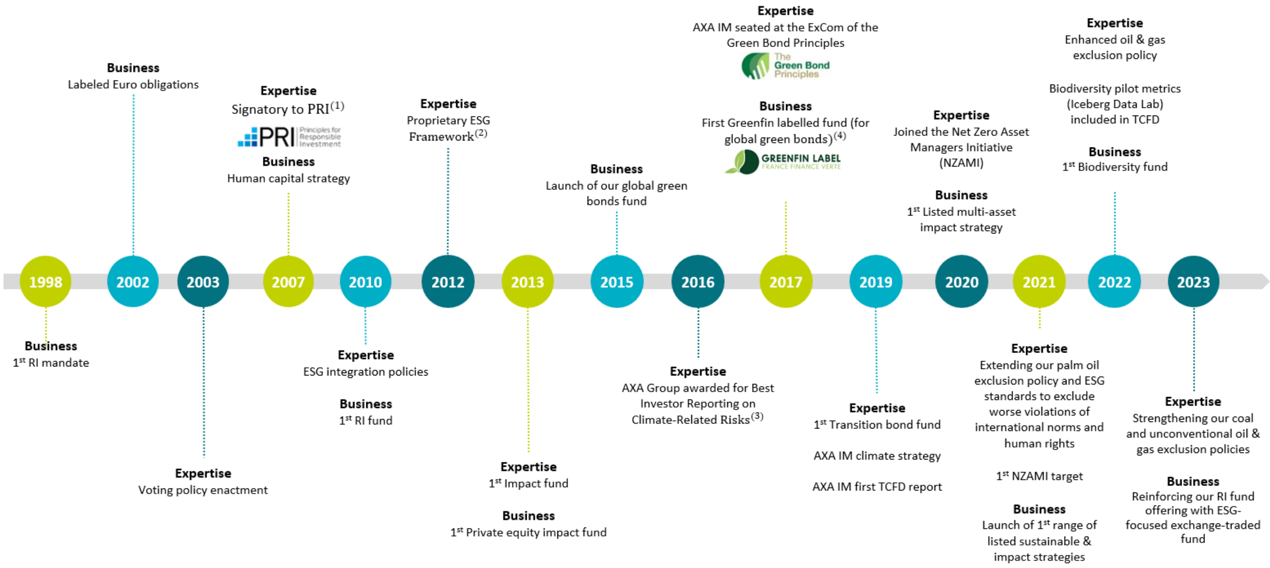
We believe that ESG factors should not only influence the management of our portfolios across asset classes, sectors, companies, and regions, but also the interests of our clients and other stakeholders.

Our investment philosophy is based on the conviction that sustainable development issues are a major concern for the coming years. We believe that combining fundamental 'non-financial factors' with traditional financial criteria will help us build more stable portfolios that perform better over the long term. The non-financial approach has become a necessity in many 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 regarding managing their environmental impacts, governance and social practices, and whose responsible practices leave them better prepared, in our view, to meet the major challenges of the future;
- It may support improved performance by means of active dialogue with companies on managing ESG concerns around investments and limiting our clients' exposure to reputational risk.

AXA IM's RI framework, policies and processes are built to consider both impacts, at varying degrees depending on the level of integration of our products – in line with the principles of the EU SFDR.

Source: AXA IM, 2023.



Source: AXA IM as of 30/06/2023. (1) Principle for Responsible Investment. (2) In-house RI platform. (3) Awarded by the French Ministry of Ecological transition in 2016. (4) Source: Novethic. Launched at the end of 2015 following the COP21 by the French Ministry of the Ecological transition, the Greenfin label helps to comply and fulfil a fund's commitment to financing the green economy. The Environment Ministry sets out the share of green activities to be held to claim the label[19].

1.2 AXA IM Responsible Investment Framework

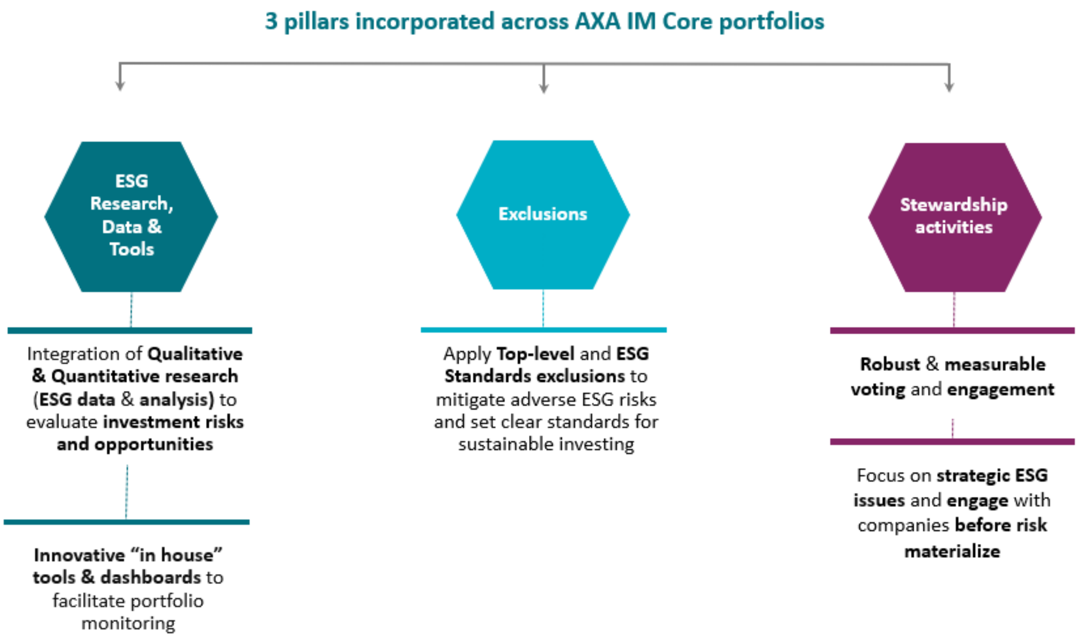
AXA IM is a long-term, responsible investor with the aim of delivering sustainable returns for clients. We aim to achieve this goal via in-depth research, data analysis and the construction of portfolios which look to optimise both financial and non-financial factors. Our investment process reflects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

Our RI framework is based on **three pillars**:

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

Our **ESG quantitative and qualitative research** helps us understand the materiality of ESG challenges for sectors, companies, and countries. This research feeds into our ESG-integration and exclusion strategies by identifying where assets might be exposed to ESG risks that could have a detrimental and irreversible effect on the performance of our portfolios, as well as on long-term global sustainability. Our **normative and sectoral exclusions** define our red lines and send a clear message to companies and, when relevant, to sovereigns on what we consider unacceptable from an ESG perspective. For assets where we remain exposed, we apply our voting and engagement strategies with the objective of supporting issuers in their transition journey. In applying our **stewardship strategy**, specifically for engagement with objectives, we aim to set out meaningful objectives which are clearly communicated to the management of the issuer through engaging dialogues. We then hold meetings with such issuers to verify and evaluate their progress regarding ESG issues and we vote with conviction or, when required, pursue other escalation techniques. In the case of a severe engagement failure (e.g., where commitments taken investee companies – or progress agreed upon – have not been fulfilled), this process could end in divestment.

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



Source: AXA IM, 2023.

ESG quantitative and qualitative research

ESG scoring methodologies

Our ESG scoring methodologies help portfolio managers integrate ESG considerations in their investment decisions by assessing the ESG performance of our assets. ESG scoring methodologies rely on data reported by companies which are still heterogenous due to the absence of global, mandatory sustainability reporting standard which means they should be used with caution. Through our advocacy efforts, we support the on-going developments in the sustainability-reporting space, including at EU level with the upcoming CSRD and at global level with the work of the ISSB. We particularly advocate for the proportionate integration of the 'double materiality' concept and an effective inter-operability between the different sustainability standards that are currently being developed.One of the challenges faced by investment managers when integrating sustainability risks or PAI in their investment process is the limited availability of relevant data for that purpose: such data is not yet systematically disclosed by issuers, investee companies or tenants or, when disclosed, may be incomplete or may follow various methodologies. Most of the information used to establish the exclusion lists or determine ESG factors is based on historical data, which may not be complete or accurate or may not fully reflect the future ESG performance or risks of the investments.

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

For **traditional asset classes (*i.e.*, corporate & sovereign issuers)** managed by AXA IM Core:

- AXA IM has implemented scoring methodologies to rate issuers on ESG criteria. We have recently adopted a single-provider ESG scoring model which is coupled with an overlay of AXA IM's own analysis. Entitled Q^2 (Qual and Quant), this new and enhanced qualitative and quantitative approach offers increased coverage as well as fine-tuned fundamental analysis and provides a structured score. Using MSCI ESG scoring model as the starting point, Q^2 methodology allows to increase the coverage provided by MSCI as when MSCI doesn't provide a rating for an issuer, AXA IM ESG analysts can provide a documented, fundamental ESG analysis, which in turn will be transformed into a quantitative ESG score following MSCI pillars aggregation

methodology and scores normalisation, such coverage-enhancing ESG scores are referred to as "qual-to-quant". When MSCI does cover an issuer but AXA IM's ESG analysts disagree with MSCI's ESG assessment (for example because the assessment is based on scarce and/or outdated data), a documented, fundamental ESG analysis can be submitted to the peer review of the ESG Monitoring & Engagement Committee, chaired by the Head of AXA IM Research; if this committee validates the analysis, it will be transformed into a quantitative ESG score and will override the existing, previously prevailing MSCI score;
- In the corporate methodology, the severity of controversies is assessed and monitored by MSCI in its model on an ongoing basis to make sure that the most material risks are reflected in the final ESG score. The controversies with high severity will trigger large penalties on the sub-factor scores and ultimately on the ESG scores;
- The data used in these methodologies include greenhouse gas (GHG) emissions, water stress, health and safety at work, supply chain labour standards, business ethics, energy security risk, wellness. AXA IM rates issuers on ESG criteria (corporates and sovereigns) based on quantitative data and/or qualitative assessment from internal and external research;
- These ESG scores provide a standardised and holistic view on the performance of issuers on ESG factors and enable to both promote Environmental and Social factors and further incorporate ESG risks and opportunities in the investment decision.

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

- For **direct real estate property**: The ESG rating methodology is a proprietary tool, initially developed in 2016, and regularly updated to be in line with regulation and industry benchmarks requirements, such as BREEAM-in-use and GRESB, in order to integrate the expectations of the main stakeholders and to guarantee the coherence of the actions conducted at asset level. The assessment is linked to the performance of a building over a defined period and therefore takes into account criteria that can be measured at the asset level. All E, S and G pillars are linked to the building itself or to its management method and are defined to allow the evaluation of any type of physical real estate asset, regardless of its asset class (residential, office, hotel, etc.). A first assessment is performed during the acquisition process, to embed ESG criteria in the asset underwriting, and is then updated on a yearly basis to monitor the impact of our active management.
- For **commercial real estate (CRE) debt and infrastructure equity & debt**: ESG criteria are taken into consideration during the due diligence and investment committee process. A proprietary scoring methodology specific to these asset classes was developed in 2017 for the purpose of allocating an ESG score, with various set of indicators and assessments for each asset class.
- For **leveraged loans & private debt**: For new loans and bonds issued by corporates that are not rated by the previous methodology, another scoring methodology is put in place based on Ethifinance data provider. In 2023, the methodology will be reviewed to integrate the Reorg FinDox ESGx solution.
- For **other alternative asset classes (*i.e.*, CLOs, ABS, mortgages, NPL, ILS, and RegCap)**: proprietary ESG scoring methodologies capturing their specificities through quantitative and qualitative indicators and related assessment have been developed in 2021.

For **other private asset classes,** as for **funds of funds** managed by AXA IM Prime, a dedicated methodology was developed and is based on relevant industry frameworks such as the UN PRI, Invest Europe and the SFDR regulation for investments in primary funds. The ESG assessment relies on answers provided by the fund manager to an ESG questionnaire divided in two parts:

i) the fund manager as a company (firm responsibility), assessing the firm's ESG governance and policy, and specific environmental, social and governance practices;
ii) the specific fund in which the investment is made (fund responsibility), assessing the integration of ESG in the investment cycle (pre-investment, ownership, transparency).

A separate ESG score is calculated at each level, and is ranked from 1 to 10. The output of the ESG assessment is threefold ensuring the investment's compliance with i) AXA IM sectorial exclusion policies, ii) minimum ESG criteria, and iii) minimum ESG score (both at firm and fund level). A dedicated approach with separate questionnaires was developed for secondaries and co-investments to account for the specificities of such investments. For all investments, the ESG assessment is conducted pre-investment and updated on an annual basis during holding.

Overall across our various asset classes, some of our strategies apply binding criteria in relation with the ESG score, which are described in their legal documentation.

All ESG methodologies per asset class are covered in our **ESG Methodologies Handbook**, available on AXA IM website: [Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)]

2023 updates

In the course of 2023, we have consolidated our listed corporate ESG scoring methodology to improve the coverage as the GICS sub industry sectors got improved, two obsolete key issue scores got removed, the MSCI industry materiality map has been reviewed as usual on a yearly basis and MSCI has added approximately 480 directly rated issuers to its coverage.

AXA IM ESG Dashboard

2023 ESG Dashboard on listed assets

We produce on an annual basis an ESG Dashboard at AXA IM level aiming to summarize asset classes' contributions to the global ESG score. Using the Q² methodology, the dashboard below is based on AXA IM worldwide holdings' but specifically focuses on traditional asset classes – equities, sovereign bonds and corporate bonds – at the end of year 2023[20].

[20] Holdings managed by AXA IM Paris only.

		Asset under management (AuM) at end of year[21]	Scores				Coverage
			Aggregated ESG score (weighted)	E score	S score	G score	
		[in M€]	[0-10]	[0-10]	[0-10]	[0-10]	[%]
AXA IM traditional assets[22]	***2022***	***388,479***	**6.74**	**6.12**	**6.33**	**6.33**	***98%***
	2023	***344,480***	**6.86**	**6.20**	**6.18**	**6.30**	***94%***
Equities	*2022*	*59,358*	7.37	6.84	5.54	6.04	*98%*
	2023	*48,693*	7.59	6.92	5.56	6.05	*96%*
Corporate Bonds	*2022*	*161,192*	7.08	7.32	5.20	5.84	*97%*
	2023	*153,648*	7.43	7.66	5.27	5.92	*92%*
Sovereign Bonds	*2022*	*169,457*	6.21	4.79	7.64	6.87	*100%*
	2023	*142,139*	6.03	4.45	7.33	6.79	*100%*
Benchmarks							
MSCI All Country World Index (ACWI)	*2022*		6.70	6.54	5.24	6.04	*100%*
	2023		6.78	6.62	5.13	5.63	*100%*
ICE BofA Global Broad Market Corporate	*2022*		6.67	7.16	5.07	5.77	*96%*
	2023		6.78	7.19	4.98	5.72	*96%*
JP Morgan GBI Global Govies	*2022*		5.96	5.09	7.88	6.41	*100%*
	2023		5.97	4.79	7.34	6.37	*100%*

Source: AXA IM, MSCI, 2023.

- ### 2022 to 2023

In the course of 2023, we have consolidated our listed corporate ESG scoring methodology to improve the coverage as the GICS sub-industry sectors got improved, two obsolete key issue scores got removed the MSCI industry materiality map has been reviewed as usual on a yearly basis and MSCI has added approximately 480 directly rated issuers to its coverage. Compared to 2022, we report an overall increase of our ESG scores for listed equities and corporates bonds which is the consequence of both structural market moves regarding ESG criteria (also looking at the increase on E, S and G scores between 2022 and 2023 for benchmarks, in particular for corporates ones) and the implementation of AXA IM RI framework, including in relation with the implementation of new regulatory requirements with the entry into force of SFDR Level 2 which led us to reinforce the ESG approaches for several funds. We also report a slight decrease in the data coverage, especially for listed corporate bonds, which can be due both to a decrease in the covered universe of MSCI's equity indexes[23] and Ethifinance's small and mid-caps universe. It should also be noted that AXA IM qualitative assessments have increase by an additional 98 ESG scores based on a qualitative

[21] While in 2022, accounted assets under management (AuM) are the sum of the net asset value of assets managed by AXA IM, readjusted to take into account double counting (i.e. for holdings in funds managed by AXA IM) and carve-outs, in 2023, accounted assets are limited to AXA IM Paris ones for traditional assets. On both years, the asset accounting approach is aligned with the approach taken to account for the defined "current value of all investments" within the SFDR Delegated Regulation 2022/1288 at entity-level.

[22] Some sovereign assimilated assets such as public-owned companies are considered as corporates, while sovereign assets (e.g. government bonds) and supranational assets (e.g. multilateral development banks bonds) are both included in the reported "sovereigns bonds" line in this report, as per SFDR definition. Subnational assets (e.g. municipal bonds) are not included in this report.

[23] In December 2023, €60M of AXA IM listed equity universe has been removed from the MSCI equity indexes MSCI as part of their regular index rebalancing process. A remaining share of AXA IM listed equity and corporate bonds are still outside MSCI standard coverage definition.

analysis ("Qual-to-Quant" compared to 2022. ESG scores of corporates overall remains above the benchmark, for equities and bonds.

As for sovereign bonds, the weighted ESG scores have decreased in 2023 compared to 2022, which is particularly due to the rating downgrade by MSCI of multiple emerging countries (14 downgraded countries vs 1 upgraded countries), and, as for the E pillar, to the inclusion of new and more stringent climate change, biodiversity and pollution-related factors thanks to improved data). At the same time, the weighted ESG scores of the reported benchmark remained steady also noting a significant decrease of the S pillar.

2023 ESG Dashboard on alternative assets

Since 2016, AXA IM Alts has developed ESG scoring methodologies for alternative asset classes as described above. The table below shows the results of the implementation of these methodologies, all rated from 0 to 10 for each pillar and aggregated ESG scores.

		AuM at end of year[24]	Scores				Coverage
			Aggregated ESG score (weighted)	E score	S score	G score	
		[in M€]	[0-10]	[0-10]	[0-10]	[0-10]	[%]
AXA IM alternatives assets[25]	***2022***	***88,310***	5.83	5.79	5.71	6.08	***94%***
	2023	***109,131***	5.82	5.89	5.42	6.11	***98%***
i) Real Estate & Infrastructure[26][27]	***2022***	***41,819***	6.30	6.51	5.75	6.64	***92%***
	2023	***61,900***	5.87	5.84	4.98	6.23	***98%***
Real estate	*2022*	*28,730*	6.24	6.08	5.85	6.53	*89%*
	2023	*30,322*	5.71	5.71	5.00	6.25	*98%*
Infrastructure	*2022*	*13,089*	6.43	7.46	5.52	6.88	*100%*
	2023	*12,963*	6.26	6.13	4.92	6.19	*98%*
ii) Alternative credit[28]	***2022***	***46,491***	5.40	5.14	5.67	5.58	***95%***
	2023	***47,275***	5.75	5.96	6.00	5.95	***97%***

Source: AXA IM, MSCI, Reorg FinDox, 2023.

2022 to 2023

Overall, alternative assets' ESG assessment average score increases by 3% compared to 2022. This evolution is explained by asset class bespoke trend, both linked to methodology refinement and ESG improvement actions deployment.

[24] Accounted assets under management (AuM) are the sum of the net asset value of assets managed by AXA IM, readjusted to take into account double counting (i.e. for holdings in funds managed by AXA IM) and carve-outs. It is aligned with the approach taken to account for the defined "current value of all investments" within the SFDR Delegated Regulation 2022/1288 at entity-level.

[25] Figures aggregated across alternative assets are the sum of real estate & infrastructure worldwide assets managed by AXA REIM SGP only and Alternative credit, Natural capital & Impact assets on worldwide assets managed by all AXA IM entities (see following footnotes).

[26] Data on worldwide holdings managed by AXA REIM SGP only at end of 2022 and end of 2023 from collected data, excluding listed real estate (c. €4.2bn AuM at end of 2023, c. 8% of total AuM managed by AXA REIM SGP).

[27] For real estate & infrastructure assets, as for 2022 and 2023 figures, E, S, G & ESG scores have been computed taking into account unlisted and listed assets scores. For real estate perimeter, real assets funds and buckets of listed assets of ASI & ASIS have been included. As for infrastructure perimeter, buckets of listed assets from AXA Avenir Infrastructure have been taken into account. Scores have been computed based on asset weighting for each portfolio. Theses listed assets were not included in 2021 figures in our previous reports.

[28] Worldwide holdings managed by all AXA IM entities (incl. AXA IM Paris).

On real estate, average score has been decreasing by c. 13% compared to 2022, due to an evolution of the CRE debt proprietary rating methodology, aiming at further align with market most advanced practices. This drop was expected since this evolution leads to more specific requirements and requires data on new ESG topics. Some borrowers (notably those close to maturity) were not in a position to provide all the required information, hence negatively impacting assets' score. More generally, this result reflects the lower maturity of CRE debt market on ESG as well as the key challenge of collecting consistent asset level data. We however expect this average score to improve over time, through enhanced active communication and engagement with our borrowers, the integration of ESG reporting constrains in our loan documentation and increased overall market maturity.

On the contrary, AXA REIM Real Estate Equity portfolio's average ESG scoring has continued to increase, reflecting the strong integration of ESG performance into asset strategic planning, as well as action plan deployment across our portfolios. The methodologies and process developed over the past 2 years have proven efficient in supporting our ambition to improve the ESG performance of the real estate assets we manage. The scoring methodology will continue to evolve over time to reflect market requirements and best practices, with the objective to continue improving assets performance between acquisition and disposal.

The average 2023 ESG rating for our infrastructure investments (equity and debt) has slightly decreased by almost 3% compared to 2022, from 6.43 down to 6.26 out of 10. Despite the addition of two highly rated investee companies to the infrastructure equity portfolio in 2023, this evolution is mainly due to a methodological change in our Infrastructure debt ESG rating. An enhancement of the ESG rating methodology was put in place to further account for the most material ESG risks at both project and sponsor level[29] for our infrastructure debt investments. Surveys have been circulated to sponsors and borrowers with the intention to properly capture relevant ESG information and KPIs related to the most material ESG risks for our infrastructure debt investments. As a consequence, we expanded the comprehensiveness and completeness of our ESG data collect and were able to re-rate our entire infrastructure debt portfolio based on the updated methodology, resulting overall decrease in ESG ratings.

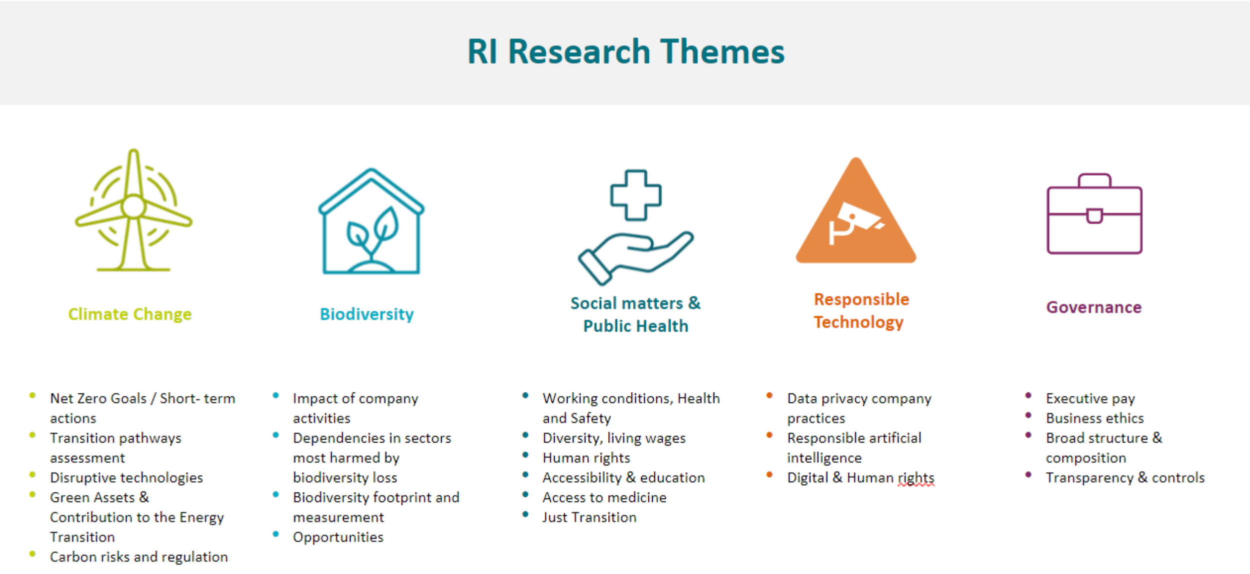
As for the Alternative credit business line (incl. Natural capital & Impact investments), compared to 2022, 2023 marked a significant increase in the ESG scores of assets and on each ESG pillars. The data coverage has also been consolidated compared to 2022, almost reaching 100% of data coverage.

RI Thematic Research

RI thematic Research for knowledge management and engagement purposes

At AXA IM, we produce in-house RI research on key themes including Climate change and Just transition, Biodiversity, Gender diversity and human capital, Human rights, Cyber security and data privacy, Corporate governance notably. Research papers are published on the Investment Institute page of our website[30], and listed further below in this report (see Appendix 5). This research allows us to identify ESG risks, understand and anticipate their impacts on the assets in which we invest as well as the impact of our investments on environmental and social aspects. Key findings from this research also inform adjustments to our stewardship and exclusion strategies. AXA IM's thematic research papers are published on our Investment Institute.

[29] More details on the updated Infrastructure debt ESG rating methodology are disclosed in AXA IM ESG Methodologies Handbook, available on AXA IM website: **Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)**
[30] Sustainability | AXA IM Corporate (axa-im.com)



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

Challenges inherent in the transition to a low-carbon economy are massive, global and multi-facetted, touching on the very nature of sustainability. The purpose of RI research is to identify key themes at stake in the field of Responsible Investment, in order to identify and anticipate long-term trends, feed engagement, manage most material risks & opportunities, informing accordingly both policies and investment decisions.

The usual suspects that Climate and Biodiversity must be complemented by new social themes such as Human Rights and the Just transition, which act as transversal dimensions that have to be integrated to all aspects of the transition.

Concretely, 2023 RI Research publications have focused on various areas, reinforcing engagements in different ways: as for climate, digging into promising but still limited in scale technological developments has fed our assessment of how companies in some high emitting sectors move forward and need to enhance their climate strategies. More recently, our analysis of Scope 3 CDP data has helped set the scene around this much scrutinised segment of climate policies, highlighting how corporates can contribute to the whole ecosystem change that is required, despite the lack of control they have, and how as asset managers and engagers we can influence them to play an active role.

As for Biodiversity, we have continued our efforts beyond deforestation, focusing on specific biodiversity impacting drivers such as plastics and waste but also hazardous chemicals and pollution through the participation to two new collaborative engagement initiatives (with ChemScore and FAIRR), to set a broad picture of where risks but also opportunities are. The wide use of Iceberg Data Lab (IDL) has supported refined engagements in many sectors including food. Engagements through Nature 100 will effectively start in 2024, paving the way for further insight into material sectors and companies

In the wider transversal segment of Social, we have dug further in the analysis of human rights risks, gathering experts' "on the ground" views in the field of child/forced labour, with the aim of raising companies' awareness on the first steps to take to limit the risks to the person, which unsurprisingly start by a cartography of most at-risk activities and geographies. This will help us to increase the pressure on companies too slow to enhance their sustainability practises and accompany those genuinely willing to enhance their practises. As we all know, this is crucial in some sectors such as Mining or Technologies, still key for the transition though.

Corporate Governance remained a key theme with multiple interconnections with E and S issues. In 2023, we also focused our research and engagement with companies around themes that shaped the 2023 season, including Executive pay and the notion of social acceptability, considering workforce related views and experience when discussing chief executive pay in a time of economic and cost of living crisis; Sustainability governance, ensuring effective board oversight of sustainability issues while navigating conflicting views on ESG in an increasingly polarised world and protecting shareholder rights in relation to potential evolution of the format of company AGMs.

2024 will for sure require sustained efforts on all those fronts and new ones as well, tackling the supply chains and embarking emerging market companies in our journey. Whatever the thematic retained, the need for a just transition remains acute and efforts will have to be strengthened.

Focus on our approach to address the 'Just transition'

In 2023, we continued working on the topic 'Just transition' to mitigate the social risks that the complex transition to a low-carbon economy brings about. Moving to low-carbon energy, buildings, means of transport, and industrial production will impose drastic adjustments and challenges to countries and industries, and therefore automatically to workers and their communities. A failure to anticipate the social implications of these challenges could stall climate progress and contribute to political instability because of increasing inequality. This would risk disrupting the fragile equilibrium between developing and developed economies.

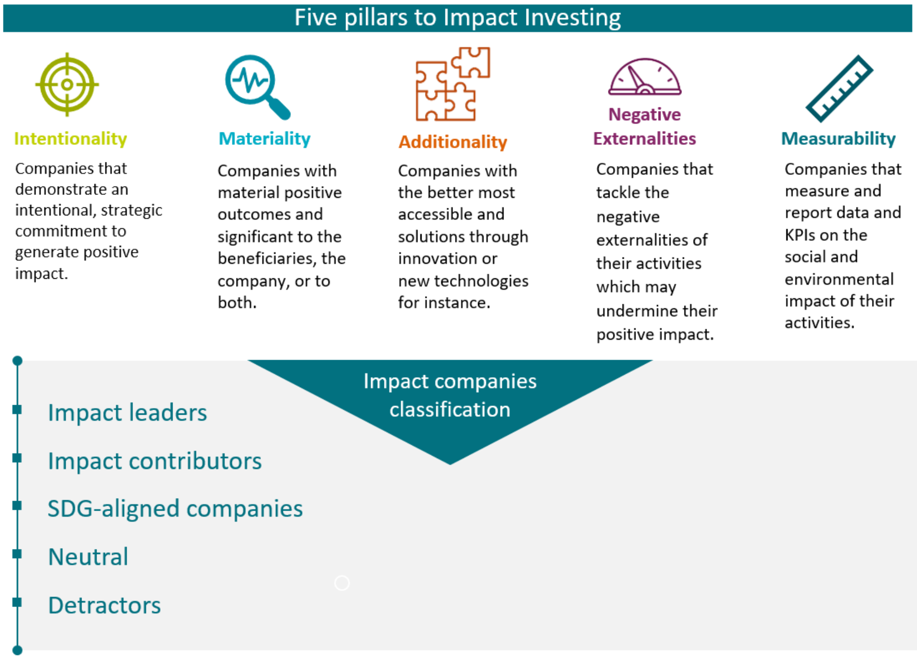
We continued our work with the French Institute of Sustainable Finance (*Institut de la Finance Durable*, IFD), which aims to ensure the social implications of the transition to a low-carbon economy are sufficiently anticipated by companies across four sectors: energy, construction, transport, and agri-food. AXA IM has been a leader of the energy sector investor working group since 2022, and in 2023 it additionally joined as a member of the agriculture and food sector working group.

We also increasingly tackle this theme through dialogues with our own investee companies. We believe that the question of just transition encompasses all kinds of social risks that should be closely monitored – such as social unrest, strikes, supply chain disruptions, and declining employee engagement. Despite the admittedly lower level of maturity on this issue, we encourage companies particularly exposed to these risks to consider the notion of a just transition in their climate strategy, as formalised in the expectations for our 2024 Corporate Governance & Voting Policy.

ESG qualitative research for investment decision-making: AXA IM Core 'Impact Investing in Listed Assets' framework

AXA IM uses a proprietary 'Impact Investing in Listed Assets' framework[31] to identify companies that generate a significant positive impact on society and the environment and contribute to progress towards the UN SDGs according to AXA IM's assessment. Based on five Impact Investing pillars, the framework rates companies from Impact leaders to Detractors.

[31] See AXA IM 'Impact Investing in Listed Assets' framework on AXA IM Core website (see "Delivering impact in listed assets"): Putting ESG to work | AXA IM Core (axa-im.com)



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

We are continuously expanding our coverage. Below are two examples of companies that we deem to be “impact leaders”.

Impact Leader

Clicks Group Ltd

Clicks Group operates the largest pharmacy network in South Africa, with 848 in-store pharmacies. It also operates a pharmaceutical wholesaler and 199 private clinics.

South Africa faces weaker health indicators compared to countries at similar development levels due to a high burden of preventable illnesses and premature deaths. Pharmacists play a key role in achieving good health in developing countries, as they supply medicines and ensure their safe and effective administration, along with providing primary healthcare. This is especially relevant in South Africa, where there is a shortage of healthcare professionals.

Clicks Group makes a positive contribution to SDG 3.8 by distributing medicines across South Africa and neighbouring Southern African countries through its extensive pharmacy network and pharmaceutical wholesale business. The company demonstrates a commitment to improving access to affordable healthcare through its wide geographic reach, distribution of generic and affordable medicines, as well as free primary care services for various conditions.

Impact Leader

EDP Renovaveis SA

Renovaveis SA (EDPR) is a renewable energy company, which engages in the development, construction, and operation of onshore and offshore wind farms and solar plants. It is a subsidiary of Energias de Portugal, the largest Portuguese utility company. The firm generates energy from renewable sources in several locations, with a portfolio of 14.8 GW across North America (7.2 GW), South America (1.1 GW), Europe (7.2 GW), and the APAC region (0.8 GW).

As a pure player in the renewables sector, EDPR makes a clear contribution to SDG 7.2 by generating energy from wind and solar, contributing to the energy transition across multiple markets globally. The company has ambitious renewable expansion plans, and demonstrates a strong commitment to leveraging innovation to advance the development of renewables globally.

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

Green, Social, Sustainability, Sustainability-Linked and Transition bonds

- ### Green, Social and Sustainability bonds

AXA IM has developed a proprietary green bond assessment framework. We then built on this to create new frameworks for social and sustainability bonds. These are very similar in terms of structure, but some aspects differ due to the specificities of social and sustainability bonds. This approach is stringent, but it is also continuously evolving and aims to fulfil three main objectives:

- Driving investments towards authentic and impactful green assets and social projects
- Raising the integrity and transparency standards of the Green, Social and Sustainability bonds (GSSB) market;
- Ensuring that GSSB issuers are committed to fight climate change and to address sustainability challenges, and that this commitment is reflected in business practices and operations.

Selectivity is key in ensuring that only the most relevant and impactful green and social projects receive the necessary financing. This framework relies qualitative assessment made by the RI Research team into the Q² scoring frameworks and on Bloomberg database, whether it is a corporate or sovereign bond, to produce an enhanced ESG score for GSSB issuances. It is used in a systematic manner for our Global Green Bonds and Social Bonds strategies specifically, and also to inform the decisions of portfolio managers for other strategies but not applying in a systematic manner. On average, since 2014, our Green, Social & Sustainability Bonds (GSSB) assessment framework has led us to exclude around one in five bonds presented to us as green, social, or sustainable.

AXA IM's GSSB assessment framework, notably inspired by the Green and Social Bond Principles (GSBP) and the Climate Bonds Initiative (CBI), is made up of four pillars (see graph below):

1. The environmental, social and governance (ESG) quality and strategy of the issuer;
2. The use of proceeds and the process for project selection;
3. The management of proceeds;
4. Impact reporting.

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

For each pillar, our analysts review, assess, and monitor several well-defined criteria, many of which are mandatory. At the very least, the issuer must surpass our exclusion criteria and to comply with our "requirement" criteria in order to be investable. If a GSSB also meets our "expectation" criteria, it would place the issuer among the GSSB leaders. The factors outlined below are intended to be indicative and non-exhaustive. This is primarily because individual GSSBs can vary greatly and therefore their individual assessment involves subjective criteria, as is always the case in qualitative analyses.

At AXA IM, we believe that the use of proceeds of a green bond should reflect the issuer's efforts towards improving its overall environmental strategy and its alignment with the Paris Agreement on climate change. On the social side, the issuer should also make its ambition to deliver positive societal outcomes clear. Full transparency about the projects financed and on the tracking of the proceeds is therefore essential to our assessment. We pay particular attention to impact reporting, where both qualitative and quantitative indicators are expected.

To read more about our Green, Social and Sustainability Bond (GSSB) assessment framework.

BPIfrance

Issuer's ESG quality & strategy

BPI has established its climate plan in 2020 and it has been updated since then. It is based on 3 main areas of action: financing its clients' transition to a low carbon economy - BPI is committed to provide €7bn to finance businesses transformation by 2024; doubling its funding dedicated to renewable energy to achieve €8.6bn in financing by 2024; provide financial support to greentechs with a €4.2bn financing commitment by 2024. We also note that BPI has no direct exposure to the fossil fuel and oil & gas industries and has established exclusion policies for coal companies. BPI is currently working on its scope 3/financed emissions and engaging with its clients to gather data - it is strongly committed to measure these and set targets as soon as possible.

Project types

The proceeds will finance the following eligible activities : Renewable energy (48%) projects in line with the EU taxonomy requirement - including DNSH and minimum safeguards; Green buildings (38%) following the RT 2012 standard - EU taxonomy aligned until 2025. After 2025, BPI will only finance RT 2020-aligned buildings that are also aligned with the EU taxonomy; Greentech (14%): eligible loans are selected according to 1) BPI's internal definition, 2) the external Iceberg tensoriel methodology and 3) best-in-class alignment with the EU taxonomy. We appreciate the innovative aspects of the greentech category, as well as the 86% alignment with the EU taxonomy.

Management of proceeds

The proceeds will be earmarked within BPI's general account with a 3 years lookback period, and the allocation will be submitted to an external audit.

Impact reporting

BPI will provide annual impact reporting, and will publish the following KPIs: RE generated and installed capacity, GHG emissions avoided, number of greentech projects, number of jobs supported.

KBC

Issuer's ESG quality & strategy

In addition to its robust environmental profile and strategy - see KBC's green bonds analyses -, the bank is also committed to social issues through its sustainable financing activities. KBC notably provided c. €7bn in social impact financing in 2021 - through healthcare, education and microfinance activities. We however note that the bank does not have targets related to social financing - that said, it is common in the financial sector. All in all, we see consistency with this social bond.

Project types

100% of the proceeds will finance access to healthcare projects. In details, these consist of public and private - which are running as non-for-profit organizations in Belgium - hospitals, as well as elderly care, disabled care and residential care centers financing. We are comfortable with the eligible projects, as hospitals in Belgium play a key role in access to health for Belgian and foreigner residents. The selection is done by a dedicated committee.

Management of proceeds

The proceeds will be managed through KBC's internal systems, without proper segregation. The allocation will be externally reviewed.

Impact reporting

KBC will publish annual impact reporting and will provide the following KPIs: number of hospital beds, number of care facilities and beds.

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

► GSSB market transaction: collaboration with SG-FORGE

In December 2023, AXA IM announced completed its first GGSB market transaction using stablecoins – CoinVertible (EURCV) stablecoins issued by SG – FORGE – as part of a new joint experimentation. Part of AXA IM's and SG's commitments to innovate and adapt to technological developments for the benefit of their clients, this initiative was carried out in two distinct phases:

- The purchase by AXA IM on behalf of an AXA France dedicated Fund from SG – FORGE of €5 million of CoinVertible stablecoins (EURCV), a digital asset deployed on the Ethereum public blockchain and pegged to euro;
- An investment of €5 million from AXA IM on behalf of an AXA France dedicated Fund in a green bond issued by SG in the form of "security tokens" on the Ethereum public blockchain, using the CoinVertible (EURCV) stablecoins acquired in the first phase. The green bond notably provides access to the reporting on carbon footprint impact of the security issuance chain infrastructure.

- ### Sustainability-linked bonds

AXA IM is committed to the idea that investors will be better positioned if they acknowledge and address climate change and sustainability in their portfolios. This has prompted us to carefully monitor the arrival of a new type of fixed income asset class: Sustainability-Linked Bonds (SLBs).

SLBs differ from GSSBs, a market where we have worked to achieve a leadership position for some years now. Unlike GSSBs, SLBs are not "use-of-proceeds" instruments – just like conventional debt, they are general purpose bonds. However, they do represent a new opportunity to fund the climate transition and other environmental and social challenges. They may also have the potential to deliver long-term, sustainable performance for our clients.

The main difference between SLBs and conventional bonds is that SLBs integrate objectives linked to environmental, social and governance (ESG) factors. According to the SLB principles set out by the International Capital Market Association (ICMA) they are:

> " *…any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. Those objectives are (i) measured through predefined Key Performance Indicators (KPIs) and (ii) assessed against predefined Sustainability Performance Targets (SPTs)*.[32] "

Put simply, an SLB issuer will have to pay more to its investors if it fails to meet its predefined SPTs – and will still pay the same coupon if it succeeds. But this is not about greedy investors hoping SLB issuers fail in their sustainability ambitions – it is about responsible investors like AXA IM using SLBs to incentivise companies towards behaviour that we believe will benefit them, and us, over the long term.

SLBs could therefore act as a powerful tool, in particular, but not only, for high-emitting issuers to finance their transition towards a more sustainable business model. While GSSBs focus on specific projects and assets to be financed, SLBs establish a link between the issuer's ESG ambitions and the financial characteristics of the bond. An issuer's sustainability strategy may already form part of our GSSB assessment process, but it becomes the core feature for an SLB. Despite the differences, we see a common issue in these two types of instruments: There is no consensus on what a high-quality SLB is. AXA IM has therefore decided to define its proprietary framework for evaluating SLBs, and we set out our methodology and criteria in the document available for download below.

We want to highlight that SLBs will not be part of our green and impact investments – as opposed to GSSBs – but rather of our transition investments. We consider that SLBs and use-of-proceeds transition bonds both relate to transition finance instruments that will allow AXA IM to take an active role in powering that transition – in addition to our green and impact investing strategies through GSSBs.

AXA IM's SLB assessment framework is made up of four pillars:

1. Issuer's sustainability strategy & KPIs relevance and materiality;
2. SPT ambition;
3. Bond characteristics;
4. SPT monitoring & reporting.

For each pillar, at the very least, the issuer has to surpass our "exclusion" criteria and comply with our "requirement" criteria in order to be investable. If an SLB also meets our "expectation" criteria, it would place the issuer among the SLB leaders, in our view. All of these criteria are set out for each pillar below. The factors

[32] Source: Climate Bonds Initiative

outlined are intended to be indicative and non-exhaustive. This is primarily due to the fact that individual SLBs can vary greatly and therefore their individual assessment involves company-specific factors, as accepted within qualitative analysis approaches.

► Forecasts and our 2024 projects

If quantity matters and is critical to meet the Paris Agreement goals, the growth of the green bond market should not take place at the expense of its quality. AXA IM's green bond assessment framework is built to ensure that our expectations for green bond issuers are met. Our analysts aim to select green bonds that are in line with our clients' ambitious environmental strategies. In 2024, we are aiming to update our GSSB assessment framework to reflect the latest developments of our eligibility criteria and assessment methodology – including the EU Taxonomy for sustainable activities, specific criteria for sovereign GSSB issuers and the inclusion of AXA IM Climate colour framework (see section 6.4).

AXA IM's call for transition bonds in 2019 reflected our view that the green bond market should keep its standards in terms of quality and integrity, while providing solutions to support issuers in their transition journey. Since then, the transition bond market did not really take off, but in 2023 we had many discussions with market players on the topic and we see interest from them in exploring the concept. We notably had extensive discussions with the Japanese government around its transition bond framework. We also welcome the recent development of sustainability-linked bonds, which are innovative tools to finance the transition to a more sustainable economy. In 2021, we published our framework for assessing Sustainability-linked bonds. We updated our assessment framework for SLBs in 2023, in the light of our upgraded expectations on this market.

In 2024, we will continue to play our part in transition financing through ESG-labelled debt instruments. Our view is that GSSB, SLBs and transition bonds can all be relevant and complementary tools to support issuers in their transition journey.

Focus on the EU Green Bond Standard

The EU Green Bond Standard (EU GBS) is meant to be a voluntary, non-legislative standard to enhance the effectiveness, transparency, comparability and credibility of the green bond market and to encourage the market participants to issue and invest in EU green bonds. Building on the ICMA Green Bond Principles notably, the EU GBS is based on four key components:

1. Alignment of the green projects/assets with the EU Taxonomy for sustainable activities;
2. Mandatory publication of a green bond framework;
3. Mandatory reporting, both on the allocation of proceeds and on environmental impact;
4. Mandatory verification of i) the green bond framework and ii) the allocation report by an external reviewer.

We welcome this initiative as it will bring mandatory, high-quality requirements for green bond issuers that aims at issuing EU GBS-certified green bonds. The EU GBS is similar to AXA IM's proprietary green bond assessment framework on many aspects – *e.g.*, high quality of green projects, mandatory reporting. That said, we will keep using our internal assessment methodology, notably because we will keep excluding fossil fuel and nuclear-related projects from our green bond investments – gas and nuclear are eligible under the EU Taxonomy. In addition, while the EU GBS requires issuers to publish a transition plan, it does not address its quality and level of ambition, which is a key aspect of our assessment framework. Lastly, as a global investor, we cannot only rely on the EU GBS as it will predominantly target EU green bond issuers.

On December 20th, 2023, the EU Green Bond Regulation entered into force, and it will start applying in December 2024.

We generally welcome the development of the EU GBS which we view as lifting voluntary standards in the right direction. The elements that have been disclosed thus far and throughout the negotiations are generally in line with the overall standards that we want to see in the green bond market – standards that are already reflected in our internal framework and approach.

The creation of the EU GBS is likely to have a neutral overall impact on our internal analysis, but rather facilitate our analysis and conversations with issuers as standards rise. Its entry into force is likely to create more discernible tiers of green in the overall market, with EU GBS positioned as a best-in-class standard whose uptake will likely depend on the onerousness of compliance and incentives.

Exclusion policies

Informed by our ESG quantitative and qualitative research, our normative and sectoral exclusion policies define the minimum standards that we apply to companies and sovereigns in relation to their climate and social endeavours. Issuers that pass this minimum standard are subject to our voting and engagement strategy, with the goal of supporting their transition to better ESG practices (see section 4 on our Engagement strategy). In applying our stewardship strategy, we set clear and meaningful objectives communicated to the management, hold regular meetings to verify and evaluate progress; and vote with conviction or pursue other escalation techniques when required.

Our top-level exclusion policies apply to the majority of assets under management[33] are regularly updated to reflect our convictions and comply with the latest recent regulatory developments, including the SFDR[34] as well as the EU Taxonomy Regulation. By ruling out certain activities or practices, our exclusion policies help us to address sustainability risks in both aspects of double materiality, *i.e.*, financial risks & impact reduction.

Overall, the majority of AXA IM's assets[35] have implemented the sectoral exclusions related to the following AXA IM policies, further detailed in the table below:

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

These policies are also proposed to our clients of our portfolio management services and dedicated funds on an opt-out or opt-in basis. AXA IM financial products that have ESG characteristics or sustainable investment as their objective (i.e., Article 8 and 9 funds under SFDR, including our sustainable/ACT fund range and our impact investments) have implemented additional ESG exclusions through **AXA IM's ESG Standards policy**. This policy is also proposed to clients of our portfolio management services and dedicated funds on an opt-in basis.

[33] For index funds under AXA IM's management, the Soft Commodities policy applies to the extent that the objective of the fund is not compromised. The Climate Risks Policy does not apply to funds of funds composed of funds which are not under the management of AXA IM, index funds nor to funds of hedge funds. Please note that in respect of alternative assets (Real Assets, Structured Finance assets), AXA IM exclusion policies are adapted and may be applied differently between direct or indirect investments.

[34] We use our sectoral & normative exclusion policies as a mean to i) consider the 'Do not significantly harm' principle (DNSH) as for defining sustainable investment following Article 2(17) of SFDR, ii) integrate sustainability risks following its Article 3, and iii) consider adverse sustainability impacts following its Article 4.

[35] At end of 2023, 85% of third-party assets under management apply all our sectoral exclusion policies. The remaining 15% comprise strategies which are out of scope of the policy for technical reasons (*e.g.*, index funds, funds of hedge Funds), client opt-out and exemptions. Joint ventures (JVs) are excluded from this figure.

Exclusion policies	Share of third-party AuM applying the policy[36]
Climate risks policy	85%
Ecosystem protection & deforestation policy	85%
Soft commodities policy	85%
Controversial weapons policy	99%
ESG Standards policy	57%

Source: AXA IM, as of 31/12/2023.

In sum, our exclusion policies cover the following areas:

Set of Policies	AXA IM RI sectoral policies	AXA IM ESG Standards
Environmental	**Climate** (coal mining and coal-based energy production; oil sands production and oil sands-related pipelines; shale and tight oil and gas; arctic oil and gas) **Ecosystem protection & deforestation / Biodiversity** (palm oil & derivatives; soy meal, oil & derivatives; cattle products; timber products)	
Social	**Human Rights** (controversial weapons) **Soft commodities** (food commodities derivatives)	**Health** (tobacco products) **Labor, society and human rights** (violations of international norms and standards; white phosphorus weapons producer; exclusion of investments in securities issued by countries where serious violations of Human rights are observed)
Governance		**Business ethics** (severe controversies, violations of international norms and standards) **Corruption** (severe controversies, violations of international norms and standards)

Source: AXA IM, 2023.

AXA IM might occasionally exempt issuers that fall just under the exclusion threshold and are successfully implementing a robust transition plan. This exemption process is overseen by a RI governance committee, with each exemption request reviewed on a case-by-case basis.

2023 updates

In April 2023, we have tightened exclusion criteria on coal, unconventional oil & gas:

- On coal:
  - Putting a stricter exclusion threshold to companies generating more that 15% of revenues from thermal coal mining and/or power generation, against 30% before; threshold to be reduced at 10% starting 2026 in OECD countries as part of our commitment to exit from coal by 2030 in OECD countries;
  - Excluding all companies with new coal mining or power generation projects or expansion plans;
- On oil sands: putting a stricter exclusion threshold to companies generating more than 5% of revenues from oil sands production only (not transportation, i.e., pipelines), against 20% before.

[36] Our sectoral and normative exclusion policies apply to all direct product investments under AXA IM's management, excluding – for technical reasons – funds of funds composed of funds which are not under the management of AXA IM, index funds, funds of hedge funds, nor tenants in real estate portfolios. They apply to AXA IM and all its affiliates worldwide, to joint ventures where AXA IM's stake is 50% or higher, and to funds for which the management is delegated to one of our joint ventures. JVs are excluded from this figure. Assets managed for AXA Group (i.e., €416bn assets at end of 2023) are also excluded from this calculation, as AXA Group applies its own Responsible Investment policies. This results in €331bn accounted third-party assets.

1.3 Our Responsible Investment product offering

In an environment where regulators are putting in place new standards and requirements to specifically address greenwashing concerns – in particular at the EU- and country-level (*e.g.*, France, Luxemburg, Belgium), AXA IM continually improves its RI categories and product offering to ensure they follow regulatory requirements (*i.e.*, notably following SFDR and the AMF Doctrine[37]) and are clear and understandable by clients. This classification system will continue to evolve in the coming years to integrate new requirements of existing and upcoming sustainability-related regulations. Our offer consists both out of funds in listed markets as well as in private markets (al

AXA IM RI product categories

SFDR product classification

In March 2021, the European Union's Sustainable Finance Disclosure Regulation (SFDR) came into force. The SFDR is designed to help institutional asset owners and retail clients understand, compare, and monitor the sustainability characteristics of financial products by standardizing sustainability disclosures. This is particularly done by requiring asset managers to classify their financial products by reference to whether, among other things, they have a sustainable investment objective (known as an "Article 9" financial product) or promote environment or sustainable characteristics (known as an "Article 8" financial product).

Since January 1st, 2023, the SFDR Level II is applicable. To date, the rules – notably with regards to SFDR classification and 'sustainable investment' (SI) definition – remain heterogeneous. In spite of regulatory clarifications from the SFDR, the definition of SI remained open to interpretation and subject to external advice. We continue to support the long-term objective of the European Union to enhance transparency in sustainable investing and are actively involved in industry groups aimed at positively influencing investors and ultimately channelling flows into sustainable assets. In our view, the availability of comparable data will allow investors to develop a consistent and transparent ESG framework. This requires more efforts, and AXA IM will continue to advocate for and contribute to them and to monitor market practices and regulatory / supervisory guidance, and as such our interpretation SFDR Levels 1 and 2 may evolve over time to reflect regulatory guidance and/or market views.

In that context, we disclosed the **methodology used by AXA IM Core as for listed corporate assets** to qualify an issuer as SI under SFDR for Article 9 financial products that invest 100% of eligible assets in sustainable investments[38] and for Article 8 financial products that may invest partially in sustainable investments[39]. SI methodologies have also been developed for real estate and impact investments in Private Markets.

Implementation of SFDR Level II resulted in the following figures of eligible funds and strategies being classified as Article 8 or 9:

[37] "Autorité des Marchés Financiers", the French regulator, which issued its 2020-03 position-recommandation in March 2020 Informations à fournir par les placements collectifs intégrant des approches extra-financières | AMF (amf-france.org)

[38] Eligible assets exclude investments used for hedging or related to cash held as ancillary liquidity.

[39] Sustainable Finance | AXA IM Corporate (axa-im.com)

AXA IM business units	As of 31 December 2023		
	Net AuM managed by business units	Net AuM managed in scope of SFDR classification	Net AuM of SFDR Article 8 or 9 funds from in-scope assets[40]
AXA IM Core (traditional assets)	€501bn	€407bn	**€323bn**
AXA IM Alts (real asset classes)	€128bn	€59.7bn	**€19.8bn**
AXA IM Alts (alternative credit, natural capital & impact)	€50bn	€27.6bn	**€4.6bn**
AXA IM Prime (private market funds of funds)[41]	€35bn	n/a	n/a[42]

Source: AXA IM, December 2023.

As part of the application of the Article 29 LEC, assets managers are required to publish on their website the list of financial products Article 8 and Article 9 funds under the SFDR. This list is available below (see appendix 7) and on AXA IM Fund Center[43].

SFDR categories for AXA IM Core

At end of 2023, **79% of AXA IM Core assets in scope of the SFDR (€323bn of AuM)** either promote environmental or social characteristics and/or demonstrate a sustainable objective and are therefore categorised as respectively Article 8 or Article 9, against 78% (€318bn of AuM) at end of 2022.

The remaining 21% of AXA IM Core assets in scope of the SFDR are integrating and assessing sustainability risks without promoting environmental or social characteristics or having a sustainable investment objective (€84bn of AuM classified as Article 6).

SFDR categories for AXA IM Alts

At end of 2023, **28% of AXA IM Alts total AuM in-scope of the SFDR (€24.4bn)** either promote environmental or social characteristics and/or demonstrate a sustainable objective and are therefore categorised as Article 8 or 9 in 2023, a significant progress since 2021 (13% in 2021 and 18% in 2022).

Due to the lack of or inconsistency of available data, most of Alts financial products are integrating and assessing sustainability risks without promoting environmental or social characteristics or having a sustainable investment objective. AXA IM Alts' Articles 8 and Articles 9 funds focused on:

- For Real Estate and Infrastructure: **€19.8bn** of the business lines products promote environmental or social characteristics and are categorised as Article 8 (**33% of total in-scope AuM**);
- For Alternative credit and Natural capital & Impact: **€4.6bn** of the financial products either promote environmental or social characteristics and are categorised as Article 8 or are impact funds having a sustainable investment objective and are therefore categorised as Article 9 (**17% of total in-scope AuM**).

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[40] Non audited figures. The classification under SFDR may be subject to adjustments and amendments, since SFDR has come into force recently only and certain aspects of SFDR may be subject to new and/or different interpretations than those existing at the date of this press release. AXA IM reserves the right, in accordance with and within the limits of applicable regulations and of the Funds legal documentation, to amend the classification of the Funds from time to time to reflect changes in market practice, its own interpretations, SFDR-related laws or regulations or currently applicable delegated regulations, communications from national or European authorities or court decisions clarifying SFDR interpretations. Investors are reminded that they should not base their investment decisions on the information presented under SFDR only.

[41] During 2023 AXA IM Prime commenced work on the deployment of new funds with an Article 8 or 9 SFDR classification, with one new fund launched in 2023 classified Article 8. The net asset value of this fund at end 2023 was nil.

[42] No accounted AuM classified Article 8 or 9 as at end of 2023 (see previous footnote).

[43] Funds - AXA IM Global (axa-im.com)

Sustainability-related labels

AXA IM supports the development of sustainability-related labels across European countries, managing as of end of December 2023 c. **€41bn of AuM awarded with at least one sustainability-related labels**.

Since the 2015 impetus of the Paris Agreement, sustainable finance labels have become an important tool to help clients navigate the responsible investment offer of asset managers. Driven by local initiatives, sustainability-related labels have been created in France (ISR, Greenfin and Finansol label), as well as in Belgium (Towards Sustainability label) and in German-speaking markets (FNG-Siegel), all with their own requirements and objectives adapted to their markets. While labels participate to the evolution of the sustainable finance practices, its fragmentation in several regions combined with the specificities of each of them complexifies the navigation and the understanding of the sustainable investment offer for end-investors.

As an asset manager distributing financial products in several countries and in an overall context characterized by the complexity and heterogeneity of reference frameworks and tools, we pay attention to clarity for end investor by supporting overall consistency and harmonization of frameworks and regulations.

Several funds managed by AXA IM have been awarded sustainability-related labels. They follow the requirements defined by each of the label rulebooks and are subject to an annual audit by external auditors. Transparency codes available on AXA IM Fund Center[44] provide more information on the processes in place for these funds.

Sustainable labels	As of 31/12/2023		As of 31/12/2022		As of 31/12/2021	
	Number of labelled funds	Net AuM (M€) managed by Labelled funds	Number of labelled funds	Net AuM (M€) managed by Labelled funds	Number of labelled funds	Net AuM (M€) managed by Labelled funds
Label ISR[45]	72	36,495	70	29,869	36	13,598
Greenfin[46]	3	1,633	3	1,495	1	658
Towards Sustainability[47]	19	7,780	23	8,110	11	3,841
FNG[48]	0	n/a	0	n/a	1	852

Source: AXA IM, 2023. Please note that the rules to which our funds have to adhere to under the sustainability labels are subject to change, which could cause our number of labelled funds to involve over time.

Sustainable & ACT family of funds (listed markets)

At end of 2023, **€39.9bn of our AuM are part of our Sustainable & ACT (including Impact) fund ranges**, within those funds, the part which is distributed in France is classified as "significantly engaging" by the French market authority (AMF)[49,50].

All these funds follow some ESG objectives by targeting one or more specific objectives related to the ESG pillars (*e.g.*, carbon footprint, biodiversity positive impact) to further refine the investment universe.

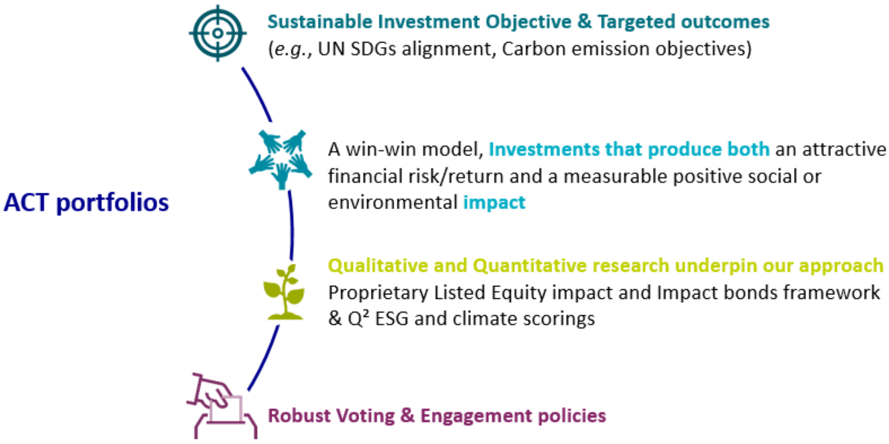
Among these funds, all our **Impact funds** (representing around **€4bn** from both listed and alternative asset classes at end of 2023) also target businesses and projects that can have an intentional, positive, measurable and

[44] Funds - AXA IM Global (axa-im.com)
[45] Label ISR - Pour des placements durables et responsables (lelabelisr.fr)
[46] Le label Greenfin | Ministères Écologie Énergie Territoires (ecologie.gouv.fr)
[47] Towards Sustainability Initiative | Towards Sustainability
[48] Application – FNG-Siegel
[49] When in scope of the AMF Doctrine 2020-03, those funds belong to the category "significantly engaging".
[50] The Sustainable & ACT family of funds may not invest all their assets into sustainable assets as per article 2(17) of the SFDR Regulation. The percentage of sustainable investment of our funds are set-out in the legal documentation of the funds.

sustainable impact on society and/or the environment and report against impact criteria aligned to specific UN SDGs (see below).

Focus on our ACT fund range in listed markets

Our ACT fund range is designed to help clients target specific ESG goals around issues such as climate change and inequality while continuing to adopt the reinforced approach to sustainability risks and good governance practices as described above.



Source: AXA IM as of 31/12/2023, for illustration purpose only.

Our fund range with various approaches and for various asset classes as follows:

	Planet	People	People & Planet
Equity	Clean Economy Carbon offset/Climate Equity Biodiversity	Social progress Human Capital	People & Planet Equity
Fixed Income	Green Bonds Low Carbon Carbon Transition	Social Bonds	Emerging Markets
Multi Asset			Optimal Impact
ETF	Biodiversity Climate		

Source: AXA IM as of 31/12/2023, for illustration purpose only.

Strategy[51]	Underlying investment theme	Labels (at end of 2023)	Related SDGs[52]
Clean Economy (Equity)	Leveraging AXA IM's proprietary impact framework, the strategy seeks to invest on companies that may, in AXA IM's opinion, drive a strong financial return and make a positive environmental impact through their business models and/or (best-in-class) operational practices, thereby focusing, for the largest share, on companies active in the clean economy which includes areas like sustainable transport, renewable energies, responsible agriculture, food and water production and supplies, and recycling and waste production.		
Carbon offset (Equity)	The strategy seeks to build a portfolio that is low volatility and high quality according to AXA IM's standards and that obtains a lower carbon footprint by investing into companies that support the goals of the Paris Agreement through their products and services or their commitment to reduce their own emissions to reach net zero by 2050. Carbon Offset contracts are used to compensate partially for the Fund's portfolio's remaining emissions and at the same time support projects that contribute to the realization of the Paris Agreement's long-term global climate objectives.		
Biodiversity (Equity)	Leveraging AXA IM's proprietary impact framework, the strategy focuses on companies that seek to protect and preserve biodiversity through their product and services and/ or best-in class operational practices and may generate strong financial returns according to AXA IM and a positive measurable impact, with a focus on SDG 6 (Clean Water and Sanitation), 12 (Responsible Consumption and Production), 14 (Life below Water), and 15 (Life on Land).		
Green Bonds (Fixed Income)	Leveraging AXA IM's proprietary impact framework, the strategy seeks to generate financial return and to contribute to a more sustainable and low-carbon economy by mainly investing in bonds financing environmental projects – specifically those with an accent on environmental themes (green buildings, low-carbon transport, smart energy solutions, sustainable ecosystem, et cetera) and for which the proceeds are earmarked for projects that support a low carbon economy or the basic needs of underserved populations and communities, such as those in the area of renewable energy, pollution prevention, access to healthcare, affordable housing and women empowerment.	GREENFIN LABEL FRANCE FINANCE VERT	
Low Carbon (Fixed Income)	Aiming to deliver investment returns while keeping a 30% lower weighted average carbon intensity (WACI) and water intensity[53] relative to universe.	n/a	
Carbon transition (Fixed Income)	Aiming to generate an income and capital return over the long term, and to keep its WACI lower than the fund's emissions benchmark. The emissions benchmark is calculated initially as a 30% reduction of the WACI of the Index as at 31st December 2021. Thereafter, the emissions benchmark will be calculated as a further 7% reduction of the WACI of the emissions benchmark per year, based on the WACI of the emissions benchmark from the previous year.	n/a	
Social progress (Equity)	Leveraging AXA IM's proprietary impact framework, the strategy focuses on companies that, through their products and services and/or best-in class operational practices generate strong financial returns according to AXA IM's assessment and create societal value by driving social progress in areas highlighted by the SDGs such as housing and essential infrastructure, financial and technology inclusion, healthcare solutions, well-being and safety, and education and entrepreneurship.		

[52] AXA IM supports the Sustainable Development Goals. The targeting of specific SDG does not imply the endorsement of the United Nations of AXA Investment Managers, its products or services, or of its planned activities and does not constitute, explicitly or implicitly, a recommendation for an investment strategy. |

Strategy	Underlying investment theme	Labels (at end of 2023)	Related SDGs
Human Capital (Equity)	Leveraging AXA IM's proprietary impact framework, the strategy focuses on companies that, through their products and services and/or best-in-class operational practices, create financial and societal value, specifically by serving as a best practice in human capital management issues such as job stability and creation, training and development, performance management and reward systems, and precariousness and turnover.		
Social Bonds (Fixed Income)	Leveraging AXA IM's proprietary impact framework, the strategy focuses on companies that, through their products and ser- vices and/or best-in class operational practices, generate strong financial returns according to AXA IM's assessment and generate a positive social impact by focusing on themes highlighted by the SDGs such as food security, access to healthcare, employment generation, socioeconomic advancement and empowerment, access to education, and inclusion through access to affordable housing, financial services, and basic infrastructure. It thereby invests at least 75% of its net assets in Social Bonds and Sustainability Bonds from issuers with credible sustainable strategies that finance meaningful social projects.		
Emerging Markets (Fixed Income)	The strategy aims to deliver income growth as well as supporting in the long run SDGs with a focus on both environmental (green buildings, low carbon transport, smart energy solutions, sustainable ecosystem, etc.) and social (empowerment, inclusion, health and safety, etc.) themes, by investing into debt securities issued by companies and (quasi-)public issuers from emerging countries who, in AXA IM's opinion, adhere to minimum ESG standards for Sustainable Investments and/or are Green Bonds, Social Bonds, or Sustainability Bonds.		
People & Planet Equity (Equity)	Aiming to leverage on the leadership of this region on sustainability to invest in companies answering environmental and social issues such as clean energy, resource usage and basic social needs in areas such as inclusion, healthcare, and safety, the strategy focuses on companies providing products and services with an environmental or social benefit for the people and/or planet and make (or have the potential to make) a significant positive contribution to the targets set by the UN and the achievement of one or more of such UN SDGs. Companies will typically provide products and services in sectors such as healthcare, transport, sustainable energy production, education and food manufacturing which help to solve urgent and important societal and environmental problems reflected in the UN SDGs and their targets.		All SDGs targeted
Multi Asset Optimal Impact (Multi Asset)	Leveraging AXA IM's proprietary impact framework, the strategy focuses on investment growth in the long term as well as on the sustainable investment objective to invest in companies whose business models and/or operational practices are aligned with targets defined by one or more SDGs, and by investing across a broad range of asset classes in securities demonstrating a positive social and environmental impact.		All SDGs targeted
Climate (ETF)	A unique blend of qualitative and quantitative insights to identify companies that are acting positively for the climate by reducing and/or limiting the impact of global warming on economies and societies, by contributing positively to at least one SDG.	n/a	
Biodiversity (ETF)	A unique blend of qualitative and quantitative insights to identify companies that are acting positively for biodiversity by reducing and/or limiting the negative impact of human activities on biodiversity, by contributing to at least one SDG – with a focus on SDG 6 (Clean Water and Sanitation), SDG 12 (Responsible Consumption, SDG 14 (Life Below Water) and SDG 15 (Life on Land)	n/a	

Focus on our climate ETFs

In 2022, AXA IM has launched an active ETF range, notably made up of active Climate and PAB ETFs, which has been then extended to passive Paris-Aligned ETFs launched in 2023 to cater to clients who wish to achieve their goals using the PAB framework within ETF wrapper.

As of end of December 2023, close to 60% of the ETF range is covered by ESG-related exclusion criteria.

Focus on Impact investing in alternative markets

AXA IM has a long history in investing for impact in private markets, with a first fund launched in 2013. These are investment strategies that aim to generate objectively measurable and intentional environmental and social impacts alongside financial returns, both integrated into investment management incentives.

Our first strategy, with €200M of AuM, focused on Financial Inclusion, Access to Healthcare and Education. In 2016, our clients allocated €150M to a new strategy, to invest in both environmental and social impact generation.

In 2019, we launched our third impact investing strategy focusing on Climate & Biodiversity, with AUM of $250M seeking solutions to climate change and loss of biodiversity (see below). In 2020 our clients committed an additional $103M to a fund promoting financial inclusion and access to healthcare for underserved beneficiaries in Low-and-Middle Income countries.

- #### Healthcare strategy

In 2022, we launched a Global Health strategy[54], which has a mission to ensure healthy lives, promote well-being and address inequalities in access to quality healthcare. The strategy will contribute tangibly to SDG 3 Goals and Targets by increasing the availability of innovative products and services targeting global disease burdens; and delivering solutions at accessible price points by addressing high volume, mass markets, serving the healthcare needs of the many and not the few.

The strategy will achieve its objective by investing in companies focusing on clinical development or early commercialization of: Medical Devices, Biopharmaceuticals, Vaccines, and Diagnostics delivering intentional, measurable, and positive health outcomes relative to the strategy's priority healthcare pillars: Women, Maternal & Child; Vision; Infectious diseases; Diabetes/Obesity; and other health conditions with prevalence in high volume markets.

As of December 31st, 2023, this strategy represents approximately €314M commitments from both AXA Group and third-party clients.

- #### Natural Capital strategy

The Natural Capital strategy was developed in response to increasing concerns about climate change, its impact on nature and the increasing and resulting loss of biodiversity.

In 2022, we launched this dedicated Natural Capital strategy, which has a mission to not only protect biodiversity but also address the climate crisis by focusing on avoidance and removal of CO_2 achieved through the protection of nature. This urgency and plan for action through Nature-Based Solutions was echoed by the leaders from the Glasgow COP26:

[54] AXA IM Alts launches $500 million private equity healthcare strategy alongside two senior appointments - AXA IM - Real Assets (axa-im.com)

“We, the leaders of the countries identified below, emphasise the critical and interdependent roles of forests of all types, biodiversity and sustainable land use in enabling the world to meet its sustainable development goals; to help achieve a balance between anthropogenic greenhouse gas emissions and removal by sinks; to adapt to climate change and to maintain other ecosystem services”

Emissions from deforestation and land degradation are cumulatively responsible for around 20% of greenhouse gas (GHG) emissions. Beyond the critical contribution to climate mitigation and adaption, forests play a fundamental role in water provision, biodiversity conservation and community livelihood.

Developing a solution to these challenges requires an intentional approach to allocating capital to companies and projects that conserve, protect, and restore natural capital - forests, preserving nature’s ability to act as a natural climate solution, and high value habitats necessary for conservation and biodiversity. Our investments have tackled these challenges by:

- Financing the direct protection of primary natural capital - *e.g.*, forested land, peatland, mangroves;
- Implementing sustainable land use programmes which alleviate incursion into protected primary natural capital and providing enhanced livelihood for stakeholder communities *e.g.*, smallholder farmers;
- Contributing to climate change mitigation, evidenced by the issuance of verified emissions reductions credits and other ecosystems service credits. These credits provide a sustainable means for landowners to monetise the environmental benefits provided by their forests while preserving the significant environmental, biodiversity and social outcomes provided by standing forests.

We have translated our mission into real world activities that lead to the conservation of natural capital, protection of critical habitats, and climate mitigation globally. These include:

- Reforestation of degraded lands in the Brazilian Amazon, using native species trees, providing climate mitigation benefits
- Protecting and restoring degraded peatland in Indonesia, preventing the release of CO_2 stored in peatland;
- Preventing the deforestation of Forest Protected Areas in Guatemala, protecting the MesoAmerican biodiversity corridor;
- Promoting sustainable agroforestry practices in Madagascar, thereby protecting the rich and unique biodiversity of Madagascar including four lemur species listed on the IUCN Red list of Threatened Species;
- 85,000 hectares of Land under Sustainable Management; of which 83,000 hectares are Critical Habitats, are under the stewardship of our Natural Capital Strategy.

Our strategy with its intentional focus on natural capital is contributing to the significant environmental, biodiversity and social outcomes provided by nature.

The Natural Capital strategy is making good on its promise to fund credible, investable solutions that deliver positive outcomes. To date the strategy has made a number of investments that align with its mission. Examples of our investments include:

Investments	Activity description	Expected Impact / Illustrated Investments
Forest Carbon Indonesia	Project developer specialized in the conservation and restoration of degraded tropical forests, peatland and wetland ecosystems in Indonesia, Malaysia and Cambodia. The company has operated for more than ten years with its most notable project to date being the Sumatra Merang Peatland Project in Indonesia. This project led to the restoration of over 22,000 hectares of peatland forest, the delivery of close to 7M tons of CO_2 emissions reduction (as evidenced by the generation and sale of verified voluntary carbon credits), and the strengthening and conservation of over 20 species.	Impact targets: • 74,000 hectares of peatland, mangrove and tropical forests conserved/restored • 26M tonnes of GHG emissions reductions • 22M verified carbon credits generated and • A minimum of 10 IUCN Red List endangered species protected, including the Bornean Orangutan, Proboscis Monkey, Sumatran Tiger, and the Irrawaddy Dolphin
Mombak	Mombak is a nature-based carbon removals company focused on restoring native forests in the Brazilian Amazon. The company restores degraded pastureland in Brazil and undertakes combination of full plantation, assisted natural regeneration and natural regeneration to establish conservation forests which will be managed for 50 years before being legally converted to protected forests	Impact targets: • 10,500 hectares of land restored to functioning ecosystem / productive use • 3.1M verified carbon credits generated
Madecasse	Madecasse is a cocoa bean-to-bar chocolate company working with smallholder farmers primarily in Madagascar to implement sustainable agroforestry practices that enables the conservation of habitats to support Madagascar's unique biodiversity, where 85% of the country's plant and animal species are found nowhere in the world.	Impact targets: • 2900 hectares of critical habitats for biodiversity conserved
Fundaeco	Fundaeco's operations focus on the creation, management and conservation of Forest Protected Areas in Guatemala. These Protected Areas are of significant global ecological importance, acting as habitats for critical species and providing a natural carbon sequestration solution, evidenced by the issuance of verified carbon credits.	Impact targets: • 60,500 hectares of land under sustainable management • 4.6M tonnes of carbon emissions avoided • 4.1M verified carbon credits generated
Sistema Bio	Sistema works with small-holder farmers in Latin America, India and East Africa to tackle methane emissions from waste within their operations. Sistema's biodigesters provide a sustainable solution to the treatment of organic waste, sequester methane from manure that would otherwise be emitted into the atmosphere; and the resulting biogas and biofertilizers provides low-carbon alternative to fossil-fuel derived products for the farmers.	Impact targets • 5M tonnes of waste treated • 200M cubic metres of biogas produced • 16M tonnes of biofertilizer produced • 1.8M tonnes of carbon emissions avoided

As of December 31st, 2023, this strategy represented $400M commitments from AXA Group, with an agreement to reach $500M by 2024.

- ### Our impact performance framework

Our impact management and measurement framework covers initial assessment, evaluation, due diligence, investment, monitoring and exit. The objective is to ensure that the generation of impact is intentional, focused, and a key driver for investment decisions and managing investments over the investment period.

The table below shows the contributions of our platform to key environmental and social challenges aligned with the mission of our strategies:

Theme	Impact KPIs
Climate Mitigation and resilience	- Avoided emissions (tCO_2e) - Avoided waste (tonnes)
Financial Inclusion	- Individuals empowered - MSMEs empowered
Global Health	- Healthcare solutions developed - LMICs benefiting - Lives saved or improved
Natural Capital	- Land under sustainable management (hectares) - Critical habitats protected/restored (hectares) - MSMEs empowered

AXA IM is also a founding signatory to the Operating Principles for Impact Management (Impact Principles). AXA IM publishes an annual Disclosure Statement affirming the alignment of the impact measurement and management system of AXA IM Alts Impact Investing Strategy with the Impact Principles. An independent verification of our impact management systems was conducted by EY Associes in 2023 and confirmed to be aligned with the principles.

Focus on AXA IM Impact Philanthropy Mechanism

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

5% of this range's management fees are now used to fund additional projects aimed at developing solutions with a societal impact. These projects are focused on the themes which are at the heart of AXA IM's Corporate Responsibility and Responsible Investment strategies, and aligned with selected UN SDGs:

- 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:

	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

As this programme draws to a close in 2024, we are currently evaluating the next steps in our commitment to deliver maximum societal impact through philanthropy.

Real estate direct property certification schemes

GRESB

GRESB is an organisation committed to assessing the ESG performance of real estate portfolios (public, private and direct) around the world. Its objective is to provide a dynamic benchmark to help institutional investors engage in their investments and improve the ESG performance of their investment portfolio. Entities are given a GRESB score that measures their ESG performance in absolute terms, along with a GRESB Rating that ranks them among their peers. Participants also receive a summary analysis of performance, showing strengths and weaknesses across categories such as leadership, policies, risk management, health and safety, greenhouse gas emissions, building certifications and stakeholder engagement.

AXA IM Alts has been participating the Global Real Estate Sustainability Benchmark (GRESB) since 2011 and has been taking an active role on the GRESB Benchmark Committee. In 2023, we submitted larger than average scope of assets to GRESB (ca. €40bn of AUM in total against $3.3bn average for our peer group), across 19 funds, within diversified sectors.

We maintained our performance against our company target to obtain the 4-star status and increased our average score to 87/100 (+5 points compared to 2022, +18pts compared to 2020), well reflecting our leading ESG position. 11 funds obtained 5 stars, which is the highest performance status, 15 funds increased their score and 10 obtained additional stars compared to previous year. These results demonstrate our ability to integrate ESG at scale within our Real Estate portfolios and our continued effort to improve our assets ESG performance.

Other real estate sustainability certifications

In 2021, AXA IM launched a large-scale certification programme, which aims at first assessing potential to certify in priority high performing assets and deploy relevant action plans to achieve high certification level on others.

It is now demonstrated the certification is contributing to enhancing the financial value of an asset. For example, CBRE demonstrated that when the effects of building size, location, age, and renovation history are accounted for, office buildings with sustainability certifications command a 7% rental premium[55]. Certification is therefore an important indicator of long-term performance and is becoming a market standard. It can also be beneficial to tenants, who tend to benefit from lower occupational costs and better building comfort. Finally, the process of certification offers positive benefits, as it brings together all stakeholders in an asset, raising awareness of sustainability issues and opportunities.

Asset management teams select the most relevant certifications for their country and asset type. The majority of our certifications are issued by BREEAM. We also use LEED, and respected local certifications such as HQE in France and Minergie in Switzerland, which are the industry standard in their home countries. Issue-specific or local certifications make up the remainder of our certifications.

[55] CBRE Study "Is Sustainability Certification in Real Estate Worth it?" November 2023. The report covers 19 European countries and 40 cities. CBRE studied 19,400 lease agreements – of which 6,100 leases occurred in certified buildings and 13,300 leases occurred in non-certified buildings.

As of end of 2023, 66,5% of AXA REIM SGP's AuM in scope was certified. We have a roadmap in place to achieve milestones in each country, with a final target of certifying 75% of our AuM in scope by 2030.

1.4 Our ESG disclosure communication

We believe it is vital to communicate with clients in the most transparent and comprehensive way possible for those assets which integrate ESG considerations, to give them a complete analysis of our RI framework and help them understand it, and its importance. All the main financial and non-financial information on every fund that has integrated ESG criteria into its investment process is available on our Fund Centre. This is in accordance with European and local regulations.

As described in detail below, we publish RI-related reports at entity and fund levels, for those products which integrate ESG considerations on a substantial and significant manner (*i.e.*, classified as "significantly engaging" by the AMF).

We have noted over recent years a growing client interest for a more comprehensive and enriched ESG reporting. AXA IM's ESG Report includes a wide range of environmental, social and governance key performance indicators, including climate and biodiversity-related metrics, in line with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and French Article 29 Energy-Climate Law requirements, but which will also include voting and engagement metrics. A specific Impact Report, a version of our ESG Report enriched with quantitative indicators and qualitative impact information, has been also deployed on our growing listed impact offering. Those reports aim to provide transparency on a range of metrics, a selection of which may be specifically embedded in the investment process as described in the regulatory documentation when it is the case.

ESG Report: Environmental profile

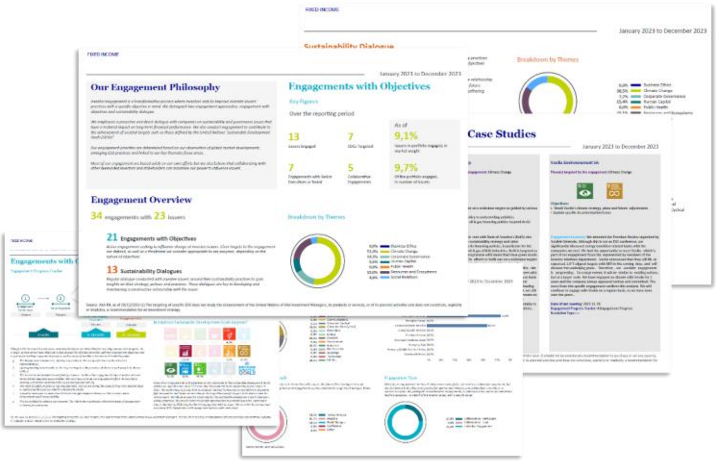
Partnering with S&P Trucost, AXA IM discloses the carbon intensity of portfolios in the climate section of the ESG reporting of its RI funds, and in the standard reporting of all portfolios along with the ESG score. Carbon intensity of portfolio relative to benchmark is analysed by distinguishing between a sector allocation effect and an issuer selection effect. Carbon intensities are performed focusing on both direct emissions (Scope 1), emissions from electricity suppliers (Scope 2) and from business travel (Scope 3).

From 2022, the ESG reporting available for funds which integrate ESG considerations classified as "significantly engaging" by the AMF include an enhanced climate section, combining historic metrics (carbon intensity for Scope 1 and 2 as well as upstream Scope 3) as well as forward-looking ones (incl. Implied Temperature Rise and proportion of companies with Science-Based Targets validated or committed in the portfolio).

AXA IM is now able to provide a full package of RI reports made up of an ESG report, dedicated engagement report and voting report, in French and English, available on AXA IM Fund Center[56] for its range of Sustainable and ACT funds[57].

[56] Funds - AXA IM Global (axa-im.com)
[57] For traditional asset classes.

The production perimeter of the Engagement Report has been extended to all our ESG Integrated and ACT range funds, and since the end of 2022, voting reports have been deployed across the same ranges. In 2024, AXA IM expects to disclose its enhanced version of its fund level Engagement Report. This will provide detailed information on engagements covering objectives and sustainability dialogues, as well as engagement case studies on portfolio holdings.



ESG reporting remains an area of focus and we will continue to enhance our reporting and provide more customised reports, relying on an increasing integration of ESG-related data into data systems, to better meet client expectations.

Client interactions, inputs and expectations

As an active manager, we continuously engage with our clients to understand their needs and understand how we can help them to make informed investment decisions and invest in a sustainable future. We are committed to answering their questions whether this is about market movements, regulatory changes, asset allocation or future trends. We do this via surveys as well as conversations at our own proprietary or industry events, and regular interactions with our sales teams. This enables us to improve our product offering as well as ensure that we have the right content and communications in place to stay relevant to clients' changing needs and to answer the questions on top of their minds.

We are focused on empowering our clients across the institutional, wholesale and retail segments to be able to confidently invest for a better planet, society and sustainable economy. In this context, providing clients with relevant and timely information is key. We do this by creating thought leadership, market commentary and educational content across multiple formats, such as research papers and articles, webinars, events, videos, and infographics to provide clients access to our investment experts, and at the level of detail they require. This content is then shared through a variety of channels, such as our website, email, social media, and third-party websites for clients to access.

Our RI experts regularly interact with our institutional clients through joint meetings with our investment teams when specific insights are required. Furthermore, our clients regularly send us due diligence questionnaires through which we can identify new trends and requirements.

At AXA IM we aim to be very attentive to market and client needs, best practices and new expectations and these interactions are one of the ways through which we can identify our areas of potential improvements.

Company-level disclosure

The following content is available on our website:

- Annual Stewardship Report;
- Principles for Responsible Investment (PRI) report;
- Exclusion policies;
- SFDR-related disclosures.

Going into more detail about our stewardship activities, we are committed to provide transparency and regular reporting on active ownership and engagement, both internally and externally. AXA IM's stewardship activities are published and available publicly. Our full voting records are accessible publicly and detail how we voted at general meetings of companies held on our clients' behalf. In addition, we publish an annual Stewardship report which includes information on RI issues, engagement with companies, aggregated voting records and details on our policy advocacy approach for the relevant year.

We also provide bespoke and customised reports aligned with specific client requests – the decision whether to make the report public or private is made by the clients. This includes a statistical overview and analysis of engagements conducted including breakdowns by theme and by the UN SDGs. There is also information on progress made through engagement and details of where we consider success has been achieved. We also provide a list of all issuers engaged with and on which specific themes.

Fund-level disclosure

We have mentioned broader fund content above. For some financial products including Sustainable and ACT funds in the AXA IM range, the following content is made available to clients on our Fund Center[58]:

- Transparency code (only for funds awarded with a Sustainable Label);
- Voting Report (for equity and multi asset funds only) – with the AGMs voted and rationales for any vote against the management;
- ESG Report (when relevant);
- Impact Report for our range of Listed Impact funds;
- Engagement Report;
- Legal documentation:
    - Prospectus or offering memorandum;
    - Key Information Document;
    - Annual reports and semi-annual reports (including funds' inventories);
- Monthly comments from the portfolio manager.

1.5 Our Corporate Responsibility strategy

At AXA IM, our purpose is at the core of everything we do: 'to act for human progress by investing for what matters'. This guiding principle not only drives our actions as investors but also defines our identity as an organisation and employer. We recognise the profound impact businesses can have on addressing society's most pressing challenges, both now and in the future. As a responsible investor, we understand the

[58] Funds - AXA IM Global (axa-im.com)

importance of integrating ESG considerations into our investment decisions. Equally important is our commitment to upholding these standards within our own operations and as an employer. By embracing the same ESG framework that guides our investment strategies, we ensure consistency and alignment across all aspects of our business.

Environment

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, ensuring that we systematically assess our emissions, implement measures to reduce them, and offset any remaining emissions through verified carbon offset projects. In 2023, we continued to progress in our operational sustainability strategy.

Measure

AXA IM has been measuring its footprint across Scopes 1, 2, and business travel for offices with more than 50 FTE as part of the annual AXA Group Environmental Reporting Campaign since 2012. Starting from 2021, we have expanded this measurement initiative to encompass all our global locations 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, aligning 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, as outlined in our AXA IM Climate Progress Report. 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 enhance our reduction capabilities, we have now onboarded ClimatePartner, an environmental consultancy, to design a new net zero roadmap for all our operations worldwide, 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.

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%**	**15%**	**20%**	**20%**	**10%**	**10%**

Energy

In 2023, AXA IM continued its progress on energy sustainability. Transitioning our six largest offices to 100% renewable electricity, we directly supplied four offices and procured Renewable Energy Certificates (RECs) for the remaining two. Our commitment extended to selecting sustainable buildings with advanced energy-efficient technologies, contributing to reduced energy consumption. Implementing energy sobriety plans included office temperature regulation and floor closures to optimise energy usage. Finally, employee engagement initiatives promoted behavioural changes, encouraging actions like turning off lights and unplugging electronics. In 2024 and beyond, we will continue to work closely with our internal teams, landlords and energy providers to implement further energy reductions across our operations and explore additional ways to optimise energy usage. A key focus will be on extending the supply of renewable electricity to more of our facilities, including data centers, as part of our commitment to transitioning to clean energy sources.

Car fleet

In 2023, a new car fleet policy was rolled out in our French operations, prioritising lower-emitting vehicles and mandating only hybrid/electric vehicles for new acquisitions. Additionally, stricter rules were implemented for obtaining a company car. Furthermore, efforts to reduce the overall size of the car fleet were successful in some offices worldwide, further contributing to our environmental objectives. Moving forward into 2024 and beyond, we will prioritise the strengthening of the new car fleet policy implementation across all relevant locations, collaborating closely with our global COO and local COOs to ensure consistency and effectiveness. Additionally, we will continue our efforts to decrease the number of cars in our fleet.

Business travel

While face-to-face meetings are essential, we recognise the need to optimise business travel, which is a high generator of emissions at AXA IM. In this context, our footprint on travel was far lower in the 2020-2022 period due specifically to the pandemic, but we are keen to leverage the subsequent evolution in our digital tools and increased home working, to prioritise critical travel only and see if we can reduce further on our initial target. That is why our internal travel policy has been adapted to ensure that travel is considered only where necessary and undertaken in the most sustainable way. It means for example taking trains only for journeys of less than 3 hours and reducing long haul business travel, leveraging instead digital solutions to replace some of the face-to-face meetings. Looking ahead to 2024 and beyond, we plan to review and update our business travel policy, incorporating enhanced guidelines for sustainable travel practices. We will strengthen policy efficiency through senior management communication, launch a travel dashboard to track emissions, and partner with our travel agency to explore sustainable travel options, including Sustainable Aviation Fuel.

Sustainability standards to complement our actions

We have implemented sustainability standards for our operations. 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.

Tackling Scope 3 emissions from our supply chain

Our Scope 3 emissions encompass the footprint generated by the activities of AXA IM providers and suppliers. We include it in our measurement and are committed to reducing its associated impact by actively engaging with our partners to encourage sustainable practices throughout our supply chain. Recognising that supply chains are the largest source of carbon emissions at AXA IM and are critical to the transition to a sustainable world, we are currently working with our consultants from ClimatePartner to design and implement a supply chain sustainability program. One of the key actions involves engaging – just as we do as an investor – with our most material suppliers and service providers to understand their sustainability commitments and efforts. Through these engagements, we aim to improve the accuracy and granularity of our supplier emissions data and support suppliers in developing and implementing their own emissions reduction strategies. This collaborative approach not only helps us review and confirm supplier-specific reduction plans but also enables us to build capacity in our suppliers' sustainability strategies. Throughout this program, we aim to enhance our positive climate impact and accelerate climate action across our value chain.

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 (all our footprint excluding emissions occurring from purchased services). These credits helped to fund a Conservation Coast project in the Guatemalan Caribbean. This project protects forests which are a critical migratory corridor for biodiversity, including hundreds of bird species that travel between North and South America. By investing in this carbon offset project, we aim to mitigate the environmental impact of our operations while actively working towards reducing our overall carbon footprint.

In 2024, we will prioritise rethinking our carbon offsetting strategy to ensure alignment with our sustainability goals and maximize effectiveness in positively impacting the environment. This notably involves the exploration and assessment of projects and new technologies that effectively contribute to the transition to net zero.

2023 GHG Inventory for AXA IM – GHG Protocol format

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 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 (RECs). 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 offices emissions to be 34,936 tCO_2e, considering a location-based approach. Considering a market-based approach, total emissions amount to 34,135 tCO_2e.

It is important to highlight that certain sub-categories of emissions are excluded from our GHG inventory as they are not pertinent 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.

Category of emissions	Sub-category	Emission sources	Total GHG emissions (tCO_2e)
Scope 1	1-1	Direct emissions from stationary combustion sources	55
	1-2	Direct emissions from mobile sources with combustion engine	515
	1-4	Direct fugitive emissions	121
Scope 2	2-1 (location-based)	Indirect emissions from electricity consumption	485
	2-1 (market-based)	Indirect emissions from electricity consumption	174
	2-2	Indirect emissions from steam, heat, or cooling consumption	15
Scope 3	3-1	Purchased goods or services	21,623
	3-2	Capital goods	2230
	3-3 (location-based)	Emissions related to fuels and energy (not included in Scope 1 and Scope 2)	673
	3-3 (market-based)	Emissions related to fuels and energy (not included in Scope 1 and Scope 2)	183
	3-5	Waste generated in operations	65
	3-6	Business travel	6,704
	3-7	Employee commuting	2450
TOTAL (location-based approach)			**34,936**
TOTAL (market-based approach)			**34,135**

Source: AXA IM, ClimateSeed, 2024.

Social

Our people are our most valuable assets. We thrive to nurture the progress of our employees by developing a work environment in which they can realise their potential to drive progress and bring our purpose to life every day.

Empowerment and inclusion are central to the culture we want to create at AXA IM

We want to provide our talented employees with the opportunity they need to grow their potential, shape the way they work through flexibility/hybrid working and thrive within a diverse community where differing ideas, backgrounds and viewpoints are encouraged. We actively listen to our employees, to understand how they feel about the work that we do and their role in driving our organisational purpose. We conduct two to three engagement surveys per year, in which we measure the ENPS (Employee Net Promoter Score) and have seen a year-on-year score increase since 2017. We support a culture of open feedback on topics such as gender, disability and ethnicity and conducted our first 'Inclusion Survey' in 2021.

AXA IM is committed to supporting gender equality at all levels, including in management teams and among those making investment decisions. As of December 2023, the percentage of women in our Management Board is 45%. In line with the Rixain Law, we have committed to improving the representation of women among those making investment decisions from 20% to 25% by 2030.

Diversity, equity & inclusion (DEI) topics have been on our strategic agenda for many years. We place sustainability at the centre of our priorities, to enhance AXA IM's role in society as an investor, an employer and as a business. As an employer, building an inclusive culture lies at the heart of our priorities. It is part of our Employer Promise to create an environment where everyone feels they belong, are included and can thrive within a diverse community. Our global diversity and inclusion policy summarises our commitment and areas of focus. We have taken meaningful steps to create a more diverse and inclusive workplace, both internally and externally, and have:

- Ensured all our employees benefit from the **same minimum parental leave provision** globally and rolled out **smart working practices** globally;
- Launched **employee resource groups** sponsored by management board members and partnered with external parties to make progress on gender, ethnicity, social mobility, age, disability and sexual orientation diversity and inclusion;
- Supported **flexible ways of working** to help remove barriers and be more adaptable and responsive to everyone's circumstances;
- Used our annual **global inclusion survey** to track employees' perceptions on inclusion, belonging and equal opportunities with the possibility to analyse data across different diversity dimensions, like gender, age, ethnicity, disability/health condition, socio-economic background and sexual orientation;
- Achieved EDGE (Equity Diversity and Gender Equality) Move certification, in recognition of the significant progress made by the company towards a gender-equitable workplace;
- Introduced a **development goal** linked to inclusion and diversity for all employees to reinforce our expectation from every employee to actively promote and advance a **culture of inclusion** — through deliberate, positive, and mindful efforts;
- Offered development journeys focused on inclusive leadership skills and behaviours through our **Managers Academy and Leadership programs** which help our leaders increase their impact, enable diverse teams, and create community;
- Introduced an aim to include **more than one woman in shortlists for senior roles**;
- Applied our diversity voting policy to challenge other companies on their actions

To reflect our strong commitment to creating an inclusive and diverse workplace, **all our global management board members have concrete targets to improve representation and inclusion within AXA IM**.

Discrimination, non-inclusive behaviour and harassment have no place at AXA IM. We have a global standard on harassment that applies to all our employees, consultants, suppliers and clients. Mandatory training is provided to all our employees on how to identify and report any behaviour that is in breach of our global standard.

We understand the need for the financial industry to accelerate progress on inclusion and diversity to meet the evolving expectations of employees, clients, regulators and the communities within which we operate. We play an active role in cross-industry initiatives to jointly address some of the intrinsic challenges in making the corporate world more generally, and the financial industry more specifically, a truly diverse and inclusive environment. Below are four examples of external initiatives we supported in 2023:

- AXA IM along with seven other asset managers became a **founding member of the Diversity Project Europe**, a cross-border initiative to encourage a more inclusive money management industry across the region;
- AXA IM launched its **partnership with Investment20/20** to access and recruit from a diverse pool of graduates, school and college leavers that are more reflective of the people and communities we serve;
- AXA IM became **gold sponsors of Women in ETFs**, a community brings together people in the exchange-traded funds industry across the globe to champion our goals of actively choosing equality, diversity, and inclusion;
- AXA IM launched a **partnership with Hey Girls** in the UK to provide environmentally-friendly period products in our offices. For every product ordered by AXA IM, a similar product is donated to people who need it with an aim to eradicate period poverty.

As a signatory of the **Women in Finance Charter**, we had set ourselves the target of reaching a third of women in our global senior leadership population by 2025. In 2021, this number stood at 26%. As of June 2023, women made up 34% of our global senior leadership population, achieving our target ahead of schedule. We want to maintain this momentum and have thus set a new target of reaching 35% of women in our global senior leadership population by 2025.

AXA IM is also a proud signatory and supporter of a number of external charters and commitments, including the Women in Finance Charter, Women's Empowerment Principles, United Nations LGBTI Standards of Conduct for Business, the 30% Club, Club Landoy Charter, UN Women's Generation Equality Action Coalition on Gender Based Violence and France's l'Autre Cercle Charter.

Protecting the rights of all those who work with us

We are committed to disclosure as required through regulation, in all geographies in which we operate. This includes the Modern Slavery Act (UK) and any others pertaining to DEI or human rights.

Our role to support and protect those who work alongside us also extends to our supply chain. We have a procurement process in place to ensure that our partners and suppliers act with similar integrity, responsibility and sustainability principles towards their own employees and suppliers, as we expect of our ourselves as a business.

Extending our purpose into our communities

Just as we are committed to 'invest for what matters' for our clients and employees, this equally extends to our local communities – supporting them to similarly grow and prosper alongside us. We focus on projects with a tangible societal impact, across climate change/biodiversity, education and health.

AXA IM donates 5% of the fees from selected Impact Funds to a number of organisations that are aligned to our corporate priorities. Within these charities, we are supporting several UN Sustainable Development Goals.

Our volunteer community 'AXA Hearts in Action' also enables our employees to dedicate their time and expertise to local charities focused on supporting climate-related and other projects with a positive societal impact. Our calendar of activity runs all year but culminates with a week (AXA Week for Good) for our employees, which is dedicated to increasing awareness, engagement and involvement in climate change and biodiversity related activities.

We are also committed to the topic of financial education and continue to partner on a number of school outreach programmes. Together, our goal is to support school children and young people in developing their financial literacy skills and to understand the value of savings.

We have also launched a new volunteering policy in UK in 2022. The purpose of this policy is to support employees who wish to undertake volunteer work whilst employed by AXA IM in the UK. Supporting our communities is an important element in AXA IM's Corporate Responsibility framework and we believe that offering the opportunity for our employees to volunteer their time and/or skills to a registered charity which has personal meaning can provide great value, both to our employees and to the communities in which we live and work. All eligible employees can request to take up to two days per calendar year to volunteer as an individual, or alongside other AXA IM UK colleagues, with a charity registered with the UK Charities Register. These two days can be taken in addition to the AXA Hearts in Action volunteering day, organised each year as part of AXA Week for Good. The policy is now being extended to all countries.

Governance

Maintaining a strong, resilient and sustainable business for the long term

We believe that a responsible resilient business is in the optimal position to perform in the long term, supporting our clients, employees and communities to grow alongside us. As a responsible investor, we actively use company engagement and voting to positively influence the corporate behaviours needed to drive long term sustainable growth. As a business, we similarly work to nurture a relationship of accountability, security, transparency and trust with our clients, employees and all those who engage and partner with us.

Holding ourselves to the highest standards of behaviour and conduct

Earning and retaining the trust of our clients and stakeholders is key. Our AXA IM Standards framework details the policies and processes followed by everyone across AXA IM, to ensure that we manage risk robustly and run our business ethically and transparently for all our stakeholders. The AXA IM standards are reviewed and each year, to ensure compliance across all teams.

Our code of conduct includes processes on topics such as anti-bribery, whistleblowing and handling of data, with topics reinforced by regular communication and employee training. Our staff are all required to undertake regular training to ensure they understand their responsibilities for the security, privacy and transparency of our organisational operations.

Understanding, assessing and mitigating risks

As a firm with a long-term outlook, we also recognise our responsibility to grow and adapt to new challenges as they arise, by continually exploring emerging risks and key topics. We operate under a Global Risk Management framework, which assesses and addresses all key risks as an investor and business. Cyber security is recognised as a key risk and our staff undertake regular training and checks, to ensure that everyone understands their own responsibility for the safekeeping and security of any information and intelligence intrusted to us. We have business recovery plans, which are reviewed and updated regularly, to ensure that our service to our stakeholders can continue in any unforeseen scenario.

We finally have processes in place to protect the confidentiality and privacy of all data selected, handled or communicated by us – with adherence to all data laws and regulation.

2- Our internal resources and ESG capacity building

2.1 Our human resources

Since 2020, our RI capabilities are embedded within each AXA IM's business unit (BU), including AXA IM Core for traditional asset classes (listed corporate equity & sovereign debt), AXA IM Alts for alternative asset classes (real estate equity & debt, infrastructure equity & debt, alternative credit, natural capital & impact), and AXA IM Prime for private assets (private equity, private debt, infrastructure equity, and hedge funds), with each of these teams performing their own RI-related activities on a daily basis. AXA IM Core, Alts, and Prime teams work collaboratively in the implementation of AXA IM's RI Strategy described in this report, notably to reach net zero greenhouse gas emissions by 2050 across all assets under management. At end of 2022, c. **2%** of AXA IM employees[59] are fully dedicated to RI topics (excluding employees contributing partially to these topics on a day-to-day basis).

Late 2023, we revised the organizational structure of our RI expertise to increase alignment between the BUs and to ensure an effective and robust integration of ESG risks and opportunities across our teams. AXA IM Core's RI Research team and RI Coordination and Governance team were re-organized under a dedicated RI Center consisting of 14 employees, which serves as a transversal actor facilitating the integration of ESG considerations into each BU and leading the overarching Active Ownership strategy, which dictates our involvement with investee companies. In addition, the two teams have the following individual responsibilities:

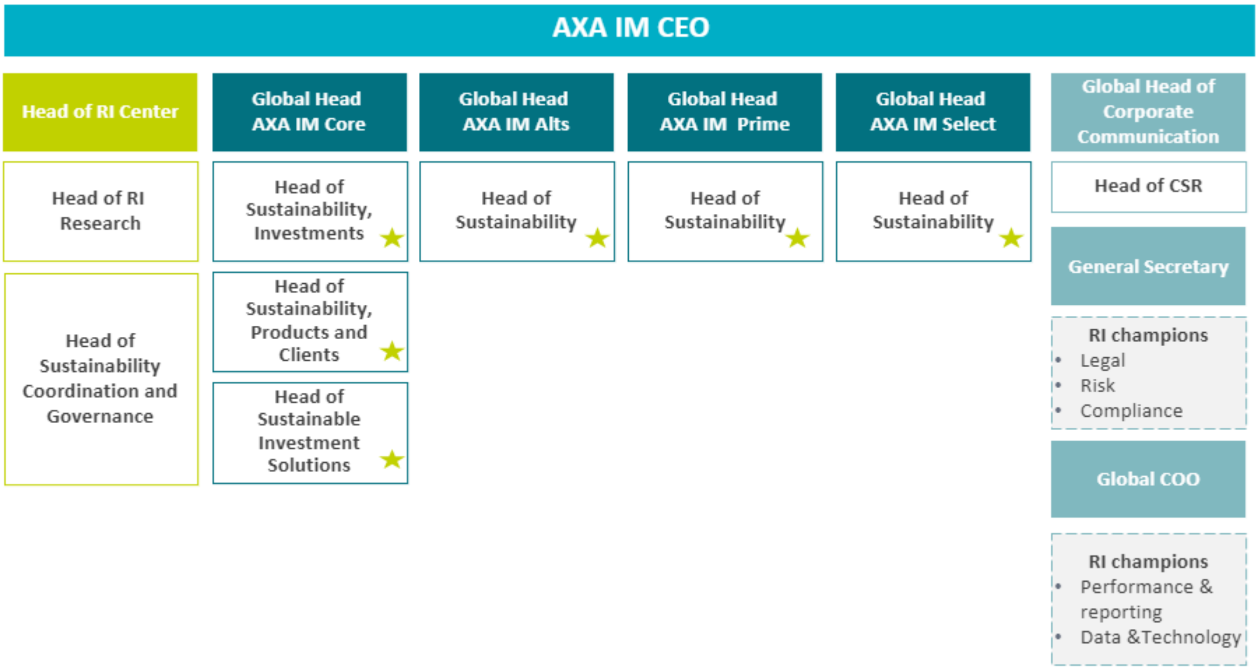
- The RI Research team, which leads shareholder engagement as part of the Active Ownership strategy and produces research on key E and S-themes ranging from climate and biodiversity to human rights and human capital. They also analyze and communicate on the relevance of these topics to our RI policies. Lessons drawn from the research are integrated into the BUs' investment decisions and used by the team to lead shareholder engagement as part of the Active Ownership strategy;
- The RI Coordination and Governance team, which is responsible for the implementation of AXA IM RI policies on exclusion and stewardship, transverse RI projects across the BUs as well as advocacy on sustainable finance policies at EU and France levels. Within the Active Ownership strategy, the Corporate Governance and Stewardship team is responsible for corporate governance research and engagement, as well as for proposing AXA IM's voting and engagement policies.

The RI Center works closely together with the several experts within the BUs. Firstly, each BU has its own Head of Sustainability who are in charge of coordinating RI-related projects within their investment platform(s), integrating ESG criteria in decision-making process, supporting investment teams on RI-related topics and making the link between RI-dedicated teams and investment teams. On AXA IM Core side, ESG product and quantitative specialists within the BUs' Investment Specialist and Quant Lab teams oversee product and business development activities and support the integration of ESG criteria and RI approaches within portfolio construction and decision-making processes.

In addition to these teams, 8 employees from operational functions within the General Secretariat and within the Global COO department are fully dedicated to ESG, to ensure the adaptation of our operational and IT framework to ESG integration and proper level of oversight from control functions.

[59] As of 31 December 2023, AXA IM accounted 63 employees fully dedicated to RI topics (excluding employees partially contributing to RI topics) out of a total of 2,700 employees including permanent and temporary contracts and excluding internship. The last figure includes employees from AXA IM Paris, AXA REIM SGP and AXA IM Prime.

Finally, AXA IM has a dedicated Corporate Responsibility team of 4 employees which actively engages with all areas of the business to explore opportunities to push for progress on the key ESG pillars and ensure we 'walk the talk' by behaving in a way we demand from others. It also benefits from our parent AXA Group, which is a leading industry voice fighting for progress on topics such as climate change and social inclusion.



Source: AXA IM, 2023. ★ = dotted reporting for Heads of Sustainability within AXA IM's 4 business units to Head of RI Center.

For AXA IM Core

AXA IM Core works with a dedicated number of RI employees from different professional backgrounds, including fund management, sell-side research, quantitative analysis, and strategy and project management, to integrate ESG factors into the decision-making process across their investment platforms (i.e., Fixed Income, Equity, and Multi Assets). The Sustainability, Products and Client teams develops AXA IM Core's strategy regarding their RI product offering. The Sustainable Investment (SI) Solutions teams works on the quantitative side of ESG integration at AXA IM Core, by developing and implementing the necessary methodologies and leading operational processes. Using these methodologies, the Sustainable Investments team integrates RI guidelines and ESG considerations into the investment processes and portfolio constructions. They also perform the analyses of AXA IM Core's Green, Social and Sustainability Bonds (GSSB) offering. The ESG and Impact Research team adds onto their efforts by performing ESG and Impact research on investee companies and engaging with them on material ESG and impact issues. Apart from these **17 dedicated RI-specialists**, AXA IM Core hosts a great deal of experts from other areas – ranging from investment to client teams – for which ESG matters are part of their daily responsibilities.

For AXA IM Alts

AXA IM Alts has RI experts who are fully dedicated to integrated ESG-related risks and opportunities into their specific investment platform, including **14 full-time employees** dedicated to ESG topics. On the real estate side, the Real Estate Responsible Investment team coordinates a network of ESG leads and ESG experts in charge of the operational deployment of AXA IM Alts' ESG strategy within real estate assets. These experts are dedicated to the proper deployment of our ESG strategy locally and work from within the local asset management teams on the operational aspect, by overseeing the integration of ESG across real estate assets in their assigned geography and leading local sustainability-related projects, including the monitoring of assets' ESG performance and climate risks. On the side of natural capital & impact and alternative credit, a dedicated impact investing team analyses and selects impact projects in alternative assets such as private equity, capital, private debt, real assets and project finance with the aim to address the needs and aspirations of underserved people globally while protecting natural environment and contribute to the UN SDGs.

For AXA IM Prime

Conscious of the importance of engaging with all business functions on ESG matters, AXA IM Prime has adopted a decentralized approach to its RI and ESG expertise. First, a dedicated ESG team of **4 full-time employees** supports AXA IM Prime's investment teams in the implementation of their ESG strategy.

AXA IM Prime has its own RI Steering committee who oversees all aspects of AXA IM Prime's ESG strategy and implementation, constituting of all Executive Committee members, senior representatives from Legal, Compliance and Risk functions; and the ESG Team. 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. Each investment team and support function has at least one nominated ESG Champion, who is 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 enabling the ESG Champions to work optimally. The two groups meat at least monthly to discuss best practices, share knowledge, and work on operational matters related to ESG integration at AXA IM Prime.

2.2 Our training & internal capacity building resources

Our educational offering related to ESG and RI includes engagement and learning opportunities to help our employees to:

- **Understand and be part of AXA's transformation towards sustainability:**

AXA IM takes part in the AXA Group-wide AXA Climate Academy program, which was launched in October 2021 to support a collective effort in mitigating the effects of climate change. AXA IM committed to train 100% of its staff by 2023 as part of the AXA IM For Progress Monitor. Over several hours, employees learn why climate matters increasingly to our clients; what the main risks are associated with climate change; how climate change impacts the entire value chain of insurance and investment companies; as well as how they can contribute to reducing the carbon footprint of AXA IM through professional and personal practices. By the end of 2023, 99% of AXA IM employees have been certified with AXA Climate Academy programme[60]. To go one step further, AXA IM continues to build on the AXA Climate Academy programme since 2023 with the 'ACT playlist' from AXA Climate School, which helps employees from diverse functions including HR, technology, finance and legal to understand how sustainability impacts their job through role-specific content.

- **Build technical expertise in ESG & Responsible Investing**

Outside the material available at the AXA Group level, AXA IM provides its employees with a dedicated learning journey consisting of internally available ESG & RI online courses and trainings delivered in partnership with external providers, available at both the intermediate and advanced level. Through this learning journey, AXA IM's employees also get the chance to learn from peers and become certified with

[60] All active employees as of end of November 2023, with completions by end of 2023 (excl. JVs, temp, interns/apprenticeships, consultants, contractors).

industry-leading qualifications in ESG and climate investing. The training of teams across the business on RI and climate has been a focus for the past four years, for example:

ESG and climate learning 2019 – 2023

The AXA IM ESG Academy was launched in 2020 to ensure all employees could benefit from ESG-upskilling. That same year, several major analyst associations launched ESG certifications for the finance industry, including an ESG Certificate from the Chartered Financial Analyst (CFA) Institute as well as a Certified ESG Analyst (CESGA) programme from the European Federation of Financial Analysts Societies (EFFAS). Widespread access to this external training and certification across AXA IM was provided in 2020, with a particular focus on the participation of Core investment and client group teams. This upskilling journey has been accelerated by live sessions, delivered in partnership with external training companies between 2020 - 2023, as well as by the encouragement of 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 at Q4 2022. Developed uniquely for AXA IM by training provider Hillbreak in cooperation with the internal Responsible Investment team and Talent Development team, this 3-hour course aims to increase the knowledge and understanding of the dynamic, rapidly evolving and critical agenda for ESG in real estate investment markets for all employees working on real estate investment: 320 employees completed the foundational Real Estate ESG course between 2022 and 2023[61].

■ **The ESG development goal** was introduced in 2023 to all employees, with the ambition of powering our ESG strategy through learning. Employees have the opportunity to engage with a variety of learning initiatives related to ESG, climate and biodiversity, depending on their learning needs and interests. This ESG goal is integrated in each employee's annual individual goals.

Understand and participate in AXA IM's internal RI policies

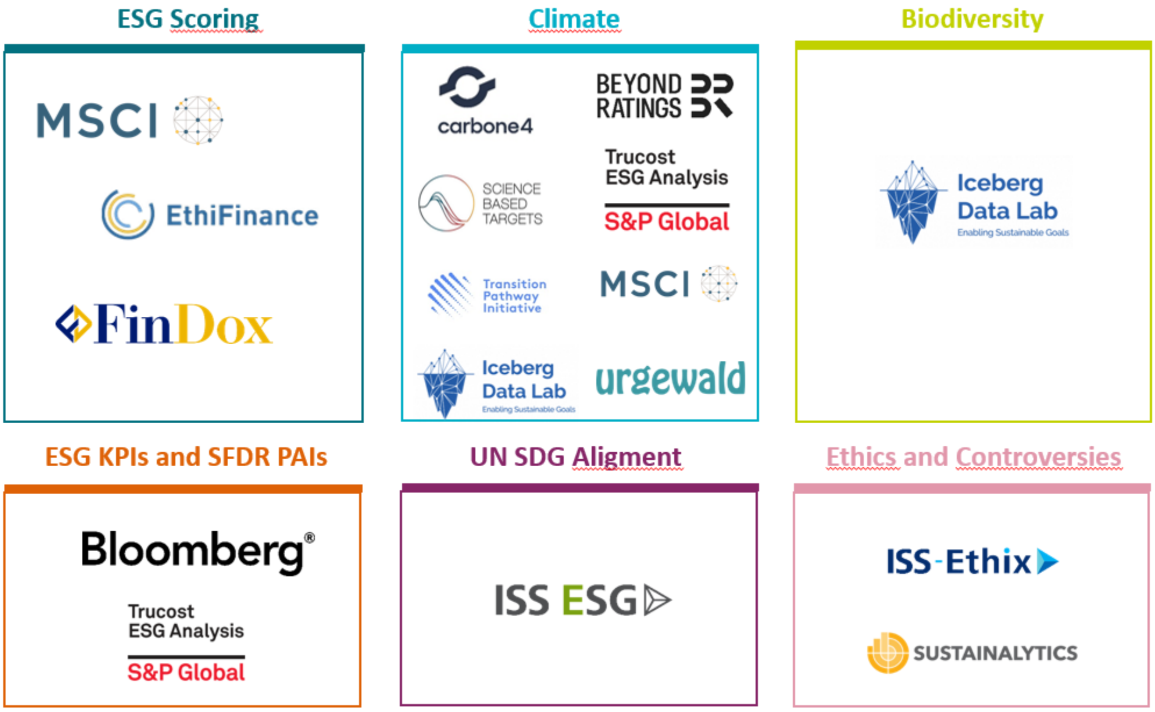
Lastly, RI teams continue to organize regular training on ESG issues for AXA IM staff. These sessions cover notably sustainable regulations, and AXA IM's RI strategy (*e.g.*, net zero commitment and methodologies, scoring methodologies, engagement and voting activities). Finally, we use Workplace and SharePoint to share any RI update internally. We have a dedicated RI and Corporate Responsibility SharePoint accessible to all AXA IM employees, which details our ESG strategy, actions implemented, and includes all materials we produce (*e.g.*, standards, policies, presentations). We communicate regularly on various Workplace groups, including groups dedicated to local offices (*e.g.*, Paris, London, Greenwich) to hundreds of AXA IM employees worldwide on our RI framework and actions we take to reach our net zero objectives.

2.3 Our technical resources

The ESG product and quantitative specialists base AXA IM's analysis models on a range of internal and external data sources: ESG rating agencies, broker research, and company and press publications. In 2023, AXA IM spent more than **€2.55** million in third-party ESG-related product and services (c. **6%** of the total

[61] Active employees as of end of December 2023.

market data expenditures in 2023[62]) compared to €2.36 million in 2022, including data on several specific ESG topics, from the following data providers:



Source: AXA IM, 2023

To keep pace with the evolution of market practices, which become more and more demanding in terms of ESG assessment both from the client and regulatory perspective, AXA IM constantly monitors ESG methodologies and refines them to facilitate an even better integration within the investment teams.

To this end, we monitor the quality and service offerings of all ESG data providers in the market, and regularly interact with them to understand and challenge – when necessary – methodologies and updates. As investors, we seek the best information possible, which requires using different ESG providers leveraging their strengths on specific areas.

In terms of challenges, the following points can be noted:

- Methodologies for gathering data - The development of easy-to-use methodologies, for example in the area of climate and ESG-alignment, is still ongoing. ESG data relies on these methodologies and is therefore subject to criticism and changes. This makes it more difficult to integrate them into the investment decision than for traditional financial information, based on well-know and shared standards;
- Heterogeneity and costs of ESG data – Initiatives to encourage issuers to report in a more homogeneous, transparent, and usable manner– such as the TCFD initiative on climate data, the TNFD on biodiversity data, etc. - are multiplying with new sustainability standards in the works at policy-makers level.

[62] Total expenditures in market data represented €43M excl. value added taxes (VAT) in 2023, excl. Alts Real Assets.

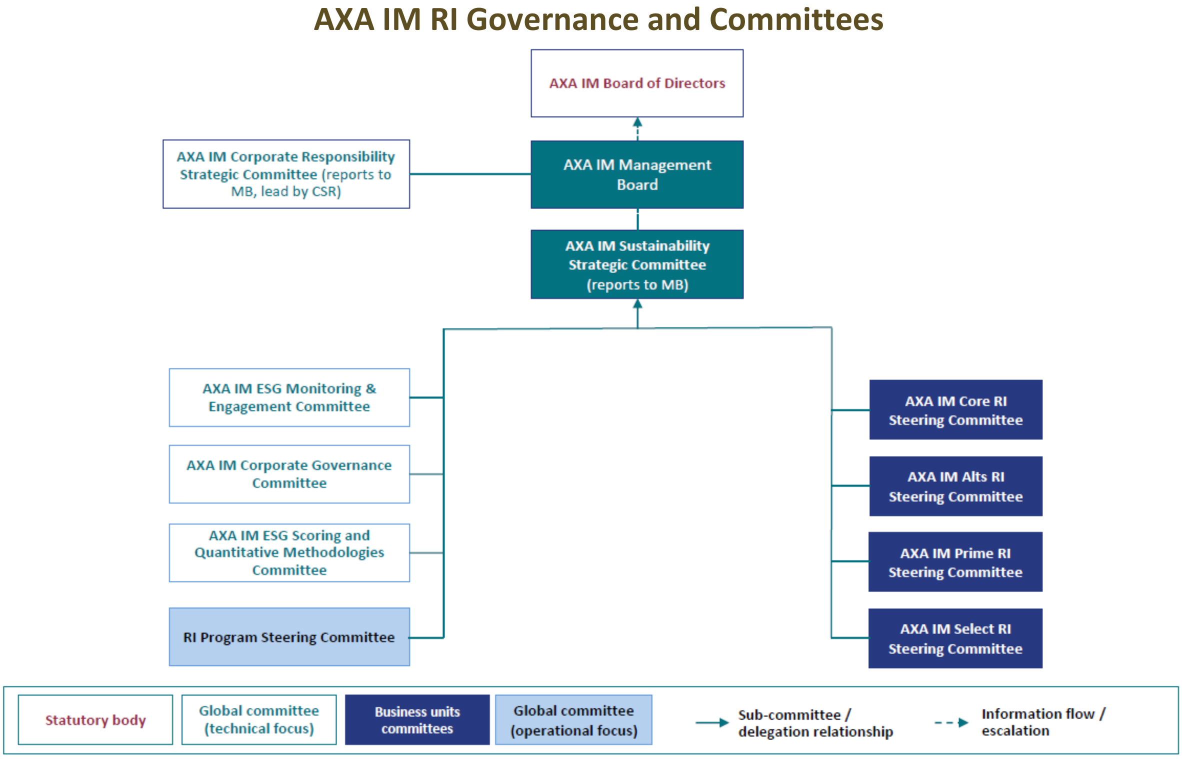
3- Our ESG governance & remuneration policies

3.1 Our RI governance & committees

AXA IM's RI governance structure was reviewed in Autumn 2023, notably as part of the integration of the two new AXA IM business lines Prime and 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 our various 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.



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**: o Material quantitative methodologies (e.g. ESG scoring, SFDR SI, carbon footprint) and the choice of material ESG data providers, o RI product frameworks with a regulatory lens, o Shareholder Engagement priorities (themes, focus-list including climate laggards), o Positions on material sustainable finance consultations. • **Consulted** on BUs RI product strategy from a business perspective. • In those contexts, 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, 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 and SFDR Sustainable Investments 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 SSC.
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.

As AXA IM employees, all RI committee members are regularly trained on ESG and RI through internal and external training (see section 2.2). The Chair and Secretaries of committees listed above have RI related roles, and senior representatives from RI Experts team participate to those committees alongside other teams, therefore ensuring an effective integration of ESG criteria into business considerations. All committees' members are selected based on their RI expertise (*e.g.*, portfolio managers represented by their respective asset class RI Champions: see section 2.1).

3.2 Integration of ESG factors into remuneration policy & ESG objectives

ESG and RI considerations are included in the appraisal process of different teams, including the dedicated Responsible Investment 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 sustainability risk framework as well as to the updated investment processes which include the 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 objectives, as well as collective performance criteria.

At AXA IM, we believe variable remuneration must account for appropriate qualitative criteria, such as sound and effective risk management (including regulatory compliance) and client service which delivers fair, high-quality outcomes. As AXA IM variable pay is potentially composed of cash and deferred variable pay, from 2023, the deferred part of the variable pay is indexed to an ESG performance Index, aligned with the AXA IM net zero ambition[63]. Since 2023, the deferred compensation of c. 400 people that would be paid in 2024 incorporates, alongside existing criteria, the following ESG metrics, adjusted to the employee's business area and responsibilities:

- 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 transversal functions' employees in scope;
- The target of having 50% of directly managed AuM from Real estate portfolios aligned with the Carbon Risk Real Estate Monitor (CRREM)[64] trajectories by 2025: for the ESG part of the deferred compensation, this metric accounts for 75% for AXA IM Alts and 37.5% of transversal functions' employees in scope;
- The reduction of the corporate operational GHG emissions, to reach the interim target to reduce it by 26% by 2025: for the ESG part of the deferred compensation, this metric accounts for 25% for all AXA IM Core, AXA IM Alts and transversal functions employees in scope.

This new policy is reflected in the **AXA IM for Progress Monitor**[65], launch in early 2023, a set of metrics selected due to their material contribution towards AXA IM's ambition of becoming a leading responsible asset manager. AXA IM for Progress Monitor brings together a selection of existing metrics in a simple and transparent way, to better communicate and showcase our journey to net zero.

Initially 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, AXA IM for Progress Monitor represents the way we know we can effect change on the road to net zero:

- **Decarbonization** across the main asset classes and for our own operations;

[63] AXA IM aligns compensation of senior executives to its ESG ambitions | AXA IM Corporate (axa-im.com)
[64] CRREM aims at developing a tool that allows investors and property owners to assess the exposition of their assets to stranding risks based on energy and emission data and the analysis of regulatory requirements. By setting science-based carbon reduction pathways, CRREM faces the challenge to estimate risk and uncertainty associated to commercial real estate decarbonization, building a methodological body and empirically quantify the different scenarios and their impact on the investor portfolios. See more information on CRREM website: CRREM Project
[65] AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)

- 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.

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

Lastly, since 2023 every employee at AXA IM must share an individual ESG development goal on which they agree to work on during the coming year. This aims to create awareness amongst AXA IM employees and embed within them a sense of responsibility. For example, real estate equity asset management teams are assigned individual ESG objectives with targeting data collection coverage, asset certification and decarbonization measures.

All principles related to remuneration are set out in the **AXA IM Remuneration Policy**[66],which accounts for AXA IM's business strategy, objectives, risk tolerance, and the long-term interests of AXA IM's clients, shareholders and employees. It also seeks to ensure sound and effective risk management and behavior which is consistent with the risk profile, strategy, objectives and values of the managed portfolios.

[66] Remuneration | AXA IM Corporate (axa-im.com)

4- Our ESG engagement strategy

One of our key ambitions is to play a leading role in financing the transition to a greener and more sustainable world. Part of this involves encouraging companies and key stakeholders in their transition journey through focused stakeholder engagement and open dialogue to enable change. Through our voting and engagement strategies, we have an opportunity to use our influence to drive a broader change for the benefit of society and the planet. This is a central pillar of responsible investment at AXA IM, and we therefore continuously review ways to make this dialogue as efficient and impactful as possible.

For **traditional asset classes**, we see three essential ways to do this: i) clear and meaningful objectives communicated to management; ii) regular meetings to verify and evaluate progress; and iii) voting with conviction or pursuing other escalation techniques when required. Our active dialogue with companies allows us to effectively monitor our investments, and ensure we maintain open channels which can enable change to the benefit of society, the planet – and ultimately our clients.

For **real estate assets**, we engage directly with the tenant of our real estate assets through different means aiming at informing them and involving them in our strategy.

For other **private assets** (alternative credit and private market funds of funds), depending on the type of investment we engage directly with the fund or GP throughout structured dialogues in the investment phase. Our overall voting and engagement strategies and the result of their implementation can be found in the below documents:

- Corporate Governance and Voting policy
- Engagement policy
- 2023 Stewardship report
- Full voting records

4.1 Engagement, collaboration and escalation

Engagement in listed markets in 2023: highlights and data[67]

The financial sector faces increasing scrutiny about how it addresses climate change and global societal challenges. Our **exclusion policies set clear red lines** and send a strong message to companies on what we consider unsustainable practices and activities, **but we also rely on our stewardship strategy to push investee companies to address key ESG risks and implement best practices**.

Since 2022, AXA IM distinguishes between 'engagement with objectives' and 'sustainability dialogues'. The former seeks to influence change at investee companies, by defining targeted objectives related to the key ESG issues at stake for the targeted company. These issues related to key themes researched by the RI Research team, including climate change, biodiversity, responsible technology, human capital and human rights, and governance. The RI research team leads these engagements together with the Corporate Governance Research teams and often with the participation of the BUs. The latter form of engagement, the so-called sustainability dialogues, aim to have a better understanding of the sustainability-related risk profile of a position held in portfolios, potentially feeding into future targeted engagement. They are often led by the investment teams.

[67] Figures in this section may be rounded.

In 2023, we conducted an overall 681 engagements with 503 entities, representing a 14% increase in engagements compared to 2022 – showcasing the importance of stewardship in our responsible investment strategy, and its integrated approach. The increase was observed for both categories of engagement, with 'engagement with objectives' reaching 298 engagements with 207 issuers, a 44% increase compared to 2022, and with 'sustainability dialogue' constituting of 383 dialogues with 328 issuers, an increase of 60% compared to 2022. Overall, the most targeted themes were climate change (37%), corporate governance and human capital (both 17%), and resources & ecosystems (16%).

For engagement with objectives, AXA IM believes in collaborating with likeminded stakeholders and investors and raise our voice collectively. In that context, 27% of the engagements were conducted in collaboration with other investors, an increase compared to 2022. AXA IM took a leading role in several of them by framing and defining the objectives and pre-selecting the first issuers for engagement. We also showed this role as one of the parties launching the Nature Action 100 (NA100) investor group, which seeks to engage companies in key sectors for reserving nature and biodiversity loss by 2030.

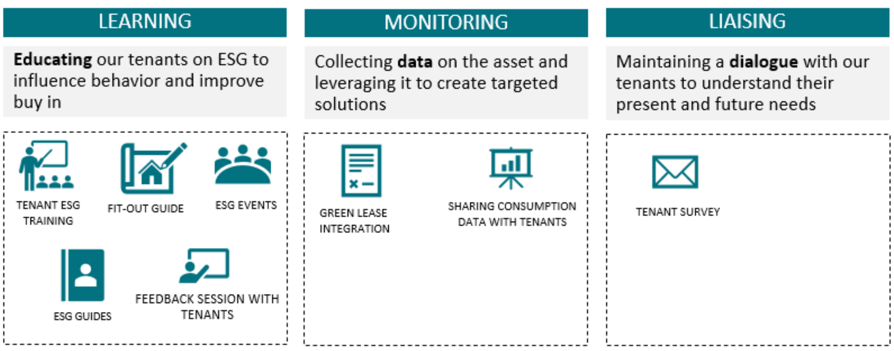
For sustainability dialogues, an increasing number of investment teams engage with companies to get additional information on their sustainability strategy, which is then used to complement external ESG data in the ESG analysis of companies. These dialogues are also used to build a better understanding of companies' GHG emissions, which is imperative towards reaching the targets of our Net Zero strategies. Lastly, investment teams conduct dialogues with some selected GSSB issuers at the pre- and post-issuance level.

Real estate engagement

Stakeholder engagement is at the heart of AXA IM Alts' ESG strategy, for the company is deeply convinced that the general and specific ESG objectives it has set itself will be achieved through better knowledge of, and greater attentiveness to, all the stakeholders involved in its assets, and more particularly the tenants who are occupying our properties. Faced with the dual challenge of the energy and climate crises, AXA IM has strengthened its engagement with tenants and stakeholders to ensure its compliance with local regulations, such as France's Dispositif Eco Efficacité Tertiaire (DEET).

As users of the assets, the tenants of the buildings under management are key contributors in achieving the objectives of the ESG strategy. We actively engage with them, convinced that cooperation with tenants is a necessary condition for the implementation of relevant and effective measures over the long term. It has been demonstrated that the proper use of a building's facilities is a key factor in reducing its environmental impact. For this reason, it is essential to be proactive in supporting tenants to make good use of building facilities and to provide them with recommendations and good practices to implement.

Our tenant engagement efforts are focused around three core areas:



For our Commercial Real Estate (CRE) Debt platform, we sought to actively improve the level of data visibility on underlying assets to better inform our view of environmental risks. Historically, access to such data in private or secondary markets has been poor, which has hampered visibility of the efficiency or underlying ESG performance of assets. We undertook a two-step approach to improve this. First, we engaged with a third-party data provider to assist with the assessment of carbon emissions, based on estimated emissions per square meter for different asset types in different countries. This enabled us to generate an estimated carbon footprint for the portfolio. The natural limitations of this dataset were then addressed by including a second step which involved structural dialogue with our borrowers via a survey to collect various ESG information and KPIs including energy consumption.

2023 marks the third year on a row where the annual survey has been circulated. The survey was sent out to over 40 borrowers, representing 58 loans valued at €9bn. We received a 90% response rate, representing some €8bn asset under management as of 31 December 2023, which is a 42% year-on-year increase.

Information shared since 2021 has, for example, helped us develop a deeper level of insight into carbon and energy efficiency-related risk in our portfolios, in addition to our growing knowledge base of physical and transitional risk. The information will further inform refinancing opportunities and our ability to work more closely with borrowers and underlying assets in our journey towards net zero before 2050.

Lastly, as for our Listed Real Estate investment, since 2021, we have been conducting an annual survey as part of the active stewardship of our listed real estate investment platform. A survey questionnaire is sent to all European listed real estate companies to gain a better understanding of the qualitative and quantitative metrics associated with the ESG practices (including biodiversity and social risks) and performance within each company. This data gives us deeper insight into ESG-related risks within investee companies in our investment portfolios and, over time, allows us clearer insight into the alignment between the performance of the assets in the underlying investments, and the aspirations of our clients and organisation.

Private markets funds of funds engagement

Engagement objectives

AXA IM Prime aims at creating sustainable value by encouraging and influencing the development of ESG and climate best practices in private markets, despite indirect investor positioning.

Forms of engagement

Pre-investment, AXA IM Prime has a threefold ESG due diligence process built around compliance with AXA IM sectorial exclusion policies, minimum ESG criteria, and ESG score of targets' capabilities. AXA IM Prime recognizes that the investment/holding phase constitutes an important opportunity for dialogue with third party general partners and managers. Therefore, we have put in place a structured 13 approach to ESG monitoring and engagement, with the aim of contributing to risk management and sustainable value creation during the ownership/holding phase:

- Monitoring and engagement activities are carried out directly by the investment team in collaboration with the ESG team as required, including as part of annual meetings to monitor and update ESG scores computed as part of the pre-investment ESG Due Diligence phase;
- Structured dialogue also takes place to ensure compliance with AXA IM Prime's ESG integration approach and clauses, assessing positioning against regulatory requirements, ESG innovation & trends,

discussing ESG data reporting expectations at entity and portfolio levels, and identifying investment opportunities.

In 2024, AXA IM Prime will continue to deploy its ESG strategy and further develop the engagement framework including monitoring and reporting.

► Vision for 2024

This year will be an extraordinary 12 months on the political front, as more than 60 countries are going to the polls, and this backdrop will undoubtedly impact the course of sustainable finance. Polarisation around key environmental, social and governance (ESG) issues is therefore set to increase globally, injecting uncertainty into climate policies.

In 2024, stewardship will remain a top priority on our RI roadmap. We aim to focus our engagement specifically on:

- **Transition plans:** As such, the focus on transition will drive specific attention on engagement, echoing a broader request to prevent 'engagement washing'. Asset managers will have to share more about their assessment of transition plans, what they focus on, and how they adjust their approach to the different sectors and different regulations. This year should accordingly mark a turning point in the field of climate assessment/engagement with the beginning of a second phase, moving from objectives setting, to deliverability and track record on first interim targets. No doubt it will trigger some shifts in assessments and investments, as investors will be scrutinised on how their engagements effectively bear fruit;
- **Biodiversity loss:** beyond climate, ecosystem vulnerability and biodiversity loss are set to rise up investors' agendas, supported by the release of the Taskforce on Nature-related Financial Disclosures (TNFD) framework and the coming into force of the EU deforestation regulation that will start to apply from the end of 2024. Deforestation, water, waste and Pollution should accordingly be the key aspects tackled by investors and engagers, including as a potential risk for litigation. Sector wise, the food industry is likely to see increased scrutiny, driven by its contribution to environmental degradation and interplay with climate change, as echoed at COP28. It represents risks, but also opportunities for companies targeting specific activities in the field of regenerative agriculture for instance, but also various segments such as water consumption monitoring, waste avoidance and recycling;
- **Human and workers' rights:** Finally, social aspects and more specifically human and workers' rights should continue to gain traction, driven by ramifications of transition plans, due diligence regulations and client demand over broader sustainability claims. Living wages, work conditions, unionisation and social dialogue are structural issues that have been to some extent overshadowed by climate concerns until recently, but now investors are starting to consider them more seriously. In the same vein, we believe the focus on human rights will keep on intensifying in 2024 in tandem with regulatory pressure. A qualitative review of controversies and of what is at stake is necessary, as at the end of the day, investors will have to take their own view around the severity of the cases, the red lines they have, and ultimately, the need to exclude or engage. Beyond any tick-box exercise on codes of conduct or existence of grievance mechanisms, what matters to us is concrete evidence of what is done on the ground by corporates to prevent, alleviate and remedy issues at stake.

More broadly, RI is likely to broaden its lens, shifting from a net zero focus to a more holistic perspective of sustainability, integrating the different environmental and social negative externalities driven by the transition.

For more details on our engagement activities on ESG themes and engagement process, please refer to our 2023 Stewardship report[68].

4.2 Voting

Voting is an essential part of AXA IM's efforts to integrate ESG concerns into investment processes and a building block in our stewardship approach. It is guided by our Corporate Governance & Voting policy, which is updated at least annually and whenever necessary to strengthen the link with our thematic engagements. For clients in segregates mandates, we also tailor our voting policy to their ESG preferences or relevant market regulation. Regardless of the type of fund, each investee company has their own trajectory. Instead of a 'one size fits all' approach, AXA IM therefore aims to make its voting decisions based on a high level of information on the investee company, based regular dialogue and our own research.

In 2023, ESG-linked resolutions represented 1% of the 54,782 proposals we voted on. Overall, we consider supporting ESG shareholder resolutions as an effective escalation tool for when a company does not make the desired progress. In 2023, we supported 68% of such resolutions, after a careful examination of each proposal's own merit. The remaining 32% of resolutions were not supported for various reasons, including when we believe the most material requests of the proposal are already disclosed by the company, when they interfere with the board's responsibilities, or when they are not in the best interests of our clients or society at large.

With regards to our ESG shareholder proposals specifically, the split for 2023 was as follows:

- 55% were related to corporate governance issues, of which AXA IM supported 76%;
- 28% were related to social issues of which AXA IM supported 53%;
- 17% were related to environmental issues, of which AXA IM supported 63%.

In total, AXA IM voted on 58 management-sponsored environmental proposals, of which 33 related to sustainability reports and 24 to progress reports on climate. Although this number is still marginal compared to the total number of votes, we expect it to grow in the future – especially in Europe as the Corporate Sustainability Reporting Directive gains traction. For resolutions related to climate progress reports – the so-called 'say on climate' resolutions – we refer to the expectations detailed in the AXA IM Climate Risk Policy and Corporate Governance & Voting Policy[69].

► Vision for 2024

Our Corporate Governance & Voting Policy has been updated late 2023 to emphasize our ESG expectations ahead of the voting season. As we come closer to a 'now or never' scenario for climate and as the political backlash on climate-related regulation intensifies, we seek to raise a strong voice

[68] Stewardship and Engagement | AXA IM Corporate (axa-im.com)
[69] For more information on both policies, please refer to the following link: Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)

against climate lobbying. Specifically, a dissenting vote against relevant resolutions may be cast at the highest emitting companies that fail to appropriately report on their climate lobbying activities.

Moreover, to provide the highest level of transparency to all its stakeholders, AXA IM will start disclosing the rationale for all votes against ESG-related shareholder proposals.

For more details on our voting activities in 2023, our voting process and our voting priorities for 2024, please refer to our 2023 Stewardship report.

4.3 Public policy engagement: involvement with industry groups and policy makers

At AXA IM we adhere to the principles, standards and codes which govern policies and practices in the markets where we are active. In face of the diverging approaches to ESG integration and reporting, we aim to offer transparency on our approaches and the challenges we face in developing those.

The past years, we have seen major sustainable finance policies come into force in many of the geographies where AXA IM operates. EU Regulations like the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy have material impacts on financial institutions, not only in terms of disclosure requirements but also in terms of product design. These impacts will become even bigger in 2024, as other geographies start to develop legislations similar to the EU Taxonomy and as the EU Corporate Sustainability Reporting Directive (CSRD) will come into effect.

With every new wave of regulations come new challenges, not only related to the implementation at the company-level but also with regards to their overall usability. Nevertheless, AXA IM is convinced that these legislations will ultimately help allocate capital to decarbonisation efforts of high-impact sectors as well as to innovative, sustainable solutions necessary to create a low-carbon economy. Together with the EU Corporate Sustainability Due Diligence Directive (EU CSDDD) that will likely be adopted this year, the EU Taxonomy and the EU CSRD will furthermore allow us to implement AXA IM's own Net-Zero targets more effectively. This is also underlined in the EU Platform on Sustainable Finance (PSF) report, *A Compendium of Market Practices*, to which AXA IM contributed as a member and co-rapporteur of the PSF's Usability & Data sub-group.[70] At the same time, we recognize the costs and difficulties that investors currently experience in interpreting the legislation, which is why we advocate for usability issues to be addressed in a timely and orderly manner. We also believe that, in order to effectively foster a real transition to sustainable practices, this legislation should be accompanied by the appropriate real economy policies.

Guided by this position, our advocacy efforts in 2023 have focused on the following:

- **Addressing the current shortcomings of the SFDR within the European sustainable finance ecosystem.** While we support its overarching objective of providing increased transparency and comparability to our clients, we also consider that some key concepts have not been sufficiently explained, contributing to uneven market practices. Guidance on what a Sustainable Investment constitutes of, complemented by a categorization regime with clear minimum criteria based on metrics from the SFDR Principal Adverse Impacts (SFDR PAI) and EU Taxonomy, would help create clarity in the market and fill the gap in capital needed to reach the EU Net Zero goals. We furthermore encourage the usability of the SFDR by reducing the complexity of the SFDR templates as well as by ensuring that future SFDR revisions complement the

[70] Platform on Sustainable Finance (PSF)'s A Compendium of Market Practices, published 29 January 2024.

sustainability preferences framework introduced in the EU's Markets in Financial Instruments (MiF) regulation of August 2022.

- We have addressed these points within the **EU PSF**, as well as in **various industry groups** that took place in the context of the revision of the Regulatory Technical Standards and the revision of the Level 1 Regulation. They have also been raised within **individual engagements** with the French Treasury and selected local supervisory authorities. In the UK, we also contributed to industry groups position on the SDR and engaged directly with policy-makers on this regulation. We welcome the introduction of clearer rules in this geography, and it was an opportunity to share from our experience at EU level.
- **Promoting a regulatory environment supportive of shareholder engagement and voting for an effective impact on investee companies' governance and sustainability strategies**. We continue to provide input to relative legislation and other initiatives to solve technical obstacles that investors face in effectively exercising their voting rights. We responded to the call for evidence issued by the European Commission in light of the **SRD II Impact Assessment study**, allowing us to issue our concerns with the current EU Shareholders Rights Directive II and provide input for its revision. Another regulation we focused our efforts on in 2023 was the revision of the **Listing Act**, which we believed introduces a risk of dilution effect resulting from dual class shares, thereby potentially undermining the level of board accountability towards the concerns raised by minority shareholders. Lastly, we advocated for more guidance within the **EU on engagement reporting at the entity-level**, similar to the guidance provided by the UK Stewardship Code. Specifically, we think a common definition and understanding of reporting that is practically feasible and understandable for FMPs, companies, and end-investors alike will be beneficial, which we will continue to convey in 2024. On corporate governance more broadly, we also provided our comments to the FRC as part of the public consultation on the update of the UK Corporate Governance Code. **Continue motivating issuers to adopt best practices around governance and sustainability-related policies.** As a member of the **Global Governance Policy Committee of the International Corporate Governance Network**, we contributed to the publication of opinions on virtual general meetings and Board governance practices around sustainability. We were also a co-signatory to a statement published early 2024 against the regression of shareholder rights and protections in the UK, which could harm the country's high corporate governance standards.[71]
- **Expanding the scope of issuers on which relevant and comparable sustainability-related information is available**. We believe such information is crucial for embedding ESG-matters into investment decisions in a robust matter, which would allow for meaningful, comprehensive reporting to clients and regulators. In 2023, we have focused our efforts on ensuring that ESG data distributed by **external data providers** is sufficiently robust, consistent, and reliable – all whilst highlighting the double materiality lens.

Vision for 2024

As we enter 2024, we will closely monitor the impact upcoming elections including in the US and EU may have on the policy landscape. When it comes to sustainable finance but also real economy policies, we acknowledge that on a few targeted issues a more proportionate and targeted approach may be beneficial based on lessons learnt from first years of implementation especially when it comes to sustainability disclosures – as an example with fund level disclosures adapted to the fund objectives. Beyond this, to be able to achieve their Net Zero commitments, but also implement regulatory requirements which apply to them for instance as part of the Article 29 of the Law Energy

[71] See https://www.icgn.org/icgn-statement-high-standards-corporate-governance-and-investor-protections-pre-requisites-uk

Climate, investors need the momentum to be maintained on the Green Deal at EU level, and on similar policies at global level, looking at sustainable finance and real economy in a complementary manner.

In an environment made more complex by upcoming elections, the need for stakeholders to come together and regroup to find those “robust and workable” solutions, from asset managers to corporates, auditors and consultants, policymakers and supervisors remains the same in our view. This is essential to allow the EU to achieve its 2040 Climate targets, and for us to effectively continue to progress in the implementation of our Net Zero commitments.

We hope to see further momentum on the real economy policy side, while acknowledging the impact and influence of macroeconomic events. We aim to continue to engage with our investor base, providing educational content on those important and evolving policies, to encourage an understanding of how these may change our way of working and change the nature of portfolio investments. We adopt a selective approach when deciding which initiatives we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, and our public policy engagement is achieved through direct engagement with policymakers and regulatory authorities, participation in industry working groups, and responses to consultations.

5- Our share of assets in sustainable and fossil fuel sectors and activities

5.1 Green share of activities

Sustainable share of activities following the EU Taxonomy for sustainable activities

Since 2022, Corporates publish the eligibility and the alignment of their activities with regards to the EU Taxonomy[72]. The EU Taxonomy sets out criteria for environmentally sustainable economic activities across six environmental objectives, thereby giving companies and financial actors a tool to communicate their contributions to the transition towards a sustainable economy. As such, it should protect investors against greenwashing companies, mitigate market fragmentation, and help shift investments towards more sustainable activities.[73] Starting January 1st, 2024, financial undertakings shall disclose the proportion in their total AuM aligned with the EU Taxonomy criteria.[74]

To date, AXA IM has decided not to use estimated information for the purpose of its EU Taxonomy disclosures (i.e., estimates developed by ESG data providers based on complementary data disclosed by companies or through the use of models), pending for clearer regulatory guidance[75]. This significantly limit the alignment ratio as non-EU investee companies cannot be covered.

At end of 2023, based on data reported by issuers and collected by our data providers, we report the following exposure to assets eligible and aligned with the EU Taxonomy for listed assets managed by AXA IM Core (AXA IM Paris only):

		AuM at end of year	Exposure to assets aligned with the EU Taxonomy for sustainable activities (revenue-based)		Coverage	Exposure to assets aligned with the EU Taxonomy for sustainable activities (CapEx-based)		Coverage
		[M€]	[M€]	[%]	[%]	[M€]	[%]	[%]
AXA IM Core (listed corporate assets)	*2023*	*202,340*	2,954	**1.46%**	*21%*	7,868	**3.89%**	*15%*
Equities	*2023*	*48,693*	1,055	**2.17%**	*21%*	1,839	**3.78%**	*23%*
Corporate Bonds	*2023*	*153,648*	1,899	**1.24%**	*21%*	6,028	**3.92%**	*12%*
Benchmarks								
MSCI All Country World Index (ACWI)	*2023*			**0.40%**	*6%*		**0.90%**	*6%*

[72] Alignment refers to an eligible economic activity that is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labor standards, as defined by the EU Taxonomy Regulation.
[73] Source: EU taxonomy for sustainable activities (europa.eu)
[74] Source: EU Commission Delegated Regulation (EU) 2021/2178
[75] See question 10 in section VII of the Consolidated questions and answers (Q&A) on the SFDR (Regulation (EU) 2019/2088) and the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288): JC 2023 18 - Consolidated JC SFDR Q&As (europa.eu)

ICE BofA Global Broad Market Corporate	*2023*			0.75%	*11%*		2.41%	*10%*

Source: AXA IM, S&P Trusost, 2023.

		AuM at end of year	Exposure to assets eligible to the EU Taxonomy for sustainable activities (revenue-based)		Coverage	Exposure to assets eligible to the EU Taxonomy for sustainable activities (CapEx-based)		Coverage
		[M€]	[M€]	[%]	[%]	[M€]	[%]	[%]
AXA IM Core (listed assets)	***2023***	***202,340***	*8,616*	***4.26%***	*22%*	*15,267*	***7.55%***	*16%*
Equities	*2023*	*48,693*	*2,794*	***5.74%***	*25%*	*4,955*	***5.74%***	*25%*
Corporate Bonds	*2023*	*153,648*	*5,822*	***3.79%***	*21%*	*10,312*	***6.71%***	*13%*
Benchmarks								
MSCI All Country World Index (ACWI)	*2023*			***1.50%***	*7%*		***2.48%***	*7%*
ICE BofA Global Broad Market Corporate	*2023*			***3.01%***	*12%*		***4.69%***	*10%*

Source: AXA IM, S&P Trusost, 2023.

In the absence of reliable data sets to measure the exposure to EU Taxonomy eligible and aligned assets for alternative assets (real assets and alternative credit) and for private markets funds of funds and funds of hedge, we do not disclose any EU Taxonomy exposure for AXA REIM SGP and AXA Prime as for 2023.

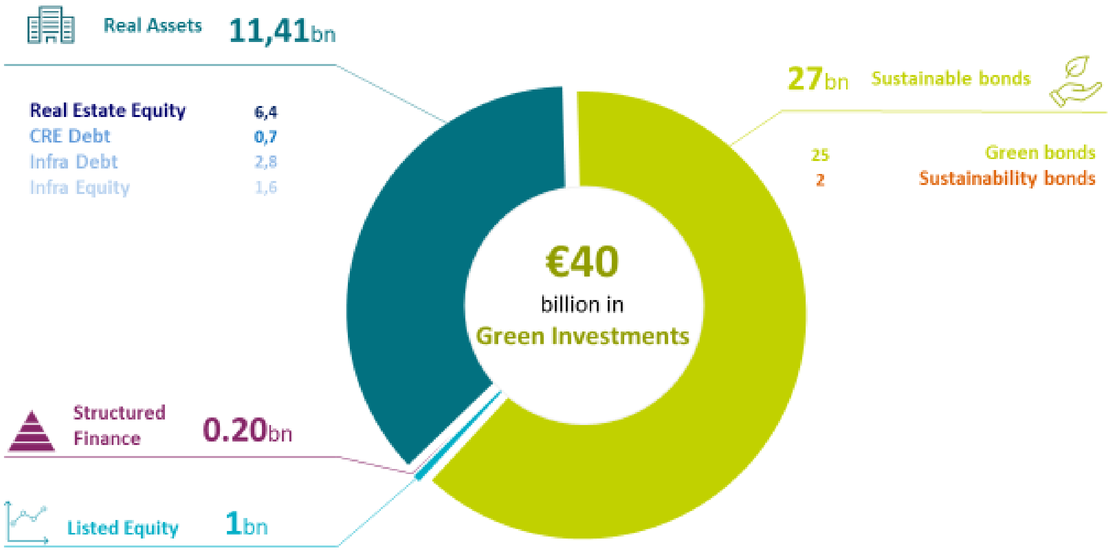
Green share of activities following AXA IM approach

In addition to reporting of our alignment with the EU Taxonomy activities, we also report on our green activities following various thematic or impact investment approaches. Our methodology is consistent across AXA IM entities and in line with the definition set by AXA Group.

Green investments (project-led green share): €40bn of AuM[76]

AXA IM has been an active investor in green bonds, green buildings and green infrastructure and is playing a key role in implementing the Green Investment initiative announced by AXA Group in November 2019.[77] There are three categories of green investments: Real assets green buildings and Infrastructure, Green bonds, and Green thematic equities (i.e., from ACT fund range). See more details below.

[76] Source: AXA IM as of 31/12/2022.
[77] See "AXA launches a new phase in its climate strategy to accelerate its contribution to a low-carbon and more resilient economy", AXA, 2019. [AXA launches a new phase in its climate strategy to accelerate...]



Source: AXA IM, as of 31/12/2023. N.B.: the Listed Equity figure comprises four "green" open-ended equity fund assets managed by AXA IM. The Structured Finance (i.e., Alternative credit, Natural capital & Impact) figure comprises a dedicated fund's assets managed by AXA IM. The Green and Sustainability Bonds and Real Assets figures comprises all the mentioned financial securities financed by assets managed by AXA IM regardless of the legal form of financial product holding the investment.

Real Estate & Infrastructure Green Investments

Real Estate and Infrastructure represent a significant portion to the AXA's Green Investment initiative. Only assets accounted as part of AXA's commitment are accounted as green investments under AXA IM approach to account its green share of activities approach. For an individual asset to qualify as "Green", specific criteria must be met:

- **Real estate**: for property assets, our definition is limited to assets with a high level of third party independent environmental certification (minimum level "Excellent" or "Gold") and a minimum Energy Performance Certificate (EPC) rating of "B" or equivalent for non-European assets;
- **Forestry**: sustainably managed forests as demonstrated by an FSC or PEFC certification;
- **CRE debt**: similar to Real estate, we consider loans securitized by single assets with a certification (minimum level "Excellent" or "Gold") to be green;
- **Infrastructure debt & equity**: The definition for infrastructure is derived from accepted and demanding market-based approaches. We rely on the CBI taxonomy to classify the infrastructure as green.

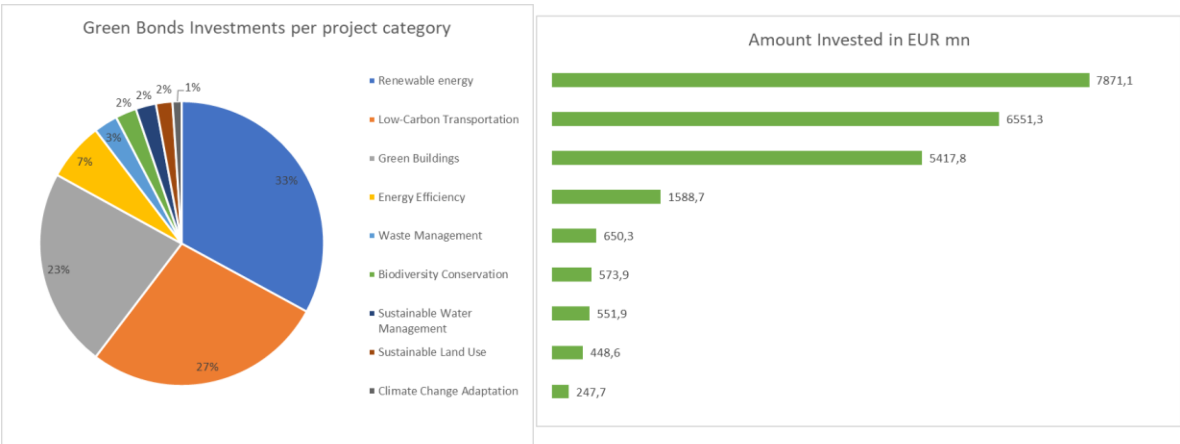
Some examples of green investments in the real asset portfolio include:

Asset Class	Example of investment
Real Estate	AXA IM Alts completed the development of a 62-storey, 278-metre skyscraper in the City of London. The flagship development was completed with an EPC rating of A+ and obtained BREEAM Excellent and WiredScore Platinum labels. In operations, the building utilises 100% of electricity generated from renewable sources and offsets 100% of its natural gas usage. Adding to the positive environmental impact of the asset, 98% of the construction waste was diverted from landfill. 10% of floor space is dedicated to tenant amenity and well-being.

Forest	In December 2021, AXA IM Alts acquired a 24,800 ha PEFC-certified Forestry portfolio in Australia in an area known as the Green Triangle that spans the southern border of Victoria and South Australia. Sustainable management of the investment was at the core of the onboarding strategy set up at closing. In 2022, an estimated net sequestration (natural growth less harvesting and mortality) of more than 400,000tCO_2e carbon was achieved.
Infrastructure	Spanning an offshore area of 462km² located ca. 89km off the Yorshire coast, in the UK, Hornsea Two is one of the world's largest offshore wind farm. The UK government has set an ambitious net zero target for 2050 – Hornsea Two is a key project in achieving the milestone objective of 40GW offshore wind capacity by 2030. Hornsea was built and is operated by Ørsted. In March 2022, with the investment support of AXA IM, AXA acquired a 18% stake in Hornsea Two. The wind farm was under construction in 2021, but when construction was completed, installed capacity reached 1,386 MW as the wind farm became fully operational in August 2022.

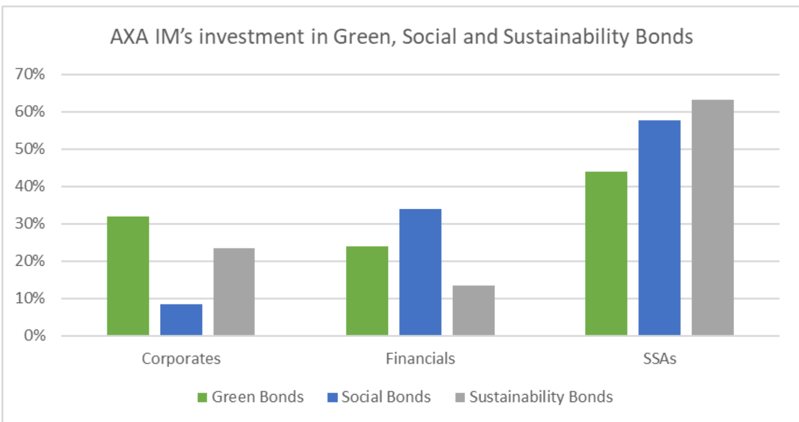
Green, Social and Sustainability Bonds (GSSB)

At end 2023, AXA IM managed **c. €24.5bn** of green bonds, an increase of **33.8%** vs 2022. In addition, we invested c. **€2.5bn** in Sustainability bonds.



Source: AXA IM, as of 31/12/2023.

We mainly invest in GSSBs issued by Sovereigns, Supranational and Agencies:

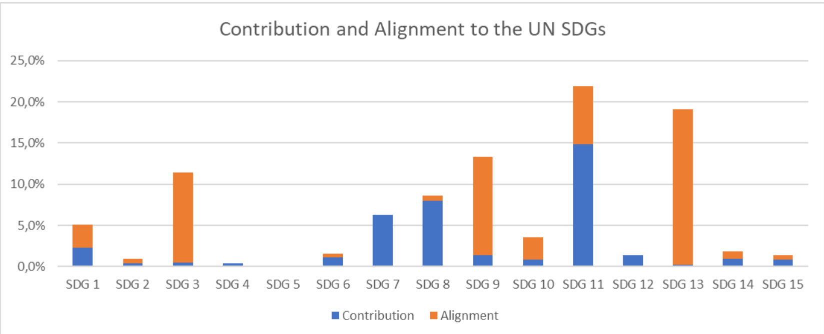


Source: AXA IM, as of 31/12/2023.

Under **AXA IM GSSB assessment framework**[78], as part of our analysis of GSSB, we measure their **contribution** and their **alignment** to the **SDGs**. There is no consensus yet on the way to approach the SDGs in the GSSB market. We therefore built our own methodology and mapped the SDGs against our GSSB taxonomy. By doing this, we made a split between the green and social activities that directly contribute to some of the SDGs, and those that only align with it. Alignment is related to an indirect contribution to the SDG. Indeed, while they are not initially targeted, a project can also provide an indirect positive impact to other SDGs. For example:

- A renewable energy generation project directly contributes to SDG target 7.2 – "Increase substantially the share of renewable energy in the global energy mix" – and align with SDG target 3.9 – "Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination";
- A low-carbon transportation project directly contributes to SDG target 11.2 – "Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport" – and align with SDG target 9.1 – "Develop quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all".

The strong contribution to SDGs 7, 8 and 11 is explained by the importance of renewable energy projects – which directly contribute to SDGs 7 and 8 -, and green buildings and low-carbon transportation projects – which directly contribute to SDG 11 – within our green bond investments. The strong alignment with SDGs 3, 9, 11 and 13 is explained by same reasons, with renewable energy and low-carbon transportation projects aligning with SDGs 3, 9, 11 and 13.



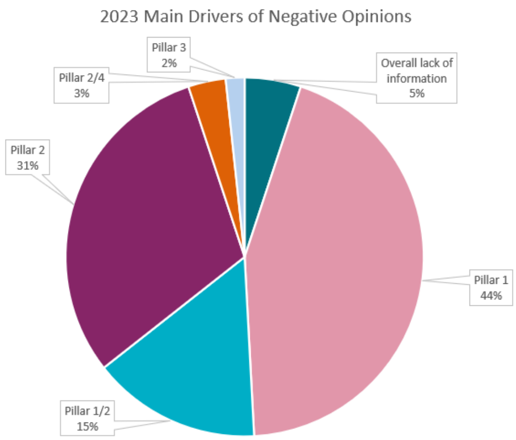
Source: AXA IM, as of 31/12/2023.

Our GSSB eligible universe is made of issuances in line with our proprietary framework, on which our dedicated RI Analysts have a "Neutral" or "Positive Opinion". For all our green and social bonds strategies, GSSBs that are not in line with our internal requirements are systematically filtered out of our eligible universe. The framework is equally used to inform investment decisions of portfolio managers from other (non- green or social bond) strategies, albeit without the systematic exclusion of unapproved GSSBs.

Sustainable bonds type	Negative	Neutral	Positive	Total
Green Bonds	26%	41%	33%	100%
Social Bonds	9%	64%	28%	100%
Sustainability Bonds	22%	61%	17%	100%

Source: AXA IM, as of 31/12/2023.

[78] Green Bonds | AXA IM Core (axa-im.com)



Source: AXA IM, as of 31/12/2023.

In 2023, the main reasons for which we assigned negative opinions were:

- Use of proceeds that is not in line with our expectations – *e.g.*, lack of transparency, fossil-fuel related projects, development of airports;
- Issuers for which the ESG quality & strategy is not robust enough – *e.g.*, issuers under a severe controversy, banks that are big fossil fuel financing providers.

Compared to previous years, we noticed improvements on factors that were drivers of negative opinions in the past, notably on commitment to provide impact reporting.

5.2 Exposure to fossil fuel activities

Our coal exposure

Our exposure to coal mining and power generation activities is progressively decreasing since we measure it in 2018 both in absolute amount invested and in share of total investments, following the exclusions of companies under AXA IM Climate risks policy and its regular reinforcements. This trend is in line with our objectives and our overall climate strategy to progressively reduce our exposure to coal and to exit all coal investments in OECD countries by the end of this decade, and throughout the rest of the world by 2040. This progress has been supported by the progressive strengthening of our exclusion criteria and of our efforts, through engagement and voting, to encourage companies to implement transition strategies.

AXA IM calculated its coal exposure using S&P Trucost and Urgewald's Global Coal Exit List (GCEL) databases. S&P Trucost data also serves to complete Urgewald's database that we use to build AXA IM Climate risks policy exclusion list on the coal sector, as the GCEL is build based on materiality thresholds, therefore limiting the comprehensiveness of covered issuers: in practice, each year some issuers are added or deleted from the GCEL if they pass (or not pass anymore) certain materiality criteria (e.g., relative revenue-based or absolute production-based thresholds). Nevertheless, as we are committed to phase-out from coal in OECD by 2030 and in the rest of the world by 2040, we chose to keep the most conservative approach by not setting any threshold for considering an asset as coal exposed: if a company has 1$ revenue in coal activities, AXA IM accounts for all (100%) investments in this company for calculating its global coal exposure. Nevertheless, it is to be noted that this approach leads to largely overestimate the real exposure to coal, by not considering the share of revenues in coal of our exposed companies to account for our coal exposure, still based on our holdings in these companies: e.g., the full exposure to utilities low share of revenues from coal (<5% of total revenues) will be considered under this approach. Therefore, it is important to emphasize that this approach does not measure the share of revenues from these activities on all our holding companies, but rather the evolution of the impacts of AXA IM's global investment decisions.

		Exposure to companies with ≥ $1 of revenue from thermal coal						Number of issuers with exposure	Year of coal revenue data
		Total exposure		Exposure in OECD countries[79]		Exposure in non-OECD countries			
		[M€]	[%][80]	[M€]	[%]	[M€]	[%]	[x]	[year]
AXA IM Core (listed corporate assets)	*2019*	**908**	**0.36%**	805	0.32%	103	0.04%	**80**	*2019 coal data*
	2021	**738**	**0.25%**	655	0.22%	83	0.03%	**49**	*2019 coal data*
	2022	**623**	**0.23%**	555	0.21%	68	0.03%	**46**	*2019 coal data*
		842	**0.31%**	761	0.28%	82	0.03%	**55**	*2022 coal data*
	2023	**619**	**0.20%**	576	0.18%	70	0.02%	**51**	*2019 coal data*
		1,223	**0.39%**	1,131	0.36%	91	0.03%	**66**	*2023 coal data*

Source: AXA IM, based on S&P Trucost and Urgewald, 2023.

As we rely on both S&P Trucost & Urgewald datasets, considering that Urwegald's GCEL is based on certain materiality thresholds as explained above, any comparison of the coal exposure from a year to another using different GCEL datasets is misleading[81]. Therefore, we provide our coal exposure using various S&P Trucost & Urgewald coal data to ensure an accurate year-to-year comparison (i.e., on the same scope of issuers accounted), in addition to disclosing the number of issuers with any revenue from thermal coal we are still invested in.

Using the same data sources (2019 coal data), we observe a decrease of approximately a third of our exposure to the 80 companies where we had data in 2019 (from €908M to €619M, and with 29 less issuers exposed), for which the majority were issuers banned under our exclusion policy. In the meantime, using the more recent data in our possession, we can observe an increase of both our absolute and relative exposure to coal in the past year, here due to the increased data coverage, having issuers accounted in 2022 and 2023 that were not part of the 2019 datasets, and more certainly of the sector's outperformance following the 2022 geopolitical backdrop marked by Russia's invasion of Ukraine and the energy crisis. This increase is mainly due to the integration of some utilities with very low exposure to coal that were not part of GCEL 2019 datasets on which we have significant investments. The 2023 increase taking 2023 coal datasets is also due to a relative increase of the share of our Fixed Income positions compared to Equity ones. In 2023 and like in 2022, around two third of our remaining exposure to coal were invested in two large mining & metals companies, both with a relatively low share of revenues generated from coal (<10% in both cases). Overall, we mostly observe a certain sensitivity of year-to-year evolutions in our relative exposure to coal as this exposure is overall relatively low.

79 The list of OECD countries is based on OECD member countries at end of 2023.

80 Relative to total exposure to listed corporate assets managed by all AXA IM business units.

81 In practice, each year some issuers having coal exposure are added or deleted from the GCEL if they pass or not certain materiality criteria (revenue-based, production-based, etc.). Therefore we provide our coal exposure using various S&P Trucost & Urgewald coal data to ensure an accurate year-to-year comparison (i.e., on the same scope of issuers accounted), in addition to disclosing the number of issuers with any revenue from thermal coal we are still invested in.

All in all, as we have further strengthened our Climate risks policy regarding coal in early 2023 by i) putting a stricter exclusion threshold to companies generating more that 15% of revenues from thermal coal mining and/or power generation, against 30% before, and to further be reduced at 10% in OECD countries in 2026, and ii) by excluding all companies with new coal mining or power generation projects or expansion plans, we remain aligned with our expectations to phase-out from coal in OECD by 2030 and in the rest of the world by 2040.

Our oil & gas exposure on listed assets

As mentioned above, at the COP26, AXA IM announced the extension of its existing Climate risks policy to Oil & Gas. This new policy has been implemented in February 2022, and was further reviewed in April 2023 with new criteria on oil sands (for more details, see section 6.2), resulting in divestments which are visible through the reduction of exposures in the table below[82].

AXA IM calculated its oil & gas exposure using S&P Trucost and Urgewald's GOGEL databases. Like the previous years, AXA IM chose to keep the most conservative approach by not setting any threshold for considering an asset as exposed to oil & gas and unconventional oil & gas: if a company has 1$ revenue in oil & gas overall or unconventional activities, AXA IM accounts for all investments in this company for calculating respectively its global oil & gas and unconventional oil & gas exposures. Nevertheless, it should be noted that this approach leads to overestimate exposure to oil & gas and in particular to unconventional oil & gas (for more details, see section 6.2). Therefore, as explain above for the coal exposure, this approach does not measure the share of revenues from these activities on all our holding companies, but rather the evolution of the impacts of AXA IM's global investment decisions.

		Exposure to companies with ≥ 1$ of revenue from oil or gas	
		[M€]	[%][83]
AXA IM Core (listed corporate assets)[84]	***2021***	**8,014**	**2.92%**
	2022	**6,241**	**2.82%**
	2023	**5,306**	**1.76%**
Equities	*2021*	1,362	1.56%
	2022	1,690	2.85%
	2023[85]	1,379	2.06%
Corporate Bonds	*2021*	6,652	3.56%
	2022	4,551	2.85%
	2023[86]	3,916	1.67%

Source: AXA IM, based on S&P Trucost and Urgewald, 2023.

[82] While we rely on our exclusion policy to progressively phase out from unconventional oil & gas, contrary to coal, we have not defined any phase-out timeline as for unconventional oil & gas related assets.
[83] Coverage is reported as the exposure for each asset class or group of asset classes respectively on reported scope of AuM, not on the total of AXA IM's AuM.
[84] AXA IM total exposure to listed corporate assets (all AXA IM entities).
[85] AXA IM Paris total exposure to listed corporate assets.
[86] *Idem.*

Using this approach, we report overall a significant decrease of our exposure to the oil & gas sector in absolute values between 2021 and 2023, in particular coming from corporate bonds. In spite of the new implementation of our exclusion criteria on unconventional oil & gas, we saw a strong outperformance of the oil & gas sector in 2022 and 2023, certainly related to the geopolitical backdrop marked by Russia's invasion of Ukraine and the resulting energy crisis. This led to an increase of our overall oil & gas exposure on listed equities assets, in particular within our high yield strategies in 2022, which has since decreased. In 2023, around 60% of our total exposure to oil & gas was invested in nine major integrated oil & gas companies.

		Exposure to companies with unconventional oil & gas revenues (accounting entire exposure, starting from $1 of revenue)		Exposure to companies with unconventional oil & gas revenues (adjusted from the share of revenues in unconventional oil & gas based on collected data)[87]	
		[M€]	[%][88]	[M€]	[%][89]
AXA IM Core (listed corporate assets)[90]	***2021***	***3,847***	***1.40%***	***1,188***	***0.43%***
	2022	***3,244***	***1.42%***	***889***	***0.40%***
	2023	***2,924***	***0.97%***	***1,016***	***0.34%***
Equities	*2021*	*963*	*1.10%*	*424*	*0.49%*
	2022	*1,219*	*2.05%*	*344*	*0.58%*
	2023[91]	*1,065*	*1.59%*	*295*	*0.44%*
Corporate Bonds	*2021*	*2,884*	*1.54%*	*764*	*0.41%*
	2022	*2,025*	*1.27%*	*545*	*0.34%*
	2023[92]	*1,876*	*0.80%*	*727*	*0.31%*

Source: AXA IM, based on S&P Trucost and Urgewald, 2023.

As for unconventional oil & gas, using both the initial or adjusted approach, we report an exposure on the same trend than for oil & gas overall: we observe an increase of our relative exposure to unconventional oil & gas, which can be correlated to the sectoral outperformance in our high yield strategies, in particular in 2023. This trend is partially offset by the implementation of our most recent exclusion criteria on some unconventional oil & gas activities in early 2023.

Our fossil fuel exposure on alternative and private assets

Since 2022, we also report our fossil fuel exposure of our alternative assets managed by AXA IM Alts, and for the first time we disclose the fossil fuel exposure of AXA IM Prime. In both cases, the exposures reported are

[87] Under this approach, we screen the exposure using Merrill Lynch sector classification.
[88] Coverage is reported as the exposure for each asset class or group of asset classes respectively on reported scope of AuM, not on the total of AXA IM's AuM.
[89] *Ibid.*
[90] AXA IM total exposure to listed corporate assets (all AXA IM entities).
[91] AXA IM Paris total exposure to listed corporate assets.
[92] *Idem.*

almost fully oil & gas exposure (only 3 energy infrastructure assets managed by AXA IM Alts or AXA IM Prime are processing coal).

All figures are calculated in line with what is required for the SFDR Principal Adverse Impacts (PAI) indicator n°4 (‘Exposure to companies active in the fossil fuel sector’)[93] or n°17 (‘Exposure to fossil fuel through real estate asset), i.e., also starting the first dollar of revenue like reported above for listed assets, which is also the most conservative possible approach for alternative and private market assets[94].

As for real assets (infrastructure only; as no fossil fuel exposure on real estate assets), data is collected directly from investee companies and borrowers and cross checked against proxy data, the latter being provided by IDL based on revenues cross-referenced with relevant NACE codes. For Alternative credit, Natural capital & Impact, we rely on data collected from our data provider Reorg FinDox using directly data reported for SFDR PAI 4 (share of investments in companies active in the fossil fuel sector). Lastly, for private markets funds of funds (infrastructure & private equity), data are estimated based on a screening from GICS activities (i.e. capturing assets with a majority in these activities and not with the lowest revenues) and reviewed by the investment teams to complete the screening and thus include assets with relatively minority revenues in one of these sectors, enabling them to be aligned with the PAI 4 approach *in fine*.

		Exposure to companies with fossil fuel revenues (coal, oil & gas)	
		[M€]	[%][95]
AXA IM Alts (alternative assets)[96]	***2022***	**2,760**	**3.00%**
	2023	**3,298**	**2.96%**
Real estate[97]	*2022*	94[98]	0.29%
	2023	0	0%
Infrastructure[99]	*2022*	1,831	14.71%
	2023	1,311	9.89%
Alternative credit, Natural capital & Impact[100]	*2022*	967	1.92%
	2023	988	2.06%
AXA IM Prime (private markets fund of funds)[101]	***2023***	**248**	**0.2%**

Source: AXA IM, Reorg FinDox, S&P Trucost, 2023.

93 As defined by SFDR Delegated Regulation 2022/1288, ‘companies active in the fossil fuel sector’ means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council

94 In its Climate & Biodiversity report, AXA Group is also disclosing its fossil fuel exposure, but based on a relatively different approach. On another side, AXA Group only accounts for exposure to issuers covered by Urgewald databases, while we complete Urgewald’s sample of issuers with S&P Trucost data on some others.

95 Coverage is reported as the exposure for each asset class or group of asset classes respectively on reported scope of AuM (i.e., eligible assets with or without data), not on the total AuM managed by AXA IM or any AXA IM entity. However, it should be noted that as for AXA IM PAI Statements, PAI 4 is reported based on all AuM managed by the entity.

96 AXA REIM SGP total exposure.

97 Data on worldwide holdings managed by AXA REIM SGP only at end of 2022 and end of 2023 from collected data, excluding listed real estate (c. €4.2bn AuM at end of 2023, c. 8% of total AuM managed by AXA REIM SGP).

98 A loan was wrongly flagged as exposed in 2022, due to a misunderstanding of the definition. The correction of this discrepancy led to reducing exposure reported to 0 in 2023.

99 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.

100 Data on worldwide holdings managed by all AXA IM entities (incl. notably AXA IM Paris assets) at end of 2023.

101 AXA IM Prime total exposure.

We have reframed our methodology for fossil fuel exposure definition for infrastructure assets in 2024 to ensure full alignment with our understanding of the requirements of SFDR principle adverse impact KPI (PAI 4), which accounts specifically for infrastructure assets that use fossil fuel to provide products or services to their clients, and the use of fossil-fuel derivative instruments for hedging purposes

This methodological change resulted in a reclassification of all our infrastructure investments, expanding the pool of fossil fuel exposed ones compared to 2023 in our reporting scope [102]. As none of the new investments made throughout the last twelve months were fossil fuel exposed, the reclassification of assets previously held in portfolio is one of the main reasons for the changes in fossil fuel exposure reported between 2023 and 2024. Consequently, fossil fuel exposure account for c. 9.9% of our total infrastructure debt and equity AuM at end of 2023, which is a 28% relative dilution compared to AXA IM 2023 TCFD/Art.29 report (c. 14.7% of total infrastructure AuM).

As for Alternative credit, Natural capital & Impact, majority of the reported numbers comes from an estimate of indirect exposures through securitized products such as Collateralized loans obligations CLOs, Asset-backed securities (ABS), and Significant risk transfer transactions (SRT). Direct exposures would represent 0.7% of managed AuM.

Lastly, AXA IM Prime's exposure to fossil fuels is composed of predominantly investments in oil & gas storage and transportation assets.

Overall, while the reported exposure is accounting for the full exposure to any issuer with up to $1 of revenue from oil & gas activities (aligning with Art.29 decree to follow the SFDR PAI 4 accounting approach), the reported figures differs from those reported within AXA IM Paris PAI Statement, as i) it only includes for oil & gas activities (here being splitted with coal), ii) PAI data are aggregated at entity-level while there are splitted are asset class level, and iii) it includes issuers part of Urgewald's GOGEL and S&P Trucost (for listed assets) and Reorg Findox (for Alternative credit, Natural capital & Impact) separately, while for the PAI Statement we only rely on S&P Trucost data and Reorg Findox.

[102] 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. Notably, gas pipelines which have not been operational throughout 2023 have been excluded from this year's reporting scope.

6- Our climate strategy

6.1 AXA IM Net zero targets

AXA IM is committed to achieving net zero emissions across our portfolios by 2050 or sooner. [103], as well as playing a key role in helping our clients better understand climate change and how it may impact their portfolios and supporting them in adapting their investment decisions accordingly. Our commitment is aligned with the frameworks proposed by the TCFD, the Institutional Investor Group on Climate Change (IIGCC) and the latter, coordinated by the Paris Aligned Investment Initiative (PAII). It is further evidenced by our active involvement in international initiatives such as Climate Action 100+ (CA 100+) and the Climate Bonds Initiative. It consists of:

- Net zero targets[104]:
    - AXA IM published its first net zero target in October 2021, as part of the first NZAM progress report.[105] This target was subsequently revised in April 2022,[106] to cover **65% of all AuM**[107] (coverage remains stable at end of 2023);
    - Specific net zero targets have been set for **Corporates (Fixed Income and Listed Equity)**, **Sovereigns**, and direct **Real Estate Equity asset classes** based on industry standards.[108] A net zero framework is currently under development for our **Infrastructure equity and debt** investments;
    - Since 2022, to support the implementation of those targets, we are using a Climate colour framework incorporating internal and external information to determine the net zero profile of assets and inform investment decisions. It will continue to be enhanced over time as disclosures and transition plans from companies improve.
- Stewardship[109]:
    - 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, with an additional "**Three Strikes and You're Out**" engagement policy focused on companies which are lagging behind from a climate perspective (the so-called 'climate laggards'). Using a **focus list** of companies, this would mean that, if we do not see progress from companies on the specific objectives set at the beginning of the engagement, we may **divest after three years**;
    - We have the option to vote against the management, the Board Chairman and the CEO if companies in sectors exposed to climate issues do not have a net zero emission strategy with short, medium and long-term carbon emissions reduction targets or an executive remuneration policy aligned to climate

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[103] "Our road to net zero", AXA Investment Managers, https://www.axa-im.com/who-we-are/our-road-net-zero
[104] AXA IM has set an initial milestone of 25% reduction by 2025 compared to 2019 at the entity-level, and will soon set a 2030 climate target, in line with our 2050 net zero target: see sections 2.2 "Climate strategy" and 4.6 "Climate dashboard" of the 2022 AXA IM Climate report.
[105] See NZAM 2021 progress report, December 2021: NZAM-Progress-Report.pdf (netzeroassetmanagers.org)
[106] See NZAM Initial target disclosure report, May 2022: NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf (netzeroassetmanagers.org)
[107] These objectives are not currently implemented to alternative credit, private debt and other alternative asset classes (*e.g.*, derivatives).
[108] The TCFD recommendations on metrics and targets, the IIGCC's 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.
[109] See AXA IM's Stewardship & Engagement policies: Stewardship & Engagement | Responsible Investing | AXA IM Corporate (axa-im.com)

  - strategy objectives. Additionally, we assess the consistency of the transition plan of investee companies against their climate strategy and will ask them to report on the intermediate achievements of the objectives during Annual General Meetings. We have updated this voting policy early 2024, including now the possibility to cast a dissenting vote against the highest-emitting companies that fail to appropriately report on their climate lobbying activities;
  - 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 discussions on specific green and social bond issuances. This provides an opportunity to deep dive on sovereigns' sustainability public expenditure programs and thus better understand the ESG risks of a country.

- **Exclusions[110]:** AXA IM excludes companies which fail to meet certain climate change criteria, with a particular focus on coal and unconventional oil & gas. Our investment portfolios exclude coal-based electric power generating utilities and coal mining companies that are not credibly demonstrating a commitment to the energy transition. This policy was expanded in 2023 with 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 certain companies in the unconventional oil & gas sector with a focus on tar sands, shale and tight oil & gas (fracking) and Arctic oil & gas production. In early 2023, we tightened some of our exclusion criteria regarding coal and oil sands. 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, through a step-by-step ratcheting-up of our exclusion criteria, with as next step the lowering of the exclusion threshold of revenues from thermal coal & coal power generation from 15% to 10% in 2026 in OECD countries.

Legislation from different geographies encouraging the financial sector to play a leading role in the sustainable transition, for example Article 29 of the 2019 Energy &Climate Law in France, gave us the confidence to expand our commitments to assets we did not at first consider eligible. We also moved away from setting climate targets for specific funds to a top-down approach, specifying climate targets for each asset class – specifically for third-party assets.

Going forward, our aim is to continue to grow the proportion of net zero-aligned AuM as reliable methodologies become available for all asset classes.

[110] See AXA IM's exclusion policies: [Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)]

AXA IM Net zero targets – Update at end of 2023

At end of 2023, we have €548bn ($593bn) of AuM covered by our NZ targets, *i.e.*, to be managed in line with a net zero pathway aligned with the Paris Agreement **(65% of total AuM, 73% of total AuM excl. JVs).**

The target covers:

- **100% of listed corporate (incl. listed real estate) and sovereign exposure**;
- **c. 86.9% of real estate equity AuM,** *i.e.*, all RE equity assets on which AXA IM Alts has direct leverage to trigger climate action at asset level[111];

and does not cover at this stage:

- **Infrastructure debt and equity**: due to ongoing methodological development and data collection on decarbonization pathways, with work in progress on target setting based on the NZIF guidance for infrastructure assets;
- **CRE debt**: due to ongoing methodological development and data collection on decarbonization pathways;
- **Alternative credit, Natural capital & Impact and other asset classes (*e.g.*, derivatives)**: pending for appropriate methodological framework and guidance.

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 make sure our commitments are monitored in a robust and efficient manner.

As committed in 2022 and since 2023, we report on an annual basis on progress towards these targets in this report (see table below).

In addition to being part of the IIGCC working group on the NZIF, AXA IM also continues to work closely with its parent company in the Net Zero Asset Owner Alliance (NZAOA) with the aim of defining how investment strategies will support the shift of the economy to a pathway consistent with the objectives of the Paris Agreement. We are also looking forward implementing the NZIF 2.0 once finalized by the IIGCC, having in view to enrich our commitment in particular on infrastructure and private equity assets.

[111] RE equity assets covered by our NZ targets encompass all assets on which AXA IM Alts can trigger decarbonization, *i.e.*, all assets directly managed with or without operational control, as well as assets under development (including major renovation) and forestry. This reporting scope excludes RE debt assets and, as for RE equity assets, parking, plot of land, ground lease, petrol stations, isolated unit/cell and specific cases, as well as assets with no asset management mandate.

Targets		Unit(s)	Baseline	Progress measured in 2022	Progress measured in 2023	Comments
Corporates (Fixed Income and Listed Equity)						
Weighted average carbon intensity (WACI) reduction	-25% by 2025 and -50% by 2030 (compared to 2019)	*tCO_2e/$M of investee companies' revenues (% compared to baseline)*	147.8 tCO2e/$M revenues at end of 2019	-28.1% at end of 2022 (compared to 2019)	**-48.6%** at end of 2023 (compared to 2019)	Scope 1 and 2 only due to limited data quality and availability on Scope 3: coverage of Scope 3 to be increased in the coming years, consequently with possible review of the baseline as well.
Share of AuM in material sectors net zero, aligned or aligning by 2040	100% by 2040	*% of corporates AuM in material sectors net zero, aligned or aligning according to AXA IM Climate colour framework*	36% at end of 2021	69.3% of listed corporate AuM at end of 2022	**80%** of corporates AuM at end of 2023	This encompasses issuers categorised as 'Dark blue', 'Blue' and 'Light blue' according to AXA IM Climate colour framework described below (see section 6.4)[112]. The significant progress compared to 2021 is due to a large increase i) of companies with SBTi targets (c. 32% of AuM with validated targets at end of 2023) and ii) in the coverage of corporate issuers with colours in our framework (e.g. qualitative colour assessments done internally: c. 2100 at end of February 2023).
Share of AuM dedicated to climate solutions	6% by 2025	*% of total AuM managed by AXA IM invested in climate solutions*	2.1% of total AuM dedicated to climate solutions (end of 2019 data)	4.0% of total AuM at end of 2022	**4.7%** of total AuM at end of 2023	Based on AXA IM's Green Investments definition as described in this report (see section 5.1). The methodological approach may evolve as data coverage on EU Taxonomy alignment will increase in the coming years. We expect this will lead us to revise our target.
Share of financed emissions in material sectors net zero or aligned	50% by 2025 (rebased)	*% of financed emissions in corporates from material sectors are already net zero or aligned according to AXA IM Climate colour framework*	46% of financed emissions at end of 2021 (rebased) **29.5% of financed emissions at end of 2021**	42% of financed emissions at end of 2022 (rebased) **30.5% of financed emissions at end of 2022**	**31%** of financed emissions at end of 2023 (rebased) **30% of financed emission at end of 2023**	This corresponds to issuers categorized as 'Dark Blue' or 'Blue' in AXA IM coloring framework described below (see section 6.4). The reported figures exclude issuers with no carbon data (i.e., 'Grey' in our framework). As in 2022 our data coverage increased significantly (i.e. with lower grey issuers), the progress in 2022 is proportionally lower. When including 'Grey' issuers in the calculation (in the denominator), we find a steady share in 2023 compared to 2021 with 30% (against 29.5% at end of 2021). This absence of progress is largely explained by the significant reduction of issuers with no data in the past years.
Share of financed emissions in material sectors under engagement	70% by 2025 90% by 2030	*% of financed emissions in corporates from material sectors subject to direct or collective engagement and stewardship actions*	52% of financed emissions at end of 2021 (42% from collaborative only[113] and 38% from individual only)	57% of financed emissions at end of 2022	**68.9%** of financed emissions at end of 2023 (42.4% from collaborative only, and 42.6% from individual only)	Engagement activities conducted directly by AXA IM are accounted for the two previous years of engagement, along with emissions subject to collaborative engagement even if AXA IM does not systematically participate, in line with NZIF. Collaborative engagement only includes Climate Action 100+.

Paris Aligned Investment Initiative (PAII)

Targets		Unit(s)	Baseline	Progress measured in 2022	Progress measured in 2023	Comments
Sovereigns						
Beat the global benchmark	Beat the CCPI[114] score of the ICE BofA World Sovereign Bond Index at end of each year	*Score on 100*	ICE BofA World Sovereign Bond Index CCPI score = 48 / 100 at end of 2023	52.6 / 100 at end of 2022 (compared to 43.4 / 100 of the ICE BofA World Sovereign Bond Index)	**56.2 / 100** at end of 2023 data	Progress is measured against the benchmark not against historical data, following NZIF recommended target setting guidance. Outperformance compared to the benchmark is due to concentration of sovereign bonds from countries with a high score (France in particular).
Real Estate						
Carbon Intensity Reduction	-20% landlord operational carbon intensity reduction by 2025	*$kgCO_2e/m^2$ (+ % compared to baseline)*	31.3 $kgCO_2e/m^2$ at end of 2019	[Update][115] -25,5% at end of 2022 compared to 2019	**-32,6%** at end of 2023 compared to 2019	At current scope, Scope 1 and 2 2023 intensity has decreased by c. 32,6% compared to 2019. Between 2022 and 2023, Scope 1 and 2 emissions decreased by 9,5% and associated kWh decreased by 10,9%. These results reflect AXA IM Alt's active policy to optimise building energy use and minimise carbon emissions, acting on three complementary areas: 1) Improving asset's performance 2) Switching to lower emitting energy sources 3) optimizing building use and engaging with tenant[116].
Alignment with CRREM pathway	50% of direct real estate AuM under CRREM pathway[117] by 2025	*% of direct real estate equity AuM aligned with CRREM 1.5°C trajectory*	54% AuM at end of 2022 (based on FY 2021 data)	n/a	**69%** at end of 2023 (based on FY 2022 data)	Baseline is based on a reference portfolio against CRREM V1 composed of 80 assets located in the 5 main EU geographies (France, Germany, UK, Italy, Belgium). 2023 figure is measured against CRREM V2 and covers €23.1bn AuM. Assets are included in the KPI only if whole building data is available with actuals (complete data) or gap filling and extrapolation (good quality estimates). It represents c. 35% of total AUM in scope of this target. No data is available for Switzerland, US, Australia and Japan, which could materially influence future results if coverage of such countries is improved.

[114] Climate Change Performance Index (CCPI)

[116] Disclaimer: it is important to note that landlord scope is not stable over time, since it's impacted by tenancy evolution with vacant areas being considered as landlord areas and controlled areas evolving based on agreement with tenants. In addition, we made significant change in our data collect process in 2021 and significantly increased coverage over time (46% of landlord-controlled sqm in 2019, 77% in 2022 and 79% in 2023): reporting scope in 2023 represents c. €3bn AUM, i.e., c. 77,5% of total real estate equity AuM; assets are included in the KPI only if complete data is collected for all the landlord utilities; complete data is defined as >90% coverage of data in time (12 months) and surface. Hence, comparison with 2019 data should be considered with caution.

[117] Decarbonisation Pathways – CRREM Global

6.2 Exclusions: our Climate risks policy

As part of our ESG integration process, we exclude firms which fail to meet the climate change criteria set out in our climate risks policy[118]. Exclusion efforts are centred on companies within industries that have a clear share in global warming – **coal and unconventional oil and gas** – and that are incompatible with the energy ecosystem transition or unwilling to adapt.

In 2017, AXA IM started excluding **electric power generating utilities and mining companies** with a significant share of revenues derived from **coal**, as well as those with a sufficiently large power coal generation capacity. In April 2023, the threshold for the percentage of revenues and power generation activity derived from coal was tightened from 30% to 15%. As part of our commitment to exit coal from all OECD countries by 2030, it was agreed to lower this threshold even further to 10% in 2026. Additionally, we have introduced caps on the maximum tonnes of coal a company may produce, as well as on the maximum amount of gigawatt (GW) it may derive from coal: i.e., to date that have 15% or more of coal share of power production, or power generation companies with more than 10 GW of installed coal-based capacities. Lastly, since early 2023, companies that plan to develop new coal mines or expand their current coal-based power generation capacity are excluded.

Efforts to exclude **unconventional oil & gas** activities – those forms of oil & gas production that have an oversized impact on the environment due to their geographic location or their extraction methods – started in 2017 and were officially taken up in the climate risks policy in 2021. In 2017, AXA IM started excluding oil and gas producers with **oil sands** activities, based on a maximum production share of 20%. Throughout 2022 and 2023, new exclusions were added on oil & gas extracted through **shale and fracking** methods and extracted **from the Arctic**. In April 2023, the threshold for oil sands was also tightened. Nowadays, companies that produce less than 100 thousand barrels of oil equivalent per day (kbpoed) and derive more than 30% of their oil and gas from fracking are excluded, as well as companies that derive more than 5% of their production from oil sands (or contribute more than 5% to the global oil sands production), and companies that derive more than 10% of their production from Arctic drilling.

To build our coal exclusion list, we use the Global Coal Exit List (GCEL) produced by German NGO Urgewald. The GCEL includes companies that generate more than 10% of their revenues from coal, or utilities where the share of coal power generation is 10% or more, or companies producing more than 10 million tons of coal, or companies with more than 5GW of installed coal-fired power capacity generation. Urgewald also includes companies with coal expansion projects in mining, power generation and infrastructure. AXA IM's own thresholds are overlayed on those of the GCEL. To build our oil & gas exclusion list, applicable from February 2022, we use the Global Oil & Gas Exit List (GOGEL), also produced by Urgewald. The GOGEL provides information on companies operating in the oil & gas industry. It notably provides the names of companies involved in the upstream part of the value chain, *i.e.*, the production of oil & gas, without a size threshold. A detailed breakdown of unconventional oil & gas is also provided. In the GOGEL, unconventional oil & gas are classified as such: fracking (in practice, oil & gas from shale and tight reservoirs), tar sands, coalbed methane, extra heavy oil, ultra-deepwater (UDW), and Arctic. AXA IM has chosen to focus on fracking, tar sands, and the Arctic categories as we believe they present specific features that warrant a greater attention.

118 Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)

At end of 2023, **85%** of all AXA IM third-party assets (*i.e.*, traditional and alternative assets) applies the Climate risks policy (see dedicated section on Exclusion policies for more details).

6.3 Stewardship

Since early 2022, we have significantly enhanced our Climate risks policy to be able to provide further detail on our engagement requirements with regards to the coal, oil & gas sectors, aiming to cover their strategy and target setting, transparency including on capital expenditures (CapEx) as well as Governance and lobbying. In early 2023, we also specified our expectations regarding Scope 3 measurements by asking companies to reflect on their value chain – upstream and especially downstream – in their climate strategy, a necessary step to achieving net zero for Scope 3 emissions.

The challenge of reaching 1.5°C for assets managers

Olivier Eugène, AXA IM Head of Climate Research

"Global GHG emissions are projected to peak between 2020 and at the latest before 2025 in global modelled pathways that limit warming to 1.5°C (>50%) with no or limited overshoot and in those that limit warming to 2°C (>67%) and assume immediate action. In both types of modelled pathways, rapid and deep GHG emissions reductions follow throughout 2030, 2040 and 2050 (high confidence). Without a strengthening of policies beyond those that are implemented by the end of 2020, GHG emissions are projected to rise beyond 2025, leading to a median global warming of 3.2°C by 2100"[119].

Our apologies as we start with a long and maybe obscure quote from the latest International Panel on Climate Change (IPCC) report, but it sets the scene. In particular, it highlights the rising gap between what the scientific consensus says and what human societies do when it comes to climate change and its impacts.

What the IPCC is really pointing at is that GHG emissions are not expected to decline at a pace consistent with a 1.5°C scenario, and possibly even not 2°C. Indeed, GHG emissions have continued to increase over the past decade and CO_2 emissions were most likely at an historical record high in 2021[120].

At AXA IM, we are engaged to be a net zero asset manager and to align our investments with the goal of the Paris agreement. However, achieving any temperature outcome is a binary situation: it succeeds, or it does not, and it can only be a collective endeavour. Any climate stakeholder – be it a corporation, an investor, a citizen, or a country – cannot on its own be aligned to, for instance, a 1.5°C pathway, but it can contribute to it.

As such, the IPCC warning that the world is not on track with a pathway where the increase in temperature is limited to 1.5°C – and that the window to achieve this goal is closing fast – is also a warning to investors. Building investment strategies around 1.5°C may unfortunately become increasingly challenging. While it is essential to maintain a strong level of ambition, a reckoning could be unavoidable if and when the cold reality clashes with stated objectives.

[119] IPCC_AR6_WGIII_SummaryForPolicymakers.pdf
[120] Global Energy Review: CO_2 Emissions in 2021

6.4 Implementing our Net zero targets

AXA IM Core approach

In recent years, we have witnessed a 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 financial industry has showed a greater willingness to incorporate these objectives into their investment decision processes. We are optimistic that this industry will benefit from the abundance of tools and data.

At AXA IM, we are committed to assessing and integrating climate models, but also to engaging with data providers and industry groups to refine these methodologies. Investment managers are beginning to move from commitment to action and they must make important decisions about what tools to use and how to deploy them. We propose to start from a set of principles guiding our decision-making and framing the selection of tools and 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.

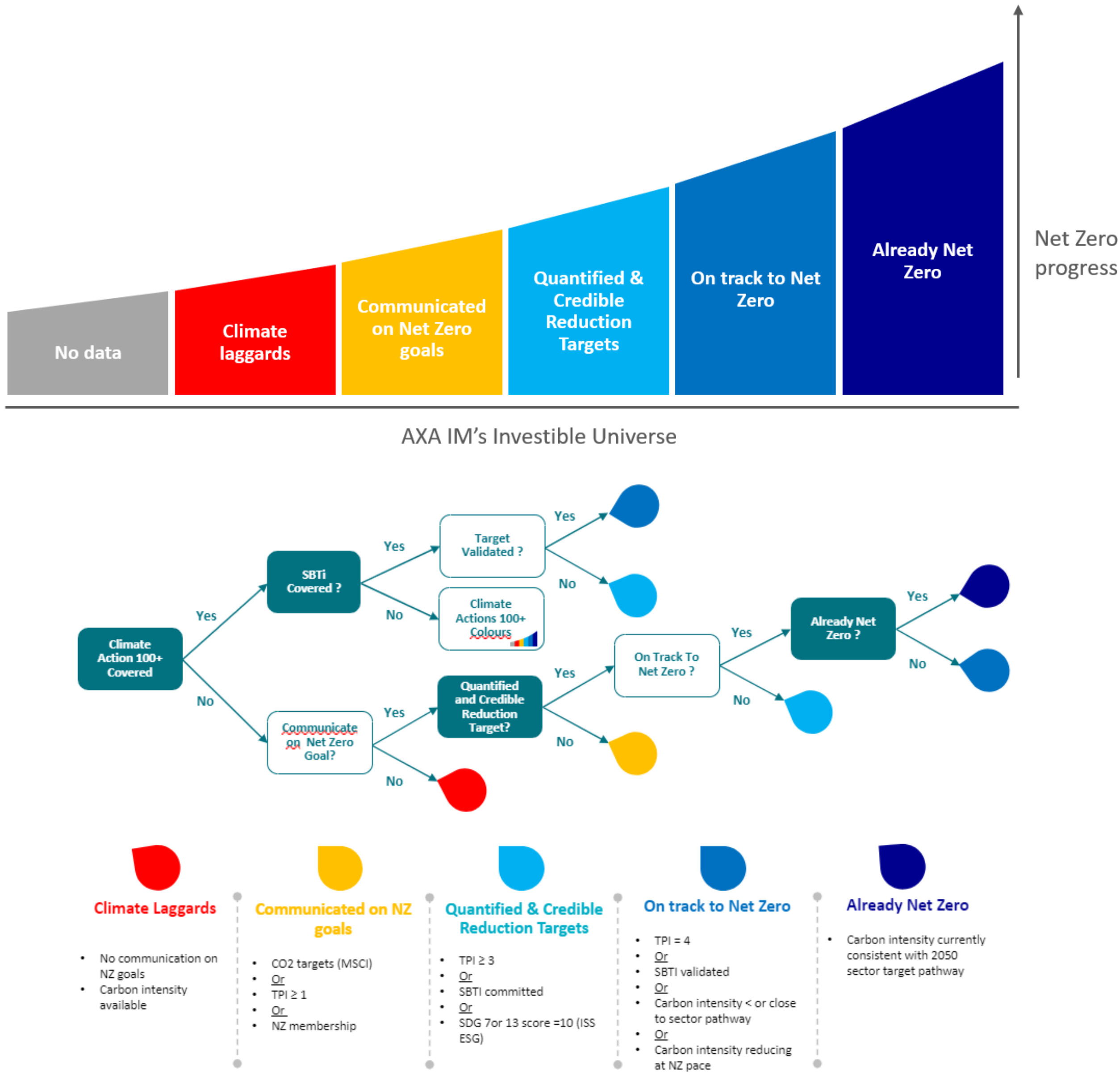
AXA IM Climate colour framework

Corporates that are engaged in a robust decarbonization pathway are positively contributing to environmental sustainability in a way that is consistent with a Net zero emissions future. In that perspective and to support the implementation of its Net zero commitment, AXA IM has developed in 2021 a climate colour framework inspired by the NZIF Guidance on Target setting[121]. This framework is aimed to be enriched in 2024, be progressively ramped-up over time for a future implementation and be used to inform portfolio managers' investment managers, with binding criteria for net zero investment strategies at a fund level (see below). It is also a key pillar of the implementation of our Net zero targets.

Our approach aims at assessing the maturity of the climate strategies of corporates, using quantitative information on issuers' climate strategy (incl. SBTi, TPI, CI trend, etc.) combined with qualitative analysis to confirm the credibility of the strategies in particular. Based on this analysis, issuers are categorized in the following "colours":

- Corporates that are already well positioned to reach carbon neutrality with carbon intensity currently consistent with their 2050 sector target are "**Dark Blue**";
- Corporates that are on track compared to their sector. They have either carbon targets approved by Science Based Target Initiative (SBTI) or are well rated per Transition Pathway Initiative (TPI) or attaining carbon intensity close to sector's decarbonization pathway, or their carbon intensity is reducing in line with net zero pace. They are categorized as "**Blue**";
- Corporates that have credible decarbonization targets and/ or are SBTI committed are categorized as "Light Blue". Climate Solutions providers are also categorized as "**Light Blue**";
- Corporates which have set an explicit net zero intention but have not provided sufficient and credible information on trajectory are categorized as "**Orange**"; and
- Corporates which have not set targets are categorized at "**Red**";
- Corporates not covered or with no carbon data at "**Grey**".

[121] NZIF_IIGCC-Target-Setting-Guidance.pdf



Source: AXA IM Climate colour framework, based on PAII NZIF, 2023. For illustrative purpose only.

AXA IM Alts approach

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 minimizing 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.

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.

Internal programme to accelerate our contribution to decarbonization

Since 2022, to accelerate on our decarbonization journey, we have launched an internal programme, aiming at leveraging the potential of our different investment platforms to generate significant impact. This programme will leverage on three main complementary pillars:

- **Reducing carbon emissions**: real estate generates around 39% of global GHG emissions. The aim is to actively reduce the emissions generated by over 2400 buildings managed globally, through energy use optimization, building refurbishment, switch to decarbonized heat or fuel sources, and continue to engage with our tenants to jointly address the performance of underlying buildings;
- **Avoiding carbon emissions**: we aim at investing in low carbon infrastructure such as renewable energy generation and electricity grids, green transportation and decarbonized heating and cooling systems;
- **Sequestering carbon**: timber consumption will be multiplied by 2.7 by 2050. Forestry plays a key in sequestrating carbon and is expected to allow engineered timber to replace carbon-intensive and steel in building consumption. Through our Natural Capital investments, our pathway is to optimize carbon sequestration while improving biodiversity through our forestry portfolio (>80 000 ha) and to build in timber and invest in new timer product firms.

Real Estate

With regards to defining our decarbonization pathways and reduction targets, we have first focused on the Real Estate Equity Platform considering our leading position in Europe and the decarbonization potential of this asset class.

In 2022, we worked on developing a portfolio-level decarbonization pathway based on a representative European reference portfolio. The intention was to understand the decarbonization potential within our real estate portfolios and associated financial impacts. Building on knowledge acquired through this preliminary analysis, we launched early 2023 an internal transformation programme sponsored by AXA IM Alts Management Board, with the aim of consistently integrating our decarbonization ambition within our real estate investment activities. The programme is structured around the following workstreams:

- Policies and guidelines;
- Energy optimization;
- Baseline and pathway definition;
- Data management, reporting and monitoring;
- People training and empowerment.

Progress has been made on these five workstreams all along 2023, to progressively define a clear roadmap and processes towards the significant reduction of GHG emissions generated by our real estate portfolios, in alignment with the Paris Agreement.

Policies and guidelines

AXA IM Alts Responsible Investment team is working hand in hand with the business teams to develop clear processes for integrating decarbonization in their roles and responsibilities, as well as to produce methodologies and guidelines to support the deployment. In 2023, the focus lied on strengthening our process for integrating ESG during transactions and developing an advanced ESG strategy for our development activities. With the support of external experts, we worked on defining tools and methodologies to properly measure and account for energy and carbon building performance.

In addition, we developed a CRREM tool which provides a first assessment of targeted acquisitions' stranding risk and related investment, based on initial information available. We also defined extensive due diligence requirements, including the assessment against our proprietary ESG score and action plan definition to achieve high level of ESG performance.

Lastly, we sponsored the Low Carbon Building Initiative (LCBI), with the aim to create the first pan-European low carbon label measuring the carbon footprint of real estate properties based on a Life-Cycle Analysis. LCBI developed a common methodology for calculating embodied carbon, biogenic carbon, and operational carbon, which has been tested on sixteen development projects including four sites managed by AXA IM (located in Belgium, France, Germany and Spain). Based on issues raised by pilot projects – adaptations to national electricity grids, access to quantitative data, and the establishment of a minimum scope of assessment – calculations and parameters of the methodology were refined and a first version of the label was released. AXA IM will use these recommendations to set internal target and ensure consistent measurement across its portfolios.

Energy optimisation

To reduce the GHG emissions of our portfolios, we are designing a program for minimizing energy use. Based on pilot projects assessing the potential for energy optimization, we drafted an "operational excellence protocol" aiming at including additional requirements in our property managers' mandate, to ensure best practices are deployed at asset level. This guidance covers key building energy use parameters such as building monitoring, equipment settings optimization, temperature settings, light equipment replacement and tenant engagement, with the scope of requirements adjusted per sector. We aim to progressively deploy this tool starting from 2024 once the requirements are onboarded by the Property Managers and officially included in their PM's mandates.

Baseline and pathway definition

In line with our commitment to the Net Zero Asset Manager Initiative (NZAMI), we are working towards setting our portfolios on a trajectory compatible with the Paris Agreement. To properly assess inherent transitional risks of our assets, we have decided to decouple the building performance from its use wherever possible. To obtain such visibility, we are developing a methodology based on normalized whole building energy and carbon data, thereby minimizing reliance on actual data where we face limited access and lack of completeness and/or quality. It will be rolled out globally to enable consistent assessment of assets' risks and performance to prioritise actions.

Data management, reporting and monitoring

To properly monitor and report our portfolios' consumption and emissions, we embed ESG data collected at the asset-level into internal reporting database, which is refreshed automatically on a regular basis. Indicators definitions and computations rules have been documented, in line with key frameworks such as PCAF and GHG Protocol, to ensure full consistency of information shared with our investors. To ensure reliability of the consolidated information, controls are performed at several steps of the process.

People training and empowerment

We are convinced that all employees play a crucial role in ensuring the proper integration of ESG and decarbonisation in our investment activities, which is why we continuously update our training offering. In addition to company-wide training programme described in section 2.2 of this report; we developed with an external partner an ESG three-hour course, designed for employees involved in real estate investment across our offices. This course is aimed at ensuring all employees share a common ESG background and language, and understand the context and requirements of ESG-proof real estate (e.g. CRREM pathway, transitional risks, climate physical risks, etc.). 320 employees completed the foundational Real Estate ESG course between 2022 and 2023.

6.5 Climate forward-looking metrics

Over the past years, the financial industry has made further progress in illustrating materiality of climate change and measuring alignment of investments. In the past two years, some emblematic initiatives have come up with concrete frameworks. These included the publication of the 1.5°C Implementation Guidance of NZIF[122], the United Nations convened NZAOA and the SBTi's framework for financial institutions. Investors are now turning towards new types of analyses and corresponding metrics which present a more insightful response into what it means to be a "Paris-aligned" investor.

In that context, AXA IM has explored forward-looking metrics over the past years. In 2022, and through its collaboration with MSCI, Beyond Ratings and Iceberg Data Lab (IDL), we have continued to investigate innovative forward-looking metrics to measure exposure of our investments to transition and physical risks and the global warming potential of our investments. While these forward-looking metrics are essential and relevant for climate objectives, significant challenges remain as the model is complex.

Quantifying the global warming potential of our investments: Implied temperature rise (ITR) metric

ITR methodology for Corporate Debt and Equity

Since 2021, AXA IM is using the MSCI "Implied Temperature Rise" (ITR) metric **to assess how AXA IM's investment portfolios on corporate bonds and listed equities are aligned with global temperature targets**.

The ITR model estimates the global temperature increase by 2100 if the entire economy were to exceed or fall short of its carbon budget in the same way as a specific company or portfolio. The metric, expressed in °C, is therefore a forward-looking and extrapolation-based one. The ITR methodology is currently only applicable to corporate assets and its methodology is annually reviewed.

The global carbon budget represents the total amount of greenhouse gas emissions that mankind can emit up until 2050 to limit global warming to +1.55°C at the 2100 horizon. Since 2023, it is based on the NGFS Remind Net Zero 2050 scenario. Based on this climate scenario, MSCI distributes carbon budgets and pathways to individual companies through a top-down method that uses revenue as a way to fairly allocate the budget among all companies in the MSCI database. Pathways are region- and sector-specific for Scope 1 & 2 emissions, thanks to NGFS scenario's granularity. Scope 3 is only sector-specific because the companies in MSCI's database are large multinational companies, and their supply chains and sales are global.

The ITR model estimates companies' future emissions through 2050 by considering their current level of emissions and their reported emissions-reduction targets. The specifics of how the model handles current company carbon emissions are as follows:

- Scopes 1 & 2: The reported emissions are used when available, and estimated emissions otherwise;

[122] See "*Net Zero Investment Framework 1.5°C Implementation Guide*", Paris Aligned Investment, 2021. https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf

- Scope 3: The ITR model uses estimated emissions from MSCI instead of relying on company-reported emissions due to inconsistencies in company reporting.

Additionally, reported emissions-reduction targets are not taken at face-value anymore. Since 2023, they are penalized by a credibility score, applied for each GHG scope separately. Resulting company projected emissions may be penalized up to a 2%/year absolute increase of emissions, should the credibility score be at its lowest level. This score relies on the presence, or absence, of short-term targets, the track record it has in terms of achieving targets in the past, the feasibility of achieving upcoming targets and whether the company has third-party verified targets.

ITR for Sovereign assets

AXA IM leverages the CLAIM model developed by Beyond Ratings to assess the temperature of AXA IM's investment portfolios on sovereign assets. This model uses the **national carbon pledges** made by Governments towards the Paris Agreement's carbon budget to express theoretical temperature of sovereign assets. Beyond Ratings has developed this approach inferring 2°C compliant national carbon budgets by relying on the so-called "Kaya relationship" between GHGH emissions, GDP growth, demography, energy efficiency and carbon intensity.

National Determined Contributions (NDCs) that have been expressed in the Paris Agreement and updated during the UNFCCC Conferences of Parties (COP) are used to build a homogeneous allocation of GHG emissions reduction commitments by countries by 2030. Using theoretical linear relationship between carbon emissions and temperature rise, Beyond Ratings translate national carbon commitment intensities by 2030 into theorical temperature rise. During the latest COP, NDCs have been released and updated by the participants (112 updated NDCs including: Australia, Japan, United States, France, Germany, China, etc.). This model assesses sovereign temperatures by considering these new commitments.

As opposed to ITR's methodology for Corporate Debt and Equity, this methodology does not assess a credibility score with respect to countries' NDC.

Quantifying climate risks: Climate Value at Risk model (Climate VaR)

Besides the ITR approach, which embodies the impact that our investments may have on the climate, climate risk analysis can also be undertaken from a business/investment risk perspective to assess how climate change may impact investment returns.

AXA IM leverages a Climate Value-at-Risk (Climate VaR) model developed by MSCI. This model represents an **estimation of how the value of AXA IM's investment portfolios – on corporate bonds, listed equity and CRE debt–- could be impacted** (up or down) **by climate transition/policy risks, technology transition opportunities and extreme weather events**. This model is currently applicable only to corporate and real estate assets (not to sovereign assets) and it is in continuous development. Yearly updates on this model allow us to expand the range of measured climate-related financial risks of AXA IM's investments and to assess them more precisely.

Climate VaR Methodology Overview

It is important to acknowledge that Climate VaR differs from the traditional concept of Value-at-Risk used in risk management. Unlike the conventional approach, Climate VaR does not consider the distribution of returns and calculate a low percentile based on that. Instead, Climate VaR values are derived from sets of hypotheses known as climate scenarios, along with inferred macro-economic parameters. In this regard, it is more akin to an expectation rather than a percentile. The three components of Climate VaR are defined hereafter. The overall Climate VaR aggregates these three components.

Transition risks component

The transition to a low-carbon economy through market and regulations changes may significantly negatively impact businesses and their investors. The **Transition Risk (or Policy Risk) metric** assesses how regulations stemming from countries' Nationally Determined Contributions (NDCs) affect a company whose activities are directly (Scope 1) and indirectly (Scope 2 and Scope 3) producing GHG emissions. Transition Risk metric evaluates the potential economic losses for companies if they fail to adapt their activities accordingly to a given climate scenario (1.5°C, 2°C or 3°C scenario) and derived transition pathways.

Technological opportunities component

The transition to a low-carbon economy can bring about new opportunities for businesses and investors, particularly through the advancement of green technologies. The **Technology Opportunity metric** evaluates the potential future revenues that companies can generate from these green opportunities. This metric primarily relies on companie'' green patents and current low-carbon revenues for analysis. As a result, it assesses the potential economic returns for companies that are on the right path towards decarbonization, based on a specific climate scenario (such as the 1.5°C, 2°C, or 3°C scenario) and the associated transition pathways. Technology Opportunity is an upside component of the Climate VaR metric.

Physical risks component

Physical risks define potential climate-related consequences resulting from increased greenhouse gas emissions, and the subsequent financial implications (both burdens and opportunities) for businesses and investors. The **Physical Risk metric** assesses the level of exposure and vulnerability of companies to more frequent and severe extreme weather events, taking into account factors such as geographical location, asset size, and asset value. It focuses solely on the assets owned by a particular company and does not account for the sustainability of the infrastructure, grids, or other necessary components that enable those assets to operate and generate revenue for the company.

This metric combines **chronic climate risks**, which involve long-term shifts in climate patterns such as extreme heat, extreme cold, heavy precipitation, heavy snowfall, and strong winds, as well as **acute climate risks**, which are event-driven physical risks like coastal flooding, river flooding, tropical cyclones, low river flows, and wildfires. Consequently, this metric evaluates the potential economic losses that companies may experience in a changing climate environment based on a specific climate scenario.

It should be stressed that Physical risk metric is currently equivalent to a 'partial Scope 1' of the Transition risk estimate. Indeed, the impact of extreme weather events is estimated at a company's physical asset level only. It does not reflect the impact of an extreme weather damaging the energy supplier of this physical asset, or any key part of its value-chain for it to be operational. It thus remains to date highly under-estimated, as opposed to the Transition Risk.

Climate VaR climate scenarios

Since 2023, MSCI's Climate VaR climate scenarios are derived from other models and are referred to as the Network for Greening the Financial System (NGFS) scenarios. The 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 bank'' role for climate change. The NGFS scenarios are based on the three integrated assessment models (IAMs): REMIND-MAgPIE (from the Potsdam Institute for Climate Impact Research), GCAM (from University of Maryland) and MESSAGEix-GLOBIOM (from the 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. A selection of five NGFS scenarios has been made to encompass a spectrum of temperature increases ranging from +1.5°C to +3°C by 2100. These scenarios also consider two distinct approaches to transitioning to a lower-carbon economy: an Orderly transition and a Disorderly transition.

Scenario name	MSCI name	Comments
Net Zero 2050	1.5°C REMIND NGFS Orderly	Both the REMIND NGFS 1.5°C scenarios are very similar in terms of emissions pathways and temperature warming. Where they differ is in the use of low-carbon technologies, with the Disorderly scenario using more low-carbon sources of technology in various sectors and the Orderly scenario using slightly more carbon sequestration.
Divergent Net Zero	1.5°C REMIND NGFS Disorderly	
Below 2°C	2°C REMIND NGFS Orderly	The REMIND NGFS 2°C scenarios are similar to the 1.5°C scenarios in terms of electricity generation fuel mix in 2050 and, for the Orderly 2°C scenario, in terms of carbon sequestration use. Where they differ is how fast the transition happens, the year emissions reach net-zero and the projected carbon prices needed to reach the temperature target.
Delayed Transition	2°C REMIND NGFS Disorderly	
NDC	3°C REMIND NGFS	The 3°C scenario assumes a slower pace of decarbonization compared to more ambitious scenarios and is solely based on the current Nationally Determined Contributions (NDC) of each country.

Source: AXA IM, MSCI, 2023.

AXA IM Climate Dashboard: a combination of historical and forward-looking metrics

Cost of climate change

Climate VaR (1.5°C orderly scenario)

		AuM at end of year	Climate VaR (1.5°C orderly scenario)				Coverage
			Climate VaR	Transition risks	Technology opportunities	Physical risks	
		[M€]	[%]	[%]	[%]	[%]	[%]
AXA IM Core (listed corporate assets)	*2023*	*202,340*	-8.89%	-9.39%	+2.65%	-2.20%	*74.5%*
Equities	*2023*	*48,693*	-7.36%	-7.79%	+2.49%	-2.11%	*93.1%*
Corporate Bonds	*2023*	*153,648*	-9.55%	-10.08%	+2.71%	-2.24%	*68.6%*
Benchmarks							
MSCI All Country World Index (ACWI)	*2023*		-10.35%	-9.62%	+1.40%	-2.15%	*98.8%*
ICE BofA Global Broad Market Corporate	*2023*		-13.66%	-13.46%	+2.21%	-2.38%	*86.7%*

Source: AXA IM, MSCI, 2023.

Climate VaR (1.5°C disorderly scenario)

		AuM at end of year	Climate VaR (1.5°C disorderly scenario)				Coverage
			Climate VaR	Transition risks	Technology opportunities	Physical risks	
		[M€]	[%]	[%]	[%]	[%]	[%]
AXA IM Core (listed corporate assets)	*2023*	*202,340*	-9.36%	-10.97%	+3.77%	-2.20%	*74.5%*
Equities	*2023*	*48,693*	-7.67%	-8.96%	+3.38%	-2.11%	*93.1%*
Corporate Bonds	*2023*	*153,648*	-10.09%	-11.84%	+3.93%	-2.24%	*68.6%*
Benchmarks							
MSCI All Country World Index (ACWI)	*2023*		-11.59%	-11.44%	+1.99%	-2.15%	*98.8%*
ICE BofA Global Broad Market Corporate	*2023*		-15.66%	-16.39%	+3.15%	-2.38%	*86.7%*

Source: AXA IM, MSCI, 2023.

Climate VaR (2°C orderly scenario)

		AuM at end of year	Climate VaR (2°C orderly scenario)				Coverage
			Climate VaR	Transition risks	Technology opportunities	Physical risks	
		[M€]	[%]	[%]	[%]	[%]	[%]
AXA IM Core (listed corporate assets)	*2023*	*202,340*	-4.25%	-1.73%	+0.58%	-3.12%	*74.5%*
Equities	*2023*	*48,693*	-3.67%	-1.41%	+0.58%	-2.87%	*93.1%*
Corporate Bonds	*2023*	*153,648*	-4.50%	-1.87%	+0.58%	-3.23%	*68.6%*
Benchmarks							
MSCI All Country World Index (ACWI)	*2023*		-4.82%	-2.12%	+0.30%	-3.01%	*98.8%*
ICE BofA Global Broad Market Corporate	*2023*		-5.78%	-2.90%	+0.46%	-3.34%	*86.7%*

Source: AXA IM, MSCI, 2023.

Climate VaR (2°C disorderly scenario)

		AuM at end of year	Climate VaR (2°C disorderly scenario)				Coverage
			Climate VaR	Transition risks	Technology opportunities	Physical risks	
		[M€]	[%]	[%]	[%]	[%]	[%]
AXA IM Core (listed corporate assets)	*2023*	*202,340*	-6.33%	-3.99%	+0.77%	-3.15%	*74.5%*

Equities	*2023*	*48,693*	**-5.27%**	-3.19%	+0.76%	-2.90%	*93.1%*
Corporate Bonds	*2023*	*153,648*	**-6.79%**	-4.34%	+0.78%	-3.25%	*68.6%*
Benchmarks							
MSCI All Country World Index (ACWI)	*2023*		**-6.83%**	-4.20%	+0.41%	-3.05%	*98.8%*
ICE BofA Global Broad Market Corporate	*2023*		**-8.83%**	-6.08%	+0.62%	-3.37%	*86.7%*

Source: AXA IM, MSCI, 2023.

Climate VaR (3°C scenario)

		AuM at end of year	Climate VaR (3°C scenario)				Coverage
			Climate VaR	Transition risks	Technology opportunities	Physical risks	
		[M€]	[%]	[%]	[%]	[%]	[%]
AXA IM Core (listed corporate assets)	***2023***	***202,340***	**-5.11%**	**-1.71%**	**+0.40%**	**-3.82%**	***74.5%***
Equities	*2023*	*48,693*	**-4.28%**	-1.32%	+0.42%	-3.41%	*93.1%*
Corporate Bonds	*2023*	*153,648*	**-5.46%**	-1.88%	+0.39%	-3.99%	*68.6%*
Benchmarks	*2023*						
MSCI All Country World Index (ACWI)	*2023*		**-5.46%**	-2.01%	+0.23%	-3.68%	*98.8%*
ICE BofA Global Broad Market Corporate	*2023*		**-6.88%**	-3.05%	+0.31%	-4.14%	*86.7%*

Source: AXA IM, MSCI, 2023.

We utilized the Climate VaR model to evaluate the potential future costs/benefits of AXA I''s traditional assets under different climate scenarios (1.5°C, 2°C, or 3°C). As a reminder, this model combines transition risks, technology opportunities, and physical risks. The tables above provide detailed results for each NGFS scenario.

Under the most-optimistic scenario (1.5°C Orderly), the aggregated climate risks could result in a potential future cost of **-7.4%** (AXA IM Equities) and **-9.6%** (AXA IM Corporate Bonds), whereas the benchmarks show **-10.4%** (MSCI ACWI) and **-13.7%** (ICE BofA Global Broad Market Corp). Besides, under the most pessimistic scenario (3°C scenario), the figures change to **-4.3%** (AXA IM Equities) and **-5.5%** (AXA IM Corporate Bonds), compared to **-5.5%** (MSCI ACWI) and **-6.9%** (ICE BofA Global Broad Market Corp). Globally, this can show a certain resiliency of AXA IM listed corporate portfolios compared to the market average.

Looking at the results in themselves, it would, however, be incorrect to conclude that a 3°C scenario is financially preferable for AXA I''s investments, as the Climate VaR consistently remains lower than in the 1.5°C scenario. In reality, following a 3°C scenario has less immediate impact than a 1.5°C scenario, as the latter requires a rapid and substantial increase in carbon pricing. On the other hand, a 3°C scenario is mainly associated with longer-term physical risks, reflected in the systematically lower figure for physical risks in the 3°C scenario than in the 1.5°C scenario, which benefit from higher costs in the long-term future.

Furthermore, it should be stressed that while the model estimates the physical risk as the costs associated with a specific set of non-exhaustive extreme weather events, it do not reflect the impact of extreme weather events at macroeconomic level, potentially resulting in much more impactful financial risks in the mid and long terms.

Consequently, AXA IM does not utilize this complex and evolving metric in its day-to-day investment operations, but rather for internal capacity building purposes towards a more resilient and sustainable asset management: this indicator does provide very relevant insights into which assets are most vulnerable to the effects of climate change and how AXA IM manages these risks on a yearly basis.

Climate temperature

		AuM at end of year	Implied temperature rise	Coverage
		[M€]	[°C]	[%]
AXA IM Core **listed** assets	***2022***	***388,479***	2.14°C	***89%***
	2023	***344,480***	2.09°C	***90%***
Equities	*2022*	*59,358*	2.36°C	*97%*
	2023	*48,693*	2.14°C	*94%*
Corporate Bonds	*2022*	*161,192*	2.29°C	*82%*
	2023	*153,648*	2.16°C	*83%*
Sovereign Bonds[123]	*2022*	*169,457*	1.94°C	*93%*
	2023	*142,139*	2.00°C	*96%*
Benchmarks				
MSCI All Country World Index (ACWI)	*2023*		2.56°C	*100%*
ICE BofA Global Broad Market Corporate	*2023*		2.33°C	*93%*
JP Morgan GBI Global Govies	*2023*		2.47°C	*100%*

Sources: AXA IM, MSCI, Beyond Ratings, 2023.

We employed MSCI's ITR methodology to evaluate the alignment of AXA IM's investments in listed equities and corporate bonds with regards to temperature rise. The results indicate that the ITR values are now estimated at **2.14°C** for listed equities and **2.16°C** for corporates bonds, an important decrease in one year compared to 2022, and which is also reflect on the benchmarks: **2.56°C** on the ACWI (compared to 2.94°C in 2022) and **2.33°C** for ICE BofA Global Broad Market Corp (compared to 2.63°C in 2022). As in 2022, AXA IM listed corporate assets are below their comparative benchmarks.

As for sovereign assets, based on the Beyond Ratings' model, the global warming potential of AXA IM's sovereign investments in 2023 stagnates at **2.00°C** (compared to 1.94°C in 2022), after an important decrease of 0.4°C compared between 2020 and 2022. The slight increase from 2022 to 2023 is attributable to three key factors:

1. Updates of the model macro parameters

[123] While the reported ITR for listed equities and corporate bonds use MSCI model, the ITR reported for sovereign bonds uses Beyond Ratings' "Warming Potential" model.

- revised & decreasing 2°C global budget by IPCC to approx. 1350 $GtCO_{2,eq}$;
- Rise of current estimated warming since pre-industrial era from +1.03°C previously to +1.13°C;
- TCRE coefficient (linking GHG emissions to warming) revised by IPCC;

2. Update of national carbon budgets:
    - NDC-related projected emissions take EU's 'FIT for 55' emissions trading system reform into account;
    - LULUCF emissions are now added to historical emissions;
3. Model update to consider additional non-CO_2 GHG emissions.

Overall, the temperature of our sovereign assets is still significantly lower than the benchmark's one, JP Morgan GBI Global Govies, which reaches 2.47°C at end of 2023 (compared to 2.48°C in 2022).

Carbon intensity

We report on the weighted average carbon intensity (WACI) by revenues of our assets. For the carbon intensity by revenues, W It is expressed in tons of CO_2 equivalent per USD million of revenues of the Scope 1 + 2 GHG emissions of each investee company and weighted as set out below:

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

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

For 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 USD million of GDP PPP (Purchasing Power Parity) and weighted by the share of our holdings in all countries, as follows:

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

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.

		AuM at end of year	Weighted average carbon intensity (WACI)		Coverage
		[M€]	Scope 1 + 2 [tCO_2e / $M revenues]	Scope 1 + 2 [tCO_2e / $M of GDP PPP]	[%]
AXA IM full listed assets[124]	***2021***	***329,294***	***123***		***80%***
	2022	***251,868***	***106***		***88%***
	2023	***202,340***	***76***		***83%***
Equities	*2022*	*59,358*	*85*		*98%*

[124] Reported data on listed corporate assets are based on the same scope than the reported carbon intensity reduction part of our NZ targets (for more details, see section 6.1). This also includes corporate assets from alternative platforms, and encompass AXA IM Core (as for AXA IM Paris) listed corporate assets, but also listed corporate assets from other AXA IM entities.

	2023	*66,989*	**65**		*96%*
Corporate Bonds	*2022*	*161,193*	**103**		*84%*
	2023	*234,494*	**79**		*79%*
Sovereign Bonds	*2022*	*169,457*		**137**	*88%*
	2023	*142,139*		**133**	*96%*
Benchmarks					
MSCI All Country World Index (ACWI)	*2022*		**163**		*99%*
	2023		**130**		*100%*
ICE BofA Global Broad Market Corporate	*2022*		**229**		*92%*
	2023		**198**		*92%*
JP Morgan GBI Global Govies	*2022*			**205**	*100%*
	2023			**191**	*100%*

Source: AXA IM, S&P Trucost, Beyond Ratings, World Bank, 2023.

AXA IM listed corporate assets' WACI equals 76 tCO_2e/\$M of revenue in 2023, decreasing from 106 in 2022, i.e., -28.3%. The most contributing sectors remain the same than in the previous years: Utilities, Materials, and Industrials, and all three sectors account for approximately the same percentage of the WACI in both years (69% in 2022 vs 68% in 2023). Under a constant scope, the main driver of the overall decrease in WACI is the market effect. On that constant scope too, absolute carbon emissions slightly increase (impact of +3 tCO_2e/\$M of revenues). Yet, revenues – the denominator – have increased due to general inflation, thus having a decreasing effect on WACI (-13 tCO_2e/\$M of revenues). The same trends can be observed in the MSCI All Country World Index (ACWI), which mitigates AXA IM's RI policies effect in this year-to-year significant progress (while not being a marginal factor).

		AuM at end of year	Weighted average carbon intensity (WACI)	Coverage
		[M€]	Scope 1 + 2 [tCO_2e / \$M revenues]	[%]
Real Estate & Infrastructure[125,126,127]	***2022***	***46,962***	**n/a**	***89%***
	2023	***65,192***	**n/a**	***93%***
Real estate	*2022*	*34,563*	71	*61%*
	2023	*21,912*	45	*71%*
Infrastructure	*2022*	*12,399*	143	*90%*
	2023	*12,583*	71	*95%*

Source: AXA IM, MSCI, Iceberg Data Lab, 2023.

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[125] Data on AXA REIM SGP only at end of 2022 and end of 2023 from collected data, excluding listed real estate (c. €4.2bn AuM at end of 2023, c. 8% of total AuM managed by AXA REIM SGP), and certain infrastructure debt holdings for which no actual GHG data was provided, and proxy GHG data quality was deemed not representative or irrelevant.
[126] For real estate equity assets, Scope 1 and 2 are capturing emissions attributable to the landlord of each asset (i.e., common area of the building), while Scope 3 captures emissions attributable to the tenants.
[127] For real estate and infrastructure, the coverage is based on assets with available data on revenues from underlying issuers, leading to a limited coverage for real estate assets in absolute values and thus to an overall coverage highly driven by infrastructure assets.

Data analysis on alternative assets

AXA IM Alts is disclosing for the second year the WACI of its real estate and infrastructure investment portfolio. The WACI aggregation on real asset investments was challenging due to carbon data scarcity – especially for the private debt portfolio – as well as the differences and specificities in carbon accounting across the considered asset classes. For instance, the approach to calculating WACI on real estate and CRE debt portfolios was less straightforward compared to their peers as weighted carbon intensity in both asset classes has traditionally considered floor area (in m^2) and not real estate revenue or rents as a denominator.

2023 WACI for real estate investments (direct property and CRE debt) amounted to 45 tCO_2/$M with 71% coverage rate as of December 2023, and infrastructure investment portfolios displayed a WACI of 71 tCO_2/$M at the end of 2023.

Assessing and interpreting WACI for private real estate and infrastructure is a highly nuanced exercise especially given the lack of well-established benchmarks. Each year we will continue to refine our analysis as data and methodologies in the market improve in line with our commitment to invest in low-carbon assets or assets with improving carbon intensities.

For real estate, the decrease observed can be explained both by operational improvement (please refer to section 6.1 AXA IM Net zero targets of this report) and by methodology change (inclusion of attribution factors).

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) in 2023. GHG emissions coverage has increased by 5% compared to previous year (from 90% in 2022, to 95% in 2023), using either data directly from investee or borrower companies, or from Iceberg Datalab[128] where actual data was not available.

2023 assessment of our infrastructure debt and equity portfolios carbon emissions resulted in a Scope 1 & 2 WACI of 71 tCO_2/$M of revenues, a decrease of c. 50% compared to previous year. This drop can be explained by two main factors:

- A better access and higher use of actual GHG emission data received from investee companies and borrowers due to the enhancement of our ESG data collect process and engagement;
- A lower average WACI Scope 1 & 2 contribution from our new investments.

Date source and definitions

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. Furthermore, in accordance with the 'precautionary principle' described in PCAF 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.

[128] Quality of proxy data is assessed and only used to complement actual data received from investee companies when deemed of satisfactory quality. Otherwise, in the absence of actual data, investments are excluded from reporting scope.

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.

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 Nomenclature of Economic Activities (NACE) codes.

As a result, the reported metrics reflect limited coverage for real estate assets in absolute values.

		AuM at end of year	Weighted average carbon intensity (WACI)	Coverage
		[M€]	Scope 1 + 2 [tCO_2e / $M revenues]	[%]
Alternative credit, Natural capital & Impact[129]	***2023***	***47,951***	***85***	***74%***
Alternative credit	*2023*	*47,275*	*86*	*74%*
Natural capital & Impact	*2023*	*676*	*47*	*42%*

Source: AXA IM, Reorg FinDox, S&P Trucost, ClimateSeed, surveys, 2023.

For Alternative credit, Natural capital & Impact assets, WACI figures have been established using borrowers' carbon metrics sourced from third-party data provider Findox for the Leveraged loans, Private debt and CLOs universes as well as underlying assets' originator's carbon data sourced from third-party data provider Trucost for the ABS, SRT and ILS universes.

AXA IM Prime invests in fund-of-fund structures, and therefore relies on carbon footprint figures and financial reports from the underlying funds, which can lead to a delay in reporting compared to direct investments. The calculation and reporting of carbon footprint figures by the external managers of the funds in which it invests is underway and will be completed in the second half of 2024.

[129] Eligible data on worldwide holdings at end of 2023 managed by all AXA IM entities (incl. AXA IM Paris).

7- Our biodiversity strategy

In 2023, we have continued to reinforce our efforts to better integrate biodiversity considerations in our research, engagement and investment processes with the conviction that:

- Biodiversity loss represents a risk to investment returns:
  - All economic activity ultimately depends on Nature: biodiversity loss affects the businesses we invest in, and hence represent a risk to our investment returns;
  - A 1.5 times global GDP risk: estimated to be worth $150tn annually[130], loss of ecosystem assets and services represents an understated risk for both investors and companies;
- Fighting biodiversity loss represents one of the biggest transition challenges and opportunities:
  - To save biodiversity, around $200-300bn per year should be allocated to biodiversity solutions[131];
- Beyond financial considerations, biodiversity is at the basis of sustainable development:
  - Biodiversity ensures functioning of ecosystem services, which underpin human well-being and livelihoods vital to the achievement of most SDG.

> Provided its fundamental importance for human society and economies, biodiversity is linked directly or indirectly to all the 2030 Sustainable Development Goals (SGDs), and more particularly to:
> SDG 14 and SDG 15 but also, SDG 12 as well as SDG 13, SDG 6, SDG 3, and SDG 2.

In June 2021, AXA IM signed the Finance for Biodiversity (FfB) Pledge.[132] With this pledge, AXA IM has committed to collaborate and share knowledge, engage companies, assess impact, set targets, and report publicly by 2024, which also steers our Biodiversity strategy.

We consider investors have a role to play to:

- Better understand the drivers of biodiversity loss, the impacts of economic activities on biodiversity in different sectors, and the ways in which industries depend on natural capital;
- Engage with companies on their practices and the integration of biodiversity in their strategy in order to reduce their negative impacts and increase their positive contributions;
- Incorporate biodiversity criteria in risks and opportunities assessment as part of investment analysis;
- Work on target-setting and direct capital to resolve biodiversity loss, including promoting more nature-positive investments, whether in enabling solutions or natural capital.

We believe that the on-going development of tools and frameworks for financial institutions, as well as greater corporate action and disclosure, will be instrumental in enabling us to progressively fulfil this role, undertaking greater integration gradually over time as guidance, tools, and practices mature.

In this spirit, there are a number of key developments that we believe will help us to advance collectively. The Taskforce for Nature-Related Financial Disclosure (TNFD) published its final recommendations in September 2023. The TNFD has also published a Guidance for Financial Institutions that is in beta, with a final version expected in 2024. Other guidance is forthcoming in 2024: the Science Based Targets Network

[130] The Biodiversity Crisis Is a Business Crisis | BCG
[131] Crédit Suisse and WWF Switzerland, "Conservation Finance Moving beyond Donor Funding toward an Investor-Driven Approach", 2014, https://www.cbd.int/financial/privatesector/g-private-wwf.pdf
[132] Signatories – Finance for Biodiversity Pledge

(SBTN) is expected to publish initial guidance for the financial sector, and the FfB Foundation will publish the full guidance of its Nature Target-setting Framework for asset managers and asset owners. For the corporates we invest in, the coming into effect of the CSRD based on the ESRS published in end 2023 will be an important milestone. These developments help illustrate that the industry is in a phase of transition.

As such, it should be noted that AXA IM has not yet set any 2030 quantitative target for biodiversity as requested by the implementation decree of Article 29 of the LEC, as market-based guidance for setting targets aligned with the aims of the Global Biodiversity Framework remain under development, and we still lack related market-based methodological developments to measure the alignment of investment strategies with the global mid- and long-term goals. We will, however, begin to set biodiversity-related targets in line with our FfB pledge. Therefore, at this stage, our biodiversity strategy is based on a continuous improvement approach in line with expectations within the financial industry. Our current approach to biodiversity consists of:

1. **Research and Engagement efforts:** we aim to understand and identify drivers of biodiversity loss and the contribution of different sectors to natural capital degradation, and engage with relevant sectors and issuers accordingly. We publish thematic research on biodiversity to help inform investment processes, and conduct engagement both individually and collaboratively. Engagement can be oriented towards specific pressures, such as deforestation & conversion and pollution, or be more broad-based and address the development of robust biodiversity approaches that can include insights drawn from the piloting of footprinting data from Iceberg Data Lab (IDL). We may also use our voting rights alongside engagement to support the transition towards more nature-positive businesses, as specified in AXA IM's Corporate Governance and Voting Policy which now includes biodiversity-related considerations.
2. **Exclusion**: We integrate specific exclusions through AXA IM's Ecosystem Protection & Deforestation policy, which we update periodically. It was last updated in 2023 to specify our ambition in terms of engagement on biodiversity and deforestation topics.[133]
3. **Supporting the development of metrics:** we continue to support the development of tools and data that permit the measurement of the impacts and dependencies of issuers on biodiversity. One way we do this is through our partnership with IDL whom we work with on on-going tool development. We currently use IDL's Corporate Biodiversity Footprint (CBF) as described below[134], where we share our findings and experience to foster better information sharing on the use and limits of such tools. We may also utilize other tools across our platforms to generate different insights. In addition, we can participate in broader tool development and use cases within the industry through consultation processes.
4. **Financing positive contributions:** We do this through our biodiversity impact fund range supporting companies with solutions-based products and services as well as our Natural Capital Strategy (see 'Natural Capital Strategy' within section 1.3 of this report).

7.1 Research & Engagement

Our research and engagement efforts form part of AXA IM's work to align with the long-term goals on biodiversity of the UN CBD GBF. The GBF sets out a roadmap to reach the global vision of a world living in

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

[134] At the time, due to the approximative value of the metric, the multiple assumptions in the model, the predominance of sectoral data on local data, and the lack of technical guidance there could not be any investment target set based on the Corporate Biodiversity Footprint. AXA IM will continue its research and engagements efforts notably with the data providers in order to progress in measuring and understanding our biodiversity footprint.

harmony with nature by 2050, using 23 targets for 2030. The GBF embodies a whole of society approach, calling on all actors including the private sector to contribute to reversing biodiversity loss. Notably, target 14 calls for the progressive alignment of all financial flows with the GBF and target 15 calls, among others, for the enabling of disclosure on biodiversity by corporates and financial institutions to support the transition to sustainable patterns of production.

Research and engagement are essential pillars to supporting this. Research including the use of new and evolving biodiversity-specific data and metrics to identify impacts, dependencies, risks, and opportunities will eventually help investors to integrate biodiversity challenges into our investment decisions and enhance financing for protection and conservation of natural areas in line with the ambitions of the GBF. As will thematic research that deepens our understanding of the relationship of the economic activities we finance with nature and the levers investors have to act to minimize impacts and increase positive contributions. Engagement activities can not only support investment risk management, but they can also help shift practices in the real economy if we are able to influence the actions of the companies in which we invest.

<table>
<tr><th colspan="2">2023 progress on Biodiversity</th></tr>
<tr><th>Engagement</th><th>Research and Expertise</th></tr>
<tr><td>In 2023, we continued our engagement programs targeting specific pressures on nature such as on deforestation and ecosystem conversion as an extension of our policy, as well as pollution through collaborative engagements targeting the chemical sector through the Investor Initiative on Hazardous Chemicals supported by ChemSec[135], and waste and pollution in agrifood supported by FAIRR[136].

Moreover, in 2023, we continued piloting the use of IDL’s biodiversity footprinting data to help us select and prioritise sectors and companies with significant potential biodiversity impacts, and orient our engagement efforts accordingly.

Notably, 2023 saw the launch of Nature Action 100 (NA100), a collaborative initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. We are conducting engagements with a number of companies and also continue to be a member of the NA100’s Steering Group.</td><td>We published several new research pieces on biodiversity in 2023. These have worked to explore sector specific challenges, the relationship between climate and biodiversity, and contribute to general education on biodiversity for investors. These include:
• Biodiversity Q&A: Understanding a powerful new investment theme
• Why, and how, investors should integrate biodiversity into fixed income portfolios
• Feeding the World and Protecting the planet: A biodiversity and climate challenge for investors
• Sustainability Challenges Facing the Chemical Industry : What Investors Need to Know

We have also contributed to the FfB Foundation’s publication Unlocking the biodiversity-climate nexus: a practitioner’s guide for financial institutions.

As part of our efforts to understand how new and emerging frameworks may be used to further biodiversity integration, we conducted a TNFD pilot on the agrifood and automotive sectors together with AXA Group. All of these activities help to deepen our</td></tr>
</table>

135 Investor Initiative on Hazardous Chemicals (IIHC) (chemsec.org)
136 Waste & Pollution Engagement | FAIRR

Our 2023 engagement activities are described in details in **AXA IM's Stewardship Report**[137].	understanding of this thematic and the levers currently possible for investors.

7.2 Exclusions: our Ecosystem protection & Deforestation policy

AXA IM has been sensitive to the topic of deforestation and ecosystems conversion issues (*e.g.*, land use change) for several years, including through our exclusion policy for investments related to palm oil production since 2014. In 2021, AXA IM decided to extend its palm oil policy to a more comprehensive deforestation and ecosystem protection policy.[138]

AXA IM considers that investment in companies which have a critical impact on forests according to the Carbon Disclosure Project (palm oil, timber products, cattle products, and soy) and are involved in controversial practices should be avoided, as well as those involved in "high" and "severe" controversies related to land use and biodiversity.[139] Beyond this targeted exclusion, AXA IM continues to promote change within companies involved in deforestation and ecosystem degradation issues through dialogue.[140]

Moreover, AXA IM values forestry and natural capital as an asset class, with a dedicated Natural Capital & Impact platform financing projects dedicated to the protection, restoration, and sustainable management of natural capital. Managed by AXA IM Alts since 2023, this platform applies a rigorous selection process to its assets and forest management partners, as well as thoroughly monitoring the investments on their intended targets and impact. Apart from natural capital, the platform covers environmental impact investments in the realm of resource efficiency and climate resilience, next to projects with social impact.[141]

In other asset classes managed by AXA IM Core and Prime, AXA IM aims for Improved Forest management (IFM) and Biodiversity improvement.

Improved Forest Management (IFM) of natural forests can result in greater levels of storage of carbon while maintaining wood production over the long term. Some of IFM techniques adopted by AXA IM include:

- Extending harvest cycles to allow trees to grow larger before they are felled, increasing the average carbon stock across a working forest;
- Thinning of competing trees and vegetation to allow trees to grow faster and bigger;
- Managing conservation zones within forests to support ecosystems;
- Keeping the healthiest, most diverse trees of all size classes and harvesting the rest;
- Properly identifying commercial species prior to cutting so that non-commercial trees are not cut down and abandoned.

Our approach to biodiversity management reinforces our leadership in experimenting with new ways of maintaining forests for better resiliency, further explore the biodiversity conservancy role of the forests and educate the wider public on the many roles of the forest, specifically:

- Find the best silvicultural scheme for long lasting reconstitution and biodiversity preservation;

137 Stewardship and Engagement | AXA IM Corporate (axa-im.com)
138 AXA IM expands its palm oil policy to protect ecosystems and fight deforestation | AXA IM Corporate (axa-im.com)
139 Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)
140 Stewardship & Engagement | Responsible Investing | AXA IM Corporate (axa-im.com)
141 Impact Investing | AXA IM Alts (axa-im.com)

- Measure reconstitution and biodiversity.

► Vision for 2024

We will continue to progress on the use of tools to better understand the impacts and dependencies of our investments on biodiversity, privileging transparency. Our priority for 2024 is to focus on impacts although we will continue to explore dependency tools in parallel. We have progressively published the Corporate Biodiversity Footprint (CBF) at fund level: in 2022 by publishing, for the first time, the CBF on select listed funds, and in 2023 by comparing the evolution of the CBF for the same listed funds using different versions of the model to illustrate the on-going methodological improvements of such tools. In 2024, we are now publishing the CBF at the AXA IM level for all listed assets excluding sovereign. This exercise will enable us to continue to build greater awareness internally on the impacts of our investment activities on biodiversity, identifying key sectors and the underlying dynamics, as well as on the applications and limits of biodiversity-related data and tools. The use of this tool for fund-level reporting has already helped to raise awareness and begun to establish a common understanding on biodiversity for the investment teams using this tool. As we have also been piloting the CBF for engagement, this exercise will help shape our 2024 engagement priorities, allowing us to identify key biodiversity risks across our portfolios and inform the selection of companies for engagement on risk mitigation and positive contributions.

Beyond these processes, we will continue to contribute to the development of IDL's biodiversity tools, such as the expansion of the current CBF on negative impacts to cover more pressures and sovereigns, the enhancement of dependency metrics, and positive impact measurement.

Another area of focus will be advancing on target-setting as part of AXA IM's FfB pledge with the help of upcoming updated guidance on Nature target-setting for asset managers and asset owners.

We will keep conducting constructive discussions on biodiversity topics with CDP, Ceres, Global Canopy, WWF and other external experts. We will continue our active participation in industry-leading initiatives like FfB Foundation and other engagement related initiatives such as NA100, the Investor Initiative on Hazardous Chemicals, FAIRR, and the Emerging Markets Investor Alliance's consumer staples working group. These, along with our engagement priorities are described in AXA IM's Stewardship Report.

7.3 Introducing biodiversity-specific indicators

AXA IM currently uses the Corporate Biodiversity Footprint (CBF) developed by Iceberg Data Lab (IDL)142 and I Care & Consult[143] to measure the extent of a company's estimated negative impact on biodiversity for a given year. This biodiversity footprint is provided by a model calculating environmental pressures generated from the products and services purchased and sold by companies throughout their value chain. The CBF estimates impacts on biodiversity linked to several pressures including land use change, GHG emissions, air pollution and water pollution. The disaggregation of the CBF by environmental pressure and scope (1, 2, and 3 upstream and downstream) provides an indication of where a company, sector, or portfolio's pressures on biodiversity may emanate from.

[142] Iceberg Data Lab
[143] I Care - Conseil en stratégie et environnement (i-care-consult.com)

AXA IM uses biodiversity footprinting metrics to help build awareness and knowledge of the potential impacts of our investment activities on biodiversity, as well as engage investee companies on the most material pressures they exert on biodiversity. The CBF allows to work on a corporate level with aggregation capacity at the sector, portfolio, and AUM level, thereby supporting investment processes. AXA IM has previously disclosed the CBF on the portfolio level, endeavoring to first introduce the indicator and then demonstrate its on-going evolution.

AXA IM is now disclosing the aggregated CBF at entity level. Beyond responding to regulatory requirements, the purpose of this exercise is to conduct a high-level assessment of impacts including a materiality analysis whose results we may utilize for our stewardship and engagement activities, to inform the gradual reinforcement of our biodiversity strategy.

More information on the CBF methodology and how AXA IM is using it is available within AXA IM ESG methodologies handbook: Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)

AXA IM Biodiversity Dashboard

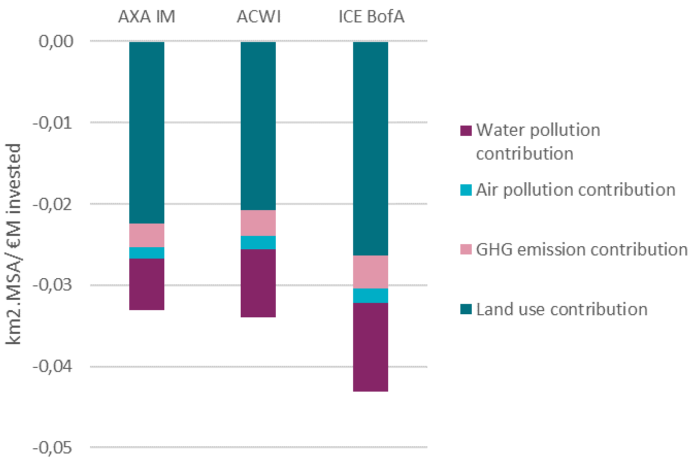
Estimated Biodiversity Impacts of AXA IM's listed corporate assets: Results

		AuM at end of year	Portfolio biodiversity footprint	Coverage
		[M€]	Corporate biodiversity footprint [km².MSA]	[%]
AXA IM Core listed corporate assets	*2023*	*199 938*	*-5 141*	*78*
Benchmarks *(weighted average on the 2 corporate benchmarks below)*	*2023*			
MSCI All Country World Index (ACWI)	*2023*		*-1 564*	*94*
ICE BofA Global Broad Market Corporate	*2023*		*-5 504*	*83*

Source: AXA IM, Iceberg Data Lab, 2023. NB: Figures above are weighted by enterprise value and AUM. They are not rebased.

The absolute CBF of AXA IM's listed corporate assets for 2023 is -5,141 km^2.Mean Species Abundance (MSA)[144], and represents the estimated impacts on biodiversity of our investments for the year due to environmental pressures generated on biodiversity across the value chain by the companies in which we invest. In other words, the estimated impacts of our investments on biodiversity for 2023 would theoretically be equivalent to the complete artificialization of approximately 5,000 km^2 of pristine undisturbed ecosystems. On an intensity basis, the CBF of our listed corporate assets is –0.03 km^2.MSA/M€ invested, compared to the benchmarks MSCI ACWI –0.03 km^2.MSA/M€ invested and ICE BofA –0.04 km^2.MSA/M€ invested.

[144] Figure has not been rebased on coverage. The Mean Species Abundance (MSA) expresses the average relative abundance of native species in an ecosystem compared to their abundance in an ecosystem undisturbed by human activities and pressures. See also our AXA IM ESG methodologies handbook: Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)



2023 Corporate Biodiversity Footprint per million euro invested (km²,MSA/M€ invested): AXA IM vs Benchmarks. Source: AXA IM, Iceberg Datalab. N.B.: the figures above have been rebased on coverage.

The biodiversity footprint above was calculated for AXA IM Paris' listed corporate assets representing c. €202bn as of end 2023 with IDL's CBF model version 2.14 and a coverage level of 78% of all AXA IM Paris' listed corporate assets. As recommended by the Partnership for Biodiversity Accounting Financials[145], the biodiversity footprint on both an absolute and intensity basis were attributed to AXA IM's share of investments using each corporate's enterprise value multiplied by our AUM. Interpretations should therefore have these economic factors in mind.

According to this assessment, the negative impacts of our investments on biodiversity are mainly caused by their contribution to land occupation and land use changes, followed by water pollution. These results are consistent with the findings of many scientific and economic studies, including the Global Assessment Report on Biodiversity and Ecosystem Services published by IPBES[146].

Estimated Biodiversity Impacts of AXA IM's listed corporate assets: Focus on Key Sectors

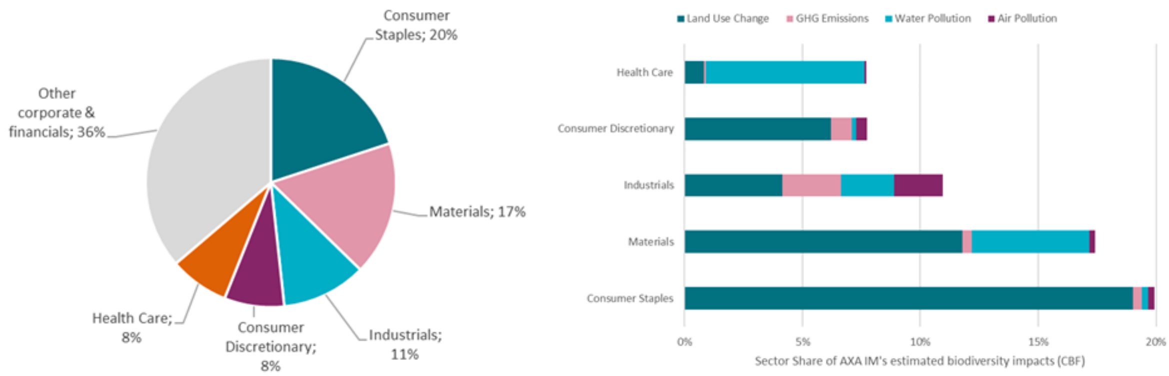
Based on the results of this assessment, we have identified the GICS[147] sectors with the highest potential biodiversity impacts relative to AXA IM's listed investments under scope. While research has emerged on high-impact sectors, this footprinting exercise has provided us with a more customized analysis of our portfolio, reflecting our investee companies' business models using bottom-up data whenever possible.

Although the figures presented above include financials, which come out as the leading sector contributing to AXA IM's overall biodiversity footprint (23%), this is driven by its weight in our AUM under scope (28%). In that context, we have chosen to limit our focus to material sectors having more direct impacts on biodiversity and issuers that are corporates only.

This is in line with initial TNFD reporting guidance for financial institutions that does not currently include financials in its list of priority sectors[148]. AXA IM supports the view that investors should first prioritize their efforts to halt and reverse biodiversity loss on corporates who, by nature, have first order impact potential

[145] PBAF Standard v 2022 Biodiversity impact assessment – Footprinting, PBAF, June 2022.
[146] Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, 2019.
[147] GICS Level 1.
[148] Sector list and mapping for core financial institution metric on exposure to sectors from Sector guidance Additional Guidance for Financial Institutions version 1.0, TNFD, September 2023: Additional guidance for financial institutions – TNFD

on ecosystems. While this does not discount the inclusion of financials in future efforts, current methodological and disclosure limitations to estimating the impacts of their financing on biodiversity may result in preliminary conclusions that do not yet adequately reflect the full extent of the impact of their activities on biodiversity, therefore hindering the use of such information.



AXA IM's Top 5 Corporate Sectors with the Highest Estimated Biodiversity Impact and their Composite Biodiversity Pressures. Source: AXA IM, Iceberg Datalab.

Accordingly, the top five most material corporate sectors for AXA IM from a negative impact perspective are Consumer Staples, Materials, Industrials, Consumer Discretionary, and Health Care – together representing 64% of the biodiversity footprint of the AUM under scope.

AXA IM's Corporate Biodiversity Footprint: Breakdown by Top Sectors and Industries. Source: AXA IM, Iceberg Data Lab. N.B.: The size of the sectors (inner ring) and industries/sub-industries (outer ring) above is proportional to their contribution to the total biodiversity footprint of AXA IM's AUM under scope.

We have chosen to refine our sector analysis further, using a more granular sectorial view to identify the industries and sub-industries[149] with the highest contributions to their sector-level biodiversity footprint. This is shown in the figure above. Accordingly, we describe and provide illustrative examples of the

[149] GICS Levels 2 and 3

biodiversity pressures of the most material industries and sub-industries within the Consumer Staples and Materials sectors: Food, Beverage & Tobacco, Consumer Distribution & Retail, and Chemicals.

Consumer Staples: Focus on Food, Beverage & Tobacco and Consumer Distribution & Retail

Within Consumer Staples, the Food, Beverage & Tobacco and Consumer Staples Distribution & Retail industries, which cover most of the agri-food sector value chain, comprise the highest share of the sector's estimated biodiversity footprint. This finding is consistent with many academic studies demonstrating that, amongst all economic sectors, the agri-food industry contributes the most to biodiversity loss.

The occupation of land, and the contribution to land use change and the loss of natural habitat are the main sources of impacts and are mostly related to the production of agricultural commodities. These impacts are mostly driven by the consumption of animal products because they require more land for grazing and feed production than plant products. This is why companies like Danone, through their sourcing of milk for the manufacture of dairy products, can have significant biodiversity footprints. While other companies like PepsiCo can also exert biodiversity pressures because they source high volumes of snacks ingredients like grains and potatoes that are grown intensively in conventional agricultural systems. Companies in the retail sector like Walmart may also have significant indirect impacts through the products they purchase and distribute. This impact reflects the key role distribution and retail companies can play by supporting upstream value chains that are sustainable or in transition, as well as promoting sustainable products to their customers.

The agri-food sector also contributes to biodiversity loss through other pressures: by emitting approximately 22% of global annual GHG emissions according to IPCC[150], this sector is a key contributor to anthropogenic climate change. In addition, the withdrawal of water for irrigation contributes to water scarcity and droughts which further impact biodiversity and ecosystems. The use of phytosanitary products as well as the misuse of fertilizers in this sector are also negatively impacting biodiversity through a variety of mechanisms often acting synergistically, including eutrophication, acidification, ecotoxicity, etc.

Materials: Focus on Chemicals

Within materials, the chemical sector portfolio has the largest estimated impacts where the majority of biodiversity pressures stem from land use change followed by water pollution. Land use pressures can come from upstream mining and extraction activities for chemical manufacturing inputs. For example, for companies such as Arkema and Evonik, Scope 3 upstream mining-related land use changes from the raw materials used for additives, catalysts, paint and coatings products represent a significant portion of their biodiversity footprints. Water pollution in the chemical sector stems from potential harm to aquatic ecosystems (freshwater ecotoxicity) from risks of environmental release across the product lifecycle, as well as from downstream plastic pollution risks for polymer manufacturers. In addition, all forms of pollution risks can occur from the production and use of hazardous chemicals, particularly persistent substances such as PFAS. Companies like BASF that have agrochemical activities can have higher potential water pollution risks, and overall biodiversity impact potential due to business exposure to pesticides which can be particularly harmful during the use phase.

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150 Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. IPCC, 2023

Limitations

Biodiversity footprinting metrics like the CBF should be interpreted as representing estimated, modelized impacts on biodiversity, capturing some but not all potential pressures. As a measurement proxy for likely biodiversity impacts of investee companies, they can be used to better understand potential risk exposure at a point in time and used to support gradual biodiversity mainstreaming in investment processes. While they can provide an initial understanding of impacts, model and inherent limitations mean these should progressively be complemented with a diversity of other research, tools, and metrics.

While insightful, biodiversity footprinting results should still be interpreted with caution as they are calculated using a modelling approach relying on several hypotheses and assumptions at each calculation step. Any interpretation should bear the following limitations in mind:

- The level of integration of corporate bottom-up data in IDL's model is constrained by corporate disclosure. As CSRD and TNFD become widely adopted, corporate data will become increasingly available which will likely lead to more accurate estimations;
- Certain factors are not yet included in IDL's current model. Namely, not all biodiversity pressures are covered (for example invasive alien species, and sea use change, natural resource use and exploitation), some pressures may be partially calculated for certain sectors and value chain segments, (e.g. plastic pollution), and while impacts are calculated for freshwater and terrestrial biodiversity, they do not cover marine biodiversity;
- Synergistic effects are not taken into account in IDL's model. In the environment, pressures interact with one another, often causing even bigger impacts on ecosystems than the sum of individual pressures;
- MSA only reflects one dimension of biodiversity (species abundance) while science considers that at least 21 variables are essential to accurately describe biodiversity151. The MSA indicator would likely have to be completed by a variety of other indicators to capture negative impacts more fully on biodiversity;
- Economic indicators can influence the results, namely enterprise value which is used for attribution may cause distortions.

Due to the abovementioned limitations, the estimated biodiversity impacts presented in AXA IM Biodiversity Dashboard above are likely underestimated. It may also be subject to evolve as a consequence of improvements in footprinting methodologies. Nevertheless, we view biodiversity footprinting as providing much needed data and information to start the journey of integrating biodiversity into investment processes.

Conclusions

The CBF aggregated at entity level has permitted us to have a preliminary view on the most material sectors and companies within our portfolio of listed assets, providing orders of magnitude, merit order ranking, and biodiversity pressure insights. This exercise and the iterative use of the CBF and other related metrics as they continue to develop can help inform the assessments needed to progressively respond to the TNFD recommendations.

This biodiversity impact assessment will contribute to the on-going knowledge-building on our nature-related dependencies, impacts, risks and opportunities. It will serve to help orient our engagement and

151 Essential Biodiversity Variables : https://geobon.org/ebvs/what-are-ebvs/

stewardship activities, notably selecting and prioritizing sectors and issuers. We will also leverage on these insights as we work towards target-setting in fulfillment of our Finance for Biodiversity pledge commitments.

As other nature-related metrics such as dependencies and positive impacts grow in maturity, value chain coverage, and ability to discriminate at the company level, we intend to pilot them to further our knowledge on nature-related impacts, dependencies, risks and opportunities.

8- Our ESG risk management process

8.1 Identification and mitigation of key sustainability risks

General approach to identify and mitigate sustainability risks

When necessary, AXA IM manages the sustainability risks of our financial products and investment advice using an approach derived from the integration of ESG criteria. This approach is applied to our research and investment processes and relies notably on our sectoral and normative exclusion policies and our proprietary ESG scoring methodologies, both described in section 1.2.

We believe that these elements contribute to the management of sustainability risks in two complementary ways. First, exclusion policies aim to **exclude asset exposed to the most severe sustainability risks** identified in the course of our investment decision-making process. Second, the use of ESG scores in the investment decision process enables AXA IM to seek lower sustainability risks. When relevant for the concerned strategies, it also helps us decide whether to focus on assets with an overall better ESG performance, to seek lower sustainability risks, or to ascertain on a current level of ESG performance of our assets and when possible improve it over time. Complementing these global approaches, AXA IM has 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 for specific non-listed asset classes (i.e., private markets funds of funds and funds of hedge funds).

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

This framework is complemented with:

- **In-house ESG research** on key themes including climate change, biodiversity, gender diversity, human rights and human capital management, responsible tech, and corporate governance, which is supported by broker research as well as regular meetings with companies, participation to conferences and industry events. This research helps us to better understand the materiality of these ESG challenges on sectors, companies, asset types and countries;
- **Internal qualitative ESG** and **impact analysis** at the company-, asset- and country- level;
- **ESG key performance indicators (KPIs)**.: investment teams have access to a wide range of extra-financial data and analysis on ESG factors, across asset classes. More specifically, for traditional asset classes, a package of Environmental KPIs is available in an internal Front Office tool to allow the understanding and analysis at issuer level. This leverages our relationship with providers such as MSCI, S&P Global Trucost, and Beyond Ratings. For some alternatives asset classes related to direct project financing, such as Real Estate and Infrastructure, ESG indicators are sought from the underlying investment or asset through due diligence questionnaires and annual review via sector specific proprietary ESG scoring methodologies;

- **Stewardship strategy**[152]: We adopt an active and impactful approach to stewardship (engagement and voting) by using our weight as a global investment manager to influence company, key stakeholders and market practices. In doing so, we strive to reduce investment risk and enhance returns as well as drive positive impacts for our society and the environment. These are key to achieving sustainable long-term value creation for our clients. Our engagement policy is further described below.

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

AXA IM Emerging Risk Management framework

The Emerging Risk Management Framework aims to ensure the consistency of the process of identification, assessment, mitigation, and management of the emerging risks faced by AXA IM.

Emerging risks are those which may develop in the future, or which already exist and are continuously evolving. They are marked by a high degree of uncertainty, and some of them may even never emerge. Emerging risks can have potentially serious consequences if they are not anticipated in a timely manner.

Chief Risk Officers are responsible for early detection of risks. The objective of emerging risk management is to reinforce the anticipation and monitoring dimension of risk management.

The Emerging Risk Management Framework is designed to enhance AXA IM's understanding of these risks and allow us to adapt our business and processes accordingly. By encouraging a foresight approach, it is also an opportunity for risk management functions to contribute to the strategy of the company.

Emerging risk definition

Emerging risks are those that could potentially be impactful in the next five-to-10 years. They are defined as either new risks, or risks that already exist but one or more of the components of the risk's current dynamics are not adequately understood, be it hazard, exposure and/or vulnerability to the hazard.

2023 outcomes

The Emerging Risk Management Framework includes:

- **Risk identification**: The risk identification is performed through interviews with key stakeholders from a large number of AXA IM departments (including investment platforms, client group, legal, the regulatory development team, innovation team, responsible investment team, Human Resources, etc.) and with inputs from AXA IM executives.
- **Risk prioritisation**: All risks are assessed according to their severity and their impact time horizon. Risks are then prioritised based on the severity assessment performed and any other relevant prioritisation criteria.

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

- **Mitigation actions**: As part of this exercise, existing mitigation plans are identified, and new mitigation plans are agreed where relevant.

The outcomes of the emerging risks exercise are discussed at the AXA IM Global Risk Committee. Since 2022, we have been progressively integrating the identification of ESG-related risks withing our Emerging Risk Management Framework. As such, risks related to ESG, including, climate change, biodiversity and more broadly linked to the deployment of sustainability-related regulations are included in the top emerging risks identified for AXA IM. To mitigate these risks, a specific internal governance is now in place, involving stakeholders dedicated to sustainability-related topics.

Main identified sustainability risks

Sectors and activities excluded as part our AXA IM sectoral and normative exclusion policies (see section 1.2 on "Exclusion policies") constitute the main ESG risks identified. Key ESG themes covered by our engagement strategy constitute another layer of identification..

As the quantitative assessment of financial risks linked to the materialization of ESG criteria is not systematic at AXA IM, the table below lists the main ESG risks identified through the application of our RI framework, without these being considered exhaustive or definitive:

ESG thematic	ESG topic	Description of identified risk	Type of risk	Related sectors / activities	Action plan to mitigate identified risks		
					Integration in AXA IM exclusion policies	Integration in AXA IM engagement policies	Quantification of financial risks[153]
Environmental	Impacts of climate change	Potential impacts and financial implication resulting from increased greenhouse gas emissions (see section 6.5 on 'Physical risks')	Systemic and physical risks	All	n/a	No	Yes, using Climate VaR (see section 6.5)
	Impacts of biodiversity loss & ecosystem collapse	Potential impacts and financial implication resulting from loss of ecosystem assets and services (see section 7.)	Systemic and physical risks	All	n/a	No	No
	Fossil fuel	Potential financial implication related to the implementation of energy transition policies resulting in loss of value from fossil fuel- related activities	Transition risks	Coal mining and coal-based energy production; oil sands production and oil sands-related pipelines; shale and tight oil and gas; arctic oil and gas	Climate risks policy	Yes	Yes, using Climate VaR (see section 6.5)
	Deforestation	Potential financial implication related to the implementation of forestry protection policies in countries with high risk of land use change	Transition risks	Palm oil & derivatives; soy meal, oil & derivatives; cattle products; timber products	Ecosystem protection & deforestation policy	Yes	No
	Speculation on food commodities	Potential economic consequences and financial implication related to the commodities price market volatility	Reputational risks	Food commodities	Soft commodities policy	n/a[154]	No

Source: AXA IM, 2023.

[154] As exclusion of soft commodities is done at an instrument level across all food commodities futures and ETFs.

ESG thematic	ESG topic	Description of identified risk	Type of risk	Related sectors / activities	Action plan to mitigate identified risks		
					Integration in AXA IM exclusion policies	Integration in AXA IM engagement policies	Quantification of financial risks[155]
Social	Controversial weapons	Potential financial, reputational and legal implications related to invest in banned and controversial weapons	Reputational and/ or litigation risks	Controversial weapons	ESG Standards policy	Yes	No
	Health	Potential financial, reputational and legal implication related to invest in companies with health and/or nutrition controversies	Reputational and/ or litigation risks	Food & beverage, pharmaceutical	n/a	Yes	No
		Potential financial, reputational and legal implications related to invest in tobacco	Reputational and/ or litigation risks	Tobacco products	ESG Standards policy	Yes	No
	Human rights incl. labor and society	Potential financial, reputational and legal implications related to invest in companies or countries with labor, society and/or human rights controversies (incl. cyber security and data privacy, gender and ethnic diversity)	Reputational and/ or litigation risks	All (incl. companies and countries where serious violations of Human rights are observed, and white phosphorus weapons production)	ESG Standards policy	Yes	No
Governance	Business ethics & corruption	Potential financial, reputational and legal implications related to invest in companies or countries with business ethics and/or corruption controversies	Reputational and/ or litigation risks	All	ESG Standards policy	Yes	No

Source: AXA IM, 2023.

[155] Beyond climate change for which financial value-at-risk model exists, quantification of the financial risk of any other ESG criteria using forward-looking data is not yet available in the market. On biodiversity (incl. deforestation), we plan to move progressively towards quantification of financial risks in the mid-term as we anticipate significant financial materiality related to biodiversity loss & ecosystem collapse. However, this is still pending additional guidance to corporates and financial institutions helping the industry to strengthen biodiversity strategies, in particular development of similar value-at-risk models for natural resources and ecosystemic services, for which there is not predicted date at this stage. As for social and governance issues, we do not plan to quantify financial risks using forward-looking data as our current approach consisting in providing qualitative research and in identifying severe controversies appears consistent from a financial risks management perspective. We will update our continuous improvement plans regarding quantification of financial risks related to ESG criteria each year.

Except for some specific activities such as oil & gas production in Arctic, the main sustainability risks are identified at a global scale overall without specific geographical discrimination. In addition, in some cases, our ESG quantitative and qualitative research provides specific assessments based on criteria or issues materialized at certain specific geographical scopes.

8.2 Internal controls & audit

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

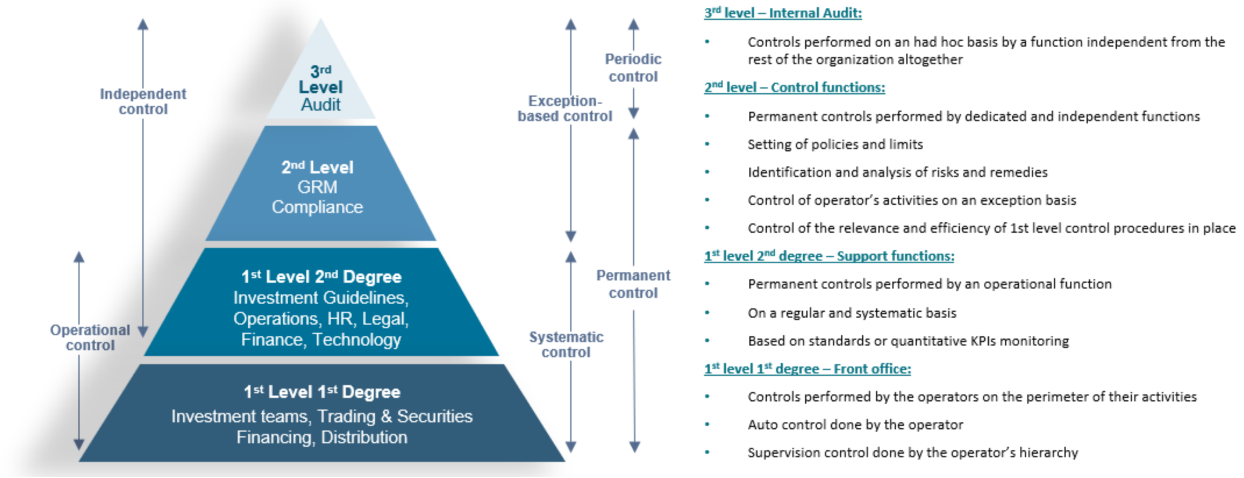
Standard level of internal controls

ESG-related investment guidelines consist of the implementation of our exclusion policies, as well as of eligibility criteria and rules specific to funds which have been awarded sustainability-related labels. Our dedicated internal risk management structure consists of multiple layers, thereby ensuring the criteria are respected throughout the investment process.

The first layer of control consists of the front office and its support functions. Firstly, investment teams perform controls before any trade. For traditional and alternative assets, ESG KPIs are integrated in these investment team's Front Office tools, allowing them to regularly analyse and monitor individual holding and the entire portfolio's position on ESG factors and related metrics throughout the investment process. Their work is monitored by each business unit's Chief Operational Officer (COO), who ensures that the fund managers divest from all investments in restricted companies and do not invest in restricted companies absent new instruction. For traditional assets for example, funds' specific responsible investment objectives are reported in monthly Investment Oversight Forums. Following ban lists and/or eligible universe updates, portfolio managers divest from issuers considering a client's or the fund's best interest. The work of investment teams is supported by multiple teams.

The second layer of our system consists of control functions. Firstly, the Investment Guidelines (IG) team develops specific 'rules' based on top-level RI policies, ESG standards, and other fund-specific commitments that the investment teams should respect when selecting issuers within their eligible universe. The IG team and its equivalents then perform independent and systematic pre-and post-controls on whether funds adhere to these rules. Secondly, the Compliance department carries out ad hoc controls on the work performed by the IG team. They also monitor day-to-day regulatory changes, in close cooperation with the investment teams, investment professionals, and Risk Management department. The latter department works with AXA IM Core specifically by assessing the likely impact of sustainability risks in their products' return and by classifying them at the appropriate risk level (low, medium, or high). At AXA IM Alts, this assessment is performed by the internal controls team for Real Estate & Infrastructure, and by the business teams for other alternative asset classes.

Lastly, at the third level of our pyramid, the Audit department performs periodic controls according to an annual risk-based audit plan, which is approved and monitored by our governance bodies, in particular the AXA IM Audit & Risk Committee. Higher risk areas and those that are required by regulations to be covered regularly are subject to audits on a more frequent basis compared to the less risky areas, which are covered over a longer cycle. Moreover, as part of the sustainability-related regulatory changes, AXA IM has launched several working groups that are in charge to monitor regulatory changes related to responsible investment, to define our position, set up action plans and to adapt our commercial offer. In addition, we participate and share our views with industry bodies such as the EFAMA and regulators.



Source: AXA IM, 2023.

Additional level of internal control for Real estate direct property

Direct property provides us with ability to collect directly actual data. As an example, a large number of ESG data are collected and stored in an ESG data management platform for real estate properties. The data are collected directly in the platform by the property managers, supervised by our asset management team. We utilize both internal and external data controls to ensure the quality of the data. Throughout the data collection process automated and manual data controls are undertaken within the platform and by asset managers, the RI team and an external auditor.

Automated alerts have been set in our platforms to flag any inconsistency in the data collected or flag potential risks. Several alerts, which flag sensitive information, are a mandatory stage of the data collect process for our property managers, who are incentivised on their ability to comply on our data collect requirement.

At the end of the data collect process, qualitative and quantitative data automatically populate the ESG rating form and the GRESB rating form in Deepki. Asset Managers are required to verify and validate the data directly implemented in the form. In case of a discrepancy, they need to correct the data in the input sections. At the end of the review, they are required to formally validate they have reviewed the information.

After the end of the data collect, the RI team performs additional data control, using an Excel extract of all the data reported, by performing several consistency tests. If discrepancies are identified, the RI team contacts the asset manager to collect explanations and evidence on the data and check the data accuracy. Data are also communicated to fund teams for them to perform additional consistency checks based on their knowledge of the assets. If an issue is flagged, it is communicated to the RI team who coordinates with the Asset Management team.

Finally, AXA IM has mandated PwC as an independent third-party auditor to audit data collected, at AXA REIM SGP entity level, as well as for each fund participating to the GRESB (see Appendix 6). Data process and quality are audited against the international framework "Assurance engagements other than audits or reviews of historical financial information" (ISAE 3000) for Limited Assurance Report. The audit takes place from April to June.

8.3 Factoring climate risks in Real assets management

Resilience is the second pillar of AXA IM Alts' ESG strategy. The impacts of climate change represent a number of new risks to our investments. For AXA IM Alts, the most material are physical risks (such as from increasing extreme weather events) and transitional risks (such as from changes to regulations as major economies work toward a low-carbon future). These changes also bring new opportunities to add value. We are rapidly building our ability to identify and act on these risks and opportunities, improving the resilience of our investments and strengthening their ability to withstand some of the impacts of climate change.

Extreme weather events costs and physical risks assessment of Real assets

Physical risks are those that are already arising as a result of the rise in temperatures and of the increase in extreme weather events occurrence and magnitude. Potential costs of climate change damages could equate up to 10% of the global current GDP value in a world at 1.5°C and up to 23% in a world at 3°C, which represent what current countries' commitments support[156]. The last IPCC report on the impacts of a global warming of 1.5°C[157] showed that such temperature rise above historical levels would lead to unprecedented impacts for the nature and human beings.

Our work on physical risks is exploratory and can be categorized in three parts:

- Assessment of Real Estate portfolio exposure to climate risks across AXA Group's investments using insurance risk management natural catastrophe models;
- AXA IM Real Assets Australia Ltd partnering with Deloitte on physical risk assessments of cities in Australia and Asia;
- Assessment of listed assets physical risks exposure using Carbon Delta extreme weather events costs.

Physical risks assessment of real estate portfolios through the Clymene analysis

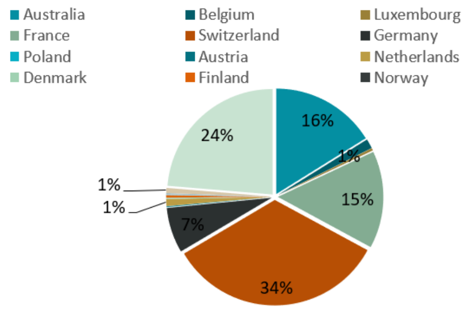
Since its inaugural Climate Report (2016), AXA IM Ats has studied the effects of climate change on its real estate holdings. This analysis covers a range of direct property investments totalling more than **€82bn in 2023**[158]. Our Responsible Investment and Risk Management teams analysed the financial impact of floods, windstorms, and hail on these properties in a selection of 20 countries.

According to research utilising AXA's proprietary "Clymene" analytic platform, average annual losses (AAL) are still small in comparison to the value of all assets. The analysis currently uses asset-level data that depends on the geolocation of buildings as well as their primary occupancy. The key figures below provide the results of the assessment based on the average annual loss for each country.

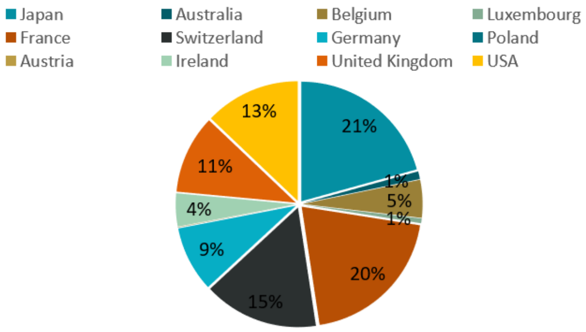
AXA's real estate exposure is global with most of the portfolio located in Europe. The portfolio's highest risk exposure is to flood (36% of ALL), followed by windstorm (35%) and hail (29%). Total average annual loss for the 2022 real estate portfolio amounted to an estimate €10.1M. Furthermore, Switzerland leads the AAL in terms of the risk of flooding (49%) followed by Germany (31%) and the United Kingdom (9%). Japan, France

[156] CRO Forum, 2019.
[157] See IPCC (2018), *Global warming of 1.5°C, An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*: https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf
[158] Representing real estate assets managed by AXA IM Alts with available data as of 31/12/2023.

and Switzerland account for 50% of the average yearly loss due to windstorms. Switzerland, the United States, and Australia make up 73% of the AAL for hail hazard.



Hail AAL split by country. Source: AXA IM, 2023.



Windstorm AAL split by country. Source: AXA IM, 2023.

Integration of physical risk assessment of real estate portfolios in the investment decision

Through the use of internal AXA tools such as the underwriting Aegis tool and the Clymene platform, AXA IM Alts' investment team has been able to identify buildings with higher levels of historical physical risk, to be addressed by the asset management teams tasked to develop subsequent adaptation responses as a result. Some projects were undertaken in 2020 to obtain a proof of concept and advance to a portfolio wide analysis of future scenarios, including models from MSCI Carbon Delta and AXA Climate.

For a pan-European real estate portfolio, MSCI Carbon Delta modelled resilience to transitional and physical risks in relation to climate change, a holistic approach that enabled the investment team to identify the value-at-risk of assets in the fund and the tail-risk buildings which need additional attention to develop a subsequent adaptation strategy.

As another proof of concept, in 2021, our investment teams engaged with AXA Climate to focus on physical risk using RCP 4.5 and 8.5 scenarios, to capture the normalized risk score of a representative global portfolio of 90 assets, with a deep dive into 3 assets for which they developed a detailed adaptation report to guide the asset management teams. These pilot tests enable the team to better understand the market of climate risk service providers and to develop a strategy to increase the resilience of our real estate assets using both backward- and forward-looking data.

In addition, the responsible investment team supports local acquisition teams by underwriting a climate physical risk analysis of the buildings in question and incorporating the results in the technical due diligence phase. This has enabled acquisition teams to engage with their technical partners to reinforce their climate-related ambitions and include a specific adaptation strategy for those assets where required.

In conclusion, according to in-house risk modelling, the financial impacts of climate-related “physical risks” on real estate assets is currently limited. The teams at AXA IM Alts continue to collaborate with the AXA NatCat teams to better understand physical risk levels and determine appropriate adaptation efforts to limit such exposures to climatic event.

Transition risk assessment of real estate portfolios: a holistic approach to resilience

In addition to the physical risks of climate change our teams increasingly consider the risks of transition to a low-carbon economy, with specific consideration of liquidity and regulatory risk. Risks related to the transition to a low-carbon economy allow financial institutions to increase their resilience to new regulatory frameworks introduced in order to mitigate further financial or performance related risks. Among these efforts to identify and mitigate transitional risks, AXA IM Alts’ Real Estate investment teams have relied on different market-standard tools, such as the EU Energy Performance Certificate (EPC) and the CRREM model.

Aligned with the EU Taxonomy for sustainable activities and with the MEES (Minimum Energy Efficiency Standard) regulation in the UK, the EU EPC is becoming a useful tool to determine the stock of buildings on which to concentrate the efforts to improve energy efficiency and thus reduce the carbon footprint. In addition to an EU EPC being required in order to sell or trade an asset, our conviction is that this regulatory standard will continue to be used to define minimum energy performance standards, as it is currently in France, the UK and Netherlands. This is now used as internal guidance by AXA IM Alts’ investment teams in order to limit the transitional liquidity risk of its buildings.

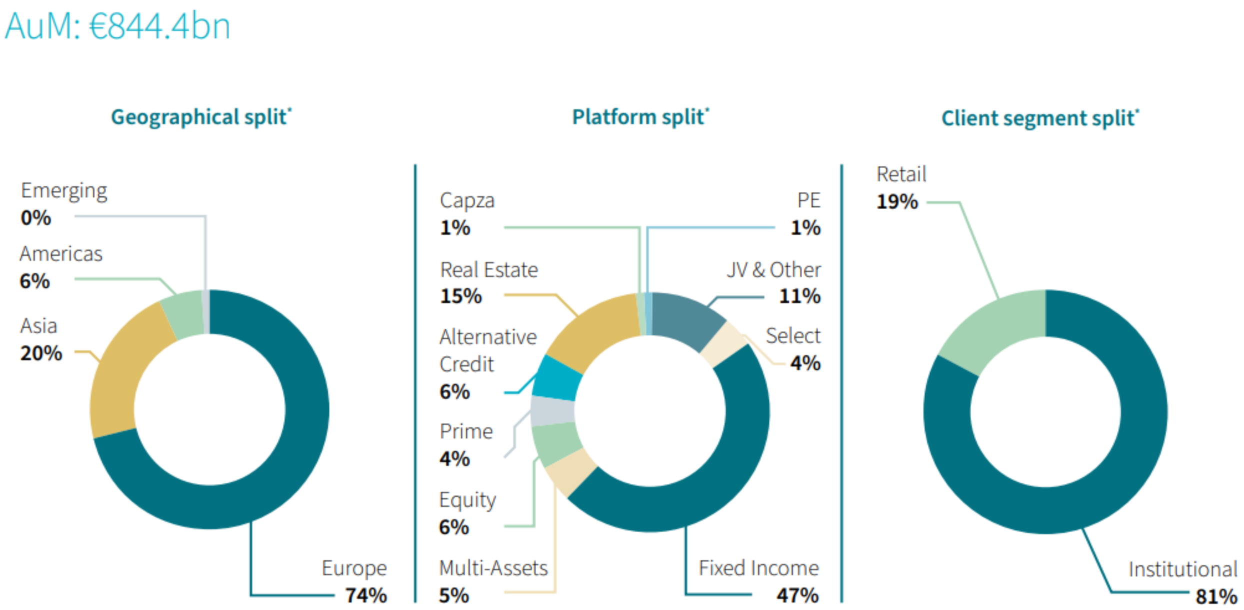
The CRREM model is another tool available to benchmark buildings’ energy performance against Paris Agreement targets. Importantly this tool provides science-based intensity targets for different building types, in different countries, which provide, for the first time, consistent asset level performance targets in both kWh and GHG emissions which need to be met in order for the underlying asset to align with global targets. While still in its early stages, the tool more accurately reflects the complex reality of delivering a meaningful roadmap towards carbon neutrality and continues to evolve as new data, evidence and market insight emerges.

AXA IM also uses CRREM trajectories to measure the performance of its asset as described in the AXA IM For Progress Monitor (see section 3.2).

Appendices

1. AXA IM at a glance

AXA IM at a glance – A breakdown of the assets under management across asset classes and geography:



Source: AXA IM, as of December 2023.
*Figures may not total 100% due to rounding.

2. List of AXA IM initiatives, codes and principles

AXA IM seeks to comply and adhere to various principles, standards, and codes, considered best practices in the market, which govern our policies and practices.

Codes / Principles	Signature date
Principles for Responsible Investment (PRI)	2007
UK Stewardship Code	2010; Signatory of the revised UK Stewardship Code in 2020
Japanese Stewardship Code	2014
Task Force on Climate-Related Financial Disclosure	2017

We also support and participate to a number of initiatives focusing on sustainability topics where we believe our involvement will have a material impact. These industry initiatives and groups are intended to reflect on the evolution of practices, establish standards, support companies to address global challenges and/or provide solutions. Please refer to our 2023 Stewardship report to find the list of initiatives and groups in which we are involved.[159]

[159] Stewardship and Engagement | AXA IM Corporate (axa-im.com)

3. List of AXA IM ESG commitments

Status update on our progress towards our commitments are provided within this Article 29 – TCFD combined report and in our 2023 Stewardship report[160].

Most of these commitments are publicly reported on the Observatoire de la Finance Durable website, a transparency tool designed to analyse the transformation of financial institutions practices and financial flow, as well as to monitor their progress on public sustainability commitments.

Year	Theme	Commitment	Link
2018	Climate	In 2018, AXA Investment Managers has committed to include "forward-looking" indicators in our climate reporting, for the scope of funds eligible of this type of reports.	AXA IM TCFD-Article 29 Report
2020	Climate	AXA Investment Managers made a commitment in 2020 to phase out coal by 2030 in the OECD and 2040 for the rest of the world.	AXA IM Climate Risks Policy To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2020	Climate	AXA Investment Managers has strengthened its Climate Risk policy in 2020 and committed to reporting on its progress in its annual reports.	Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)
2020	Climate	In 2020, AXA Investment Managers made a commitment to the Net Zero Asset Managers Initiative to achieve net zero emissions by 2050 at the latest. As part of this commitment, by 2022, AXA Investment Managers will manage 65% of its total assets under management in line with the Net Zero target, representing nearly €580 billion by the end of 2021.	65% of AXA IM's total assets are managed to be in line with Net Zero | AXA IM Corporate (axa-im.com)
2021	Climate	AXA Investment Managers launched an engagement initiative in 2021 with issuers exposed to coal but whose operations are below our exclusion thresholds	Sustainability Policies and Reports | AXA IM Corporate (axa-im.com)
2021	Climate	In 2021, AXA Investment Managers has reinforced its Climate risks policy for the Oil & Gas sector, on the engagement side.	AXA IM further strengthens its climate actions to accelerate its contribution to a low-carbon world | AXA IM Corporate (axa-im.com)
2021	Climate	In 2021, AXA Investment Managers has extended its Climate risks policy to the Oil & Gas sector, on the exclusion side.	AXA IM further strengthens its climate actions to accelerate its contribution to a low-carbon world | AXA IM Corporate (axa-im.com)
2021	Climate	In 2021, AXA Investment Managers has developed a "Three Strikes and You're Out" engagement approach. In 2022, this policy applies in particular to 'climate laggards'.	AXA IM intensifies pressure on companies to take meaningful action on sustainability issues with enhanced stewardship focus | AXA IM Corporate (axa-im.com) AXA IM ramps up stewardship activity with companies with a twofold leap in engagements | AXA IM Corporate (axa-im.com)
2022	Climate	In 2022, AXA Investment Managers committed to reducing the carbon intensity of its corporate portfolios by 25% by the end of 2025.	To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2022	Climate	In 2022, AXA Investment Managers made a commitment that 50% of its direct real estate assets would be in line with the Carbon Risk Real Estate Monitor (CRREM) trajectory by the end of 2025.	To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)

[160] Stewardship and Engagement | AXA IM Corporate (axa-im.com)

2022	Climate	AXA Investment Managers has committed, in 2022, to a 20% reduction of the landlord operational emissions of its direct real estate assets by 2025 compared to 2019 (and a net zero target by 2050).	AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2022	Climate	In 2022, AXA Investment Managers committed to reducing its operational carbon footprint by 26% by the end of 2025.	2021 AXA IM Climate Report To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2022	Climate	In 2022, AXA Investment Managers made a commitment to engage with issuers belonging to the 70% of issues financed in the material sectors by the end of 2025.	To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2020	Biodiversity	In 2020, AXA Investment Managers launched an initiative to develop a tool to measure the impact of investments on biodiversity. Following this, AXA Investment Managers announced in 2020 a partnership with Iceberg Data Lab and I Care & Consult to develop indicators to measure the impact of investments on biodiversity.	AXA IM, BNP Paribas AM, Sycomore AM and Mirova launch joint initiative to develop pioneering tool for measuring investment impact on biodiversity | AXA IM Corporate (axa-im.com)
2021	Biodiversity	In 2021, AXA Investment Managers has strengthened its biodiversity strategy by expanding the exclusions of its Ecosystem Protection & Deforestation policy (former Palm Oil policy).	AXA IM expands its palm oil policy to protect ecosystems and fight deforestation | AXA IM Corporate (axa-im.com)
2022	Biodiversity	AXA Investment Managers is committed to investing at least €500 million in natural capital solutions by the end of 2028.	To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2020	Social	In 2020, AXA Investment Managers has integrated gender diversity objectives into its corporate governance and voting policy	AXA IM to expand its gender diversity voting policy for both developed and emerging market economies | AXA IM Corporate (axa-im.com)
2015	Sustainability	AXA Investment Managers committed in 2015 to reach 75% of certified real estate assets by 2030 (in AUM). Those certifications include, among others, BREEAM and DGNB.	AXA IM Alts - ESG Strategy
2018	Sustainability	AXA Investment Managers is committed in 2018 to achieving more than >75% AUM assessed with the internal ESG rating tool (direct real estate assets).	AXA IM Alts - ESG Strategy
2020	Sustainability	In 2020, AXA Investment Managers developed a charitable scheme for its range of impact funds.	Full-year 2022 earnings | AXA IM Corporate (axa-im.com)
2021	Sustainability	AXA Investment Managers renames its Sustainable fund range in 2021.	AXA IM renames its most focused ESG funds to help simplify its sustainable range for clients | AXA IM UK (axa-im.co.uk)
2022	Sustainability	In 2022, AXA Investment Managers has reinforced its voting policy to further integrate ESG considerations into our voting. This strengthening was accentuated in 2023 with the addition of additional criteria on the governance of ESG issues, biodiversity risks, tax practices, remuneration and conflicts of interest.	AXA IM unveils new voting policy to urge investee companies to further consider environmental and social issues | AXA IM Corporate (axa-im.com)
2023	Sustainability	In early 2023, AXA IM launched the AXA IM for Progress Monitor to better communicate and showcase our journey to net zero, which brings together a set of existing metrics in a simple and transparent way. 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.	AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)
2023	Sustainability	AXA Investment Managers is committed to ensuring that at least 70% of employees participate in at least one ESG and sustainability training or awareness session, with a focus on ESG Pillar E, by the end of 2023.	To see progress on this metric: AXA IM For Progress Monitor | AXA IM Corporate (axa-im.com)

2023	Sustainability	In 2023, AXA IM committed to align the compensation of senior executives to its ESG ambitions	AXA IM aligns compensation of senior executives to its ESG ambitions | AXA IM Corporate (axa-im.com)
2024	Sustainability	In early 2024, AXA IM announces three main updates to its corporate governance & voting policy to further reinforce its ESG expectations: i) Highest emitting companies actively lobbying against the goals of the Paris Agreement will be held to account from 2024; ii) Wider workforce taken into account for executive pay proposals; iii) Bylaw amendments seeking to introduce virtual-only AGM format will be opposed.	AXA IM calls on companies to appropriately report on their climate lobbying activities in its updated voting policy | AXA IM Corporate (axa-im.com)

4. AXA IM thought leadership: selected RI research and publications in 2023

Bringing research, insights and investment ideas to our clients is an integral part of our service. With this in mind, in June 2022, we created the AXA IM Investment Institute. This thought leadership platform brings together experts from across our research, responsible investment and investment teams, to discuss the short- and long-term trends affecting the global macroeconomic and investment landscape, to generate insights, to help clients make more informed investment decisions.

At AXA IM, we produce in-house ESG research and thought leadership on key themes including climate change, biodiversity, gender diversity and human capital, responsible technology and corporate governance. Research papers are published on the Investment Institute page of our website. This research allows us to identify ESG risks, understand and anticipate their impacts on the assets in which we invest as well as understand the environmental and social impacts of our investments. Key findings from this research also help guide adjustments to our stewardship and exclusion strategies.

ESG (cross-cutting)

We need to talk about asset managers' ESG credibility problem, Hans Stoter, 15 May 2023

A tough backdrop allows ESG to show its worth, Gilles Moëc, 04 April 2023

Environmental

COP28: Limited expectations met with some progress on climate finance, Virginie Derue, 19 December 2023

Sustainability challenges facing the chemical industry: What investors need to know, Mariana Villanueva, 01 November 2023

COP28: What can investors reasonably expect?, Virginie Derue, 19 October 2023

Biofuels and the energy transition: Green sprouts or biowashing?, Olivier Eugène, 21 September 2023

Sea Change: do our oceans and coastlines hold the key to combat climate change?, AXA Investment Managers, 08 September 2023

Four critical elements for asset managers to meet the biodiversity challenge, Chris Iggo, 01 August 2023

How investors can get on board with sustainable travel and transport, Chris Iggo, 13 June 2023

The resource gap: Why Earth Overshoot Day should matter to investors, Chris Iggo, 05 June 2023

Why the US Securities and Exchange Commission climate disclosure rules will matter, and why they may not, Jamison Friedland, 24 May 2023

How regulatory momentum is helping drive biodiversity-aware investment, AXA Investment Managers, 09 May 2023

Feeding the world and protecting the planet: A biodiversity and climate challenge for investors, Olivier Eugène, 02 May 2023

Busting myths for investors tackling biodiversity and deforestation, Geoffroy Dufay, 25 April 2023

New experts, new perspectives: Macroeconomics, climate and biodiversity, Chris Iggo, 18 April 2023

Why, and how, investors should integrate biodiversity into fixed income portfolios, Bruno Bamberger, Liudmila Strakodonskaya, 17 April 2023

Why investing in biodiversity means looking at the solutions, not just the problems, Tom Atkinson, Ashley Keet, 17 April 2023

Biodiversity Q&A: Understanding a powerful new investment theme, Mariana Villanueva, 11 April 2023

Shifting the natural cost curve: The role of investors in protecting biodiversity, Chris Iggo, 11 April 2023

Understanding scope 3: How responsible investors can wrestle with the unruliest of emissions, Olivier Eugène, 23 February 2023

Green growth, degrowth or a-growth: What's behind the new models proposed for sustainable economies?, Chris Iggo, 01 February 2023

Why sustainable fashion could be in style for responsible investors, Chris Iggo, 12 January 2023

Social

Why living wages should be considered a driver of human capital value, not a cost, Matthieu Firmian, 06 September 2023

Understanding and responding to the human cost of the green energy transition, Virginie Derue, 12 July 2023

Corporate Governance

Mind the gap: Investors' role in balancing fairness and competitiveness in executive pay, Alexandre Prost, 22 November 2023

AGM season 2023: New challenges highlight the achievements of responsible investors, AXA Investment Managers, 07 August 2023

Technology

Responsible technology: How can companies and investors drive digital inclusion and economic growth?, Théo Kotula, 20 January 2023

5. Industry surveys

Survey	AXA IM ranking / score	Date	Link
PRI assessment report	Policy Governance & Strategy: 5 ★ Direct – Listed Equity – Active quantitative: 4 ★ Direct – Listed Equity – Active fundamental: 4 ★ Direct – Listed Equity – Investment trusts – Voting: 4 ★ Direct – Fixed income – SSA: 4 ★ Direct – Fixed income – Corporate: 4 ★ Direct – Fixed income – Securitised: 4 ★ Direct – Fixed income – Private debt: 4 ★ Direct – Real estate: 4 ★ Direct – Infrastructure: 2 ★ Confidence building measures: 4 ★	December 2023	2023 PRI assessment
ShareAction	BBB (ranked 7th/77, moving up 4 compared to the 2020 ranking)	February 2023	ShareAction Point of No Returns report
	74/100 (ranked 35th/69, moving down 3 positions compared to the 2023 ranking)	January 2024	ShareAction Voting Matters 2023 report
H&K Responsible Investment Brand Index (RIBI) report	Avant Gardist (Top Category)	April 2024	2024 H&K RIBI report
Influence Map	A	August 2023	Asset Managers and Climate Change Finance Map report 2023
Climetrics 2023 rankings	19 out of 90 AXA IM funds ranked have received the best score of 5 leaves.	December 2023	Climetrics - CDP
Reclaim Finance's asset managers' climate action report	AXA IM is assessed on various criteria regarding investments in coal, and oil & gas respectively, both on our holdings in these activities and our implemented exclusion policies.	June 2023	"Who's managing your future?" - Reclaim Finance report
Global Real Estate Sustainability Benchmark (GRESB)	In 2023, we submitted larger than average scope of assets to GRESB (ca. €40bn of AUM in total against $3.3bn average for our peer group), across 19 funds, within diversified sectors. We maintained our performance against our company target to obtain the 4-star status and increased our average score to 87/100 (+5 points compared to 2022, +18pts compared to 2020), well reflecting our leading ESG position. 11 funds obtained 5 stars, which is the highest performance status, 15 funds increased their score and 10 obtained additional stars compared to previous year.	October 2023	GRESB Score for asset managers

6. Mapping tables with Article 29 implementation decree and TCFD recommendations

Article 29 of the French Energy Climate Law[161]

Decree section	Content	Reference sections in the report	Information included ('Yes'/'No'/'Partial')			Explanation for missing information & related action plan (where 'No' or 'Partial')
			AXA IM Paris	AXA REIM SGP	AXA IM Prime	
Art 1er-III- 1°	Entity ESG general approach	1.2 AXA IM Responsible Investment Framework	*Yes*	*Yes*	*Yes*	*n/a*
	Means to inform clients	1.4 Our ESG disclosure communication	*Yes*	*Yes*	*Yes*	*n/a*
	SFDR. Art. 8 & 9 financial products	Appendix 7. List of financial products referred as Article 8 or 9 under the SFDR	*Yes*	*Yes*	*Yes*	*n/a*
	List of initiatives, codes and principles	Appendix 2. List of AXA IM initiatives, codes and principles	*Yes*	*Yes*	*Yes*	*n/a*
Art 1er-III- 2°	Internal resources and means	2.1 Our human resources 2.3 Our technical resources	*Yes*	*Yes*	*Yes*	*n/a*
	Reinforcement of internal capabilities	2.2 Our training & internal capacity building resources	*Yes*	*Yes*	*Yes*	*n/a*
Art 1er-III- 3°	ESG Strategy oversight process	3.1 Our RI governance & committees	*Yes*	*Yes*	*Yes*	*n/a*
	Remuneration policy	3.2 Integration of ESG factors into remuneration policy & ESG objectives	*Yes*	*Yes*	*No*	*<u>For AXA IM Prime:</u> AXA IM's ESG-linked deferred compensation scheme not applying to AXA IM Prime to date: approach under development to be validated in 2024 or 2025.*
	Inclusion of ESG criteria in the internal rules of the Board of Directors	3.1 Our RI governance & committees	*Yes*	*Yes*	*Yes*	*n/a*
Art 1er-III- 4°	Scope of the stewardship strategy	4.1 Engagement, collaboration and escalation	*Yes*	*Yes*	*Yes*	*n/a*
	Voting policy presentation	4.3 Voting	*Yes*	*No*	*No*	*<u>For AXA REIM SGP and AXA IM Prime:</u> Although voting may occur in alternative asset classes, AXA IM Corporate Governance & Voting Policy would not be applicable considering the specificities of such asset class.*
	Engagement strategy results	4.1 Engagement, collaboration and escalation, see sub-section "Engagement in	*Yes*	*Yes*	*Yes*	*n/a*

161 Article 29 - LOI n° 2019-1147 du 8 novembre 2019 relative à l'énergie et au climat (1) - Légifrance (legifrance.gouv.fr)

		2023: highlights and data"				
	Voting strategy results	4.3 Voting	*Yes*	*No*	*No*	*For AXA REIM SGP and AXA IM Prime:* *Same as above.*
	Investment decisions following engagement	4.1 Engagement, collaboration and escalation	*Yes*	*Yes*	*Yes*	*n/a*
Art 1er-III- 5°	EU Taxonomy eligibility & alignment	5.1 Green share of activities, see sub-section: "Sustainable share of activities following the EU Taxonomy for sustainable activities"	*Partial*	*No*	*No*	*For AXA REIM SGP and AXA IM Prime:* *No disclosure of the alignment of assets with the EU Taxonomy criteria, in the absence of mature & appropriate methodologies for alternative and other private assets (ongoing development of appropriate methodologies and choice of suitable data provider).* *For AXA IM Paris:* *no disclosure on alternative credit assets (same rationale as above)*
	Fossil fuel exposure	5.2 Exposure to fossil fuel activities	*Yes*	*Yes*	*Yes*	*n/a*
Art 1er-III- 6°	Climate strategy aligned with the Paris Agreement	6.1 AXA IM Net zero targets	*Partial*	*Partial*	*No*	*For AXA IM Paris and AXA REIM SGP:* *Target applicable up to 2050 applied to listed corporate & sovereigns assets and direct real estate equity assets, and broken down by asset class with intermediate horizons including 2030 on some targets, but no global target for AXA IM up to 2030.* *For AXA IM Prime:* *no long-term climate strategy on private markets funds of funds to date (currently in the process of defining its long-term climate change mitigation strategy); as at end of 2023, AXA IM Prime has joined the International Climate Initiative (iCI) and has some of its assets already covered by AXA IM existing NZ targets in other asset classes (for funds of funds being AXA IM funds including listed corporates and/or sovereigns and/or real estate equity assets).*
	Methodologies used within the Paris Agreement Alignment strategy	6.1 AXA IM Net zero targets 6.4 Implementing our Net zero targets	*Yes*	*Yes*	*No*	*For AXA IM Prime:* *see above*
	Results / Progress on achievements	6.1 AXA IM Net zero targets (as for progress measured on achieving our NZ targets) 6.5 Climate forward-looking metrics, see sub-section "AXA IM Climate Dashboard" (as for historical and other forward-looking climate metrics)	*Yes*	*Yes*	*No*	
	Policies to progressively exit	6.2 Exclusions: our Climate risks policy	*Partial*	*Partial*	*Partial*	*For AXA IM Paris, AXA REIM SGP and AXA IM Prime:* *No commitment on a*

	coal and unconventional hydrocarbons					*phase-out plan from unconventional oil & gas like for coal.* *At this stage, AXA IM's strategy related to unconventional hydrocarbons is made up of our exclusion of oil sands production and oil sands-related pipelines, shale and tight oil and gas and Arctic oil and gas under AXA IM Climate risks policy.*
	Monitoring, changes, frequency of evaluation and updates	6.1 AXA IM Net zero targets (as for progress measured on achieving our NZ targets)	*Yes*	*Yes*	*No*	*<u>For AXA IM Prime:</u> see above*
Art 1er-III- 7°	Biodiversity strategy aligned with long term goals	7- Our biodiversity strategy	*Partial*	*Partial*	*Partial*	*<u>For AXA IM Paris, AXA REIM SGP and AXA IM Prime:</u> No quantified biodiversity impact mitigation strategy & targets set in the absence of sufficiently mature methodologies and technical guidance to measure the alignment of investment strategies with medium- and long-term objectives on a global scale.* *At this stage, AXA IM's continuous improvement plan linked to its biodiversity strategy is made up of i) our research and engagement efforts, ii) our exclusion, through AXA IM's Policy on protecting ecosystems and combating deforestation, and iii) continued progress in measuring our biodiversity footprint.*
	Analysis of the contribution to the reduction of main pressures and impacts on biodiversity	7.3 Introducing biodiversity-specific indicators	*Yes*	*No*	*No*	*<u>For AXA REIM SGP and AXA IM Prime:</u> No disclosure of the biodiversity footprint nor analysis of the contribution to reduce the main pressures & impacts on biodiversity as for alternative and other private assets in the absence of sufficiently mature and appropriate methodologies and guidance (approach still under development).*
	Disclosure of biodiversity footprint		*Yes*	*No*	*No*	
Art 1er-III- 8°	Identification, assessment, prioritization, management of ESG risks	1.2 AXA IM Responsible Investment Framework 8.1 Identification and mitigation of key sustainability risks	*Yes*	*Yes*	*Yes*	*n/a*
	Description of the main ESG risks considered and analysed	8.1 Identification and mitigation of key sustainability risks	*Yes*	*Yes*	*Yes*	*n/a*
	Frequency of review of the risk management framework	8.1 Identification and mitigation of key sustainability risks, see sub-section "Main identified sustainability risks"	*Yes*	*Yes*	*Yes*	*n/a*
	Action to reduce the entity's exposure to the main ESG risks		*Yes*	*Yes*	*Yes*	*n/a*

	Quantitative assessment of ESG-related financial impacts		*Partial*	*Partial*	*No*	*<u>For AXA IM Paris, AXA REIM SGP and AXA IM Prime:</u> No quantification of ESG-related financial risks beyond climate-related financial risks through the use of MSCI Climate VaR methodology, pending for relevant & appropriate methodologies (not scheduled at this stage); AXA IM Prime not using the Climate VaR to date (approach still under development).*
	Indication of the evolution of choice of methodologies and results		*Yes*	*Yes*	*Yes*	*n/a*

Recommendations of the TCFD[162]

Sections	Recommended Disclosures	Reference Sections
Governance Strategy	Board's oversight of climate-related risks and opportunities	3.1 Our RI governance & committees
	Management's role in assessing and managing climate-related risks and opportunities	3.1 Our RI governance & committees
	Identified Climate-related risks and opportunities over the short, medium, and long term	6.5 Climate forward-looking metrics 8.1 Identification and mitigation of key sustainability risks, see sub-section "Main identified sustainability risks"
	Impact of climate-related risks and opportunities on investment strategy	6- Our climate strategy
	Climate-related scenario analysis (including a 2°C or lower scenario)	6.1 AXA IM Net zero targets 6.5 Climate forward-looking metrics
Risk Management	Identification and assessment process of climate-related risks	6- Our climate strategy 8.1 Identification and mitigation of key sustainability risks 8.3 Factoring climate risks in Real assets management
	Climate-related risks management process	8- Our ESG risk management process
	Integration of climate-related risks identification, assessment and management processes into overall risk management framework	8.1 Identification and mitigation of key sustainability risks 8.2 Internal controls & audit 8.3 Factoring climate risks in Real assets management
Metrics and Targets	Metrics used to assess climate-related risks and opportunities	6.5 Climate forward-looking metrics
	Disclosure of Scope 1, 2 and, if appropriate, Scope 3 GHG emissions and related risks	6.1 AXA IM Net zero targets 6.5 Climate forward-looking metrics

[162] Publications | Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)

	Targets used to manage climate-related risks and opportunities and performance	6.1 AXA IM Net zero targets 6.5 Climate forward-looking metrics

Hong Kong's Securities and Futures Commission (SFC) Conclusions on the Management and Disclosure of Climate-related Risks by Fund Managers[163]

Section	Content	Reference sections in the report	Information included ('Yes'/'No'/'Partial')			Explanation for missing information & related action plan (where 'No' or 'Partial')
			AXA IM Paris	AXA REIM SGP	AXA IM Prime	
Manner and frequency of disclosures	Ensure that the information disclosed is proportionate to the degree climate-related risks are considered in the investment and risk management process	n/a (see product-level reporting on AXA IM Fund Center)	*Yes*	*Yes*	*Yes*	*N/a*
	Make adequate disclosures of information to fund investors	1.4 Our ESG disclosure communication	*Yes*	*Yes*	*Yes*	*N/a*
	Review disclosures at least annually and inform fund investors of material changes	n/a (see product-level reporting on AXA IM Fund Center)	*Yes*	*Yes*	*Yes*	*N/a*
Baseline requirements on governance related disclosures at entity level	Governance structure	3.1 Our RI governance & committees	*Yes*	*Yes*	*Yes*	*N/a*
	Board's roles and oversight, including their review of the risk management framework for climate-related risks and the process and frequency by which they are informed	3.1 Our RI governance & committees	*Yes*	*Yes*	*Yes*	*N/a*
	Management's roles and responsibilities, including their process for being informed and monitoring the progress of efforts to manage climate-related risks	3.1 Our RI governance & committees	*Yes*	*Yes*	*Yes*	*N/a*
Baseline requirements on investment management and risk management related to disclosures at entity level	Steps taken to incorporate relevant and material climate-related risks into the investment management process	1.2 AXA IM Responsible Investment Framework 8.1 Identification and mitigation of key sustainability risks	*Yes*	*Yes*	*Yes*	*N/a*
	Process for identifying, assessing, managing, and	1.2 AXA IM Responsible	*Yes*	*Yes*	*Yes*	*N/a*

[163] Circular to licensed corporations Management and disclosure of climate-related risks by fund managers | Securities & Futures Commission of Hong Kong (sfc.hk)

	monitoring climate-related risks, including tools and metrics used	Investment Framework 8.1 Identification and mitigation of key sustainability risks				
Enhanced standards on risk management related disclosures at entity or fund level	Engagement policy at the entity level, preferably with examples on how material climate-related risks are managed in practice	4.1 Engagement, collaboration, and escalation	*Yes*	*Yes*	*Yes*	*N/a*
	Portfolio carbon footprints of the Scope 1 and 2 GHG emissions associated with the funds' underlying investments at the fund level, including the calculation methodology, underlying assumptions and limitations, and the proportion of investments covered	6.5 Climate forward-looking metrics – AXA IM Climate Dashboard: a combination of historical and foward-looking metrics - Carbon intensity	*Yes*	*Yes*	*No*	For AXA IM Prime: AXA IM Prime invests in fund-of-fund structures, and therefore relies on carbon footprint figures and financial reports from the underlying funds, which can lead to a delay in reporting compared to direct investments. The calculation and reporting of carbon footprint figures by the external managers of the funds in which it invests is underway and will be completed in the second half of 2024. For AXA IM Paris and AXA REIM SGP: Please also refer to their respective PAI statements, which are complimentarily described in the AXA IM Sustainable Finance Disclosure Statement (SFDR), both available on the AXA IM website: https://www.axa-im.com/important-information/sfdr

7. List of financial products referred as Article 8 or 9 under the SFDR

The list of SFDR of financial products classified Article 8 or 9 is available within AXA IM Fund Center: Fund Centre - AXA IM - Core (axa-im.com)

The products or strategies discussed in this document may not be registered nor available in your jurisdiction.

To the extent SFDR has been applicable for a relatively short period of time, the classification under SFDR is subject to adjustments and amendments, as certain aspects of SFDR may be subject to new and/or different interpretations than those existing at the date of this report. As part of the ongoing assessment and current process of classifying its financial products under SFDR, AXA IM reserves the right, in accordance with and within the limits of applicable regulations and legal documentation applicable to its financial products, to amend the classification of a particular fund to reflect changes in market practice, in its own interpretations, in SFDR-related laws or regulations or in currently-applicable delegated regulations, in communications from national or European authorities or court decisions clarifying SFDR interpretations. Investors are reminded that they should not base their investment decisions on the classification presented pursuant to SFDR.

8. Description of the principal adverse impacts (PAI) on sustainability factors: AXA IM Paris + AXA REIM SGP[164]

The principle adverse impacts of AXA IM Paris and AXA REIM SGP are described in their respective PAI Statements, and are complementarily described in the AXA IM Sustainable Finance Disclosure Statement (see Section II regarding AXA IM approach to consider adverse sustainability impacts, and Appendix 1 regarding consideration of PAI at both entity and product levels), all available on AXA IM website: [Sustainable Finance | AXA IM Corporate (axa-im.com)](https://www.axa-im.com)

[164] As described in AXA IM SFDR entity-level disclosure, AXA IM Prime is not required to consider the principal adverse impacts (PAIs) of investment decisions on sustainability factors as, of its balance sheet date, it had less than an average number of 500 employees during the financial year. AXA IM Prime does currently consider the PAIs of investment decisions on sustainability factors at entity level under Article 4 of the SFDR. However, because it invests in a wide range of private asset classes with minimal reliable data coverage of PAI indicators, it has decided not to disclose a PAI Statement as for the year 2023. Nevertheless, AXA IM Prime plans to disclose how PAIs are considered in investment decisions under a PAI Statement starting 2025 as for the year 2024, and is considering disclosure at product level starting 2024.

Disclaimer – Cautionary statement regarding data and forward-looking statements

This report and the information included herein were prepared on the basis of data made available to AXA IM as of the date of this report. Unless stated otherwise in this report, this report and the information included herein are current only as of such date. This report refers to certain non-financial metrics, such as ESG scores, key performance indicators, controversy scores, climate or sustainability-related metrics and benchmarks, as well as other non-financial data, all of which are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. Non-financial metrics used herein generally have no standardized meaning and may not be comparable to similarly labelled measures used by other companies. In addition, AXA IM reserves the right to amend, adjust and/or restate the data presented in this report, from time to time, without notice and without explanation.

The data presented or included in this report may be further updated, amended, revised or discontinued in subsequent publications of AXA IM depending on, among other things, the availability, fairness, adequacy, accuracy, reasonableness or completeness of the information, or changes in applicable circumstances, including changes in applicable laws and regulations. The measurement techniques used for determining non-financial metrics and data may involve complex modelling processes and research. The use of different measurement techniques can also result in materially different measurements, while the precision of these techniques may vary. In addition, the determination and use of non-financial metrics and data, in particular when integrating sustainability risks or the impact of investment decisions on sustainability factors in investment processes, remains subject to the limited availability of relevant data: such data is not yet systematically disclosed by issuers or counterparties, or, when disclosed by issuers or counterparties or collected from third-party data providers, it may be incorrect, incomplete or follow various reporting methodologies. Furthermore, most of the information used to determine non-financial metrics or factors is based on historical data, which may not be complete or accurate or may not fully reflect the future non-financial performance or risks of the underlying investments. Although a rigorous selection process is applied to data providers with a view to provide appropriate levels of oversight, AXA IM's ESG and other processes, including AXA IM's proprietary ESG scoring tool, may not necessarily capture all non-financial risks and, as a result, AXA IM's assessment of the impact of its investment decisions on sustainability factors may not be accurate, or unforeseen sustainability events could adversely affect the performance of the investment portfolio. AXA IM may change its data providers at any time and at its own discretion, which may also result in changes in relation to the data and or methodologies used for the same instruments or investments in future reports. While the methodologies for non-financial scoring applied by AXA IM are regularly updated to take into account changes in the availability of data or methodologies used by issuers or counterparties to disclose non-financial information, there is no assurance that such methodologies are or will be successful at capturing all non-financial factors. The data presented in this report is un-audited.

Data on certain non-financial metrics may be limited, notably in terms of coverage across the asset classes managed by AXA IM, or may reflect reporting periods prior to the year of this report due to lack of data availability.

Climate or sustainability-related metrics and underlying emissions data are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. There is a limited availability of relevant data: such data is not yet systematically disclosed by issuers, or, when disclosed by issuers or collected from third-party data providers, it may be incorrect, incomplete or follow various reporting methodologies. The data sources and methodologies are expected to evolve and improve over time and may materially impact targets and the achievement of targets.

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