

AXA IM's approach to Responsible Investment



AXA IM's sustainable strategy

Responsible investing (RI) has been part of our DNA as a group since our founding in 1994, with our first dedicated RI mandate dating back to 1998. Today, the importance of RI within our organisation is evidenced by the scale of investments in Environment Social Governance (ESG)-embedded assets: as at 30th June 2018 this amounted to circa €630 billion across asset classes, and is constantly growing.

As a leading player in the financial services industry, AXA IM conducts its business in a responsible manner. We believe RI can be a key driver of value creation, and we are firmly committed to embedding it in our business practices and culture. In our view, ESG factors have the potential to impact not only investment portfolios across asset classes, sectors, companies and regions but also a multitude of other clients' and stakeholders' interests. We believe that RI can be materially relevant to all investments, and that the attention paid to ESG issues should be shared and integrated across all asset classes and investment teams.

An RI strategy linked to the SDG principles

We have developed an impact investing framework that goes beyond ESG-risk monitoring to encompass positive contributions to the needs addressed by the Sustainable Development Goals (SDGs).

We particularly focus on climate, human capital / diversity and health – three themes which touch a number of SDGs. This innovative investment framework helps define impact objectives in line with the SDGs, impact targets, outcomes as well as financial requirements. If linked to quantifiable and measurable outcomes, this SDG framework will eventually allow comparisons between investments and firms on their SDG outcomes. As such, AXA IM is convinced that targeted impact investing can answer the UN's call to action, as long as it is linked to material outcomes.

Responsible Investment objectives

AXA IM's Management Board formally defined and endorsed this RI mainstreaming strategy in the mid-2000s. The main objectives of this strategy are to:

- Continuously identify ESG themes and factors that impact financial performance and risks;
- Integrate and embed ESG criteria and monitoring across the different investment platforms within the firm;
- Diligently defend our clients' interests by rigorously acting upon our fiduciary role as asset managers and shareholder through our Corporate Governance and Engagement activities.

AXA IM's selection process

AXA IM Responsible Investment team

AXA IM has invested significant resources into building a team of 14 experienced RI professionals acting as a centre of excellence to support the integration of ESG risks and opportunities in the investment processes of our investment platforms, working closely with RI specialists within the investment teams. They are reporting to Matt Christensen, Global Head of Responsible Investment who is directly reporting to the head of the multi asset expertise.

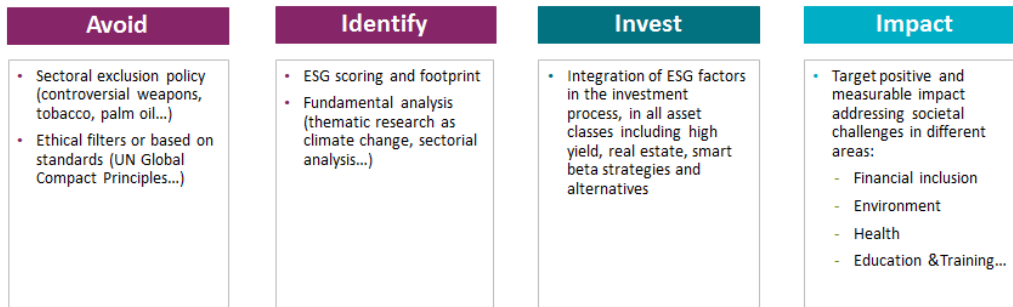
The RI team work hand in hand with the investment platforms and are implicated in the portfolio creation and security selection when needed.

ESG principles integrated in the security selection process

Portfolio Managers and Financial Analysts are provided with ESG information to ensure ESG risks and opportunities are incorporated in their analysis of a company. This includes:

- **ESG scores**, calculated twice a year using a proprietary methodology. These scores by issuer from 0 to 10 are then made available to portfolio managers and analysts across the company. RI specialists within the investment teams are able to support portfolio managers and financial analysts in their analysis of a company.
- **Internal and External ESG research**: Internal ESG research on themes with a focus on climate change, human capital and health in particular. These analysis are supported by broker research, as well as regular meetings with companies, participation to conferences and industry events. The RI team also provides analysis and training and sector-related issues, as well as controversies. Our ESG data providers currently supply information on close to 6,500 companies and are as follows: Sustainalytics, Vigeo EIRIS, GLI-MSCI, Trucost, Carbon 4 and ISS-Ethix.
- **Training** on key ESG issues by sector done by the central Responsible Investment team.

Our approach can be resumed as follow:



Every portfolio manager receives regular training on AXA IM's approach to Responsible Investing. We have also developed a toolbox to build portfolio solutions according to each client's needs and level of desired ESG integration. Typically, these could include:

- **Negative Screening**: excluding companies or sectors from the investment universe based on criteria relating to their ESG policies, actions, products or services
- **Best-In-Class/Positive Screening**: using an ESG scoring system to invest in companies that have historically performed better than their peers within a particular industry or sector on ESG issues
- **Impact / Thematic investing**: investing in companies and projects with the goal to deliver a positive environmental or social performance on top of the financial performance

Exclusions

AXA IM has its own restrictions which apply to 82% of its assets under management: these are set out in our controversial weapons, palm oil, soft commodities and coal policies. We also propose to our client an opt-in option regarding our climate risk policy.

AXA IM reporting on sustainability

Reporting

AXA IM includes ESG scores as well as carbon footprint in the reporting available for all the assets we manage. The ESG score is calculated based on a proprietary corporate ESG scoring methodology, and the reporting includes information related to the ESG score of the portfolio versus its benchmark with breakdown on E, S and G pillar scores. Currently our model covers more than 7200 companies.

In addition, AXA IM provides enhanced ESG reporting for a wide range of RI / ESG strategies. This reporting includes, within a dedicated KPIs section, various key ESG indicators and characterizes the funds in relation to their benchmarks with regard to major sources of risks and opportunities: climate change (carbon footprint, water intensity), societal and governance risks (% severe UNGC controversies, % women on board, % independent directors).

Voting

Voting at company meetings is an important part of the dialogue between a company and its shareholders. As asset managers it is a fundamental aspect of our fiduciary duty to our clients. Our corporate governance and voting policy provides a robust framework for instilling proper governance in the companies in which we invest and forms the basis of our global voting

activities. It is based on principles of good corporate governance which serve to protect the long-term interests of shareholders.

In 2017, AXA IM voted at 5,814 general meetings representing 98% of general meetings held by companies in our investment universe.

Engagement

Through our engagement activities we aim to use our influence as investors to encourage companies to mitigate key environmental and social risks relevant to their sector. We have ramped up our stewardship activities around climate change. In 2017, we engaged with 137 companies on ESG issues.

Please see further details upon our dedicated website

<https://www.axa-im.com/en/responsible-investing>

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