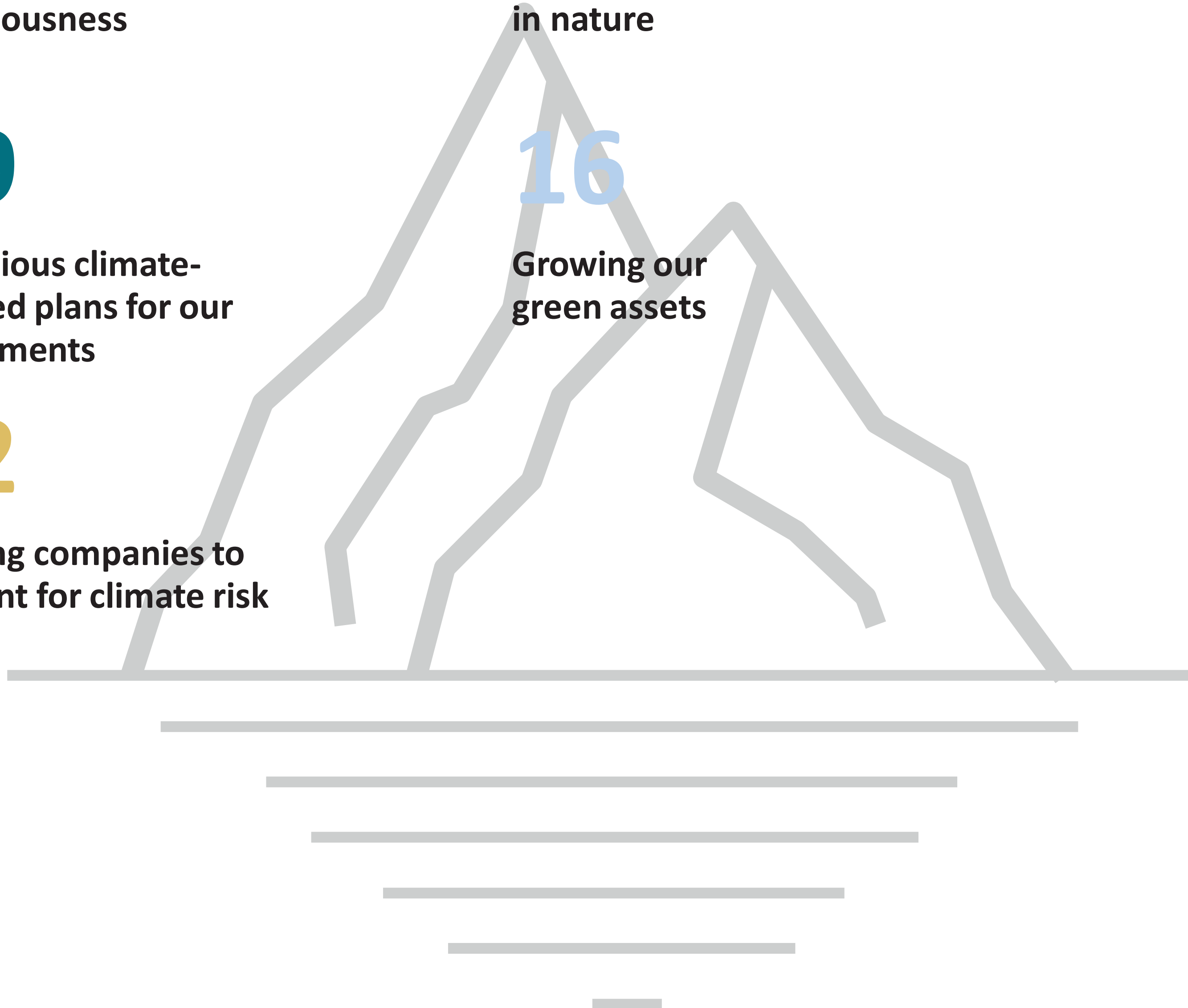
AXA Investment Managers

Climate Action Report

Here, we summarise the innovations and commitments that lie at the heart of our climate strategy.

We believe as a major global investor, business and employer, we have a role in generating positive and measurable impact in private and listed markets.



A word from **Marco Morelli**

My AXA IM colleagues and I share an ambition to become the world's leading responsible investor. We believe in the power of collective action. Only together, as individuals and as an industry, can we create positive progress for the global economy, the planet, and the communities in which we live.

The world has begun a decades-long journey towards a more sustainable and equitable economic model. At the heart of that journey is climate change – the risks it brings and the opportunities that lie in the global policy response. We want to build on our momentum to drive the transition.

This report sets out the breadth and scale of the work we have done so far.

Financing the climate transition represents what could be the most significant investment opportunity in a generation and our parent company, AXA Group, is depending on us to place €25bn in verified green investments by 2023. And we recently announced the milestone of €13bn invested in green, social and sustainability bonds across our portfolios.

Aside from the investment imperative, regulatory change is coming fast, and putting climate centre stage. The UK's updated Stewardship Code, the EU's Sustainable Finance Disclosure Regulation, and the Taskforce on Climate-related Financial Disclosures, all aim to improve transparency around climate-related financial information.

This focus on climate is making it easier for asset managers, companies and investors to measure and understand their climate impact. The focus will only intensify as we head towards the World Climate Summit at COP26 in November 2021.

But to be truly sustainable, we must look beyond this generation to those yet to come. It is with this belief that AXA IM has committed to becoming a Net Zero Asset Manager by 2050, or sooner.

This year, our engagement with investee companies expanded to include deforestation and natural ecosystem conversion, together with our direct investment in forestry which promotes sustainable production and use.

Our commitment to carbon reduction does not solely apply to the money we manage. We have also committed to dramatically reduce our carbon emissions by 2025, as we progress in our ambition to become not only the world's leading responsible investor but a globally recognised responsible business.

Climate awareness among our employees is critical to our success. Our ESG & Climate Academy empowers our employees globally to join our collective effort to accelerate the transition to a low carbon world, by equipping them with accessible resources and expert knowledge.

We are dedicated to raising standards in the fight against climate change. Together with AXA Group we will continue to take the necessary steps to help shape a more sustainable world in our role as transparent and responsible long-term investors.

It is in this spirit that we commit to build on the work detailed in this report and seek to become a sustainability benchmark as an asset manager, business, and employer.

Marco Morelli, Executive Chairman, AXA Investment Managers

Acting decisively on climate issues

Our **key commitments**

Climate change is a risk to us all. At AXA IM, we are determined to tackle the impact of climate-related risks, and we have made a number of key commitments to support our ambitions.

We will **reduce our own carbon emissions by at least 25%** by 2025 as we further our roadmap to becoming not only the world's leading responsible investor, but a globally responsible business.

We have **extended our palm oil policy to a broader deforestation and ecosystem protection policy.** Producing 24% of global CO2 emissions, deforestation is a leading cause of global warming and is a key factor compounding biodiversity loss.

We will **become a Net-Zero Asset Manager and reach net-zero greenhouse gas emissions in our investment portfolios by 2050, or sooner.**

We are **making our product range greener, launching new carbon-focused strategies and building our portfolio of green investments.**

We will **exit all coal investments** in OECD countries by 2030, and throughout the rest of the world by 2040.

We will **promote climate transparency and sustainability awareness within our business and externally.** AXA IM is dedicated to doing everything possible to meet the ambition of a cleaner, more stable environment for us all.

We are educating our staff globally to **build climate awareness,** change behaviours and develop new skills to strengthen their capability to act for our climate journey.

We are supporting our parent company, AXA Group, in its climate ambitions: through the **Net Zero Asset Owner Alliance** – a United Nations-led initiative of 37 global investors seeking to transition to net zero by 2050.

We are working in tandem with AXA Group to assess methodology for Paris- aligned investing and define achievable targets: **AXA Group has committed to a 20% reduction in CO2 emissions from applicable investments,** between 2019 and 2025.

Acting decisively on climate issues

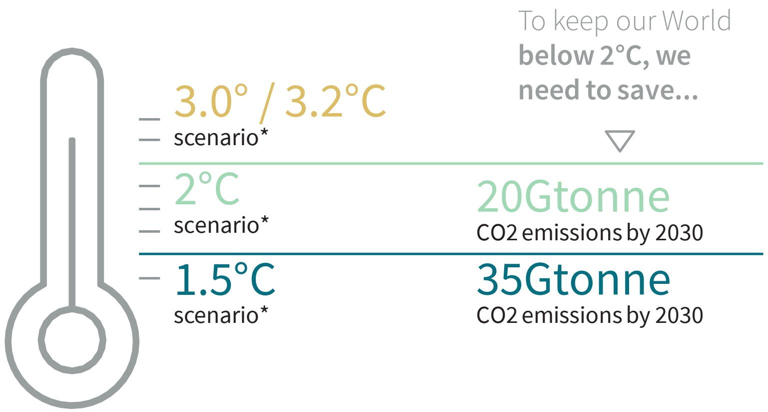
Progress on climate

At AXA IM, we aim to act decisively on climate issues. We have a responsibility to do so for our clients, employees, stakeholders, and for society.

There is a long way to go before we reach ambitious targets. And, given the urgency around climate issues, we are making our plans as we travel. But the direction is clear and we are gathering speed.

Our strategy is aligned with the framework proposed by the Task Force on Climate-related Financial Disclosures (TCFD). Its recommendations specifically state that organisations consider a set of scenarios, including a "2°C or lower" scenario, in reference to the 2015 Paris Agreement.

By 2100, we will face a rise of global temperatures.
Reference scenarios:



Sources: Intergovernmental Panel on Climate Change 1.5°c report, AXA IM, 2019
*current countries' pledges

This is what we are working towards. It is a complex task, requiring a clear focus and commitment. To help us measure our progress, one of the metrics we are using is the temperature, or warming potential of our investments , which is disclosed in this report.

Over the last year we started or expanded several other key initiatives to address it.

Reaching Net Zero

We have committed to reducing greenhouse gas emissions across all assets to net zero by 2050 or sooner.

This forms a part of our membership of the Net Zero Asset Managers Initiative – an industry collaboration that supports global efforts to limit warming to 1.5°C.

This means we will be working closely with our parent company, AXA Group, whose assets we manage, and in partnership with asset-owner clients on analysis, reporting and changes to investment portfolios.

Ahead of the COP26 climate change meeting in November 2021 we plan to announce the initial scope of assets to be managed in line with this target, together with detail of how we expect to achieve this.

We aim to set intermediate targets for 2030 and 2040, to demonstrate our progress towards the 2050 goal. We expect to review these at least every five years, with a view to ratcheting up the proportion of assets under management (AUM) covered until 100% of assets are included.

Acting decisively on climate issues

A **greener** product range

We are adding to our product range to help it achieve our carbon target – and also our clients' expectations for low-carbon strategies.

New products launched in H1 2021 include:

- A low-carbon US high yield bond strategy
- A climate-driven credit strategy, focused on capital preservation, climate alignment and credit return

We intend to continue to launch climate-oriented strategies in a targeted manner in addition to deploying net zero approaches across a range of existing strategies in 2021.

In addition, we have further built our portfolio of green investments, as we work towards net zero.

We see green assets as one of three types:

green bonds

green thematic equities

green real assets

As of the end of 2020 we have
€26.67bn
invested in such assets.

Finally, we have continued to reinforce our responsible investing (RI) offering, with a new "ACT" range.

These products invest with a purpose to support the transition to a more sustainable economy. Funds have been assigned thematic ESG targets and/or objectives linked to the UN Sustainable Development Goals (SDGs). Active stewardship is a key focus for this range, with voting and engagement reporting available at fund level. This range encompasses sustainable and listed impact funds.

Tackling climate change starts from within

We believe that the global mission to end climate change starts at home. And for us that means looking at our own business practices.

Impact philanthropy

AXA IM's impact philanthropy focuses on projects with a tangible societal impact across education, health and climate change/biodiversity. We have grown our charitable footprint to include non-governmental organisations that specifically align with the Paris objectives.

In 2020 we started to use a portion of the fees we levy on our impact funds – which seek to deliver on specific UN Sustainable Development Goals (SDGs) – to support charities working towards the same SDGs.

Our climate change/biodiversity related partners include:

- **The World Land Trust**
  an international charity that protects the world's most biologically significant and threatened habitats
- **Ligue pour la Protection des Oiseaux**
  an association that protects threatened birds, coordinates conservation programmes and manages the reintroduction of endangered species

Reducing our own carbon footprint

We have taken a series of steps in the last year to address our own carbon footprint. This is a long journey, and we are only at the start.

Our first goal is to cut emissions by at least

25%

by 2025.

At first, we will cut our own carbon emissions, including in areas such as business travel, premises, supply chain and digital.

As we progress, and depending on the speed of reduction, we will consider offsetting emissions.

Some of the biggest contributors to AXA IM's carbon footprint are the buildings from which we operate. We currently have 19 globally. We are working with suppliers to quantify their Scope 1, 2 and 3 emissions to help inform our reduction, and if necessary, offsetting, strategy.

We are working towards the greatest possible sustainability for our business and workforce. This also enables us to hold investee companies to account from a position of strength. **We aim to practice what we preach.**

AXA IM's office space - **one of London's greenest buildings**

In London, we have moved to 22 Bishopsgate, one of London's greenest buildings.

We have sought the greatest possible energy efficiency and blended it with a desire to reduce environmental impact.

The 22 Bishopsgate building was the first in the UK to apply for the WELL Building Standard and has been awarded a BREAAM Excellent sustainability rating. The building's energy has been procured from 100% renewable sources.

The working space itself has green and human-centred spaces and we have made stringent decisions about the resources we use, recycle and discard – from paper to water.

Over time we will develop a more detailed framework to cover areas such as food sourcing, to significantly improve our aggregate impact on the environment.

We intend to use this template approach for all of our offices. Every time a lease comes up for renewal, we will seek the most sustainable possible solution that enables our business to function at the greatest commercial output.

As we develop and use more detailed metrics, we intend to report more on our own physical footprint.

Enhancing climate consciousness

Our commitment to making changes within the business does not stop with corporate steps. Helping our employees to take a more conscious role in preventing climate change is also essential.

Employees must complete mandatory training on responsible investment through e-learning modules or live sessions led by our RI experts. We are expanding this in 2021, with more access to training on ESG and climate issues. Some **employee and team objectives will now include sustainability components**.

We have also **instituted profit-sharing agreements linked to environmental considerations.** In our largest team in France, employees have their profit-sharing agreements related to paper consumption and other criteria including:

- Reduction of CO2 emissions through the reduction of email volume
- Percentage of employees having gone through the climate awareness training

While this scheme currently only applies in our largest office in France, there is scope to roll this programme out to other bases in the future.

ESG and Climate Academy – **building employee awareness and skills to act**

AXA IM have spent more than 20 years delivering responsible investment solutions for clients and it has become integral to our business. This has positioned us well to make AXA IM a ESG learning platform.

In 2019 as part of our efforts to raise awareness about ESG within AXA IM, employees were trained about responsible investment through a mandatory global e-learning module. This programme was built in partnership with the AXA Group RI Centre of Expertise and deployed jointly.

ESG will impact our entire value chain and set of skills for the long term. We wish to strengthen our technical capability at every level and also respond to the demands of new and existing staff wishing to upskill in ESG. This year AXA IM launched the **ESG and Climate Academy to educate not only employees but also our clients.** Beyond our traditional RI e-learning the Academy will also offer:

- Self-learning modules available to all employees about ESG fundamentals and Climate change and its impacts in partnership with AXA Climate
- Interactive sessions of “ESG boosters” to bring key decision makers and investment professionals up-to-speed on regulations, benchmarks and data, issuers challenges, ESG enriched financial analysis
- Master classes for experts on key topics such as net zero investing
- Fast track access to the ESG investing certificate from the CFA

Ambitious climate-focused plans for our investments

We want to redefine our goals for investing and set them within a wider global context. Investing to prevent climate change is an effort for us all, and we want to demonstrate how we're doing it.

In late 2019, AXA Group, our parent company, announced an ambitious new phase in its climate strategy – to accelerate its contribution to a low-carbon and more resilient economy.

This includes keeping the "warming potential" of AXA's investments to below 1.5°C by 2050, in line with the Paris Agreement, an increase in green investments to €25bn by 2023, more investment in transition bonds (to help brown companies go green) and the complete divestment from coal over time.

We are also supporting our parent company in the Net Zero Asset Owner Alliance – a United Nations-led initiative to support institutional portfolios as they transition to net zero by 2050. A major component of this is the AXA Group commitment to a 20% reduction in CO2 emissions from their investments, between 2019 and 2025.

As the manager of AXA Group assets – alongside hundreds of other financial institutions and millions of individuals worldwide – we have a pivotal role to play.

Alignment to the **UN SDGs**

We have continued to align more of our business, and the products we offer our client base, to the SDGs – particularly those focused on climate: 7 (affordable and clean energy), 12 (responsible consumption and production), 13 (climate action), 14 (life below water) and 15 (life on land).

One pillar of this alignment is the AXA IM range of "Act" funds, many of which seek to support specific SDGs. In aggregate, this suite of products meets the requirements of Article 9 of the SFDR regulation[1].

In addition, our impact funds have consistently delivered against their chosen SDGs, as the following KPIs demonstrate.

For example, since launch, the funds have helped to avoid **63.6** million tons of CO2 emissions

Example: **Schneider Electric**

One of our impact investments is one of Europe's largest companies, Schneider Electric.

By virtue of its scale and commitment to best-in-class tech, we believe Schneider can potentially offer innovation in energy efficiency, and support the sustainable development of smart grids, renewables etc. - all relevant to climate change goals.

Schneider as a large player should be able to tap more easily into an increasing global commitment to boosting energy efficiency and tackling important SDGs.

23.8% Increase in turnover for sustainability services platform

24% Average energy saving from digitisation

$67.6bn Schneider Electric market cap[2]

The above-mentioned company does not constitute investment advice or recommendation.

[1] When in scope of the AMF Doctrine 2020-03, those funds belong to the first category ("significant and engaging"). The reference to SFDR product categories is provided on the basis of the European Directive (EU) 2019/2088 on the sustainability-related disclosures in the financial services sector ("SFDR Regulation") and state of knowledge as of 10 March 2021. As of publication date, the SFDR-related regulatory technical standards are not yet finalized and enforced. The product categorization shall be re-assessed once such regulatory technical standards are completed and may evolve.

[2] Source: AXA IM/Schneider Electric annual report 2019/SE Global Digital Transformation Benefits Report 2019/EPA

Ambitious climate-focused plans for our investments

Measuring what's important

At AXA IM, we have a wide, powerful and evolving suite of tools to measure what is material and important – and to seek value for our clients.

Methods used in measurement are evolving and complex. ESG data relies on these methodologies and they are subject to change. They are more difficult to use to make investment decisions than traditional financial information, based on well-known and shared standards.

Warming potential

We have developed a methodology with expert partners to measure the temperature, or warming potential, of the investments in the strategies and portfolios we manage.

This means any investor can calculate company or portfolio-level temperatures and compare them to the 1.5°c target.

In aggregate, the warming potential of AXA IM's book of assets has been stable at 2.8-2.9°C over the last two years. The dashboard below demonstrates that this compares favourably to a benchmark result of 3.3°C.

	Warming potential [°C][3]	Carbon footprint	Green share [%]
	2020	2020	2020
AXA IM	**2.9**	**171**	**15.6**
Weighted benchmarks by AUM	**3.3**	**256**	**12.4**

However, we are still some way off the Paris target and so in 2021 we will explain in more detail how we will lower the number by 2050, together with a series of interim targets.

[3] For more information, see page 55 of AXA IM TCFD

Ambitious climate-focused plans for our investments

Carbon footprint

Our investments have a carbon intensity of
171
tonnes of CO2 per million of dollars of revenue

the benchmark number is
256
tonnes of CO2[4]

This measurement includes Scope 1 and 2 emissions, as well as business travel emissions for Scope 3.

Green share

Green share is an important measure of the way in which investments contribute to the global transition to greener energy.

At the end of December 2020, our 'green share' for listed assets was[5]

15.6%
(2019: 14%)

against a benchmark
12.4%
(2019: 9.5%)

This breaks down as follows:

Sovereign investments
26.5%

Corporate bonds
13.1%

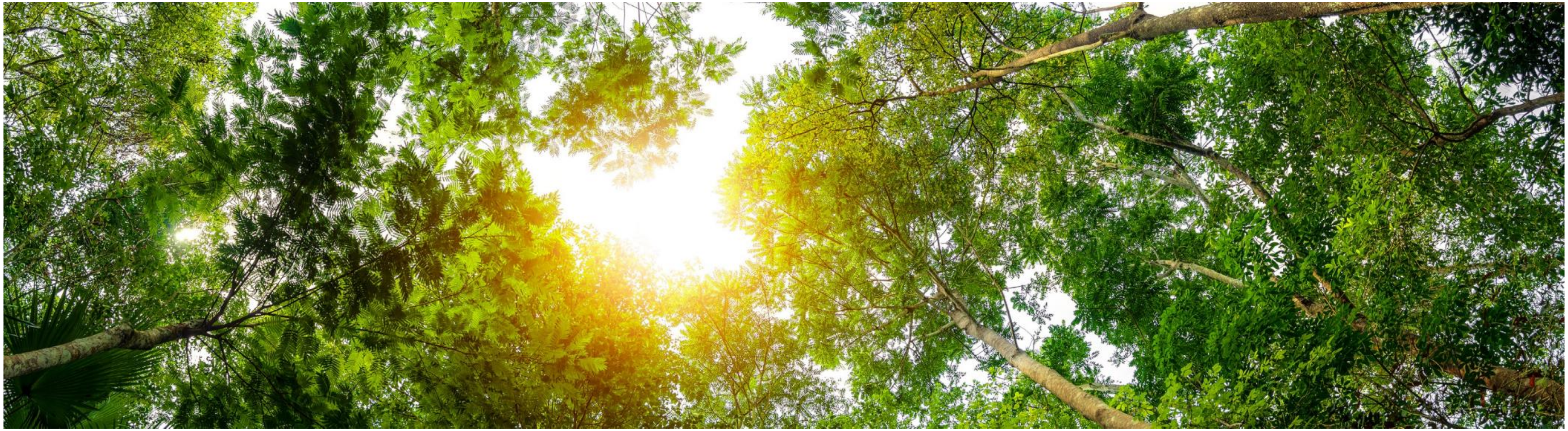
Equities
14.8%

Climate value at risk

Value at Risk (or VaR) is a common investment concept that denotes the potential financial losses in a given company or portfolio.

Climate VaR looks at risk to the value of investments through a carbon lens. **This shows us to what extent the investments we manage for our clients are at risk of loss (or gain) from climate issues.**

For example, a company might face significant regulatory costs for not transitioning quickly enough – or a project's future revenues may be boosted by demand for its low carbon technologies.



[4] AXA IM TCFD 2021. Page 56
[5] For more information, see page 57 of AXA IM TCFD

Holding companies to **account for climate risk**

While setting investment goals aligned with climate change objectives is essential, stewardship and holding company management teams to account is the key to achieving them.

Active ownership

We have continued to build our substantial engagement activity on climate issues.
When we select securities or assets, we seek an open dialogue to enable change. Through voting and engagement, we have an opportunity to use our influence to drive a broader change for the benefit of society and the planet.

In 2020, one third of our UN SDG-aligned engagements with companies were related specifically to climate action. More than 80% of all engagements were linked to UN SDGs overall. We carried out 319 engagements over the year (2019: 217) and 122 of these were at senior executive or board level. The breakdown is as follows:

Firm action on negative contributors to the energy transition

We have entrenched our stance on assets and securities we believe to have negative effects on the climate and energy transition.

We immediately rule out palm oil not certified by the Roundtable on Sustainable Palm Oil as well as worst practices leading to deforestation. Indeed as part of our ongoing commitments, we have expanded the role of our deforestation policy which has heightened exclusion criteria on a range of issues (see **Investing in nature** special below for more detail).

Holding companies to **account for climate risk**

Action on coal - stranded assets risk mitigation

In 2017 we implemented an exclusion on coal and oil sand activities, to de-risk our portfolios by reducing exposure to stranded assets. This further support the goals of the Paris Agreement and the transition to a low-carbon economy.

In 2020, we strengthened two more exclusion criteria:

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

AXA IM also formally committed in 2020 to exit 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, using exclusion but also engagement approaches.

AXA's Coal Engagement Initiative

In early 2021, AXA IM began a **Coal Engagement initiative** in collaboration with its parent company, sending letters to issuers which were still exposed to coal activities, but below exclusion thresholds.

With this engagement initiative, we called on those issuers to align business activities with this agenda and clearly disclose the progresses made.

In particular, we expect these companies to implement Science-Based Carbon Reduction targets and Transition Pathways in line with the Paris Agreement's +1.5°c ambition.

Voting record

When we vote we do so with conviction. In 2020, we used our scale to act on climate-related issues more than ever before.

We voted against management on at least one resolution in 56% of the 6,247 meetings attended. This was the first time that figure has been above 50%.

Climate and biodiversity are voting priorities for AXA IM in 2021. We will push companies to provide transparency on their strategy, investments, plans and interim targets to meet broader 2050 climate neutrality objectives[6].

[6] 2050 long-term strategy. European Commission

Investing in **nature**

Biodiversity loss is a special focus for AXA IM because it has a symbiotic relationship with climate. One cannot be protected without the other.

The loss of biodiversity affects the businesses we invest in, and all economic activity ultimately depends on services provided by nature. A failure to address biodiversity issues will jeopardise many business operations, representing an investment risk for the investors supporting these companies.

Biodiversity also acts as a great natural protection against extreme climate events. Mangroves and barrier reefs, for instance, protect seashores against storms and floods. Their destruction exposes companies to more climate-related physical risks.

An IPCC report published in 2018[7] highlighted that nations would have to target a 1.5°c scenario rather than a 2°c scenario to avoid unprecedented damages for biodiversity, human beings and the economy. This requires reducing carbon emissions by 45% by 2030 compared to 2010 levels, before achieving carbon neutrality by 2050.

At AXA IM we have **reinforced 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. Beyond financial considerations, biodiversity underpins most SDGs.

We are building the tools and metrics to measure biodiversity performance. In 2020, we focused on:

- **Selecting a new research provider to help us measure how investments impact biodiversity.** This will help us focus on companies with the greatest impact and further feed our engagement discussions.
- **Engaging with commodity traders.** Six businesses control around 60% of all soy exports from Brazil – a key locus for deforestation risks. In collaboration with other investors, we encouraged traders to increase efforts on no-deforestation commitments, traceability and reporting, seeing positive results from these discussions.

New **Ecosystem Protection and Deforestation policy**

Deforestation is one of leading causes of global warming and a driving component of biodiversity loss.

This year, AXA IM has decided to extend its Palm Oil policy with a more comprehensive approach to Ecosystem Protection and Deforestation.

Given the importance of forests' flora and fauna to the planet's ecosystem, by curbing deforestation, it means we can help conserve water and wood resources, better prevent flooding, control soil erosion and preserve natural habitats.

We think investment in companies involved in deforestation and natural ecosystem conversion should be avoided when bad business practices are clearly identified. This policy defines a set of rules and procedures which aim to address this principle.

WE EXCLUDE

Companies flagged by the **exclusion criteria for Palm Oil Producers**

Palm Oil Policy 2014

WE EXCLUDE

Companies flagged by the **exclusion criteria for Palm Oil Producers**

Companies flagged by the exclusion criteria for **Cattle, Timber and Soy industries**

WE CAN GIVE RISE TO AN ENGAGEMENT CAMPAIGN WITH

Remaining Companies **if** still presenting a risk of potential negative impacts on Forests

Commodity traders, due to their high concentration and central role namely on soy market

Companies exposed to new emerging biodiversity topics (land use, regenerative agriculture, water, pollution, waste, etc.)

Ecosystem Protection & Deforestation Policy 2021

[7] IPCC Special Report on the impacts of global warming of 1.5°C, June 2019

Investing in **nature**

AXA IM values forests as an asset class and is actively pursuing its sustainable forest investments, encouraging direct investments in forestry operations that are certified by internationally recognised standards such as the WWF-recommended Forest Stewardship Council (FSC) which demonstrate a credible path towards certification.

Focus on **investments in forests**

AXA IM actively pursues a rigorous policy as part of its forest investments in selecting its assets, its forest management partners, and in adapting management practices to meet these global challenges.

AXA IM Real Assets owns forests in France and Finland, managing more than 58,000 hectares on behalf of its clients.

Sustainable forest management: Our commitment

Our commitment covers the ownership, management, wood production and societal use of our forests.

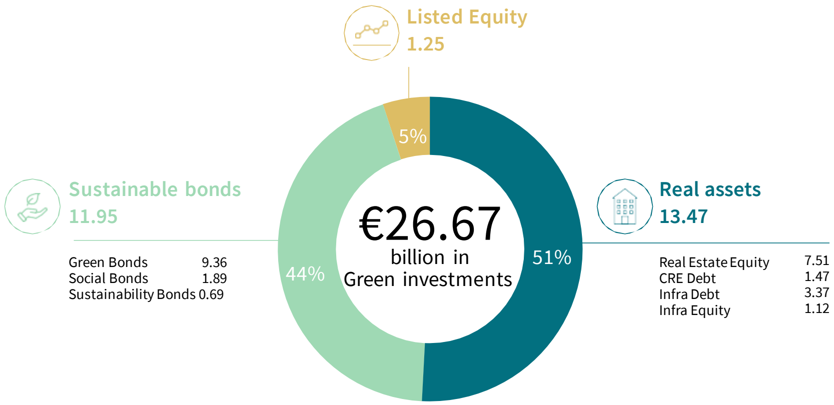
- Preserve forests for the future while allowing the production of wood, respecting ecosystems, maintaining biodiversity, soils and water.
- Certify forest and management practices within two years of acquisition by Forest Stewardship Council (FSC) and/or in countries with lower risk the Programme for the Endorsement of Forest Certification (PEFC).
- Promote the use of wood as a material that offers a real capacity to reduce emissions as an alternative to high-emission materials such as concrete or steel.
- Encouraging the regeneration of natural habitat and integration of greater levels of biodiversity into silvicultural practice.
- Using parts of our forests for the broader development and understanding of forests and nature.

Growing our **green assets**

In order to help meet our climate objectives, we are investing in more green assets.

Underlying our climate-aware investment strategy, AXA IM green assets under management now stand at €26.67bn.

This is a 49.6% increase from last year's total of €17.82bn – and all three of the main asset types we hold for our clients have seen growth, none more so than in green and sustainable bonds.



Green, Social and Sustainability bonds

We have nearly doubled our holding in this asset class compared with last year.

It is a growing sector – but it lacks clear definitions. 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 alignment with the Paris Agreement.

Social bond issuers should also have a clear ambition to deliver positive outcomes.

So, **AXA IM has developed its own assessment frameworks for green, social and sustainability bonds**, made up of four pillars:

- The environmental, social and governance (ESG) quality and strategy of the issuer
- The use of proceeds and the process for project selection
- The management of proceeds
- Impact reporting

Our investment and climate professionals are selective. They will only consider securities that support the most relevant and impactful green and social projects – and exclude possible misuse of funds, risks of unethical practices and greenwashing.

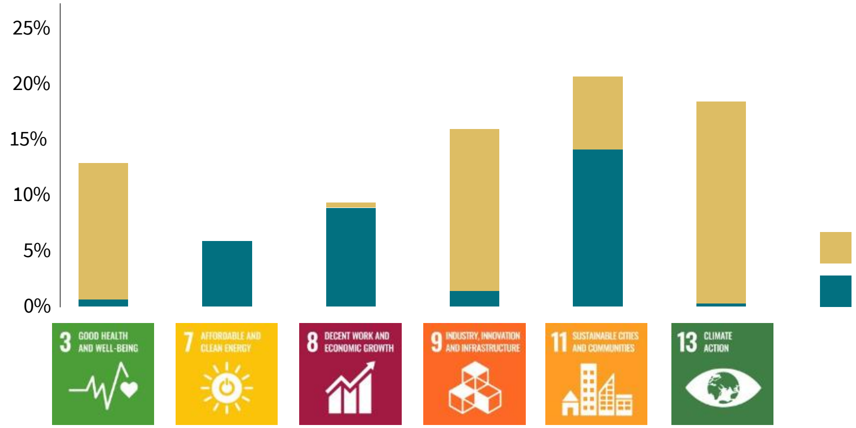
Since 2014 our experts have reviewed more than 800 potentially eligible bonds and have excluded around one in five.

In particular, they look for evidence of direct contributions to, or alignment with, the UN SDGs.

The strong contribution to affordable and clean energy (SDG 7), decent work and economic growth (SDG 8) and sustainable cities and communities (SDG 11) is explained by the importance of renewable energy projects, green buildings and low-carbon transportation projects – which directly contribute to SDG 11 – within our green bond investments.

The clear alignment with good health and well-being (SDG 3), industry, innovation and infrastructure (SDG 9), sustainable cities and communities (SDG 11) and climate action (SDG 13) is due to the same reasons, with renewable energy and low-carbon transportation projects aligning with SDGs 3, 9, 11 and 13.

Contribution and Alignment to the United Nations Sustainable Development Goals



Growing our **green assets**

Our green, social and sustainable bond investments: examples explained

Mexican Government

This sustainability bond is in line with the Mexican Government's socio-economic development plans, consistent with the Government's top priority of poverty reduction. The country has established a 2030 agenda for sustainable development, with the State budget mapped against the Sustainable Development Goals. Areas of financing will focus around:

- Access to healthcare: hospitals and medical equipment, health programs, health professional support
- Access to education: schools and educational equipment, scholarships
- Food security: subsidies to subsistence farmers, agricultural insurance
- Access to finance: digital payment systems, bank branches in isolated areas
- Employment generation: employment training
- Sustainable water management: water treatment
- Biodiversity conservation
- Renewable energy

The allocation of proceeds will be reviewed by an independent third party, and will be managed on a dynamic basis, with a surplus of eligible expenditures in the pool.

The Mexican government is committed to report annually on the social and environmental benefits of its sustainability bond. Relevant KPIs have been identified for each eligible category.

Crédit Agricole

The social ambitions of the Crédit Agricole (CA) bond are set around social cohesion and inclusion, access to finance and essential services. CA did not create forward-looking targets related to social impact financing but is working on social KPIs with its local branches to define such targets. Proceeds will be focused on:

- Employment generation through SME financing
- Access to healthcare
- Affordable housing

Relevant KPIs for the bond include the number of loans, of people employed and of beneficiaries. Proceeds will be managed by both an internal tracking system and an external verification process. CA has already identified a €20bn portfolio of eligible social expenditures, making it a strong candidate to become a regular social bond issuer.

Many of these securities sit within traditional portfolios but, as highlighted earlier, we are launching more bespoke products to meet our clients' needs for low carbon investments.

One such product is a climate-aware, cashflow-driven investment solution. This seeks to deliver the income that pension schemes and other asset owners require, derived from:

- Bond issuers that currently have low greenhouse gas emissions and/or positively contribute to climate change mitigation; and /or
- Those with a high current level of emissions but with a robust and credible future decarbonisation plan. These companies are particularly important in achieving net zero emissions by 2050.

Leading the Transition: **Transition Bonds**

AXA IM has been a key player in calling for debt securities that help companies go green. These transition bonds are used by companies solely to finance their transition to a low- or lower-carbon economic model.

In 2020, AXA IM invested €100 million in transition bonds issued by Groupe BPCE – a French banking group.

This investment will help BPCE refinance its own loans, which have high emissions reduction potential across transport, power, midstream gas, mining and metals, and building materials.

Growing our **green assets**

Green **real assets**

Our €13.47bn in real estate, forestry and infrastructure make up a significant and growing proportion of AXA IM's assets under management.

This time last year we reported €9.88bn in green real assets – and this rise is playing a material role in helping our parent company achieve its goal of €25bn in green assets.

As in public markets, we have stringent classifications for assets to be labelled "green" in the absence of widely accepted, market standard definitions.

1. Real Estate

A 62-storey City of London flagship development. EPC rated A+, BREEAM Excellent and WiredScore Platinum. 100% of electricity is from renewable sources and 100% of natural gas is offset. In construction, 98% of construction waste was diverted from landfill.

2. Forest

A 7,000 hectare, PEFC-certified forest in Finland. In 2020, stored a gross total of 7.6Mt of CO_2. The total annual carbon impact is 9,700 tCO_2 positive. This considers the emissions from harvest, transportation and wood processing operations.

3. Infrastructure

A 49% share in a European rolling stock company. Its fleet is more than 150 electric locomotives that can each pull a train carrying the equivalent of over 70 heavy vehicles. They also deliver an 80% reduction in CO_2 emissions compared to road freight.

Listed Equity

The €1.25bn Listed Equity comprises the two "green" equity funds managed by AXA IM.

For AXA IM, the key is to be explicit and transparent in what types of categories investee companies fall into and be able to clearly explain why they belong in an impact investment portfolio.

Within the green equity funds, we aim to identify and track a range of impact metrics or key performance indicators across five categories:

- products and services
- research and development
- operations
- corporate social responsibility initiatives
- negative externalities

Our assessment framework is designed to analyse companies so we can identify opportunities for a range of impact investing strategies in listed assets.

Climate action is critical for human progress. From alignment with the UN Sustainable Development Goals, investing and engaging for change, to action on deforestation, we are committed to tackling the climate-related risks that threaten the future of the planet.

As a responsible, active and long-term investor, we are well placed to play our part in financing the transition to a greener, more sustainable world.

We believe the innovations, initiatives and policies outlined in this report will enable our clients and our people to make a meaningful contribution to this global endeavour.

Marco Morelli, Executive Chairman, AXA Investment Managers

In Singapore, this document is issued by AXA Investment Managers Asia (Singapore) Ltd. ("AXA IM Asia") (Registration No. 199001714W). In Hong Kong, this document is issued by AXA Investment Managers Asia Ltd ("AXA IM Asia"), an entity licensed by the Securities and Futures Commission ("SFC"). This document has not been reviewed by the Monetary Authority of Singapore or SFC.

This document has been prepared and issued for educational purposes only. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

Such information may be subject to change without notice. The data contained herein, including but not limited to any backtesting, simulated performance history, scenario analysis and investment guidelines, are based on a number of key assumptions and inputs, and are presented for indicative and/or illustrative purposes only.

The information contained in this document is not an indication whatsoever of possible future performance and must be considered on this basis. Information herein may be obtained from sources believed to be reliable. AXA IM Asia has reasonable belief that such information is accurate, complete and up-to-date. Any views, opinions or recommendations (if any) that may be contained in such information, unless otherwise stated, do not reflect or constitute views, opinions or recommendations of AXA IM Asia.

This document has been prepared without taking into account the specific personal circumstances, investment objectives, financial situation or particular needs of any particular person. Nothing contained within this document shall constitute an offer to enter into, or a term or condition of, any business, trade, contract or agreement with the recipient or any other party. This document shall not be deemed to constitute investment, tax or legal advice, or an offer for sale or solicitation to invest in any particular fund. If you are unsure about the meaning of any information contained in this document, please consult your financial or other professional advisers. The data, projections, forecasts, anticipations, hypothesis and/or opinions herein are subjective, and are not necessarily used or followed by AXA IM Asia or its affiliates who may act based on their own opinions and as independent departments within the organization.

Investment involves risks. You should be aware that investments may increase or decrease in value and that past performance is no guarantee of future returns, you may not get back the amount originally invested. Investors should not make any investment decision based on this material alone.