Investment Managers | PART OF BNP PARIBAS GROUP

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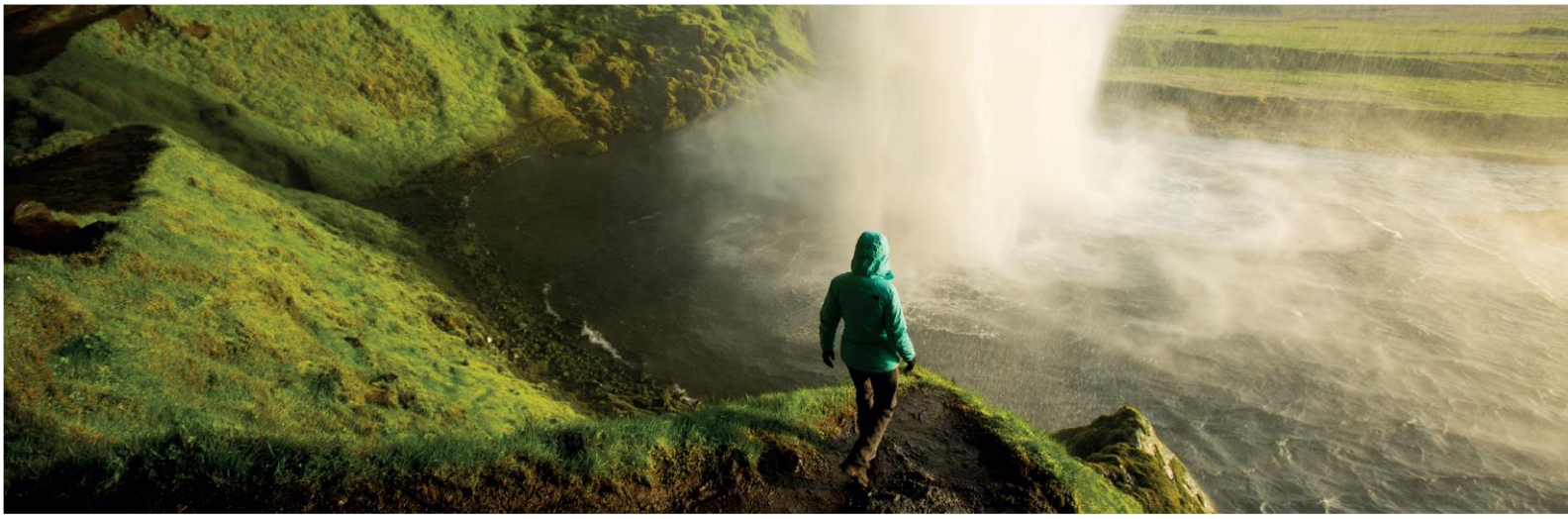
Responsible Investing
AXA IM Climate Risks Policy



According to the Intergovernmental Panel on Climate Change (IPCC), "global warming of 1.5°C and 2°C will be exceeded during the 21st century unless deep reductions in CO_2 and other greenhouse gas emissions occur in the coming decades"[1]. This will require concerted efforts to reduce the global economy's dependence on fossil fuels.

In March 2023, in the last Synthesis report of its Sixth Assessment Report (AR6), the IPCC confirmed in a stark and clear statement that "human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming, with global surface temperature reaching 1.1°C above 1850–1900 in 2011–2020"[2]. This report showcased once again the reality of climate change and its impacts on human societies – past, present, and future. In doing so, it highlights the need for our economies to transition to a different energy ecosystem. This will change how we produce and consume energy and wean us off hydrocarbons and fossil fuels – the main source of greenhouse gas (GHG) emissions.

At AXA IM, we believe that our fiduciary duty goes beyond delivering returns to our clients in the short term. It is also about investing responsibly, driving climate action, and ensuring the long-term sustainability of the world we live in. In that context, we are committed to supporting the energy transition in all its dimensions. This means embracing complexity, discarding simplistic solutions, thinking long term, and acting now, as time is running short. We will think in terms of entire value chains, whether they relate to supply or to demand, as no sector will be untouched. The energy transition is not limited to the energy sector, and it should permeate our broader thinking.

In recent years, the scientific community has increasingly recognized climate change as a significant financial risk to financial stability and institutions, and one of the top systemic risks. According to the Financial Stability Board (FSB), climate-related risks

[1] See the Summary for Policymakers (SPM) presenting the key findings of the Synthesis Report of the IPCC Sixth Assessment Report (AR6): AR6 Synthesis Report: Climate Change 2023

[2] *Ibid.*

can destabilize the financial system notably through rising risk premia and falling asset prices[3]. The Federal Reserve Board also highlighted that climate change poses both micro- and macroprudential concerns, potentially amplifying financial shocks[4]. As global mean surface temperatures have already reached +1.1°C compared to pre-industrial levels, these changes necessitate robust risk management strategies from all financial institutions, including asset managers, to mitigate potential massive financial losses.

In financial terms, the costs of climate change are likely to be considerable along the coming years and decades. For instance, S&P Global estimates that by the 2050s, the financial costs of physical climate risks could equal an average of 3.3% per annum – and up to 28% – of the value of real assets held by companies in the S&P Global 1200[5]. Additionally, the Network for Greening the Financial System (NGFS), a central bank collaborative initiative working on climate risks for the financial system, estimated recently that GDP losses by 2050 could be two to four times greater than previously estimated, ranging from 5% to 15% under current policies and 2% to 7% under net-zero scenarios[6]. This highlights the urgent need for mitigation, adaptation and resilience measures to manage these escalating risks.

In our view, participating as an investor in the climate & energy transitions implies:

- Limiting our investments in segments of the economy or companies that are not compatible with the transition or seem unwilling to adapt;
- Investing in selected, credibly transitioning industries and companies, and using engagement with management to encourage them on their journey;
- Backing innovative solutions and future technology alternatives;
- Analysing companies and industries in grey areas to assess their transition potential.

The energy transition is a climate-led reality that will require us to consider other environmental impacts, but such a large transformation will also bring social impacts for workers and communities. We will therefore pursue a "Just Transition" as part of our investment analysis and will make it an integral component of our framework.

We intend to engage with any company that may contribute to a successful transition. This draws in a vast range of businesses, from low-carbon solution suppliers to carbon-heavy resource producers or service providers tackling their own GHG emissions. In order to deliver tangible results, we will spend more time and effort on those with the largest GHG footprints. As a shareholder, we will vote in annual general meetings following the same logic: we will support companies genuinely participating in the energy transition, but we will challenge climate strategies when they do not match our Net Zero commitments[7].

This document details the approach deployed by AXA IM for the fossil fuel sector in particular. We will continue to evolve our approach to the sector over time, regularly reviewing our policy, in line with the objective of progressively phasing out thermal coal and unconventional oil & gas. We will provide periodic updates on progress and next steps, as well as detailing our exposures in our annual climate report[8].

Additional information on AXA IM's climate commitments can be found in the annual climate report[9] as well as in AXA IM's Ecosystem Protection and Deforestation Policy[10].

Our approach to fossil fuels

Thermal coal

Thermal coal is often a low-cost form of energy, and is widely available to a large proportion of the world's population. However, it is also the most carbon-intensive energy source and generates a high level of other polluting emissions. In 2022, thermal coal-

[3] Climate-related Risks - Financial Stability Board
[4] The Fed - Climate Change and Financial Stability
[5] Quantifying the financial costs of climate change physical risks for companies | S&P Global
[6] NGFS publishes two new documents on climate-related risk differentials and credit ratings | Network for Greening the Financial System
[7] More details are available in our annual Stewardship reports as well as Engagement and Corporate Governance & Voting policies: Stewardship & Engagement | Responsible Investing | AXA IM Corporate (axa-im.com)
[8] Information on remaining fossil fuels exposure at AXA IM level, number of exemptions, and % of AUMs in scope of the policy is available in t AXA IM's annual Climate Report (Article 29 – TCFD combined report): Policies and reports | AXA IM Corporate (axa-im.com)
[9] More details are available in AXA IM's annual Climate Report (Article 29 – TCFD combined report): Policies and reports | AXA IM Corporate (axa-im.com)
[10] More details are available in AXA IM's Ecosystem Protection and Deforestation Policy

fired electricity generation accounted for an estimated 36% of global electricity generation, but still for around three quarters of total CO_2 emissions from the electricity sector, pushing CO_2 emissions from thermal coal-fired power plants to record levels[11]. In addition, to produce electricity, there are many low-carbon solutions readily available, technologically mature, and economically superior – customers buy the same amount of power, suffer no disruptions to their activities, but emissions are reduced. As such, and while political and economic realities vary from one country to another, the use of thermal coal and development of thermal coal capacity should be constrained if we want to achieve the objectives of the Paris Agreement[12].

Exclusions[13]

Since 2017, AXA IM has implemented a thermal coal policy, with the objective of de-risking portfolios in the long term by reducing exposure to stranded assets while supporting the goals of the Paris Agreement and the transition to a low-carbon economy.

In 2023, AXA IM strengthened its thermal coal policy to exclude companies where revenues from thermal coal production or from thermal coal power generation is higher than 15%, down from 30% previously, and companies with any new thermal coal mining or power generation project or expansion plan, down from expansion no larger than 300 megawatts (MW) previously for thermal coal power generation. The policy continues to exclude power generation companies with more than 10 gigawatts (GW) of installed thermal coal-based power production, mining companies with at least 20 million tonnes of thermal coal production,and thermal coal industry partners developing significant new thermal coal assets. This rules out investments in most new thermal coal-related projects around the world. AXA IM also committed to exit from all thermal coal investments in countries that are part of the Organisation for Economic Co-operation and Development (OECD) by the end of this decade, and in the rest of the world by 2040.

In addition, as part of its commitment to exit from thermal coal by 2030 in OECD countries and by 2040 in non-OECD countries, from 2026, AXA IM will apply a lowered threshold and exclude investee companies with more than 10% of revenues from thermal coal production or from thermal coal power generation. This will apply to all issuers headquartered in the OECD.

Engagement

To support our commitment to exit thermal coal, we also engage with a selection of issuers that are still generating revenues from thermal coal activities but lie below our exclusion thresholds: we request them to set robust climate transition plans with science-based GHG emissions reduction targets including for the short and mid-term, covering all GHG emission scopes (1, 2 and 3), including plans to in priority close all thermal coal mines and power plants (or convert thermal coal power plants to a lower carbon fuel as a secondary possibility; with disposals as a last resort solution if the other options are unavailable) by 2030 in OECD and 2040 in the rest of the world, and taken under a transition pathway in line with the Paris Agreement ambitions. This may trigger the use of escalation techniques as described below.

Oil and gas

Crude oil and natural gas offer a greater challenge than coal as we pursue an energy transition. Crude oil products and natural gas together still accounted for c. 58% of worldwide direct primary energy consumption in 2023[14], an only modest decline from 60% some 20 years ago. Crude oil is especially ubiquitous in our societies, as a fuel or as a raw material for many products, such as plastics, paints and lubricants.

To transition away from oil and gas products, credible alternatives have to be invented, or existing alternatives scaled up. The International Energy Agency (IEA) reckons[15] that one third of the required technologies are still under development. The energy transition will primarily be a demand transition, made possible by a technology transition as consumption patterns and habits

[11] Source: Coal - IEA

[12] The Paris Agreement aims to "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

[13] These exclusion criteria allow to consider and mitigate the principal adverse impacts (PAIs) of investment decisions on sustainability factors, as defined by the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"), notably those related to the mandatory PAIs n°1 (GHG emissions), n°2 (Carbon footprint), n°3 (GHG intensity of investee companies), n°4 (Exposure to companies active in the fossil fuel sector), n°5 (Share of non-renewable energy consumption & production), n°6 (Energy consumption intensity per high impact climate sector), n°17 (Exposure to fossil fuels through real estate assets) and n°18 (Exposure to energy-inefficient real estate assets). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: Sustainable Finance | AXA IM Corporate

[14] Source: Energy Institute - Statistical Review of World Energy (2024)

[15] Source: Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach - 2023 Update

change one by one. Supply will fall as demand falls thanks to technologies that allow customers to reduce or eliminate their oil and gas consumption. If supply was to be reduced without a parallel downward shift in demand, the mechanical outcome would be scarcity and higher prices. The question of the "Just Transition" would then rise to the fore. This transition will not occur overnight, but it must begin to accelerate with the tools available – whatever is possible today ought to be done today. With that in mind, it is important to understand that not all oil and gas is created equal[16].

In an article published in "Science" in 2018, it was shown that the two main drivers of the carbon intensity of crude oil production were natural gas flaring (burning natural gas produced alongside oil) and crude density[17]. The latter is an unavoidable geological fact (high density crude oils include heavy oil, extra heavy oil, and oil sands), but the former results from operational choices, influenced by local regulations. More recently, the IEA, in its World Energy Outlook 2024, confirmed that methane emissions were still the main driver of the carbon intensity of natural gas production[18].

In addition, while all oil and gas resources have an environmental impact, there are certain types of resources that may have an oversized impact on the environment, either through a specific extraction process or due to the fragility of the ecosystem. It is also necessary, when the environmental stakes are high, to stress the critical importance of the behaviour of resource operators, i.e., the operational choices they make.

AXA IM's approach focuses on the most questionable resources[19], and on the companies exposed to those resources:

- Oil sands: Although they account for less than 4% of total crude oil production, oil sands have a significant impact on climate, biodiversity and health. They clearly contribute negatively to the United Nations Sustainable Development Goals (SDGs). When extracted, they emit three times more GHGs than conventional oil[20] and destroy forest and peatlands, creating significant harm to biodiversity. Due to the use of solvents during the extraction process, they are also responsible for air pollution, with the emission of particles and methane. Both the destruction of biodiversity and the pollution emitted during the extraction process have direct social and health impacts on local communities and workers of oil sands producers. AXA IM believes that the development of this energy source is not consistent with good management of climate risks, preservation of our environment at large or the fight against global warming. The development of oil sand capacities, as well as the major companies carrying oil sand via pipelines, should be constrained if we want to limit the increase in temperature within the limits of the Paris Agreement.
- Shale and tight oil and gas: The use of hydraulic fracturing technology – also called fracking – to produce oil and gas raises several environmental issues, encompassing GHG emissions (especially methane[21]), the injection of chemical products, heavy consumption of water and the production of wastewater[22]. It also impacts local communities through road safety due to reliance on trucking as well as creating disruptions in local ecosystems. What is at stake with shale operators is their ability to properly manage those environmental issues, notably through the deployment of significant methane and water infrastructure. This requires scale, which is why our exclusion focuses on smaller players that produce less than 100kboepd[23] of shale and tight oil & gas.
- Arctic: The Artic is home to a fragile environment and a complex ecosystem, and both can be easily damaged. It is also a region where global warming is most apparent. According to the IPCC, "it is virtually certain that the Arctic will continue to warm more than global surface temperature, with high confidence above two times the rate of global warming"[24]. Investments in companies exposed to the Arctic should be constrained.

[16] AXA IM (2021): Playing with fire: Measuring emissions from the world's oil and gas fields | AXA IM Core
[17] Source: Global carbon intensity of crude oil production - Science 2018
[18] Source: World Energy Outlook 2024 – Analysis - IEA
[19] Using the definition from the Scientific Committee of the French Sustainable Finance Observatory as initial definition, our policy focuses on segments which we assessed to be most impactful and for which data was available: our policy does not include coal bed methane, extra heavy oil, nor ultra-deep-water conventional oil & gas. We may review the criteria over time.
[20] Source: the-energy-industry-of-tomorrow-on-the-ncs-konkraft-report-2021-2-final.pdf (see page 41)
[21] Source: More methane in atmosphere linked to more fracking (nationalgeographic.com)
[22] Source: Even if Injection of Fracking Wastewater Stops, Quakes Won't - Scientific American
[23] Means thousand barrels of oil equivalent per day.
[24] Source: AR6 Synthesis Report: Climate Change 2023 — IPCC

Exclusions[25]

Since 2017, AXA IM has implemented an exclusion on oil sand activities. In 2022 and 2023, AXA IM reinforced its stance with new exclusions related to unconventional oil and gas:

- **Oil sands:** Reinforcement of the policy with an absolute exclusion threshold leading to the exclusion of companies for which oil sands represents more than 5% of global oil sands production; from 2023, we additionally reduce from 20% to 5% the oil sands share of production exclusion threshold;
- **Shale/Fracking:** Exclusion of players that produce less than 100kboepd of shale and tight oil & gas and with more than 30% of their total production derived from fracking;
- **Arctic**: Extension of the environmental focus through the adoption of a strict policy to exclude oil and gas extraction activities carried out in the Arctic Monitoring and Assessment Programme (AMAP) region. This will mean divesting from companies deriving more than 10% of their production from this region or representing more than 5% of the total global Arctic production. Norwegian operations are not concerned given the stringent regulation in place[26].

Engagement

Our exclusion policy defines what we consider unacceptable as we seek to help meet global environmental challenges. We believe it is our duty to drive climate action and, as an investor, to influence the net zero trajectories of companies though engagement and open dialogue. AXA IM engage with a selection of oil and gas companies that remain in scope based on clear objectives and under a specific timeframe, with the objective of ensuring they develop credible & robust climate transition plans consistent with the goals of the Paris Agreement and are on track in their delivery, but also that their current operational practices aim to mitigate their main adverse impacts on the environment. When looking at companies' operational practices, for all companies, we monitor the GHG intensity of oil & gas production, which includes methane emissions and methane flaring, and challenge poor performers. For companies active in the shale segment, we also focus our dialogue on water consumption and wastewater production.

When focusing on oil & gas companies' climate transition plans, our engagement strategy is organized around three pillars:

– **Strategy:**

- Companies should ensure their climate commitments are aligned with the goals of the Paris Agreement. This requires their strategies to be defined based on a Paris-aligned scenario and based on science (including "Scope 3" indirect emissions). Beyond long-term goals we require companies to define intermediary emissions reduction targets (on a 5 to 10 years horizon), with clear and communicated progress milestones. As part of this, we expect companies to adopt and publish absolute GHG emissions reduction targets for Scope 1 and 2, and absolute and / or relative (*i.e.*, intensity-based) targets for Scope 3;
- The Science Based Targets initiative (SBTi) framework for the oil and gas sector is expected to be released in the future[27]. AXA IM will integrate this framework once it is available and will then request from companies that they set science-based targets. Given the urgency, we also use in the meantime other sources – such as the Transition Pathway Initiative (TPI), the IIGCC oil & gas framework, or CDP Climate reports – and our own internal research to analyse their climate strategies;
- We also ask companies to integrate their value chain – upstream and especially downstream – in their climate strategy, a necessary step to achieve net zero for scope 3 emissions;
- While the transition is first a demand transition, enabled by the development of alternatives to oil and gas products, we will pay attention to supply trends and notably companies' upstream greenfield projects. The aim is to better

[25] These exclusion criteria allow to consider and mitigate the PAIs of investment decisions on sustainability factors, as defined by SFDR, notably those related to the mandatory PAIs n°1 (GHG emissions), n°2 (Carbon footprint), n°3 (GHG intensity of investee companies), n°4 (Exposure to companies active in the fossil fuel sector), n°5 (Share of non-renewable energy consumption & production), n°6 (Energy consumption intensity per high impact climate sector), n°17 (Exposure to fossil fuels through real estate assets) and n°18 (Exposure to energy-inefficient real estate assets). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: Sustainable Finance | AXA IM Corporate

[26] Energy Policies of IEA Countries - Norway 2017 Review
Environment and technology - Norwegianpetroleum.no (norskpetroleum.no)
Norway oil sector braced for huge carbon tax hike as new climate plan hatched | Upstream Online

[27] Oil and Gas - Science Based Targets

understand the overall production profile, its path relative to demand trends, and contribution to thermal coal substitution for natural gas specifically. More broadly, and being mindful of this context, we expect oil & gas companies to demonstrate how their capital expenditure (CapEx) or investment plans (including R&D) will contribute to change demand and lead to a decline in the upstream production consistent with the Paris Agreement objectives;

- We are also attentive to climate lobbying practices, to ensure consistency between publicly stated goals and corporate lobbying across geographies, accompanied by adequate disclosures. A dissenting vote against relevant resolutions may be cast for oil and gas companies that fail to appropriately report on their climate lobbying activities[28].

– **Transparency:** We require disclosures around CapEx plans to be consistent with international transition pledges, including reporting on their progress;

– **Governance:**

- We look for clear indications that climate change and GHG emissions reduction is directly handled at the highest level of the company's governance bodies, i.e., board of directors and executive committee, and evidence of board oversight on climate-related issues/risks and on management implementation of the climate strategy;

- Companies should align executive remuneration to climate change objectives.

We recognize that fossil fuel companies may not have the same level of maturity at the moment, due to geographic and business specificities notably. We therefore define timeframes to achieve the engagement asks listed above for each of the companies we engage with, which are ambitious but also realistic. Overall, we expect them to comply no later than in 2025, disclosing progress on their path in the meantime. If a company does not deliver on the defined timeframe, we will use escalation techniques which could for example include voting against the Board, or co-filing shareholder resolutions.

Our climate strategy and approach to engagement on this topic are further presented in AXA IM annual Stewardship report and AXA IM annual Climate Report (Article 29 – TCFD combined report) both available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

Our escalation approach

Companies still exposed to thermal coal and unconventional oil and gas and that are not captured by our exclusion criteria may be subject to engagement as described above. AXA IM Engagement policy provides more details with regards to the engagement governance, tracking-system as well as situations which may require the use of escalation techniques[29]. Should an issuer be considered as being a "laggard", meaning that they do not have Net Zero commitments, or have quantified emissions reduction targets deemed to be not credible or demanding enough[30], we may use our more forceful **"Three Strikes and You're Out" approach** where, 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.

Excluded Companies

AXA IM believes that investments in the companies most exposed to thermal coal and unconventional oil and gas (the excluded companies) should be avoided. The exclusion policy covers upstream (production and extraction) and the transport activities of companies – from thermal coal power generation, thermal coal mining and transportation to companies producing and/or transporting oil sand. More details of our exclusion criteria are set out in the table below.

Resource type	Exclusion criteria	Approach to affiliates	Sources, qualitative review process and frequency of the update

[28] Please refer to AXA IM's Corporate Governance & Voting for more details: view

[29] AXA IM Engagement policy is available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

[30] The criteria for identifying "laggards" will be regularly reviewed over time, and the corresponding engagement list will be revised at least on an annual basis.

Thermal coal	- Companies that derive 15% or more of their revenues from thermal coal - Mining companies that extract more than 20 million tonnes of thermal coal per year - Mining companies developing or planning to develop new thermal coal mining projects as listed by the GCEL database - Power generation companies that have 15% or more of thermal coal share of power production - Power generation companies with more than 10 GW of installed thermal coal-based capacities - Power generation companies developing or planning to expand thermal coal power generation capacity as listed by the GCEL database - Thermal coal industry partners (*e.g.*, equipment suppliers or infrastructure players, such as dedicated port terminals or railways) developing significant new thermal coal assets as listed by the GCEL database	For thermal coal, affiliates[31] of excluded companies may also be excluded if they act as the securities issuance entity.	For all exclusion criteria, we rely on external providers to prepare initial lists of issuers in scope, namely Urgewald[32] Global Coal Exit List (GCEL) and Global Oil & Gas Exit List (GOGAL) using the thresholds and the value chain (i.e., all components of the value chain for coal, and upstream activities for oil & gas) defined in these databases, plus S&P Trucost for the criterion on pipelines companies. The exclusion lists are then reviewed qualitatively and discussed within our responsible investment (RI) governance committees on a regular basis, and updated on a yearly basis, unless a specific event requires an intermediate revision[33] or a delay in the publication of data requires to postpone the update. In particular as part of this review process, AXA IM may initiate qualitative adjustments to these exclusion rules based on an analysis demonstrating the relevance of such adjustments. As such, AXA IM may consider exceptions to these exclusion rules for thermal coal issuers that have defined robust climate transition plans[34] or which do not operate in the fossil fuels sector[35]. These exclusion criteria are applied to existing and future investments.
Oil sands	- Companies that derive 5% or more of their production from oil sands or that produce more than 5% of the total global oil sands production - Pipelines companies that derive 20% or more of their revenues from oil sands transportation	For shale, tight and Arctic oil & gas, oil sands, affiliates of excluded companies are also excluded.	
Shale and tight oil & gas	- Companies that derive 30% or more of their production from shale and tight reservoirs and that produce less than 100kboepd of shale and tight oil & gas		
Arctic oil & gas	- Companies that derive 10% or more of their production from fields located in the Arctic as defined by the Arctic Monitoring & Assessment Programme (AMAP) or that produce more than 5% of the total Arctic production; Norwegian operations are not included		

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

Scope

[31] For the purpose of this policy, the term "affiliate" shall mean any entity, individual, firm or corporation, directly or indirectly, through one or more intermediaries, controlling or controlled by excluded companies.

[32] Urgewald is a non-profit environmental and human rights organization.

[33] Example given: major newsflow. The list is not systematically updated following corporate actions.

[34] On thermal coal, exemptions can only be granted to issuers involved in thermal coal-related activities which are close to the exclusion threshold, and where a robust transition plan with science-based GHG emissions reduction targets including for the short and mid-term, covering all GHG emission scopes (1, 2 and 3), including plans to close thermal coal-related projects by 2030 in OECD and 2040 in the rest of the world and under a transition pathway in line with the Paris Agreement ambitions, is being implemented successfully.
On oil & gas, a systematic cascading to all affiliates is performed given the lack of coverage on oil & gas companies' affiliates. However, exemption can be granted to affiliates of excluded companies provided that a qualitative analysis confirms that the affiliate company is only involved in fossil-free energy activities and/or any other sustainable or climate transition-related activity. This exemption process is overseen by a RI governance committee. The exemptions are reviewed when the ban list is updated on an annual basis. A specific approach to exemptions may be applied for AXA IM Joint-Ventures in scope of the policy.

[35] Regarding the Arctic and shale, we may remove from the exclusion list a limited number of companies that are above the thresholds but where upstream activities are a small part of the revenue base, always below 10% and most often below 1%. This qualitative adjustment considers the nature of the company's activities and may change in the future.

Financial instruments

The policy applies to all single-name financial instruments issued by the excluded companies or offering exposure to identified companies.

Portfolios

The policy applies in principle to all portfolios under AXA IM's management, unless the client has given different instructions for its dedicated fund or mandate or the fund has been exempted for legal or risk management reasons[36].

The policy does not apply to:

- Funds of funds composed of funds which are not under the management of AXA IM. Nevertheless, due diligence processes are implemented when selecting external funds to look at their RI credentials and assess if they apply similar or equivalent exclusion criteria than AXA IM; for traditional asset classes, an exclusion policy regarding thermal coal is required [37];
- Passive strategies (i.e., index funds and exchange-traded funds – ETFs)[38];
- Funds of hedge funds;
- Tenants in real estate portfolios.

The policy applies to direct product investments, overall with no look-through except when local laws or regulations require to do so.

Entities

This policy applies to AXA IM and all its affiliates worldwide, to joint ventures where AXA IM's stake is above 50%, and to funds for which the management is delegated to one of our joint ventures.

Implementation

This policy is implemented on a best-effort basis, taking into account local regulation and the best interests of both the client and the fund's objective. If the application of this standard dictates divestments, portfolio managers shall disinvest as soon as possible on a best-effort basis taking into account the technical implementation timing and the portfolio impacts based on market conditions, liquidity and portfolio construction constraints. In practice, some targeted instruments could remain in the funds or mandates for a period if deemed in the best interest of their clients and provided that it is compliant with the applicable Laws; however, those holdings cannot be increased[39]. For certain alternative products such as Collateralized Loan Obligations ("CLOs"), Mutual Securitization Funds ("FCT" in French), closed-ended alternative funds and other alternative products, if the divestment is considered impossible, such holdings in portfolio could be kept until maturity following an internal validation process.

The exclusion lists are prepared using information from external data providers, and although a qualitative review is performed, AXA IM is therefore not responsible for the accuracy of this data.

The implementation of this policy is subject to compliance with asset management local laws or regulations; therefore, some specific alternative implementation mechanisms of this policy may be put in place locally. In the EU, the implementation of this policy is part of the compliance with SFDR requirements as it constitutes AXA IM's approach to consider sustainable investments for the 'Do No Significantly Harm' (DNSH) criteria (*i.e.*, applicable to Article 8 and Article 9 funds). Thus, if the application of this

[36] In some specific cases, funds can be exempted due to deviation with investment objectives, under a framework overseen by AXA IM Global Risk Committee. Exemptions can only be granted on a fund-by-fund basis (no expertise wide exemption will be given) and no exemption can be granted for funds named with sustainability-related terms (e.g., "Sustainable", "Green"). In addition, a specific implementation approach can also be used for risk reasons.

[37] In the case of the secondary acquisition of external private asset portfolios, grandfathering may apply.

[38] A portion of AXA IM's passive strategies replicate ESG or climate indices and therefore also apply filters on the fossil fuels sector. In particular, AXA IM manages a range of PAB ETFs which apply additional exclusions on fossil fuel related activities (see below for more details).

[39] Such tolerance could be applied, for example in relation to strategies with accounting objectives (e.g., 'buy & maintain' strategies), or for concentrated strategies with appropriate validation from oversight functions.

standard dictates divestments, portfolio managers shall disinvest for their product to be classified Article 8 or Article 9 under SFDR, following the abovementioned implementation process. In the UK, the implementation of this policy is part of the compliance with the Sustainable Disclosure Requirements (SDR) and investment labels regime set by the Financial Conduct Authority (FCA).

The implementation of this policy is described in AXA IM's annual Climate Report (Article 29 – TCFD combined report) available on AXA IM website: Policies and reports | AXA IM Corporate (axa-im.com)

Additional constraints on fossil fuels

AXA IM manages a range of open funds which apply additional constraints on fossil fuels, as they have been awarded sustainability-related labels. For funds awarded with the Label ISR, the Towards Sustainability Label or the Greenfin Label, we apply additional exclusions on fossil fuels activities (coal, oil & gas), as detailed in AXA IM Sustainable Labels policy, available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

AXA IM also manages a range of Paris-aligned Benchmarks (PAB) ETFs, as well as funds with names in relation with sustainability / environment / impact, requiring certain exclusions to be applied to comply with the ESMA Fund Naming Guidelines[40]. Those strategies apply additional exclusions which adhere to the criteria defined in the Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU Climate Transition Benchmarks (CTBs) and EU PABs, in Article 12(1)(d)-(g)), and which also exclude companies involved in fossil fuels activities (coal, oil & gas exploration, mining, extraction, distribution or refining, and power generation), as detailed below[41]:

- companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 gCO_2e/kWh.

[40] ESMA34-1592494965-657: Guidelines on funds names using ESG or sustainability related terms.

[41] For actively managed PAB ETFs, we apply dedicated AXA IM exclusion lists, while for passively managed PAB ETFs the index provider's lists apply. As recommended by ESMA's guidelines on funds' names using ESG or sustainability-related term (see December 2024 Q&As on the application of the Guidelines on funds' names), the AXA IM PAB exclusion list applies to all type of securities except for green bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631). For other type of use of proceeds instruments, the PAB exclusions are applied on a look-through basis to the projects financed by these instruments, by relying on the AXA IM Green Bonds assessment framework.