January 2025

Responsible Investing
AXA IM ESG Standards Policy

As stewards of our clients' assets, our primary goal is to help them preserve and grow their wealth. An important part of achieving this is by investing responsibly. We believe that responsible investment (RI) can not only deliver sustainable, long-term value for clients but that it can also make a positive impact on society.

As a responsible investor, at AXA Investment Managers ("AXA IM") we want to manage ESG risks and opportunities when investing on behalf of our clients. We have identified certain sectors, products and services, in which we will not invest in, above a certain threshold due to ESG-related risk factors. These standards reflect our convictions as a responsible investor and apply to our ESG and Responsible Investment (RI) funds[1]. They are also available to institutional clients on an opt-in basis. They complement the Responsible Investment sectorial policies which are applied across AXA IM (incl. climate risks policy, controversial weapons policy, ecosystem protection and deforestation policy etc.) and are one dimension of our ESG integration approach[2]. AXA IM's ESG standards help us to manage ESG and sustainability tail-risks and mitigate the negative impacts our investments might have on sustainability factors. They focus on material issues such as certain aspects affecting health, human rights and social capital, while also considering severe controversies as well as low ESG quality.

As described in more detail below the ESG standards exclude White Phosphorus weapons producers and companies in violation of international norms and standards such as the United Nations Global Compact Principles or the OECD guidelines for Multinational Enterprises (MNEs), as well as companies which are involved in severe ESG-related incidents. We also minimize our exposure to ESG Low Quality issuers. Finally, we also refrain from investing in instruments issued by countries where specific categories of serious violations of Human Rights are observed which are described in more details below.

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[1] These include open-ended funds, and dedicated funds and third-party mandates when the client has formally opted in, categorised as products which promote ESG characteristics ("Article 8") or which have sustainable investment as their objective ("Article 9") according to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Detail on our RI categories is available on AXA IM website.

[2] Detail of AXA IM ESG integration approach, and RI sectorial policies is available in our RI policy.

Violations of International norms and standards[3]

We avoid investing in companies which cause, contribute or are linked to violations of international norms and standards in a material manner, focusing in particular on UN's Global Compact Principles, International Labor Organization's (ILO) Conventions, OECD Guidelines for MNEs and the UN Guiding Principles on Business and Human Rights (UNGPs). Those standards notably focus on Human Rights, Society, Labor and Environment. We believe this helps us to avoid reputational damage and to proactively manage related financial risks.

Severe controversies

We avoid investing in companies involved in incidents and events that pose a severe business or reputation risk to a company due to the impact on stakeholders or the environment. We rely on Sustainalytics' Controversies Research which provides an assessment of a company's involvement in incidents with negative ESG implications, by conducting regular news screening, where incidents with negative ESG implications are identified and assessed. Companies are assessed on the following aspects: i) the nature and scale of the negative impact that the incident has caused to society and the environment; ii) the business risk to the company as a result of the incident; and iii) how the company manages the issue. Companies are then rated on a scale of Category 1 (low severity) to Category 5 (most severe) to reflect the severity of the issue and the company's level of involvement as well as response. We exclude companies rated in Category 5.

Low ESG quality[4]

To manage ESG risks, and promote best practices, we avoid investing in companies with a poor ESG performance. We use our Corporate ESG scoring methodology[5] to evaluate the ESG performance of companies worldwide and aim to limit exposure to companies with an ESG Score below 1.43 (on a scale of 0 to 10).

White phosphorus weapons producers

We avoid investing in companies involved in the development, production, maintenance or sale of white phosphorus weapons. White phosphorus, derived from the chemical element phosphorus, can be used as a munition in incendiary weapons. Such munitions can burn in the open air for a prolonged period and when used in populated areas, cause horrific injuries, burning deep into the muscle and bone. White phosphorus weapons are covered by Protocol III of the Convention on Certain Conventional Weapons (CCW)[6] when the "weapons [are] primarily designed to set fire to objects or to cause burn injury to persons. It is prohibited in all circumstances to make the civilian population as such, individual civilians or civilian objects the object of attack by incendiary weapons". However, white phosphorus can also be used in other weapon devices, such as illuminants, tracers, smoke or signaling systems, all of which are notably not covered by Protocol III, where it is considered that such munitions "which may have incidental incendiary effects" are excluded from incendiary weapons. Recently these types of weapons have been used more frequently in populated areas *e.g.* Syria and Yemen.

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[3] This exclusion criterion allows 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°10 (Violations of UNGC principles and OECD Guidelines for MNEs) and n°11 (Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for MNEs). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: [Sustainable Finance | AXA IM Corporate]

[4] This exclusion criterion allows to consider and mitigate the PAIs of investment decisions on sustainability factors, as defined by SFDR, notably those related to the mandatory PAIs n°8 (Emissions to water), n°9 (Hazardous waste and radioactive waste ratio), n°12 (Unadjusted gender pay gap), and n°13 (Board gender diversity). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: [Sustainable Finance | AXA IM Corporate]

[5] For listed corporates assets, since November 2021, AXA IM is using the Q^2 scoring methodology, an internal methodology using MSCI ESG scoring model as a starting point, and completed by fundamental ESG analysis provided by AXA IM ESG analysts (when MSCI does not provide a rating for an issuer) which is turned into a quantitative ESG score following MSCI scoring normalization (from 0 to 10). The exclusion criterion applies to scored issuers only. For more details on AXA IM ESG scoring methodologies, see AXA IM ESG Methodologies handbook: [Policies and reports | AXA IM Corporate (axa-im.com)]

[6] It entered into force on 2 December 1983.

Countries with severe human rights violations[7,8]

We avoid investing in debt instruments issued by countries where the worst forms of human right violations are observed. While we do consider democracy as the best regime to preserve human rights, our intention is not to make a value judgement on the different type of regimes. Therefore, our screen focuses on civil liberties – relying on the Freedom House's Civil Liberties scores, modern slavery – relying on the Walk Free Foundation's Global Slavery index, and child labor relying on UNICEF data, with the aim of preventing investments in those countries where the worst practices are observed.

Excluded Companies & Countries

Sector / Area	Exclusion criteria	Approach to affiliates	Sources, qualitative review process and frequency of the updates
Severe controversies	- Companies exposed to "severe" controversies (category 5 of Sustainalytics' Controversies Research methodology)	Affiliates[9] of excluded companies may also be excluded in particular if they act as a securities issuance entity for or act in a similar sector as the related excluded company.	We rely on external data to prepare an initial list of issuers in scope. The lists are then reviewed qualitatively and discussed within our RI governance committees on a regular basis, updated at least on a yearly basis unless a specific event requires an intermediate revision[10] or a delay in the publication of data requires to postpone the update. AXA IM may initiate qualitative adjustments to these exclusion rules based on an analysis demonstrating the relevance of such adjustments (e.g. based on more recent information, etc.)[11]. An engagement can be initiated with the issuer in certain cases[12]. These exclusion criteria are applied to existing and future investments.
Violations of international norms and standards	- Companies assessed as being "non-compliant" with the UNGC, OECD guidelines for MNE, ILO Conventions or UNGPs for Business and Human Rights		
Low ESG quality	- Companies with a low ESG score (<1.43 scores between 0 and 10), using AXA IM ESG scoring methodology		
White phosphorus weapons	- Companies involved in the development, production, maintenance or sale of white phosphorus weapons		
Countries with severe human rights violations	- Countries in the bottom quintile of the Civil Liberties score from Freedom House - Countries in the bottom quartile of the Global Slavery index from the Walk Free Foundation - Countries in the bottom quartile of the Child Labor index of UNICEF		

Sources: AXA IM, based on Sustainalytics, ISS ESG, MSCI, Freedom House, Walk Free Foundation, and UNICEF.

Those exclusion criteria are consistent with the criteria defined:

- For EU Climate Transition Benchmarks (CTBs) and EU Paris-aligned Benchmarks (PAB) exchange-traded funds (ETFs), in the Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU Climate Transition Benchmarks (CTB) and EU Paris Aligned Benchmarks (PAB), in Article 12(1)(c)): exclusion of companies that benchmark administrators find in violation of the UNGC principles or the OECD Guidelines for MNEs (only related to AXA IM "violations of international norms and standards" exclusion criterion described above)[13];

[7] As defined by various screens. Please refer to AXA IM Human Rights policy for additional details: Human rights & Vigilance plan | AXA

[8] This exclusion criterion allows to consider and mitigate the PAIs of investment decisions on sustainability factors, as defined by SFDR, in particular those related to the mandatory PAIs n°16 (Investee countries subject to social violations). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: Sustainable Finance | AXA IM Corporate

[9] 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.

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

[11] For sovereign issuers caught by the abovementioned exclusion criteria, AXA IM may decide to apply a "watch-list" status with a ban on new investments in the sovereign assets and a possibility to maintain existing investments in such sovereign when AXA IM determines that further RI analysis should be conducted.

[12] Progress of engagement activities is monitored by the same RI governance committee.

[13] This exclusion criterion is less restrictive than AXA IM ones which also captures other international standards, i.e., the ILO Conventions and the UNGP for Business and Human Rights.

- For funds awarded with the Label ISR, the Towards Sustainability Label or the Greenfin Label, through the exclusion filters on International Norms and Standards and/or Severe Controversies, as detailed in AXA IM Sustainable Labels policy available on AXA IM website (Sustainability Policies and Reports | AXA IM Corporate):
  - Label ISR: exclusion of any issuer suspected of serious and/or repeated violations of the UNGC principles (only related to AXA IM "violations of international norms and standards" exclusion criterion described above)[14];
  - Towards Sustainability Label: exclusion of issuers with no procedures to monitor the alignment of investee companies with the UNGC, the UNGPs on Business and Human Rights, the OECD Guidelines for MNEs (as far as relevant), and the ILO Conventions[15];
  - Greenfin Label: exclusion of companies due to proven, serious and repeated controversies (only related to AXA IM "severe controversies" exclusion criterion described above)[16].

Scope

Financial instruments

Our ESG Standards Policy covers all single-name financial instruments issued by the excluded entities or offering exposure to those entities.

Portfolios

The ESG Standards Policy applies i) to all RI funds under AXA IM's management by default[17/18], and ii) to all dedicated funds and third-party mandates when the client has formally opted in, unless the fund or mandate has been exempted totally or partially for legal, client or risk management reasons[19].

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 on the targeted activities[20];
- Passive strategies (index funds and exchange-traded funds – ETFs)[21];
- 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.

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14 This exclusion criterion is less restrictive than AXA IM ones which also captures other international standards, i.e., the OECD guidelines for MNE, the ILO Conventions and the UNGPs for Business and Human Rights.

15 This exclusion criterion is similar to the AXA IM one as we rely on the same data provider (Sustainalytics).

16 This exclusion criterion is equivalent to AXA IM one as we rely on the same data provider and related filter for this criterion, i.e., exclusion of issuers in category 5 of Sustainalytics' Controversies Research methodology.

17 Open-ended funds in scope refer to "AXA IM ESG standards" in their prospectus and / or are part of our ESG integrated, Sustainable and Impact investing fund ranges. Specifically, in the EU, those open-ended funds are categorised as products which promote ESG characteristics ("Article 8") or which have sustainable investment as their objective ("Article 9") according to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). Detail of the RI categories of each fund is available on demand.

18 In the case of fund of funds applying the ESG Standards, at least 90% of underlying open-ended funds under AXA IM's management shall apply the standards.

19 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"). Under this framework, a specific approach has been set for one AXA IM Select Indonesia's mutual fund.

20 In the case of the secondary acquisition of external private asset portfolios, grandfathering may apply.

21 A portion of AXA IM's passive strategies replicate ESG or climate indices and therefore also apply filters e.g., on violations of international norms and standards, severe controversies and/or severe human rights violations. In particular, AXA IM manages a range of passive PAB ETFs, which adhered to the criteria defined in the Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU CTBs and EU PABs, in Article 12(1)(c)), and also exclude companies that benchmark administrators find in violation of the UNGC principles or the OECD Guidelines for MNEs.

Entities

This policy applies to AXA IM and all its affiliate 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

These ESG standards are implemented on a best-effort basis, taking into account local regulation and the best interests of both the client and the fund's objective. This implementation process may be adapted for alternative asset classes. 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[22]. 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 these standards 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 these standards 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 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).

Additional constraints on countries

AXA IM manages a range of open funds which apply additional constraints on sovereign debt instruments, as they have been awarded sustainability-related labels. For funds awarded with the Label ISR or the Towards Sustainability Label, we apply additional exclusions on sovereign debt instruments, as detailed in AXA IM Sustainable Labels policy, available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

[22] 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.