

Responsible Investing

AXA IM Climate Risk policy



According to the Intergovernmental Panel on Climate Change (IPCC), +2°C is considered to be the maximum temperature rise before triggering significant risks to society. Staying below this threshold requires significantly limiting carbon emissions globally and reducing our economies' dependence to fossil fuels.

Coal is often a low-cost form of energy, and is widely available to a large proportion of the world's population. However, coal is also the most carbon-intensive energy source and generates a high level of other polluting emissions. As such and while political and economic realities vary from one country to another, the development of coal capacities shall be constrained if we want to keep the world below a two-degree increase in temperatures.

Tar sand is a non-renewable energy source with strong impact on environment and health. It clearly contributes negatively to the United Nations Sustainable Development Goals. This is one of the strongest emitter of greenhouse gas emissions, emitting three times more than conventional oil. As such, the development of this non-conventional oil is not consistent with 2° scenario of the IPCC. Tar sands extraction destroys forest and peatlands, with strong impact on biodiversity. Due to the use of solvent during the extraction process, it is 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 is not consistent with good management of climate risks, preservation of our environment at large, and fight against global warming. The development of tar sand capacities, as well as the major companies carrying oil sand –pipelines companies- shall be constrained if we want to keep the world below a two-degree increase in temperatures.

While these activities still represent short term financial prospects, we believe that in the long term, the political commitments to fight climate change as well as cost arbitrages; will keep putting coal and oil sand activities under pressure globally.

In this context, in November 2017, during its annual review of the exclusion policy, AXA IM Management Board has decided to accelerate and encourage divestments in coal and tar sand activities, in the belief that:

- 1) This contributes to de-risking our portfolios on the long-term,
- 2) It is consistent with our ESG integration process,
- 3) This contributes to the global transition to a low-carbon economy.

Principle

AXA IM considers that investment in companies most exposed to coal and tar sand related activities (“Excluded Companies”) should be avoided. The exclusion policy covers companies from coal power generation, extraction mining sector for coal activities and mining companies and pipelines companies for tar sand activities.

Excluded Companies

Sector / Area	Exclusion criteria	Approach	Source
Climate risks	<ul style="list-style-type: none"> - Companies that derives 30% or more of their revenue from thermal coal - Mining companies that extract more than 20 million tonnes of coal per year - Power generation companies that have 30% or more of electricity generation capacities powered by coal - Power generation companies that plan to expand coal power generation capacity by more than 3000 MW by 2020 - Companies that derives 50% or more of their revenue from coal (AXA IM coal policy) - Mining companies that derive 20% or more of their revenue from tar sands extraction - Pipelines companies that derive 20% or more of their revenue from tar sands transportation. 	<p>Affiliates of Excluded Companies may also be excluded if they act as securities issuance entity for or act in a similar sector as the related excluded company.</p> <p>The exclusion lists are updated at least on a yearly basis unless a specific event requires an intermediate revision.</p>	<p>We rely on external providers 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.</p>

Scope

Instruments

Our Climate risk policy excludes all financial instruments issued by the excluded companies or offering exposure to excluded companies.

Portfolios

The climate risk policy applies in principle to all Responsible Investment open funds under AXA IM’s management.

For other funds managed by AXA IM, including dedicated funds and third-party mandates, the climate risk policy applies if the client agrees with our proposal.

The policy does not apply to:

- Non RI open ended AXA IM funds
- Funds of funds composed of funds which are not under the management of AXA IM.
- Index funds.

Entities

This policy applies to AXA IM and to all of its subsidiaries worldwide.

Implementation

This Climate risks policy is implemented on a best effort basis, taking into account the client's / fund's best interest, with a transition period following the initial implementation for the funds / mandates in scope, and following periodic revisions of the exclusion-lists. If the application of this standard dictates divestments, portfolio managers shall disinvest within this transition period taking into account the portfolio impacts based on market conditions, liquidity and portfolio construction constraints. 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.

Disclaimer

In order to comply with regulations and to implement the principles defined in this policy, AXA IM bases itself on the information gathered and the interpretation provided by external providers/advisers and is therefore dependent on the quality and accuracy of information.

The implementation of this policy is subject to compliance with asset management local laws or regulations, therefore some specific implementation mechanisms of this policy may be put in place locally.