

Responsible Investing

AXA IM Ecosystem Protection & Deforestation Policy



Deforestation poses unique economic, environmental and social challenges, including biodiversity loss, increasing greenhouse gas emissions, unsustainable land use and labour issues. As an investor, AXA IM is committed to fighting deforestation and natural ecosystem conversion, as well as supporting forest restoration through its investment practices, to ensure habitat conservation and limit global warming.

Deforestation and natural ecosystems conversion have devastating consequences and has pushed many species to the brink of extinction. 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.

Deforestation and natural ecosystems conversion are also a leading cause of global warming and are responsible for approximately 13 to 15% of global CO₂ emissions¹. It represents a double loss, as forests and other natural ecosystems such as peatlands or savannahs are also carbon sinks – natural systems which absorb and store CO₂ from the earth's atmosphere. Though the rate of deforestation has slowed since the 1990s, the world still lost 3.6 million hectares of primary rainforest - an area the size of Belgium - in 2018. Moreover, data shows there has been an 84% rise in the number of fires in Brazil's Amazon rainforest² in recent years. The beef, soy, palm oil, rubber, paper pulp and timber industries are the major contributors to deforestation³.

¹https://www.statistiques.developpementdurable.gouv.fr/sites/default/files/202012/datalab_81_chiffres_cles_du_climat_edition_2021.pdf

Additional Source: Forest Carbon Partnership Facility (2019)

² Source INPE National Institute for Space Research, based on data for January- August 2019 . AXA

³ <https://www.wri.org/insights/just-7-commodities-replaced-area-forest-twice-size-germany-between-2001-and-2015>

Considering the huge environmental and social impact of deforestation and natural ecosystems conversion, in 2021, AXA IM decided to extend its Palm Oil policy⁴ with a more comprehensive approach to Deforestation and Ecosystem Protection. AXA IM considers that investment in companies involved in deforestation and natural ecosystem conversion should be avoided when negative business practices are clearly identified. This policy defines a set of rules and procedures which aim to address this principle.

AXA IM also wants to encourage and promote engagement with companies involved in those issues, to help change and improve practices. Moreover, AXA IM values forests as an asset class and is likely to pursue its forest investments in the future. AXA IM encourages direct investments in forestry operations that are certified by internationally recognised standards or demonstrate a credible path towards certification. This policy document provides an overview of these commitments.

Our approach to exclusions

Criteria: AXA IM will avoid investments in:

- Palm oil producers which have not achieved “sustainable palm oil” production certifications, and/or have significant unresolved land rights conflicts and/or conducting illegal logging⁵.
- Companies in any sector facing “high” and “severe” controversies related to “Land use and biodiversity”⁶.
- Companies producing Palm Oil, Soy, Cattle and Timber that are facing “significant” “Land use and biodiversity” controversies and that are found to have a “critical” impact on deforestation and natural ecosystems conversion⁷.

Sector / Area	Exclusion criteria & Approach	Source and frequency of update
Palm oil producers	<p><u>The exclusion criteria apply to producers which:</u></p> <ul style="list-style-type: none"> - Derive at least 5% of their revenues from palm oil production whether directly or indirectly through majority-owned (50%) subsidiaries <p>Own over 30,000 hectares of palm oil plantations. This threshold may be reduced in the case of significant controversies</p> <p><u>The exclusion focuses on:</u></p> <ul style="list-style-type: none"> - Companies that have not achieved or committed to achieve RSPO⁸ certification or other internationally-recognised certification - Companies that have unresolved land rights conflicts - Companies that are unable to prove the legality of their operations - Companies that have not undertaken social and environmental impact assessments - Companies that have not consulted with stakeholders prior to commencing operations - Companies that have undertaken illegal logging 	<p>The exclusion list is updated on an annual basis unless a specific event requires an intermediate revision⁹.</p> <p>We rely on external providers to prepare an initial list of issuers in scope, including CDP. The list is then reviewed qualitatively and discussed within our RI governance committees.</p> <p>A temporary engagement approach can be chosen for certain issuers, instead of an exclusion approach¹⁰.</p>
Extension to Soy, Cattle, Timber	<p><u>The exclusion focuses on:</u></p> <ul style="list-style-type: none"> - Companies with controversial practices in Land Use and Biodiversity (controversy levels: significant, high and severe). - Companies classified as ‘critical’ for their impact on forests according to the Carbon Disclosure Project (“CDP”) and with controversial practices in Environmental Supply Chain incidents, Operational Incidents or Environmental Products and Services incidents (controversy levels: significant, high and severe). 	

⁴ Since 2014, AXA IM’s Management Board has been implementing an exclusion policy for investments related to Palm oil production, focusing on the worst business practices.

⁵ These criteria have been part of the Palm Oil policy in place since 2014.

⁶ According to our provider, we do consider controversies with the highest levels, i.e. “Significant”, “High” and “Severe”.

⁷ According to the “CDP Forest” database. Source: [Forests - CDP](#)

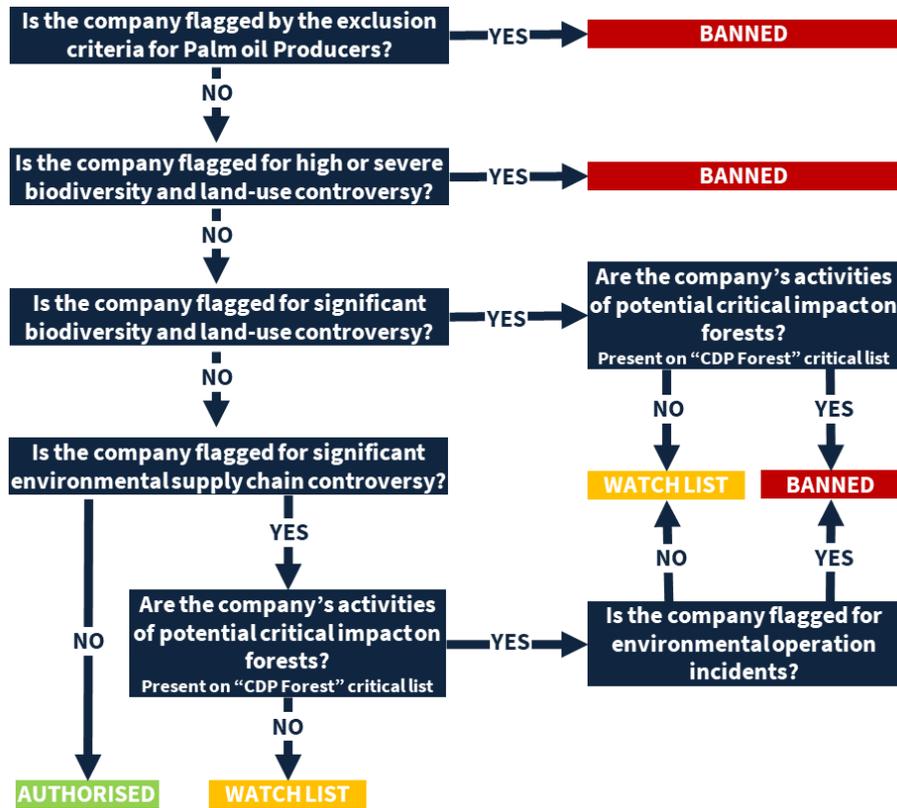
⁸ Roundtable on Sustainable Palm Oil (RSPO)

⁹ Examples given: Major newsflow. The list is not systematically updated following corporate actions.

¹⁰ Progress of engagement activities is monitored by the same RI governance committee.

As for the segments of Soy, Cattle and Timber, the decision tree below describes in more details how the ban-list is built.

Simplified decision tree:



Scope

Financial instruments

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

Portfolios

The policy applies in principle to all portfolios under AXA IM's management, including dedicated funds and third-party mandates unless the client has given different instructions for its mandate.

The policy does not apply to:

Funds of funds composed of funds which are not under the management of AXA IM. When possible, AXA IM will choose asset managers that have committed to these principles,

- Index funds
- Funds of Hedge Funds
- Tenants in real estate portfolios¹¹.

The policy applies on direct product investments with no look-through.

Entities

¹¹ Every investment proposal for real estate and infrastructure undertakes a review against group exclusion policies. Regardless of the fact that the policy does not apply to tenants in real estate portfolios, potential conflicts/issues in relation with this policy are assessed as part of the due diligence process.

This policy applies to AXA IM and its subsidiaries worldwide. It applies to joint ventures when AXA IM's stake is 50% or higher.

Implementation

The exclusion policy is implemented on a best-effort basis, taking into account local regulation and both client best interest and fund's objectives, with a transition period following their 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 at their discretion within this transition period taking into account the portfolio impact 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 - however, those holdings cannot be increased. For certain structured assets such as Collateralized Loan Obligations (CLOs), Mutual Securitization Funds (FCT in France) and other securitisation products, if the divestment is considered impossible, such holdings in portfolios 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 alternative specific implementation mechanisms of this policy may be put in place locally.

The implementation of this Policy will be described in the AXA IM annual TCFD Report.

Focus on engagement approach

AXA IM wants to promote active engagement with companies, to curb negative practices including for companies involved with the supply chain of agriculture/forestry products.

We see active stewardship as a corporate duty to engage with companies to consider reforms which will help mitigate negative environmental impacts such as deforestation and natural ecosystems conversion as well as the broader threat of biodiversity collapse.

Our responsible investment and stewardship policies outline our commitment to encouraging companies to intensify their efforts on biodiversity conservation, these impacts both our proxy voting and engagement activities. Our engagement on biodiversity is research-led and focuses on issuers having a material impact on deforestation and natural ecosystems conversion as well as on issuers developing activities with a high global biodiversity footprint. AXA IM will engage, as a shareholder, individually where needed, and via coalitions wherever possible, with a selection of companies. We continue to hold constructive and challenging discussions directly with companies which are heavily involved in deforestation and biodiversity loss.

Improved disclosure of strategy, traceability and broader transparency are important in this regard. It enables us, as investors, to assess the impacts and dependencies associated with biodiversity loss. It also helps us make better-informed investment decisions on behalf of our clients. Relevant analysts and portfolio managers are involved in these engagements, enabling them to better integrate nature-related risks into their assessment of companies.

This engagement process, which pre-dates this policy in certain cases, will be annually reviewed and reinforced with a view to encourage companies to put in place detailed mitigation strategies and timelines to achieve the goals of our policy. Engagement will focus on disclosure frameworks, risk management tools and best practices including cut-off dates. Failure to achieve improvements in a reasonable timeframe may result in the company being added to the exclusion list. We also work in collaboration with WWF on specific cases with regards to engagement on biodiversity-related topics.

Focus on investment in forests

AXA IM Real Assets Forestry Management Policy

The consequences of climate change and deforestation will continue to have an increasingly detrimental impact on both forestry and biodiversity. Their effects include the erosion of natural habitats, the weakening of species renewal and the growing geographic spread of new threats to biodiversity, including plant disease and invasive species.

Faced with these consequences, 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 manages forests in France, Ireland, and Finland, representing 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.

- Sustainable forest management aims to preserve forests for the future while allowing the production of wood, respecting ecosystems, maintaining biodiversity, soils and water, and maintaining the health of the stands necessary for their renewal. All our European forests and management practices are certified within two years of acquisition by Forest Stewardship Council (FSC) and/or the Programme for the Endorsement of Forest Certification (PEFC).
- The commitment implies the promotion of the use of wood as a material that offers a real capacity to reduce greenhouse gas emissions, for example, by substituting it for traditional construction materials such as concrete or steel. Wood uses that do not significantly reduce greenhouse gas emissions, such as industrial burning of biomass should not be the main use targeted by our forest management.
- Sustainable forest management covers natural areas which in addition to their rich biodiversity provide a useful space for raising awareness and understanding of nature. We have committed to using parts of our forests for the broader development and understanding of forests and nature.

Sustainable management: In practice

- We require recognised, independent certification, mainly via PEFC or FSC for all forests as part of our management. As we expand into new geographies, we will continue to apply this principle, using equivalent regional certification.
- Our choice of forest management partners includes the requirement for evidence of their corporate and independent commitments to sustainable management and compliance with laws and regulations within each of the regions concerned.
- We work with local forest tree species to improve adaptation to soil constraints and risks, to climate change and to the growing threats of health crises affecting tree growth and existence
- Regarding existing monoculture forests, we promote - with research support - the diversity of species during logging operations to limit the area of clear felling for the future
- As a silviculture principle/target over time, we have already started to promote management routes towards continuous cover forestry
- In France, we have decided to limit the clear fell operation to four hectares, significantly less than the area allowed by the regulations and management documents (except in case of necessary sanitary felling)
- We protect biodiversity: In addition to the respect of all classified and protected areas, we have committed to implement retention forestry rules in productive forests, thus devoting 3% of our forests (excluding roads) to restore naturalness, to conserve biodiversity and to monitor their long term evolution
- We support education, recreation and research and allow access to forests for certain companies, organisations and associations sharing a common interest in the forest's natural attributes.

AXA IM Alts Impact Investing: our analytical framework and guidelines for Natural Capital investments

AXA IM Alts Impact investing Strategy believes that to manage competing priorities for natural capital, a new paradigm is necessary that aligns financial returns with the conservation of natural capital for the long-term. We invest in private assets to

catalyse solutions that deliver intentional and measurable positive outcomes that combat climate change and biodiversity loss. Our solutions promote mitigation, adaptation and resilience in relation these critical environmental challenges of our time.

In relation to natural capital, our objective is to conserve, protect and restore natural capital, preserving nature's ability to act as natural carbon sinks and high value habitats necessary for conservation and biodiversity.

The following analytical framework is used to assess whether the Natural Capital Investments are eligible:

Companies and projects will be selected and monitored for their ability to contribute to the following:

- Conservation of Natural Capital: Hectares of natural capital conserved
- Climate Mitigations: Avoided GHG emissions
- Biodiversity: Hectares of critical habitats/ Species protected
- Climate Resilience: No of people made resilient

ESG Requirements for Natural Capital Investments include:

- Meet the objectives of the IFC's Social and Environmental Performance Standards
- Aim to secure certification under internationally recognised (or market specific) schemes such as Forest Stewardship Council, Climate, Community and Biodiversity Alliance, Fair Trade, etc where agricultural/forest derived commodities and products are produced, or harvested from wild or semi-wild landscapes
- Achieve certification to internationally recognised standards (such as Verified Carbon standard and/or ensure alignment with national and/or international rules on project nesting when verified ecosystem service credits (such as carbon credits) are created for trade.
- Align with the conservation of natural habitats and protect biodiversity and species including those listed under the International Union of Conservation Nature Redlist.
- Involve no net loss of biodiversity, no conversion or draining of native ecosystems, and no negative impacts on wildlife or high conservation value ecosystems.