October 2024

AXA IM Policy for Sustainable Labels
Label ISR, Label Greenfin and Towards Sustainability Label

The document presents AXA Investment Managers' (AXA IM) implementation of sustainability-related Labels.

AXA IM aims to offer sustainable funds complying with high Responsible Investment standards to its clients. Labels provide an additional level of guarantee on the quality of our funds, in line with their respective rulebooks, supported by an external assurance process.

The below rules are applied to AXA IM funds that have been awarded with the Label ISR, Label Greenfin and/or Towards Sustainability Quality Standard ("Sustainable Labels"). The list of open-ended funds awarded with the Sustainable Labels are listed in the Appendix.

Restrictions required by the Sustainable Labels are applied in addition to our internal AXA IM RI exclusion policies:

- We monitor systematically and exclude strong ESG risks through the application of our policies on controversial weapons, ecosystem protection & deforestation, soft commodities, climate risks and tobacco, for most of the assets under management[1].
- For most of the ESG-focused open-ended funds, including all labeled funds, we apply an additional screening with the AXA IM ESG Standards focused on white phosphorus weapons producers as well as on companies exposed to severe controversies and that violate international norms and standards. We also monitor with attention low ESG scores, those with an ESG Score below 1.43 out of 10. Furthermore, we exclude countries where the worst forms of human right violations are observed. Those policies are available on our website and are complemented by the rest of our Responsible Investment policies, which cover notably voting and engagement activities.

[1] Funds not in scope of the policy are mentioned in the "implementation" section of each policy

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1. AXA IM Responsible investment strategy

1.1. General approach

AXA IM has been involved in responsible investment for more than 20 years and is actively engaged in incorporating Environmental, Social and Governance ("ESG") factors into each of its business units, as well as in the development of a range of responsible- and impact-investment products.

We believe that ESG factors should not only influence the management of our portfolios across asset classes, sectors, companies, and regions, but also respond to the interests of our clients and other stakeholders. Our investment philosophy is based on the conviction that sustainable development issues are a major concern for the coming years. We believe that combining fundamental ESG factors with traditional financial criteria will help us build more stable portfolios that perform better over the long term. The non-financial approach has become a necessity in many ways:

- It is instrumental in removing companies and investments from portfolios when they cause exposure to high levels of ESG risk, which would ultimately affect financial performance;
- It focuses on companies and investments that have implemented best practice regarding managing their environmental impacts, governance and social practices, and whose responsible practices leave them better prepared, in our view, to meet the major challenges of the future;
- It may support improved performance by means of active dialogue with companies on managing ESG concerns around investments and limiting our clients' exposure to reputational risk.

AXA IM's RI framework, policies and processes are built to consider each of these impacts, at varying degrees depending on the level of integration of our products.

1.2. ESG analysis

AXA IM relies on its Q² (Qual & Quant) ESG scoring methodology, developed in 2021, which is further described in the AXA IM ESG Methodologies document available on our website.

- **Corporates**

This ESG Scoring methodology uses MSCI ESG scoring model as the starting point, complemented with fundamental ESG analysis provided by AXA IM ESG analysts which can i) complement current coverage from MSCI by transforming a qualitative analysis into a quantitative ESG score using MSCI pillars aggregation methodology and scores normalization ("qual-to-quant") or ii) adjust the existing, previously prevailing MSCI score, using MSCI pillars aggregation methodology and scores normalization, for cases where the AXA IM ESG analysts disagree with MSCI's ESG assessment, on the condition that the ESG Monitoring & Engagement Committee validates the proposal.

On Small and mid-caps, AXA IM uses the ESG raw scores from Reorg FinDox, aggregated using MSCI framework in 3 pillars, 10 themes and 35 key issues, as well as MSCI's sectorial weighting.

Finally, a specific methodology for green, social and sustainability bonds (GSSB) has been designed to include the bonds' qualitative assessment made by the dedicated ESG analysts into the Q² scoring frameworks. The qualitative analysis is based on AXA IM's Green, Social and Sustainability Bonds framework, made up of 4 pillars assessing i) the ESG quality and strategy of the issuer, ii) the use of proceeds and the process for project selection, iii) the management of proceeds and iv) the impact reporting.

- **Sovereigns**

MSCI ESG Government Ratings covers 198 countries and regions and provides ratings on more than 99 percent of outstanding sovereign debt in the marketplace and identifies 27 key issues for sovereigns within the three ESG pillars and reflect how countries' exposure to and management of environmental, social, and governance risk factors may affect the long-term sustainability of their economies.

- **Integration of ESG scores into portfolio construction and management process**

AXA IM uses ESG scores to identify and understand the impacts of ESG risks and opportunities on issuers and manage those impacts within the portfolio construction and management process with the objective to maximize ESG risk-adjusted returns.

ESG factors are financially material due to their impacts, positive and/or negative, on the cost of capital, company's credit risk, but also on the generation of sales and profits as well as on cash flow projections. The exposure to sustainability risks and opportunities and the nature of their impact varies by industries, consequently, the identification and analysis of the materiality of key ESG issues per sector and at sub-industry level, considering the timeframe is key. Then, comes the importance of assigning weights to those issues to build a comprehensive ESG score which properly reflects the issuer's degree of exposure to sustainability opportunities and potential risks. The ESG score, as well as the analysis per E, S and G pillars aims to inform portfolio managers' decision-making process by providing them an overview on where and how ESG factors contribute to risk-adjusted returns and prevent exposure to risks which could ultimately affects the financial performance.

Back in 2021, AXA IM considered MSCI has reached a good level of maturity in ESG scoring. Whilst the ESG data market has been maturing and to a certain extent converging towards a few providers, no universal standard exists and the correlation between ESG data providers across their universe remains low, at 54% on average and much lower than between credit rating agencies (according to Berg *et al.*, 2022[2]). At the time of the move, MSCI ESG scores correlation with existing AXA IM's proprietary ESG Scores was high. AXA IM also decided to rely on using MSCI pillars aggregation

[2] Berg et al. (2022), Aggregate Confusion: The Divergence of ESG Ratings, Review of Finance, Volume 26, Issue 6, November 2022, Pages 1315–1344, https://doi.org/10.1093/rof/rfac033

methodology and scores normalization when transforming qualitative ESG analysis into quantitative ESG score, with the objective of also facilitating the understanding of different stakeholders.

In its ESG scoring methodology, MSCI identifies key issues per sector, for each GICS® sub-industry, on the environmental and social pillars through several scenario analysis including the analysis of companies' business model considering, among other things, their geographical localization, their operations, their activities and if they operate in several industries, their supply chain. Then, those key issues are weighted according to i) the industry's contribution – relative to all other industries – to the negative or positive impact on the environment or society, and ii) the timeframe in which MSCI expects the related risks or opportunities for the industry's companies to materialize: it corresponds to the ESG Industry Materiality Map set by MSCI. For each company, based on the environmental and social externalities identified at a sectorial level, MSCI identifies several environmental and social key issues which could generate unanticipated costs. On the governance part, all companies are assessed on six governance key issues. These ESG scores are then reviewed periodically by MSCI, and in the event of emergence of controversies or governance events, it may lead to the interim updating of the ESG rating components by MSCI. The MSCI ESG Industry Materiality Map is available here: ESG Industry Materiality Map - MSCI.

Source: MSCI, April 2024

The weight of each Environmental and Social Key Issues ranges between 5% and 30% of the total ESG Rating. The minimum weight for the Governance pillar is 33%, for any industry. For diversified industries, the Key Issues are specifically weighted based on companies' activities.

At each end of calendar year, MSCI formally reviews Key Issues and weights.

The materiality maps for E, S and G issues are therefore complex, taking into account a multitude of parameters that should not be simplified, neither at a sectorial nor a cross-sectoral level, especially for financial products designed to mitigate exposure to ESG risks.

AXA IM's Q² ESG scoring methodology is the single ESG scoring methodology widely used across the financial products invested in traditional asset classes we manage. We strongly believe this methodology helps our portfolio managers to mitigate exposure to ESG risks, to protect financial returns, and to identify investment opportunities. Having different methodologies for building ESG ratings and applied across our portfolios, would dilute the identification and understanding of the key ESG issues' impacts, create confusion and ultimately scramble the comprehension of the ESG profile of a single company (compared to any other from any other sector). Diverging from the MSCI ESG Industry Materiality Map could lead to an artificial change in the ESG rating (upwards or downwards), making it impossible to reflect the reality of a company's ESG profile and to identify potential risks. Finally, it is to be noted that today, as confirmed by recent research findings (such as Berg *et al.*, 2022), the correlation of ESG ratings from the several data providers is positive but relatively low, as there is no consensus regarding the actual relative materiality of key ESG issues in relation to each other when ESG issues are taken as a whole. AXA IM is actively engaging with industry groups, policymakers, and supervisors on the need for ESG data distributed by data providers to be sufficiently robust, consistent and reliable, and highlights the importance of transparency on their methodologies.

At all times the fund(s) follows the Label ISR Standards and has a coverage of at least 90% in ESG analysis[3], and 100% for funds awarded with the Towards Sustainability Label.

1.3. Transparency and disclosures

AXA IM attaches great importance to communicating as transparently and comprehensively as possible to its clients in order to provide them with all the elements needed to understand responsible investment. Information related to AXA IM's responsible investment strategy are available on AXA IM's website.

Items	Document / Links
Human resources on Responsible Investment (incl. training initiatives)	AXA IM TCFD – Article 29 Annual Report
Governance structure and committees	AXA IM TCFD – Article 29 Annual Report
Internal and external ESG research	AXA IM TCFD – Article 29 Annual Report

[3] Quantified standards are calculated, where applicable, based solely on the eligible portion of the fund, with the exception of bonds and other debt securities issued by public issuers and cash held on an ancillary basis, and French social impact assets (i.e. "actifs solidaires") (which are then capped at 10% of the total assets under management at any time).

	AXA IM ESG Methodologies
Controversies prevention and identification policy	AXA IM ESG Standards AXA IM Engagement policy
Engagement policy (incl. engagement approach, process, escalation procedure)	AXA IM Engagement Policy
Voting policy (incl. security lending)	AXA IM Corporate Governance and Voting policy
Outcomes of the Stewardship Strategy (Engagement & Vote)	AXA IM Stewardship annual report
Voting records	ISS Platform with AXA IM voting records
Participation to industry initiatives	AXA IM Stewardship annual report
AXA IM Proprietary Green, Social and Sustainability Bonds framework	Driving impact in listed assets investments
AXA IM Proprietary Five pillars of impact investing for listed equities	
SFDR Entity disclosure related to sustainability risk and adverse sustainability impact	SFDR Entity Disclosure
Comments and complaints (including Claims policy)	Comments and Complaints | AXA IM Corporate (axa-im.com)
Control framework	AXA IM TCFD – Article 29 Annual Report

All the main financial and non-financial information relating to ESG funds is available on our local websites in accordance with local regulations.

The following contents are available on the local websites in the Literature section of funds' individual pages (https://www.axa-im.com/fund-centre):

- ESG Report which includes specific E, S and G key performance indicators such as carbon intensity and women on board as well as the proportion of voting rights exercised on companies' held in portfolio and the percentage of portfolio's issuers under engagement
- Engagement Report, including the proportion of the portfolio subject to engagement and themes targeted
- Voting Report (for equity and multi asset funds only) – with number of AGMs voted and rationales for any vote against the management
- Legal documentation
    - Prospectus (including SFDR precontractual annex)
        - Description of the fund's financial and extra-financial objective(s)
        - Description of the E/S Characteristics or Sustainability objectives and how they are integrated within the investment process
    - KIID
    - Annual reports and semi-annual reports including funds' inventories and SFDR periodic annex where SFDR PAI ex post results are reported
    - SFDR Website Disclosure
- Comments from the portfolio manager
- Factsheet with financial reporting

2. Label ISR

This section applies to Label ISR funds awarded under the "Securities asset management funds" section (*II.A.*) of the Label ISR Standards and does not apply to Label ISR funds awarded under the "Real estate asset management funds" (*II.B.*) of the Label ISR Standards.

For the specific case of funds of funds, at least 90% of underlying funds must be awarded the Labe ISR. For feeder funds, the master must be awarded the Label ISR.

2.1. Exclusions

Label ISR exclusion criteria apply to all listed corporate assets (e.g. equities, bonds and money market instruments) and listed sovereign debt assets that Label ISR funds awarded under the "Securities asset management funds" section (*II.A.*) of the Label ISR Standards invest in. These exclusion criteria do not apply to Label ISR funds awarded under the "Real estate asset management funds" (*II.B.*) of the Label ISR Standards.

AXA IM builds the internal exclusion list using the approach and external data providers listed in the below tables. The list is then reviewed qualitatively on its compliance with Label ISR Standards, on the basis of which issuers may be added to and/or removed from the initial list. The final version of the exclusion list is then proposed, discussed, and validated within our RI governance committees on a regular basis, at least annually, unless a specific event requires an intermediate revision[4] or a delay in the publication of data requires to postpone the update. A parent company of a banned subsidiary may be exempted, if quantitative data indicates that activity-related revenues are immaterial to the group. In such case, the involved subsidiary will be banned.

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.

2.1.1. Exclusion criteria applicable to activities excluded by the Label ISR[5] - Corporates

Activity	Criteria	Threshold	Provider used
Controversial Weapons	Any issuer involved in the production of systems, services, or components specifically designed for weapons whose use is prohibited by France's international commitments (biological weapons; chemical weapons; anti-personnel mines; cluster munitions)	0	ISS Ethix
UNGC	Any issuer suspected of serious and/or repeated violations of one or	NA	Sustainalytics

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

[5] "Label ISR – Label Standards" published on March 2024, available here in French and English: Critères d'attribution (lelabelisr.fr)

	more principles of the UN Global Compact		
Tobacco	Revenue derived from the production or distribution of tobacco, or products containing tobacco	> 5%	Sustainalytics
Coal	Revenue derived from the exploration, extraction or refining of thermal coal or the supply of products or services specifically designed for these activities, such as transport or storage	> 5%	Sustainalytics
	Any issuer developing new thermal coal exploration, extraction or transport projects	0%	Urgewald
Unconventional Oil & Gas	Total liquid or gaseous fossil fuel production from the exploration, extraction and refining of non-conventional liquid or gaseous fossil fuels. Unconventional liquid or gaseous fossil fuels are identified per the definition of the Scientific and Expertise Committee of the Sustainable Finance Observatory, namely oil shale and shale oil, shale gas and shale oil, oil sands, extra-heavy oil, methane hydrates, ultra-deep offshore oil and gas and fossil oil and gas resources in the Arctic	> 5%	Urgewald Bloomberg
Oil & Gas	Any issuer developing new projects for the exploration, extraction and refining of liquid or gaseous, conventional and/or unconventional fossil fuels	NA	Urgewald
Power Generation	Any issuer whose main activity is the production of electricity, and whose carbon intensity in the production of electricity is not compatible with the objectives of the Paris Agreement. The fund may be based on the thresholds below, or any other scenario in line with the objectives of the Paris Agreement	Year/geqCO2/kWh 2023 = 366 2024 = 326 2025 = 291 2026 = 260 2027 = 232 2028 = 207	Bloomberg

Tax	Any issuer whose head office is located in a country or territory included in the latest available version of the EU list of countries and territories not cooperating on tax issues	NA	EU List of non-cooperative jurisdictions for tax purposes
Money laundering / Financing of terrorism	Any issuer whose registered office is domiciled in a country or territory on the Financial Action Task Force (FATF) "*blacklist*" or "*greylist*"	NA	Financial Action Task Force (FATF)

- **To be noted:**

As mentioned in the introduction of this document, AXA IM RI policies are applied to all funds awarded with the Label ISR, on top of Label ISR Standards requirements.

- AXA IM already excludes controversial weapons as part of its RI top-level policies, covering Label ISR Standards expectations (AXA IM controversial weapons policy);
- AXA IM Climate Risks policy already cover development of new coal mines as well as the development of new coal assets (AXA IM Climate Risks policy);
- As part of our AXA IM Tobacco policy, we already exclude all tobacco producers (>0% revenues, AXA IM Tobacco policy);
- Similarly, violations of one or more of the UNGC principles are covered by AXA IM ESG standards.

Therefore, to avoid duplication of information, those exclusions are not included in the Label ISR specific ban-list.

2.1.2. Exclusion criteria applicable to sovereign debt instruments issued by countries excluded by the Label ISR[6]

Activity	Criteria	Threshold 2024	Provider used
Tax	Any sovereign included in the latest available version of the EU list of countries and territories uncooperative for tax purposes	NA	EU List of non-cooperative jurisdictions for tax purposes
Money laundering / Financing of terrorism	Any sovereign in the "*blacklist*" or "*greylist*" by the Financial Action Task Force (FATF)	NA	Financial Action Task Force (FATF)
Corruption	Any sovereign with a score strictly below 40/100 on the latest version of the corruption perception index	<40/100	Transparency International

[6] "Label ISR – Label Standards" published on March 2024, available here in French and English: Critères d'attribution (lelabelisr.fr)

	published by Transparency International

2.2. Engagement strategy

As per Label ISR requirements defined in the Label ISR Standards, AXA IM will conduct engagement with issuers held in portfolio in the following cases:

- *Issuers in the portfolio that do not publish one or more performance indicators selected as the two performance indicators Label ISR must outperform (criterion 1.c. of the Label ISR Standards), and for which the applicant fund considers that the indicator(s) is/are material in view of the issuers identified;*
- *Issuers with a transition strategy in line with the Paris Agreement, as defined in appendix 5 of the Label ISR Standards, and whose observed results are not in line with the defined objectives (see section 1.3. below)*[7]*;*
- *In the case the financial product has selected the ESG Rating Improvement as the SRI Strategy, issuers in the portfolio that are among the worst 30% of the initial investment universe on the basis of ESG rating (taking into account the grandfathering clause defined by criterion 3.1.d. of the Label ISR Standards). These issuers are systematically subject to an ESG engagement, the maximum duration of the engagement may not exceed 3 years (including potential escalations). The issuer may not be retained in the portfolio if no improvement is observed at the end of this period.*

AXA IM relies on its existing engagement policy, process and tools to conduct those engagements.

3. Label Greenfin

2.1. Assessment of Green Bonds

At the date of this document, AXA IM only manages fixed income portfolio awarded with the Label Greenfin[8]. If these funds directly invest in bonds, they should invest at least 75% of their total assets under management in green bonds that are compliant for the Label Greenfin definition:

Within the meaning of the Greenfin label, a green bond is defined as being issued by a company whose turnover contributing to the energy and ecological transition according to the taxonomy defined in Annex 1 is strictly greater than 50%, or as simultaneously meeting the following three criteria:

[7] The engagement process with issuers which do not have a credible transition plan will start on 1st January 2026, at the latest, as mentioned in the appendix 5 of the Label ISR Standards.
[8] Label Greenfin Criteria guidelines, in French and in English, are available here: Le label Greenfin | Ministère du Partenariat avec les territoires et de la Décentralisation Ministère de la Transition écologique, de l'Énergie, du Climat et de la Prévention des risques Ministère du Logement et de la Rénovation urbaine (ecologie.gouv.fr)

- *The bond must comply with the Green Bond Principles (GBP) set out by the International Capital Market Association (ICMA);*
- *The bond must finance projects strictly falling under the classification set out in appendix 1;*
- *The obligation shall not finance any excluded activities (see appendix 2).*

AXA IM relies on its proprietary Green, Social and Sustainability Bonds framework to identify eligible bonds. Therefore, Green, Social or Sustainability Bonds qualifying for funds awarded Label Greenfin are those with a “Positive” or “Neutral” opinion provided by dedicated AXA IM ESG analysts.

For each green bond, our analysts identify the percentage of proceeds that will be allocated to projects that are aligned with AXA IM’s green taxonomy and with the Label Greenfin Criteria guidelines, in addition to verifying that no excluded activities are included in issuer’s framework and projects. This is done by analysing issuers’ frameworks and reporting, and results in assigning a green share for green bonds.

The green share therefore corresponds to the framework planned allocation of proceeds aligned with Label Greenfin Criteria guidelines.

For the specific case of funds of funds, at least 90% of underlying funds must be awarded the Greenfin Label. For feeder funds, the master must be awarded the Greenfin Label.

2.2. Exclusions

When investing in non-green bonds, the Label Greenfin does not permit to invest in companies, projects or activities pertaining to the excluded sectors set out in appendix 2 of the Label Greenfin Criteria guidelines. Controversial weapons and controversies exclusions apply to all companies irrespective of the type of bonds.

AXA IM builds the internal exclusion list using the approach and external data providers listed in the below table. The list is then reviewed qualitatively based on compliance with the Label Greenfin Criteria guidelines, and issuers may be added to and/or removed from the initial list. The final version of the exclusion list is then proposed, discussed, and validated within our RI governance committees on a regular basis, at least annually, unless a specific event requires an intermediate revision[9] or a delay in the publication of data requires to postpone the update. A parent company of a banned subsidiary may be exempted, if quantitative data indicates that activity-related revenues are immaterial to the group. In such case, the involved subsidiary will be banned.

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.

Activity	Criteria	Threshold	Provider used
Controversial weapons	Issuers contravening the conventions on the prohibition of the use, storage, production and	0	ISS Ethix

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

	relocation of anti-personnel mines and their destruction (known as the 1997 Ottawa Convention) and concerning cluster munitions (known as the 2008 Oslo Convention) are excluded		
Controversies	Exclusion of companies due to proven, serious and repeated controversies	NA	Sustainalytics
Coal, Oil & Gas	Companies developing new projects for the exploration, extraction, transportation (of coal, oil or gas), and refining of solid, liquid or gaseous fossil fuels, as well as new power generation capacity from solid, liquid or gaseous fossil fuels are excluded.	0	Urgewald
Fossil fuels	Companies generating turnover from the following activities: - Exploration, extraction, refining and production of solid, liquid and gaseous fossil fuel products - The production of products derived from solid, liquid and gaseous fossil fuels. - Transport/distribution and storage of solid and liquid fossil fuels - Energy production as electricity and/or heat, heating and cooling from solid, liquid and gaseous fossil fuels - Supply of solid and liquid fossil fuels	>5%	Sustainalytics Trucost
Fossil fuels and deforestation	Companies generating turnover from one of the following activities are excluded from the investment scope of labelled funds. The activities excluded are: - Transport, distribution and storage of gaseous fuels - Supply services of gaseous fuels - Storage and landfill centres without GHG capture*; - Incineration without energy recovery*; - Energy efficiency for non-renewable energy sources and energy savings linked to optimising the extraction, transportation and production of electricity from fossil fuels*; - Logging, unless managed in a sustainable fashion as defined in appendix 1, and peatland agriculture. - The production, transport and distribution/sale of equipment and services	≥30%	Sustainalytics Trucost

	to/from customers in strictly excluded sectors (as defined above)*

* Those activities are not considered in the exclusion list due to absence of relevant data from external data providers.

- **To be noted:**

As mentioned in the introduction of this document, AXA IM RI policies are applied to all funds awarded with the Label Greenfin, on top of Label Greenfin Criteria guidelines.

- AXA IM already excludes controversial weapons as part of its RI top-level policies, covering Label Greenfin Criteria guidelines (AXA IM controversial weapons policy);
- AXA IM Climate Risks policy already cover development of new coal mines as well as the development of new coal assets (AXA IM Climate Risks policy);
- Similarly, exclusion of companies exposed to controversies are covered by AXA IM ESG standards, through the exclusion filters on International Norms and Standards and Severe Controversies (AXA IM ESG standards policy).

Therefore, to avoid duplication of information, those exclusions are not included in the Label Greenfin specific ban-list.

4. Towards Sustainability Quality Standard

3.1. Exclusions

Towards Sustainability Label exclusion criteria apply to all corporate assets (equities, bonds, and money market instruments) and sovereign debt assets that funds awarded with the Towards Sustainability Label invest in.

AXA IM builds the internal exclusion list using the approach and external data providers listed in the below tables. The list is then reviewed qualitatively based on compliance with the Towards Sustainability Quality Standard, and issuers may be added to and/or removed from the initial list. The final version of the exclusion list is then proposed, discussed, and validated within our RI governance committees on a regular basis, at least annually, unless a specific event requires an intermediate revision[10] or a delay in the publication of data requires to postpone the update. A parent company of a banned subsidiary may be exempted, if quantitative data indicates that activity-related revenues are immaterial to the group. In such case, the involved subsidiary will be banned.

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.

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

3.1.1. Exclusion criteria applicable to activities excluded by the Towards Sustainability Quality Standard[11] - Corporates

Activity		Criteria	Threshold	Provider used
Weapons		Max % revenue from illegal & controversial weapons[12]	0	ISS Ethix
		Max % revenue from weapons-related activities: - the manufacture of (other) weapons or tailor-made components thereof - sale of weapons	5	Sustainalytics
		Max % revenue from bespoke products, equipment or services dedicated to enabling the execution of weapons-related activities	25	ISS Ethix Sustainalytics
Tobacco		Max % revenue from tobacco-related activities: - tobacco production, tobacco products or e-cigarettes[3] - wholesale trading of tobacco products or e-cigarettes	5	Sustainalytics
		Max % revenue from bespoke products, equipment or services dedicated to enabling the execution of tobacco-related activities	25	Sustainalytics
Coal[3]		Max % revenues from thermal coal-related activities: - Thermal coal prospecting or exploration - Extraction/mining of thermal coal - Processing of thermal coal - Transportation of thermal coal And max 10% Mt of thermal coal production	5 (10% for transportation)	Trucost Urgewald
	OR,	Companies that do not have a SBTi target set at well-below 2°C or 1.5°C or have a SBTI' Business Ambition for 1.5°C' commitment	NA	SBTi database[13]

[11] "Towards Sustainability Quality Standard" version of 2023, available here: Quality Standard | Towards Sustainability
[12] AXA IM exclusion policies have similar or stricter thresholds than the Towards Sustainability Quality Standard
[13] Companies Taking Action, Science Based Targets, available here: https://sciencebasedtargets.org/companies-taking-action

	AND,	Companies that increase their absolute production of or capacity for thermal coal-related activities	NA	Trucost
	AND,	Companies that are involved in coal exploration, exploitation or development of new coal mines		Urgewald
		Max % revenue from bespoke products, equipment or services dedicated to enabling the execution of coal-related activities	25	Sustainalytics
Unconventional oil & gas supply[3]		Max % revenues from unconventional oil & gas-related activities: - Unconventional oil and gas prospecting or exploration - Extraction of unconventional oil and gas	5	Sustainalytics
	OR,	Companies that do not have a SBTi target set at well-below 2°C or 1.5°C or have a SBTI' Business Ambition for 1.5°C' commitment	NA	SBTi database[4]
	OR,	Max % of unconventional oil and gas production on the total oil and gas production	5	Urgewald
	AND,	Companies that increase their absolute production of or capacity for unconventional oil & gas-related activities	NA	Urgevald
	AND	Companies that are involved in exploration, exploitation or development of new unconventional oil or gas fields	NA	Urgewald
		Max % revenue from bespoke products, equipment or services dedicated to enabling the execution of unconventional oil and gas-related activities	25	Sustainalytics
Conventional oil & gas		Max % revenue based on oil & gas-related activities: - Oil or gas prospecting or exploration - Extraction of oil or gas	5	Trucost

		- Processing or refining or oil or gas (except oil to chemicals) - Transportation of oil (not distribution)		
	OR,	Companies that do not have a SBTi target set at well-below 2°C or 1.5°C or have a SBTI' Business Ambition for 1.5°C' commitment	NA	SBTi database[14]
	OR,	Companies that have emission intensity not aligned with 1.5°C target	>55,75gCO2e/ MJ	TPI database[15]
	AND,	Companies involved in exploration, exploitation or development of new oil or gas fields	NA	Urgewald
		Max % revenue from bespoke products, equipment or services dedicated to enabling the execution of conventional oil and gas-related activities	25	Sustainalytics
Power Generation		Min % revenue derived from contributing activities[16]	50	Trucost
	OR,	Max % revenues from generation of power or heat from non-renewable energy sources	5	Trucost
	OR,	Companies that do not have a SBTi target set at well-below 2°C or 1.5°C or have a SBTI' Business Ambition for 1.5°C' commitment	NA	SBTi database[5]
	OR,	Companies that have a carbon intensity not aligned with 1.5°C target	>0,348tCO2e/ MWh	Bloomberg
	AND,	Companies that are involved in building new-coal fired power stations	NA	Urgewald
	AND,	Companies that structurally increase their absolute production of or capacity for	NA	Trucost Urgewald

[14] Companies Taking Action, Science Based Targets, available here: https://sciencebasedtargets.org/companies-taking-action

[15] Carbon performance of publicly listed companies, available here: https://www.transitionpathwayinitiative.org/

[16] To identify contributing activities we rely on renewable energy including biomass power generation, geothermal power generation, hydroelectric power generation, solar power generation, wave generation and wind power generation.

		coal-based power and is above 5GW		
	Grandfathering for electric utilities Electricity utilities with a carbon intensity lower **335 gCO2/kWh** and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible			Trucost
Normative[17] screening		The manager shall have in place procedures to monitor the alignment of investee companies with: o The UN Global compact o The UN Guiding Principles on Business and Human Rights (UNGPs) o The OECD Guidelines for Multinational Enterprises (as far as relevant) o The ILO Conventions	NA	Sustainalytics

- **To be noted:**

As mentioned in the introduction of this document, AXA IM RI policies are applied to all funds awarded with the Towards Sustainability Label, on top of Towards Sustainability QS.

- AXA IM already excludes controversial weapons as part of its RI top-level policies with similar criteria than Towards Sustainability QS (AXA IM controversial weapons policy);
- AXA IM Climate Risks policy already cover development of new coal mines as well as the development of new coal assets (AXA IM Climate Risks policy);
- As part of our AXA IM Tobacco policy, we already exclude all tobacco producers (>0% revenues, AXA IM Tobacco policy);
- Similarly, violations of International norms and standards are covered by AXA IM ESG standards (AXA IM ESG standards policy).

Therefore, to avoid duplication of information, those exclusions are not included in the Towards Sustainability specific ban-list.

- **Phase-out:**

As specified in the Technical version of the Quality Standard (criterion *3.7.d.*):

Some companies performing activities under a) currently do not yet meet the transition-related eligibility criteria in b) iii. but are nevertheless within the best of their peer group in transitioning their

[17] AXA IM exclusion policies have similar or stricter thresholds than the Towards Sustainability Quality Standard

business model. A sustainable financial product can finance these companies selectively and to a limited extent, under the following conditions:

- *The total portfolio exposure to non-compliant companies is < 5%. This margin will decrease by 1pp (percentage point) per year as of 1/1/2023.Additionally, companies in this margin shall be subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition.*
- *Companies in this margin shall still meet the governance and non-expansion eligibility criteria in b) i & ii.*

Portfolios using the phase-out margin, shall reduce it to 0% by 30/6/2025.

To comply with this criteria, AXA IM relies on MSCI data to identify companies involved in sustainable energy transition.

3.1.2. Exclusion criteria applicable to countries excluded by the Towards Sustainability Quality Standard[18]

Instrument	Criteria	Threshold 2023	Provider used
All Sovereign Bonds	The strength of the governance of a State is measured using the 6 Worldwide Governance Indicators (WGI), established by the World Bank: 1. Voice and Accountability 2. Political Stability and Absence of Violence/Terrorism 3. Government Effectiveness 4. Regulatory Quality 5. Rule of Law 6. Control of Corruption		
	Min average score on all 6 WGIs	-0.59	World Bank
	Min score on a single WGI	-1.00	World Bank
Sovereign bonds High Income countries only	**States that have not ratified or have not implemented in equivalent national legislation:**		
	The eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental	NA	ILO

18 "Towards Sustainability u" version of the 30 June 2023, available here: https://www.towardssustainability.be/en/quality-standard

	Rights and Principles at Work		
	At least half of the 18 core International Human Rights Treaties	NA	OHCHR
States which are not party to:			
	The Paris Agreement	NA	UNTC for Paris Agreement
	The UN Convention on Biological Diversity	NA	CBD for biodiversity
	The Nuclear Non-Proliferation Treaty	NA	UNODA
States with particularly high military budgets (>4% GDP)		4	World Bank
States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF		NA	FATF
States with less than 40/100 on the Transparency International Corruption Perception Index		40	Transparency International
States qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey		NA	Freedom House
State does not have the death penalty legal in use		NA	

AXA IM relies on the list shared by the Towards Sustainability Labelling Agency (CLA) to perform screening on Sovereign instruments.

3.1.3. Approach in place for use-of-proceeds

The Technical Quality Standard proposes a specific approach for Use-of-proceeds instruments, which is detailed in the section on Use-of-Proceeds instruments Bonds of the document (criterion *4.3*), as follows.

Use-of-proceeds instruments shall meet the following criteria:

a) Use-of-proceeds instruments shall comply with an appropriate framework (e.g. ICMA/CBI/EU GBS/LMA) and be subject to independent external review. For some specific issuers, supranational institutions and agencies, this might not be possible. In that case, elaborate on equivalence (see c.).

b) Issuers and beneficiaries of use-of-proceeds instruments shall be subject to the ESG due diligence process of the product manager. The environmental, social and governance aspects of the financed programs/projects shall be taken into account when investing in use-of-proceeds instruments.

c) The evaluation of use-of-proceeds instruments issued by financial institutions, governments and supra-nationals is left to the discretion of the product manager.

Use-of-proceeds instruments issued by companies that fail the business criteria (c) of 3.4-3.7, can be eligible as long as the governance criterium (b) i) is met and particular attention is given in the ESG due diligence process to these companies' overall transition efforts

Use-of-proceeds instruments issued by sovereigns that fail the criteria of 2.1 can be eligible.

These business criteria relate to Coal, Unconventional oil & gas, Conventional oil & gas and Power Generation sector policies of the Technical version of the Quality Standard[19].

AXA IM relies on its proprietary Green, Social and Sustainability Bonds framework to identify eligible bonds. Therefore, Green, Social or Sustainability Bonds issued by Corporate or Sovereign issuers qualifying for funds awarded the Towards Sustainability Label are those with a "Positive" or "Neutral" opinion provided by dedicated AXA IM ESG analysts. Green, Social or Sustainability Bonds issued by issuers excluded based on the Towards Sustainability criteria for Coal, Unconventional oil & gas, Conventional oil & gas and/or Power generation are thus eligible for investment. Other bonds issued by these issuers will still be excluded.

3.2. AXA IM's approach to other material ESG issues

Outside of the exclusion criteria mentioned above, AXA IM addresses other ESG issues considered as key according to section 4.9 of the technical Quality Standard through its stewardship activities and Q² ESG scoring framework. These activities are listed in the below table.

Activity	AXA IM
Biodiversity	In June 2021, we extended our existing Palm Oil policy with a more comprehensive approach to Ecosystem Protection & Deforestation. In addition to exclude companies involved in unsustainable palm oil production, including land rights conflicts and illegal logging issues, we now ban companies which face significant land use controversies and are responsible for biodiversity loss in relation to soy, cattle and timber. We also reinforced our engagement approach with companies involved in those issues, to help change and improve practices. In 2023, our greatest efforts focused on companies implicated in the agrifood value chain – predominantly the food products sector but also

[19] "Towards Sustainability Quality Standard" version of the 30 June 2023, available here: https://www.towardssustainability.be/en/quality-standard

	consumer staples distribution and retail – as well as the chemical industry. The food and chemical industry figure among the top three industries with the highest potential negative biodiversity impact according to a recent multi-tool study. We engage, as a shareholder, individually where needed, and via coalitions wherever possible. On deforestation specifically, the global goal of our engagement activities is to accompany issuers identified as exposed to deforestation risks in setting up clear zero deforestation and natural ecosystems conversion-free goals by 2025 supported by concrete and effective actions.
Water use	As part of our biodiversity engagement programme, we engage with companies on water use issues, as well as water pollution and water quality. For example, we have identified that within the agri-food sector, the high level of animal waste produced by industrial farming annually can lead to nutrient and water pollution, posing significant risks to ecosystems. For its Q² proprietary scoring methodology, AXA IM mainly rely on MSCI ESG Scores within which Water Stress is identified as a Key Issue under the Natural Capital pillar.
Pollution & Waste	At AXA IM, we conduct research and stewardship activities in a number of ESG issues including pollution and waste. In 2022, AXA IM joined FAIRR collaborative engagement on biodiversity, focused on waste and pollution. aims to drive pork and poultry producers to conduct meaningful risk assessments around animal waste and put in place action plans to reduce their corresponding impact on biodiversity. We participated in several company engagements in 2023. We also joined the Investor Initiative on Hazardous Chemicals supported by ChemSec with the objective to engage with companies on the management of hazardous substances. For its Q² proprietary scoring methodology, AXA IM mainly rely on MSCI ESG Scores. For Corporate, waste and pollution key performance indicators from MSCI is focusing on electronic waste, packing materials and waste, toxic emissions and waste. The weight of these indicators depends on their materiality for each sector.
Gender & Diversity	We believe gender diversity is a key factor in achieving and maintaining a healthy and efficient working environment. We believe it can boost the emergence of talent, the generation of innovative ideas and business performance overall. This means that appropriate gender representation could potentially drive better corporate performance for companies, as well as shareholders, and encourage to improved leadership and governance. To progress on this target, we rely on our voting and engagement activities. - Since AXA IM target listed companies in developed market economies where at least one-third of the Board of Directors is not gender diverse. AXA IM has and will continue to push all companies, in both developed and emerging markets, to disclose and report against their executive committee gender diversity policy and targets.

	- In 2022, we have continued to reinforce our engagement activities around gender diversity, partnering with our industry peers to push for progress. In line with our ambitions and the objective of increasing collaboration we helped create the 30% Club France Investor Group, calling other asset managers to join us while encouraging large French companies to commit to promoting gender diversity at a senior level. - In 2023 we pursued engagement activities with French and Asian companies. The goal is for companies to appoint women to at least 30% of executive committee seats by 2025, compared to just 21% in 2020. Since its launch we have continued to collaborate as part of the group as an active member. In 2022, AXA IM Japan joined the 30% Club Japan Investor Group aiming to work collectively with other investors to accompany Japanese companies in integrating the diversity and gender equality matter within their strategies
Taxation	AXA IM has developed its own model to identify highly reputation risky countries. The objective is to limit the reputational or headline risk in order to avoid negative perceptions associated with the financing of countries which are strongly in violation of human rights and show clear governance dysfunctions such as promoting corruption or criminal fraud, money laundering or tax havens.
Oppressive regimes (government and company level)	AXA IM applies a ban on some countries submitted to international sanctions. In addition, AXA IM has developed its own model to identify highly reputation risky countries. The objective is to limit the reputational or headline risk in order to avoid negative perceptions associated with the financing of countries which are strongly in violation of human rights and show clear governance dysfunctions such as promoting corruption or criminal fraud, money laundering or tax havens.
Death penalty	AXA IM wants to promote countries that respect human rights and civil liberties. AXA IM's Q² ESG Scoring methodology on sovereign relying on MSCI ESG Score includes key issues on stability and peace, corruption control, political rights and civil liberties. This model is used by Fixed Income Portfolio Manager to assess the situation of each country in the quarterly country review process.
Forward contracts on agricultural commodities	Since 2015, AXA IM has implemented a Soft Commodities policy to exclude from its investments derivatives on soft commodities, including ETF.

5. Implementation

When exclusions required by the Sustainable Labels overlap with our AXA IM RI exclusion policies, the strictest rule applies.

The Policy is implemented, taking into account local regulation and both the client's as well as the fund's best interests, 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 these standards dictates divestments, portfolio managers shall disinvest at their discretion within this transition period taking into account the portfolio impacts based on market conditions, liquidity and portfolio construction constraints. The transition period should not exceed three months.

6. Appendix

Below are listed the funds awarded with the labels, at the date of the document.

4.1. Scope of funds awarded with the Label ISR

The Label ISR V3 Standards is gradually being implemented across the financial products to which it applies as the legal documentation of concerned financial products is updated. The table below lists the financial products which already integrate Label ISR V3 Standards and will be updated until 1st January 2025, deadline for the implementation of Label ISR V3 guidelines to products already awarded with the Label ISR.

Name of the fund	SRI Approach	SRI Criteria	ESG KPI 1	ESG KPI 2	ISR first date of labelling
AXA Select Obligations	Best-in-Universe	ESG Score	Carbon intensity Scope 1+2	Women on Board	Application – October 2024
AXA WF Global Sustainable Equity (not launched at the date of the document)	Best-in-Universe	E Score	Carbon intensity Scope 1+2	Water Intensity	Application – October 2024
Dedicated fund (European equities)	ESG Rating Upgrade Approach	ESG Score	Carbon Intensity Scope 1, 2 & 3	Women on Board	Application – October 2024
Dedicated fund (bonds)	ESG Rating Upgrade Approach	ESG Score	Carbon Intensity Scope 1, 2 & 3	Women on Board	Application – October 2024

4.2. Scope of funds awarded with the Greenfin Label

Name of the Financial Product	Greenfin first date of labelling	Indicator selected to measure the environmental impact
AXA WF ACT Green Bonds	28/03/2017	tCO2 emissions avoided per year and Green Share
AGIPI Obligations Monde (feeder)	24/01/2022	
AXA WF ACT Dynamic Green Bonds	24/01/2022	
AXA Horizon Durable (feeder)	Application – October 2024	
Dedicated fund (bonds)	Application – October 2024	

4.3. Scope of funds awarded with the Towards Sustainability Label

Name of the Financial Product	Towards Sustainability first date of labelling	Towards Sustainability Strategy
AXA WF ACT Green Bonds	30/10/2019	Sustainability-themed
AXA WF Sustainable Equity QI	24/02/2020	Carbon Intensity Scope 1+2 outperformance by at least 15% compared to fund's official benchmark
AXA WF ACT Multi Asset Optimal Impact	06/05/2020	Sustainability-themed

AXA WF Euro Buy and Maintain Sustainable Credit	06/05/2020	Best-in-class
AXA WF Euro Sustainable Bonds	06/05/2020	Best-in-class
AXA WF Framlington Sustainable Eurozone	19/02/2021	Best-in-universe
AXA WF ACT Dynamic Green Bonds	22/12/2021	Sustainability-themed
AXA WF ACT Social Bonds	22/12/2021	Sustainability-themed
AXA WF Euro Selection	22/12/2021	Best-in-universe
AXA WF ACT Biodiversity	05/10/2022	Sustainability-themed

4.4. ESG Key Performance Indicators methodologies

Carbon Intensity: Environmental KPI provided by Trucost S&P. The amount of carbon dioxide released into the atmosphere per million$ of revenue. It is expressed in CO_2 tons per millions revenue.

Carbon Scope 1: Environmental KPI provided by Trucost S&P. Greenhouse gas emissions generated from burning fossil fuel sand production processes which are owned or controlled by the company (reference: GHG Protocol).

Carbon Scope 2: Environmental KPI provided by Trucost S&P. Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company (reference: GHG Protocol).

Carbon Scope 3: Environmental KPI provided by Trucost S&P. Scope 3 emissions are defined as all other indirect emissions (not included in scope 2) that are generated throughout a company's value chain and can often be the largest source of emissions for companies. Scope 3 emissions are the upstream and downstream activities of a company. Upstream emissions are associated with purchased or acquired goods and services, while downstream emissions are associated with the use of sold goods and services. Trucost considers all upstream and downstream scope 3 categories as outlined by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Eligible Green Share of Revenues: Bespoke Environmental KPI derived from TrucostS&P. It represents the revenues exposure to specific green business lines from a subset of activities deemed as eligible by the EU Taxonomy. The KPI reported is calculated as described in the standard methodology section.

GHG Intensity: The Greenhouse gas (GHG) emissions intensity corresponds to the carbon emissions of a company normalized for size by dividing annual carbon emissions by Enterprise Value Including Cash (EVIC – in millions of euros). The KPI is weighted. The GHG Emissions are provided by Trucost S&P and the KPI is computed internally.

Tons of CO_2 emissions avoided: Environmental KPI provided by Carbone4. This metric is the carbon emission reduction (per year) divided by the AUM of the fund.