

Transparency Code

AXA IM Sustainable Equity



This transparency code describes the ESG approach in place for the **AXA IM Sustainable Equity** fund.

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of AXA IM. We have been involved in Responsible Investment since 1998.

AXA IM is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

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1. General information about the Management Company

a. Name of the fund management company that manages the applicant fund(s):

AXA Investment Management Australia Ltd

b. What is AXA IM's track record and principles when it comes to integrating SRI into its processes?

AXA Investment Managers has a strong conviction that Responsible Investment is a key driver of value-creation, and our Management Board has therefore decided to progressively integrate Environmental, Social and Governance (ESG) analysis across all asset classes. In that perspective, AXA IM has invested significant resources into building a team of experienced RI professionals acting as a centre of excellence to support the integration of ESG risks and opportunities in the investment processes of our investment teams, working closely with a number of RI specialists within each investment teams.

ESG integration across asset classes

- **ESG data:** Portfolio Managers and Financial Analysts are provided with ESG information to ensure ESG risks and opportunities are incorporated in their analysis of a company. This includes:
 - **ESG scores**, which are calculated twice a year using a [proprietary methodology](#) developed and maintained by the Responsible Investment Solutions, Tools and Models team, tested by each investment team and signed-off by the Risk department and before release through a dedicated governance. These scores are then made available to portfolio managers and analysts across the company.
 - **Internal Research:** ESG analysts within the investment teams can support portfolio managers in their analysis of a company. ESG is now incorporated in the work of the credit analysis team.
 - **Internal and External ESG research** (including access to ESG data solutions – including MSCI, Sustainalytics, ISS Oekom and Vigeo). Internal ESG research on themes with a focus on climate change, human capital and health in particular. These analyses are supported by broker research, as well as regular meetings with companies, participation to conferences and industry events.
 - Through our **RI Front Office tool**, Investment teams have access to a wide range of extra-financial data and analysis on environmental, social and governance, 'ESG' factors, across asset classes. More than 70 Environmental, Social and Governance KPIs are integrated in our Front Office tool, including carbon intensity, % of independent directors, employees turnover as well as water intensity. Therefore, it enables our fund managers to:
 - Assess the extra-financial risk of their investments
 - Measure a security performance on ESG indicators
 - Integrate new factors of performance and stock picking into investment process
 - Have access to RI internal and external research
- **Regular training on ESG issues** and on the key elements of our RI framework. This aims at ensuring investment teams have the tools and are empowered to integrate ESG in their daily activities.

- **Exclusion policies:**¹
 1. We monitor systematically and exclude strong ESG risks (controversial weapons, ecosystem protection & deforestation, soft commodities, climate risks) for all assets under management. Included in the climate risk policy, we ban coal and Unconventional Oil and Gas.
 2. For ESG integrated, ESG Integrated +, Sustainable Investing and Impact funds, we apply an additional screening with the AXA IM ESG Standards focused on tobacco, white phosphorus weapons as well as breach of international norms and standards including the UN Global Compact (Global standard screening and Level 5 of controversies from Sustainalytics) and we monitor with attention low ESG scores, those with an ESG Score below 1.49 out of 10. Most of these constraints are coded to enable a level 2 control performed by an independent “Investment Guidelines” team.
- **Stewardship strategy:** the strategy is coordinated by the RI Coordination & Governance and the RI Research teams who oversee voting on behalf of our clients, and of defining and coordinating our engagement strategy. Voting is overseen by a Corporate Governance committee which is attended by representatives from both teams as well as from investment teams and implemented in close partnership with the investment teams. Engagement activities are overseen by an ESG monitoring and Engagement committee which meets on a quarterly basis and involves RI professionals and representatives from investment platforms, Risk and Sales teams.

In addition to this, AXA IM manages a range of Sustainable Investing and Impact funds for which the level of ESG integration is even more stringent with specific ESG objectives set which have a significant and engaging impact on the investment process, and regularly monitored. A number of these funds have been awarded a sustainability-related label and, for these funds, a yearly audit is performed by external auditors to ensure adherence with these objectives.

Corporate Responsibility

We believe that success lies where value creation and growth can be shared by everyone - for our clients, employees, future talent and the communities we serve or who rely on us. Just as we are an active player in responsible investment, with ESG integration embedded across our investment platforms and RI experts, we recognise our role as a business and employer, to hold ourselves to the same high standards of responsibility that we ask of others. We are a member of the Coalition for Inclusive Capitalism, which is a global effort dedicated to promoting and encouraging greater corporate and social responsibility.

Central to our decision making is our Sustainability Forum, led by our Executive Chairman. This is where we shape our vision and convictions for sustainability at AXA IM, across responsible investing and corporate responsibility. For corporate responsibility, our framework is aligned to the United Nations’ Sustainable Development Goals (UN SDG) and based on 3 key pillars:

1. People

We strive for an inclusive work environment built on fairness, equality and wellbeing in which performance and long-term employability can be nurtured. We use our voice as a leading asset manager, pushing for progress on key topics, such as gender equality. We are members of the 30% Club Investor Groups in France and the UK, which look to increase the representation of women in executive management. We have also signed the Women in Finance charter and achieved the EDGE (Economic Dividends for Gender Equality) certification in recognition of our global commitment to gender equality in the workplace. Looking beyond our business, we have a procurement process in place to ensure that our partners and suppliers act with equal integrity and responsibility on human rights.

¹ All our exclusion policies (RI sectorial policies and ESG Standards) are available on the AXA IM website: <https://www.axa-im.com/responsible-investing/sector-investment-guidelines>

Our commitment to shared value extends to our local communities, supporting them to similarly grow and prosper. We focus on projects with a tangible societal impact, across education, health and climate change/biodiversity. We have donated 5% of the fees from our Impact Funds to organisations committed to positive change and our Real Assets team recently partnered with IN'LI to construct affordable housing in France, seeking to build 1,500 homes per year, with a target of 25,000 homes by 2030.

Our volunteer community '**AXA Hearts in action**' enables our employees to dedicate their time and expertise to local charities focused on education, social integration and housing. Our employees are currently partnering with 19 organisations across 9 countries. Activities include speaking to secondary school students about our work roles and expertise, sharing our skillset with local charities and fundraising initiatives across our global offices. Our calendar of activity runs all year but culminates with a week for our employees dedicated to Corporate Responsibility, to increase awareness and drive opportunities for engagement and collaboration on priority topics.

2. Environment

As a leading asset manager, we recognise the responsibility and role we must play as an investor in leading the transition to a low carbon economy – notably demonstrated through our membership of the Net Zero Asset Manager initiative. Recognising equally our own impact as a business, we are currently working towards a 25% minimum reduction in our own CO2 emissions by 2025, notably across our premises and business travel. We seek alternative approaches that can reduce or offset the environmental impact of our corporate offices through promoting energy and waste management best practices and driving operational efficiencies. We actively measure and manage our environmental footprint, implementing recycling and saving schemes to include the reduction of paper consumption, waste management and green energy consumption. AXA IM is aligned with RE100, which brings together influential businesses committed to renewable energy and we are currently exploring with AXA Group how we can achieve 100% renewable energy in our European offices by 2025.

3. Business resilience and sustainable growth

We seek to produce a long-term profit in a responsible, resilient and sustainable manner. As a responsible investor, we actively use company engagement and voting to positively influence the corporate behaviours needed to drive long term sustainable growth. As a business, we similarly work to nurture a relationship of accountability, transparency and trust with our clients, employees and all those who engage and partner with us. Our AXA IM Standards framework details the policies and processes followed by AXA IM, to ensure that we manage risk robustly and run our business ethically and transparently. Our code of conduct includes processes on topics such as anti-bribery, whistleblowing and handling of data, with topics reinforced by regular communication and employee training. From the top management of our organisation to our day to day operations, we seek the responsible way forward.

c. How does the company formalize its sustainable investment process?

All our RI-related policies are available on the AXA IM website in the [Responsible Investment section](#).

- o [AXA IM Responsible Investment policy and AXA IM ESG Standard](#)
- o [AXA IM Corporate Governance & Voting policy](#)
- o [AXA IM Engagement Policy](#)

d. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by AXA IM?

Scoring Methodologies:

We have developed our proprietary ESG Framework structured around the three pillars E, S and G for corporates and sovereigns. ESG data fed through front office tools help fund managers to assess how companies are mitigating ESG risks and taking advantage of these criteria to improve their competitive position in their own sectors. The methodologies are described further below.

Internal and External Research:

RI experts' analyses are also supported by broker research, as well as regular meetings with companies, participation to conferences and industry events.

In addition, RI experts are also providing internal ESG research on themes with a focus on climate change, biodiversity, human capital and gender diversity, health and data privacy / cyber security in particular.

Climate Change research and data:

A package of Environmental KPIs is available in the Front Office tool to allow the full understanding and analysis at issuer level. This leverages our relationship with providers such as Carbon Delta, Trucost, and Beyond Ratings.

e. How many employees are directly involved in AXA IM's sustainable investment activity?

AXA IM has invested significant resources into recruiting RI experts and analysts who work with our investment teams to integrate ESG issues into their investment processes. The range of backgrounds includes fund management, sell-side research, quantitative analysis, strategy and project management, in addition to relevant RI experience; ensuring that RI issues are integrated using an investment-relevant approach. In total, more than 30 employees are involved at full-time in RI / ESG activities. There are other professionals who are not included but whose ESG work is embedded in their day-to-day routine.

More specifically, the RI research capabilities are organised as follows, within AXA IM Core:

- The **RI Research team** is responsible for thematic research with a focus on climate, biodiversity, human capital & diversity as well as health, nutrition and data privacy, ensuring it translates into implementable investment decisions across platforms. This team also leads shareholders engagement on those themes. Within this team, dedicated RI Analysts are in charge of defining the eligible Green, Social and Sustainability bonds universe. They rely on our proprietary framework notably inspired by the Green and Social Bond Principle (GSBP) and the Climate Bonds Initiative (CBI) Standards.
- The **RI Coordination and Governance team** is responsible for transversal RI projects and corporate governance including voting policy on key themes mentioned above. The Active Ownership strategy is built and led jointly with the RI Research team.
- Our **RI Solutions, Tools and Models team** is dedicated to the development of ESG quantitative solutions. As such, the team has developed a proprietary ESG framework and RI Search platform, providing portfolio managers and analysts with ESG raw quantitative data, KPIs, internal and external research and proprietary ESG scores.

- **ESG specialists within the investment platforms** oversee product development, the operational implementation of ESG processes, building portfolio RI eligible universes and support the integration of ESG criteria and RI approaches within portfolio construction and decision-making processes.
- **ESG analysts integrated within investment teams:** ESG specialists are embedded the investment teams to conduct ESG analysis at the company level, working closely with fund managers. Some Analysts integrate ESG criteria in their financial recommendations, our conviction being that ESG provides a complementary analysis to traditional financial research; these issues may have financial impacts for companies in the short and/or long-term time horizon.
- **Impact analysts integrated within investment teams:** they perform qualitative impact analysis on companies based on five key pillars, reviewing their products or services and operational activities to demonstrates whether a company contributes to the Sustainable Development Goals or to a specific impact.

f. Is the company involved in any RI initiatives?

As interest in ESG grows among clients and regulators in many geographies, the need for clearer definitions and usable standards is a top priority for the financial industry. This forms another important area for our public policy engagement.

We adopt a selective approach when deciding which initiatives we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact.

To learn more on the industry initiatives and public policy consultations we participated to and investor statements we contributed to or supported: [2020 AXA IM Active Ownership and Stewardship report](#).

General Initiatives	Environmental/Climate Initiatives	Social Initiatives
<ul style="list-style-type: none"> ○ EFAMA RI WG ○ PRI - Principles For Responsible Investment ○ SIFs - Sustainable Investment – Research Commission ○ GIIN – Global Impact Investing Network ○ AFG – Association Française de Gestion 	<ul style="list-style-type: none"> ○ Climate Bond Initiative ○ Green Bond Principles ○ IIGCC – Institutional Investors Group on Climate Change ○ Climate Action 100+ ○ Net Zero Asset Managers Initiative ○ One Planet AM Summit 	<ul style="list-style-type: none"> ○ 30% Investor Club ○ Access to Medicine Index ○ Access to Nutrition

2. General information about the fund

What is the fund aiming to achieve by integrating ESG factors?

As an active, long-term investor, we believe it is our role to incorporate non-financial criteria in the analysis of issuers, and to guide companies towards more responsible behaviour through our stewardship activities.

The integration of ESG factors in the management of the funds in scope responds to this objective, and we believe that the combination of fundamental non-financial factors associated with traditional financial criteria makes it possible to deliver sustainable return over the long-term. A non-financial approach has indeed become necessary in more than one way:

- It contributes to eliminating companies exposing portfolios to ESG risks that ultimately affect financial performance
- Based on the ESG analysis, improve our understanding of the long term issues integrated into the companies' strategy
- It allows to refocus portfolios around companies that have implemented good practices in terms of managing their environmental impacts, governance and social practices
- It can help to improve companies' performance through active dialogue with companies on the management of ESG issues and limits our exposure to reputational risks.

3. Investment process

a. How are the results of the ESG research integrated into portfolio construction?

As part of AXA IM's fiduciary duties to its clients and long term, active investment approach, we have always strongly incorporated broad non-financial criteria and guided companies towards a more responsible behaviour. In addition to adhering to AXA IM overarching ESG integration framework and being part of the related governance sponsored by AXA IM Management Board, each investment platform incorporates ESG in a manner which is relevant for the specific asset class, as described below.

At AXA IM, ESG is not just an additional factor to consider at the portfolio construction stage. Our research into the link between ESG information and the fundamental drivers of long-term risk and return has been coded into our proprietary factor models. We believe that integrating ESG information complements our fundamental insights and may change our opinion of the economic worth of a stock. Accordingly, we believe that the thoughtful use of ESG insights can help investment outcomes, help reduce risks and potentially improve long-term returns for our clients. This framework is used in conjunction with extra-financial indicators such as carbon and water intensity data, as well as exclusion lists, to provide a holistic view of each company attributes. The ESG scores and data are integrated into our investment processes at the portfolio construction phase. We do this using an optimiser, as this allows the portfolio to retain the desired exposure to low volatility and high earnings quality while improving materially the overall ESG profile of the Fund relative to its benchmark index.

This same approach is also used for to build our funds related to the United Nations Sustainable Development Goals, investing in companies offering products and services aligned with these social and environmental objectives.

ESG considerations also enter our investment process upstream in the construction of our factors. Our fundamental research is aimed at understanding the relationship between ESG concepts and traditional drivers of risk and return. We aim to improve our modelling of the factors we use through the inclusion of ESG ideas and trends. An example of this is our use of board diversity indicators to improve our prediction of the expected change in earnings quality. Over time, we expect this upstream integration to play a larger role in our investment process

b. What ESG criteria are taken into account by the fund?

The AXA IM Sustainable Equity fund is a global equity solution designed to deliver long-term wealth generation by considering fundamental factors insights alongside ESG considerations. We believe that integrating ESG information into the investment process complements our fundamental factor insights on low volatility and high quality and have assigned the following ESG objectives:

- a better-than-benchmark aggregate ESG score;
- avoidance of a number of ESG risks through the application of a robust exclusion policy; and
- lower carbon footprint and water intensity than the benchmark.

We aim to improve our fundamental models through the inclusion of ESG issues. An example of this is our use of board diversity to improve our prediction of forward change in earnings quality. Over time we expect that such insights will play a larger role in our investment process.

To fully integrate ESG considerations in our investment approach, the Fund systematically uses company-level ESG scores derived from AXA IM corporate ESG framework, which provides a means to measure and analyse how companies are facing long-term ESG trends. This framework is used in conjunction with carbon and water intensity data, as well as exclusion lists, to provide a holistic view of each company attributes. The ESG scores and data are integrated into our investment process at the portfolio construction phase. We do this using an optimiser, as this allows the portfolio to retain the desired exposure to low volatility and high earnings quality while improving materially the overall ESG profile of the Fund relative to its benchmark index.

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After applying the first level of exclusions, based on AXA IM RI sectorial policies and AXA IM ESG Standards, we apply additional exclusions to meet local norms-based standards:

- Gambling: we exclude companies classified as Gaming and Casinos, as defined by the Global Industry Classification Scheme.
- Nuclear weapons: we exclude companies involved in the production of nuclear weapons, based on ISS Ethix (any involvement without revenue limit).
- Tobacco : we exclude related products and retailers of tobacco (>5% of revenue) and indirect involvement via ownership in a tobacco company (between 10 % and 49.9%) based on Sustainalytics.
- Alcohol: we exclude companies classified as Brewers, Distillers & Vinters, as defined by the Global Industry Classification Scheme.
- Aerospace & Defence: we exclude companies classified as Aerospace & Defence, as defined by the Global Industry Classification Scheme.

Except for the exclusion of gambling and nuclear weapons, we apply the Towards Sustainability Initiative quality standards to the Fund, which we believe provides a suitable standard to help meet the challenges of investing in line with the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Details of the Towards Sustainability Initiative are available here: <https://www.towardssustainability.be/en/quality-standard>

Our Investment Guidelines team (“IG”) is monitoring the correct application of the exclusion lists.

c. What principles and criteria linked to climate change are taken into account in fund(s) and integrated into portfolio construction?

In 2020, we strengthened our scoring methodology to reward companies and sovereigns that participate in the transition to a low-carbon economy through green bond issuances. Green bonds issuances may benefit from a bonus depending on the qualitative analysis opinion based on our proprietary green bond framework.

- Developed since 2010 by AXA IM, we have revamped our proprietary ESG sovereign model in 2020 towards industry standards, simplicity, best practices and to capture new trends and ESG related challenges for sovereigns. Main improvements were to increase the number of country groups used in the best-in-class approach and rescaling mechanism (inspired from the ESG corporate model) to not penalize emerging countries compared to developed countries.
- Early 2021, we have consolidated our Corporate ESG scoring methodology to improve the coverage on small and mid-caps. Thanks to Ethifinance, specialised on the ESG Scoring of SMEs and mid-size companies listed on European markets, and their Gaia database, we are able to calculate an ESG score for more than 300 additional companies.
- Since March 2021, we deployed the issuance bonuses' process already applied to green bonds to social and sustainability bonds. For Sustainability bonds, the bonus is distributed between the E and S pillars based on the Green and Social share of the bond.

4. Active Ownership Strategy

a. How does your firm engage with issuers on ESG consideration?

At AXA IM, we have implemented a comprehensive active ownership strategy – engagement and voting - where we act as stewards of investments made on our clients' behalf. In particular, we believe that a proper consideration of relevant Environmental, Social and Governance (ESG) criteria impact the long-term sustainability of companies' performance and we seek to take action to ensure that positive outcomes can be achieved for our clients and wider societal stakeholders.

As such, the overarching objective of AXA IM's Active Ownership strategy is to use our clients' investor rights to protect their investments by raising issues of concern that may have a material impact on the company's performance and investor value in the medium- to long-term. Our active ownership philosophy is as follows:

- **We are proactive:** We identify material ESG factors and strive to engage companies before concerns materialise and harm investors. We commit our efforts to those ESG issues which we consider to be the most strategically and financially material for long-term investors. These are climate change, biodiversity, human capital management, public health, data privacy and corporate governance.
- **We are research-driven:** As a truly active investment manager, we conduct in-depth analysis of companies as well as the broader macroeconomic backdrop and of ESG factors which shape investment outcomes. Our engagement and voting activities are built on the knowledge and insights we have developed.
- **We create impact:** Investors can drive impact in their investment activities by pressing for change at corporations – influencing the way they behave and do business. We focus our engagement where we believe it could have the greatest impact as well as an alignment with UN SDG targets.
- **We are an industry leader:** Taking a bold stance on difficult issues and committing resources to delivering engagement outcomes helps us reach our goals for clients and society in the long term. We also seek to work collaboratively with other investors to achieve shared objectives.
- **We are transparent:** We are committed to providing regular reporting on active ownership.

b. Are investment teams involved in your Engagement strategy?

We commit our efforts to those ESG issues which we consider to be the most strategically and financially material for long-term investors. These are climate change, biodiversity, human capital management, public health, data privacy and corporate governance. Our engagement strategy is mainly proactive. We identify material ESG factors through our research and seek to engage companies before concerns materialise and harm investors. RI Analysts within the RI Coordination & Governance and the RI Research teams will engage in a pro-active fashion on their respective ESG areas of expertise with clearly defined objectives to our engagement. There are two main approaches in place to facilitate pro-active engagement:

- o **Focus list:** Every year, the AXA IM establishes a list of companies (“the focus list”) for which intense engagement is expected with clearly defined engagement objectives. The list is extracted from a broader engagement universe put together by investment platforms and the engagement/voting team, based on various inclusion criteria. This is the priority list for which there are regular individual engagement meetings, updates and progresses. In 2020, the Focus List constitutes of 40 global companies across sectors – many of which are major bond issuers.
- o **Thematic projects:** In addition to the focus list, the engagement team also runs a number of projects on specific themes. These projects cover a wider universe of companies in any relevant market, sector or asset class. On average 20-40 companies will be targeted on a specific ESG angle. There can be overlap with companies on the focus list. Current 2020 projects include Climate Change with State Owned Energy Companies, Gender Diversity in laggard markets, Biodiversity in Agricultural Supply Chains, Drug Pricing, Data Privacy in technology companies.

c. Can investment teams express their views on the voting policy?

AXA IM has a clearly defined corporate governance policy, available on its website, which has been developed and evolved over time in order to ensure investee companies adhere to the highest standards of good corporate governance. Our voting strategy focuses on board independence, corporate ethics, environmental risks & climate-related disclosure, labour rights and executive pay, alongside with broader ESG topics. To improve governance standards, we recently reinforced our Voting policy by introducing a new target related to diversity. From 2021, AXA IM will 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. The RI Coordination & Governance team co-ordinates and ensures the exercise of our votes are done in a timely manner and according to AXA IM’s corporate governance policy and in coordination with portfolio manager views. Our Voting Policy is reviewed annually and signed off by the Corporate Governance Committee. The Committee comprise representatives of investment teams, who bring their hands-on investment perspective to the Committee’s deliberations, Compliance, Middle Office and members of the RI Research and RI Coordination and Governance teams.

5. ESG Performance and Impact Measurement

a. How is the ESG quality of the fund(s) assessed?

The ESG quality of the fund in scope is monitored through the ESG scoring of the portfolios – which is regularly monitored by the portfolio managers. The score is established based on AXA IM scoring methodologies. The ESG score is calculated on a scale of 0 to 10 (0 for the worst score, 10 for the best score). A number of KPIs are reported in the ESG report of the fund.

ESG Indicators

ESG KPIs	Definitions
Carbon Footprint (in CO2e Tons/Mns \$ revenue)	Data provided by TRUCOST S&P. The amount of carbon dioxide equivalent released into the atmosphere as a result of the activities of a particular organization and first tier indirect (GHG emissions from operations that are owned or controlled by the company & from its direct suppliers. As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".
Water intensity (in m3/Mns \$ revenue)	Data provided by TRUCOST S&P. Calculated as sum of direct cooling + direct process + purchased. As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".
% of Independent directors on board	Data provided by Bloomberg. As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".
% Women on board	Data provided by Bloomberg. As the KPI is for the corporates its coverage is on "Corporates (bonds & equities)".
Total Hours Spent by Firm – Employee Training	Based on companies' own reported data, provided by Bloomberg. As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".
% of Employee Turnover	Based on companies' own reported data, provided by Bloomberg. It is the number of employees that left the company within the past year expressed as a percentage of the average total number of employees. As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".
% severe UNGC controversies	Data provided by Sustainalytics. The controversies ranks are: severe > high > significant > moderate > low > cleared. View the principles of the framework here: https://www.globalcompact.ca/about/ungc-10-principles/ (*United Nations Global Compact). As the KPI is for the corporates, its coverage is on "Corporates (bonds & equities)".

b. What ESG indicators are used by the fund(s)?

An ESG report on the fund is produced regularly, containing a number of E, S and G KPIs, as well as details on the ESG score of the fund and the voting report. These KPI/ESG scores are compared to those of the Fund's benchmark.

The ESG quality of the Fund is monitored through the ESG scoring of the portfolios – which is regularly monitored by the portfolio managers. The score is established based on AXA IM proprietary scoring methodologies, leveraging inputs from leading ESG data providers such as MSCI ESG, Sustainalytics and Vigeo. The ESG score is calculated on a scale of 0 to 10 (0 for the worst score, 10 for the best score) from the using a predefined weighting by sector for the each of the different E, S and G sub factors. Low ESG scoring companies are systematically excluded from the investment universe used to construct the Fund.

The use of quantitative investment techniques and in particular the optimisation process for the portfolio construction allows to target a material improvement of the ESG profile as well as the carbon footprint and water intensity compared to the benchmark. In simple terms, should 2 separate companies exhibit the same risk return profile; the optimiser will automatically select the company with the strongest ESG attributes.

In addition to this, ESG Scores and a number of ESG KPIs are monitored on a regular basis by the portfolio manager as well as by our risk management team (independently from the portfolio management team). A number of KPIs are reported in the ESG report of the Fund which is available externally.

6. Transparency

a. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

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 of analysis and assistance in understanding responsible investment.

All the main financial and non-financial information relating to ESG funds is available on our local websites in accordance with the regulations governing UCIs and Article 173 of the Transition Ecologique et Energétique law. We make available to our clients, on an ad hoc basis, the ESG report of our portfolios including ESG score as well as key ESG performance indicators.

At the level of the management company

The following contents are available on the website(www.axa-im.com):

- PRI Annual Report
- Annual stewardship report
- AXA IM RI policy
- AXA IM Corporate Governance and Voting policy
- AXA IM Engagement policy
- AXA IM sectorial exclusion and ESG Standards policies
- Carbon footprint of AXA IM (TCFD – Art 173 combined annual report)
- Full voting records (updated on a quarterly basis) – statistics at country and sectors level as well as vote against management rationale

At the fund level

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

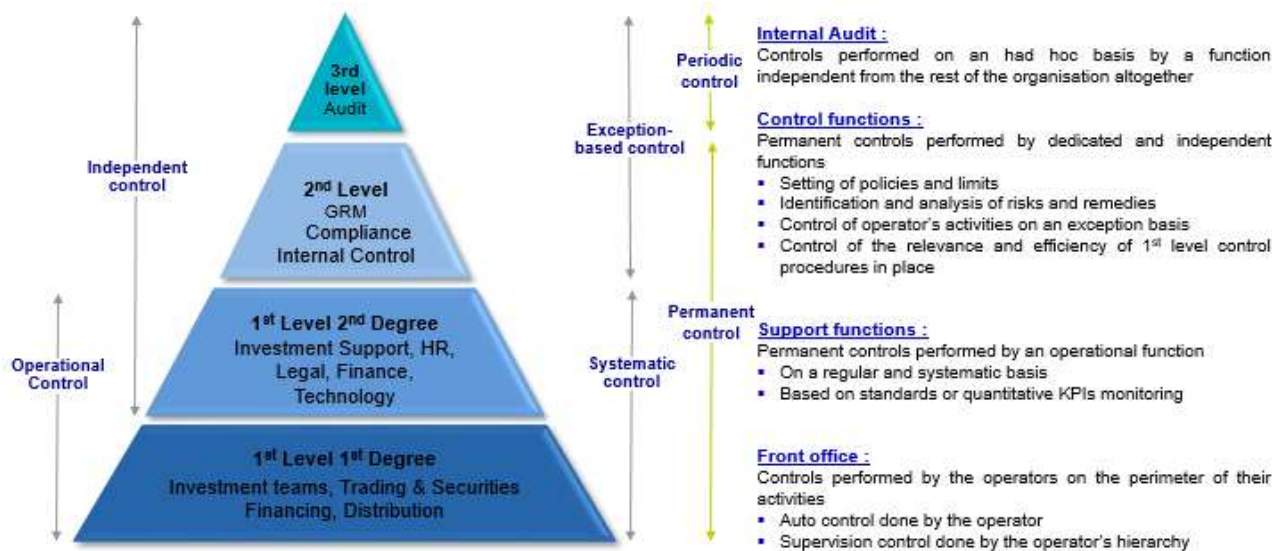
- Transparency code (i.e. this document)
- Voting Report (for equity and multi asset funds only) – with number of AGMs voted and rationales for any vote against the management
- ESG Report
- Engagement Report
- Legal documentation (prospectus, KIID, annual reports, semi-annual reports)
- Monthly: comments from the portfolio manager, integrated reporting within B to B and B to C

b. Does the fund management company publish the results of its voting and engagement policies?

AXA IM’s Stewardship report is available on our [website](#). In addition, the results of voting activities for the fund in scope fund are available on our [Fund Centre](#). Moreover, [our Full Voting records](#) are accessible to the public and detail how we voted at General Meetings of companies held on our clients’ behalf.

7. ESG controls

a. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?



Pre-trade controls are performed by the business teams themselves. The COO ensures that fund managers divest all investments in restricted companies and do not invest in restricted companies as long as there are restricted or absent new instruction.

Our Investment Guidelines team ("IG") is monitoring the correct application of the exclusion list with pre-trade and post-trade monitoring systems. Following the update of the eligible universe, the portfolio manager divests from stocks taking into account both a client's as well as fund's best interest. These ban lists are integrated into our Front Office tools.

Regularly, through the integration of a wide range of ESG KPIs into our Front Office tools, investment teams are able to analyse and monitor each individual holding and the portfolio positioning on ESG factors and ESG related metrics.

In addition, the Compliance department performs ad hoc controls on the work performed by the Investment Guidelines team. Periodic controls are also carried out by the internal Audit department.

The ESG and Climate topics are covered by AXA IM's control framework, with responsibilities spread between the first level of controls performed by the business and second level of controls performed by dedicated teams. The Compliance and Risk Management teams are part of the RI governance committees. They oversee the adherence to regulatory requirements and management of risks related to these topics, through control plans which covers RI-related processes.

At AXA IM, the Compliance department is in charge of monitoring regulatory changes and works closely with investment teams as well as responsible investment professionals and Risk Management department. Moreover, as part of the sustainability-related regulatory changes, AXA IM has launched several working group that are in charge to monitor regulatory changes related to responsible investment, to define our position, set up action plans and to adapt our commercial offer. In addition, we participate and share our views with industry bodies such as the EFAMA and regulators.

Disclaimer

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