



Responsible Investing: AXA Group Ambition, Strategy & AXA Asia Contribution



ASIA RESPONSIBLE INVESTING FORUM

AXA GROUP – JUNE CLIMATE REPORT

architax



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Japan and Asia Chief
Investment Officer,
AXA Life Insurance Co., Ltd

Executive Summary

- **AXA's Key Climate Commitment Put in Context**
- **AXA Group Metrics, Strategy and Targets**
 - *Climate strategy*
 - *Responsible Investing Strategy*
- **AXA Asia Contribution**

Executive Summary

A Quick Glance At the Numbers...

AXA's new climate strategy aligns our business with the Paris Agreement

1.5°C

investment "warming potential" target by 2050

€25bn

green investments by 2023

€200m

transition bonds

0%

coal by 2040

Net-Zero Asset Owner Alliance

37

institutional investors representing almost

US\$5.7 trillion

in assets under management collectively committed to achieved climate neutrality by 2050

Direct environmental footprint

-64%

AXA's decrease in absolute CO₂ emissions between 2012 and 2020

-20%

CO₂ emissions reduction target between 2019 and 2025

Integrating sustainability factors

85%

of the Group's Credit Portfolio covered by an internal credit rating

8,000+

companies covered by AXA's ESG research

Investment and business exclusions

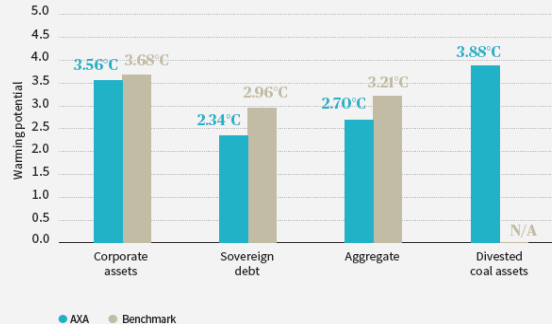
€7.5bn

total assets impacted by divestment policies

0%

coal in our business by 2030 (EU/OECD) and 2040 (rest of the world)

Aligning investments with the Paris Agreement: the "warming potential" approach - 2020



93% corporate equities

95% corporate debt

99% sovereign debt

84% Real Estate

covered by ESG scoring

How climate change may impact our investments

-7.4%

Portfolio Climate Value at Risk (under a 1.5°C scenario)



AXA's Key Climate Commitment Put in Context

AXA's Key Climate Commitment Put in Context

The Science and the Politics of Climate Change: Paris Agreement, COP21, COP26 & COP15

Paris Agreement (COP21)

- The Paris Agreement is the framework and road map for Climate action
 - At COP 21, 195 countries ratified Paris Agreement legally bounding themselves to hold warming **well below 2°C** v pre-industrial levels
 - Countries will pursue **best efforts** to limit warming to **1.5 °C by 2100**
 - The Agreement also highlighted the **role of investors**:

... Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

Glasgow: COP26 and Private Finance

- COP26: from 1 to 12 Nov 2021 - the 26th annual UN Climate Conference
 - COP26's Link to COP21: In COP26 governments are expected to strengthen commitments (a "Glasgow Agreement") of Nationally Determined Contributions made in Paris Agreement
 - **Continents are aligned**: U.S. is back; China committed to climate neutrality by 2060
 - **Focus on Private Finance: whose role is important in a transition to a net-zero carbon economy**
 - The 'Private Finance Agenda' is to "mobilize ambitious actions across the financial system to help achieve the 1.5 °C goal"
 - This will include building the frameworks for: financial reporting (by implementing a common framework built on TCFD), risk management (notably via enhanced climate stress testing) and returns (to identify opportunities in the transition to a low carbon economy)
- **What could be a Glasgow Agreement for the insurance industry and AXA?**
 - Article explicitly asks investors and insurers to align business with climate science – level playing field
 - Glasgow Financial Alliance for Net-Zero: the Net-Zero Asset Owner Alliance and upcoming Net-Zero Insurance Alliance are under this initiative; AXA presides the NZIA – our industry's best offer to COP 26

Kunming: COP15, the "COP21 of biodiversity"

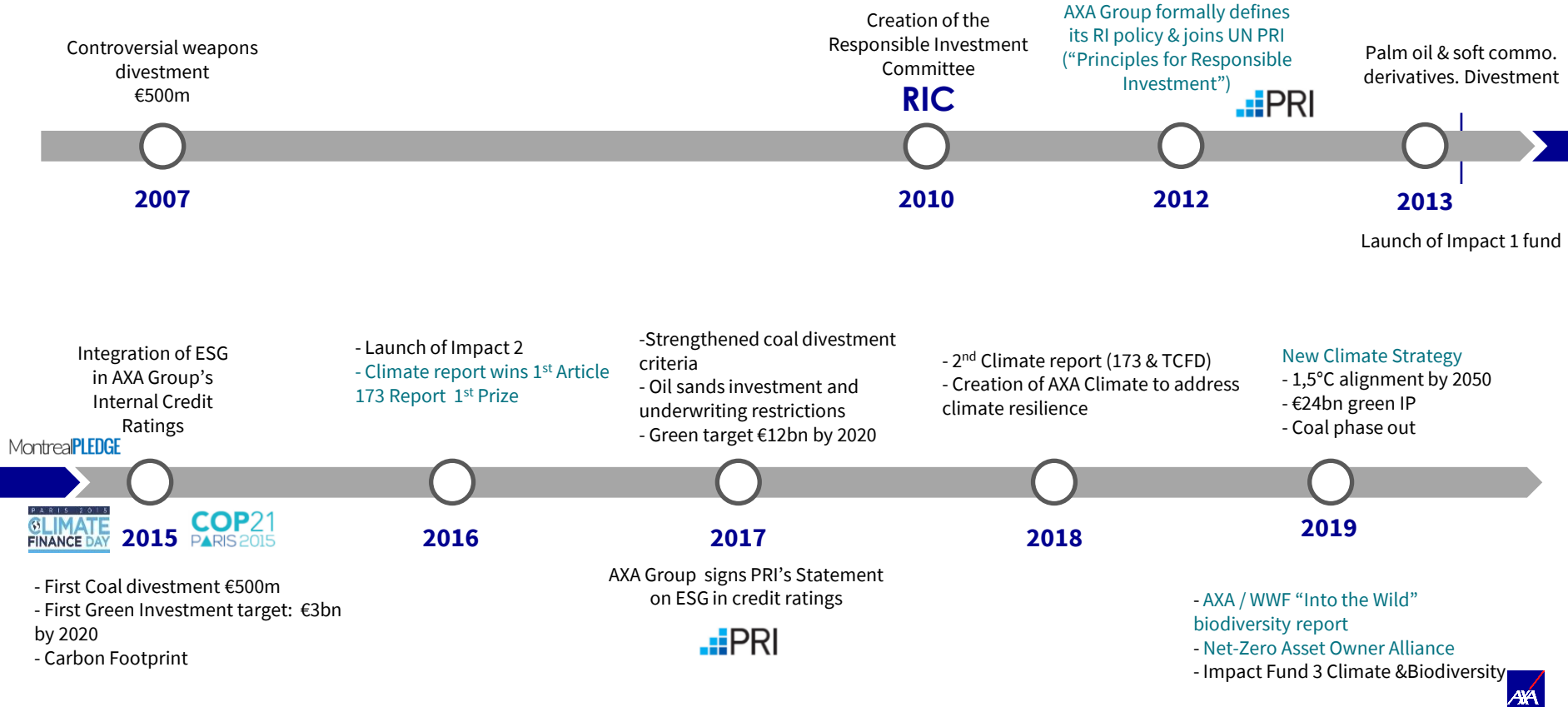
- COP15: Oct 2021 - Conference of the Parties to the UN Convention on Biological Diversity
- "Kunming Agreement":
 - a "science-based" Kunming Agreement in COP15, carrying the same transformative influence for governments and businesses worldwide as the Paris Agreement, is needed to generate the same level of political and business leadership for the preservation of biodiversity
 - COP15 participants ought to develop a clear roadmap for investor action towards biodiversity protection

The **current global emissions** pledges leave the world on a warming pathway of **3 °C** by 2100



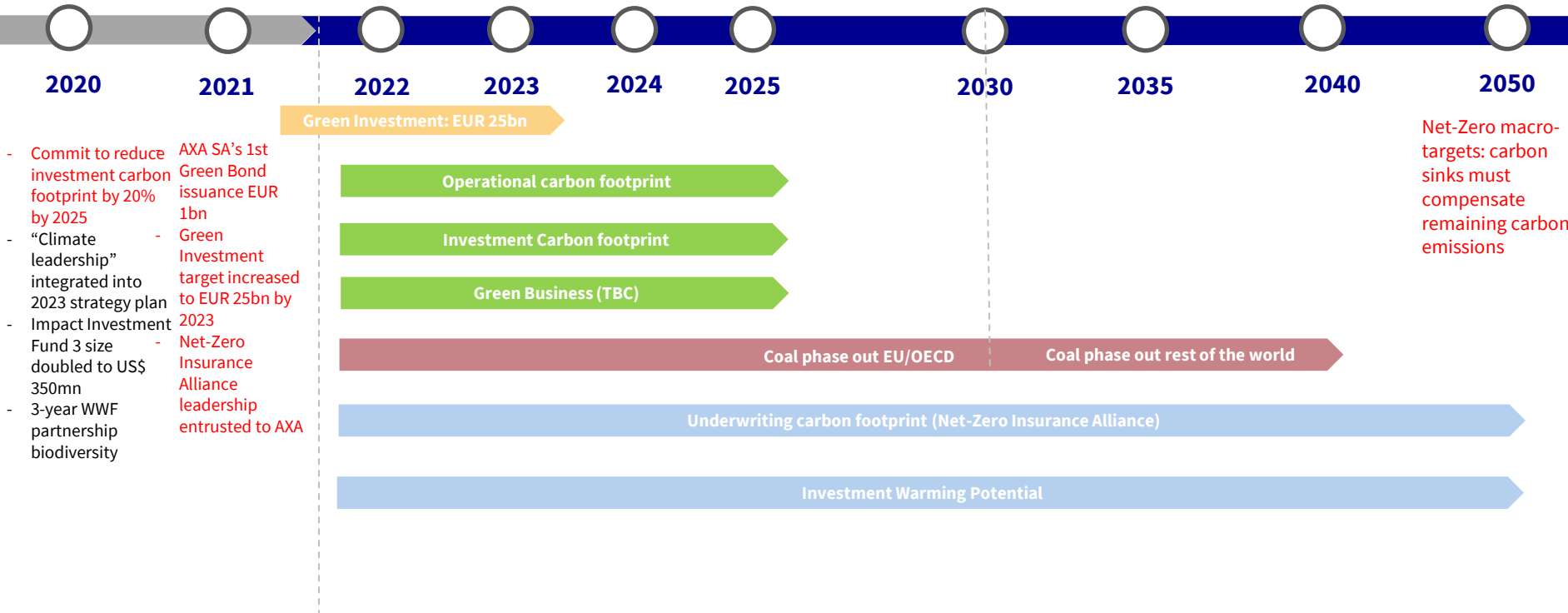
AXA's Key Climate Commitment Put in Context


AXA's milestones: AXA was a precursor in the journey to more responsible & sustainable world



AXA's Key Climate Commitment Put in Context

AXA's milestones: AXA was a precursor in the journey to more responsible & sustainable world



The background is a solid teal color. A large, light green diagonal stripe runs from the bottom-left towards the top-right, creating a sense of movement and depth.

AXA Group's Metrics, Strategy and Targets

AXA Group's Strategy, Metrics and Targets

Broad Climate Strategy & Commitments

Strategy Context

- **Climate change is a medium to long-term risk.** As insurer and investor, we need a “stable” world: we rebalance our investment and insurance business accordingly
- AXA's strategy is **to adapt, but also to take advantage of our expertise to provide solutions.** We are well equipped to contribute to the understanding of climate change through:
 - Our risk management expertise
 - The vast number of claims data we collect
 - The research we fund
- AXA has been a pioneer since we first sounded the alarm stating **« a 4°C world is not insurable »**:
 - Runaway climate change will create risks so large that conventional market mechanisms may no longer be suitable
- We act alone, but know **when to form alliances**

AXA's Current Climate Strategy

Our ambition is to provide a longer term perspective on what it means to **align our business with the Paris Agreement**:

- **Climate neutrality / +1.5°C in 2050:** a long-term target leveraging “warming potential”-type metrics to align the bulk of our assets with the Paris Agreement.
- **-20% carbon footprint** for our investments (2019-2025)
- **Total coal exit:** a massively strengthened coal policy with a long-term exit strategy (2030 for OECD countries, 2040 for the rest of the world)
- **Green investments:** €25Bn target by 2023.



AXA Group's Strategy, Metrics and Targets

Net-Zero Coalition Building to support plans

Net-Zero Asset Owner Alliance

(NZAOA) – for institutional investors

- **AXA joined NZAOA in Nov 2019**
- A group of institutional investors committed to transition investment portfolios to net-zero GHG emissions by 2050, with a max. temperature rise of 1.5 °C above pre-industrial level
- It takes into account the best available scientific knowledge, and requires regular report on progress (incl. intermediate targets every 5 years)
- The metric is based on GHG emissions and “investment temperature” methodologies

Net-Zero Asset Management Initiative

(NZAMI) – for asset managers

- **AXA IM joined the newly created NZAMI upon launch in 2020**

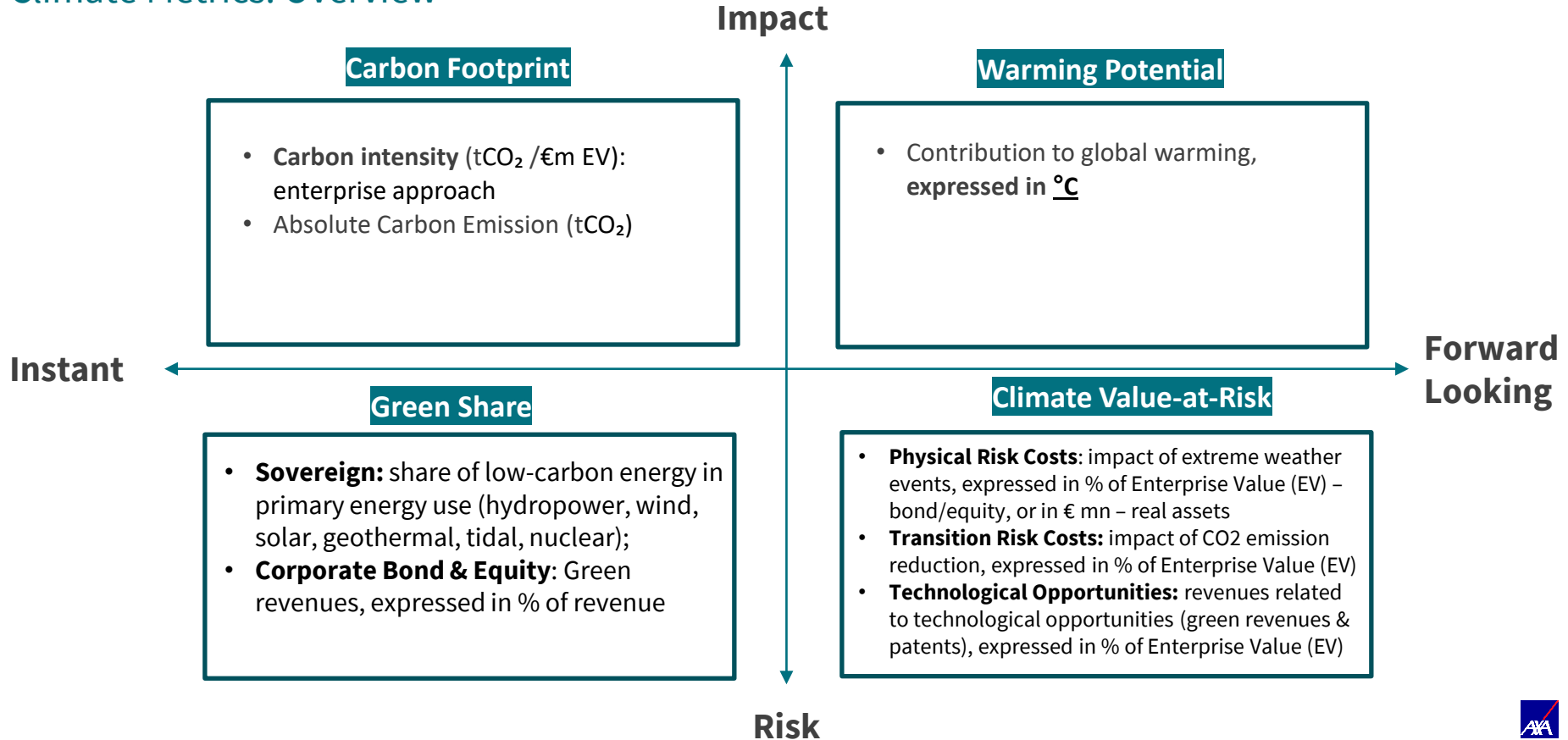
Net-Zero Asset Insurance Alliance

(NZIA) – for insurers

- **New: formal launch of the NZIA at GOP26 in Nov 2021;**
- Dedicated to supporting climate neutrality in insurance practices
- Achieve decarbonization / climate neutrality of underwriting portfolios by 2050
- NZIA Chairmanship: AXA Group Chief Risk Officer

AXA Group's Strategy, Metrics and Targets

Climate Metrics: Overview



AXA Group's Strategy, Metrics and Targets

Climate Metrics: Full Dashboard

Full Dashboard

	AXA 12/2020	AXA 12/2019	AXA 12/2018	Benchmark 12/2020	Benchmark 12/2019
Warming potential (°C)	2.70	2.73	2.85	3.21	3.24
Physical Risks cost (CVaR) Average Scenario	-2.7	-2.7	-2.6	-2.4	-2.5
Transition cost (CVaR) Scenario 1.5°C	-8.2	-8.9	-10.2	-9.7	-10.8
Green revenues (CVaR) Scenario 1.5°C	3.4	3.7	4.5	3.7	3.9
Climate Value at Risk (% of investment value) Scenario 1.5°C	-7.4	-7.8	-8.4	-8.5	-9.4
Carbon Intensity (tCO₂/\$m revenue/GDP)	179	181	195	254	261
Carbon Intensity (tCO₂/€m EV)	90	94	NA	NA	NA
Absolute Carbon Emission (tCO₂)	7,757,457	8,244,957	NA	NA	NA
Green Share	18.1%	17.8%	17.6%	13.1%	12.9%

Benchmark: MSCI World ACWI (equities), ICE BofAML Global Broad Market corporate (corporate debt), JPM GBI Global (sovereign debt).

A climate-related investment strategy at the crossroads



Pascal Christory
Group Chief Investment Officer

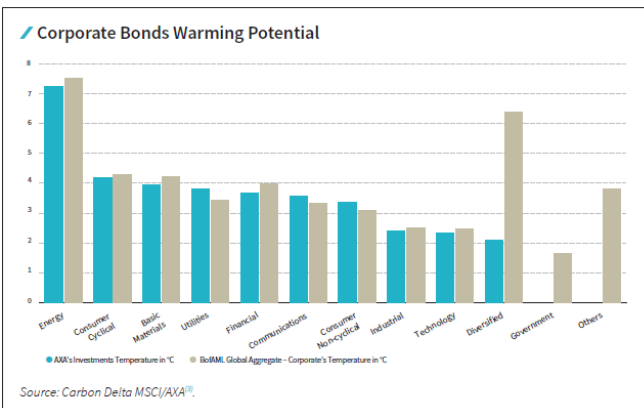
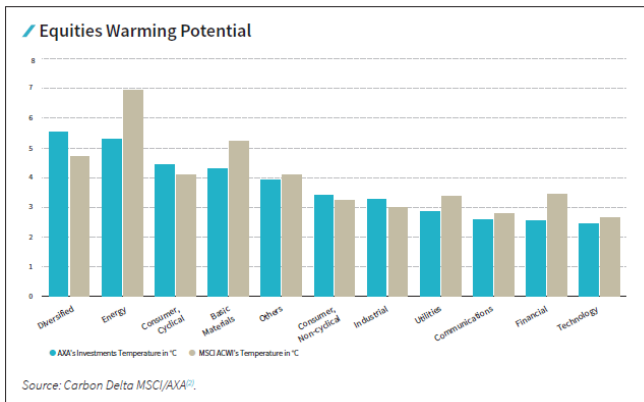
... Our annual reinvestment flows far exceed the availability of investment-grade green investment opportunities, despite a growing offer and our challenge is to select the most pertinent non-green investments which will still keep us in line with our targets, but we cannot “put the cart before the horse”. This green/brown rebalancing is the journey we are treading to decarbonize our portfolio

AXA Group's Strategy, Metrics and Targets

Climate Metrics: Climate Related Portfolio Alignment – “Warming Potential”

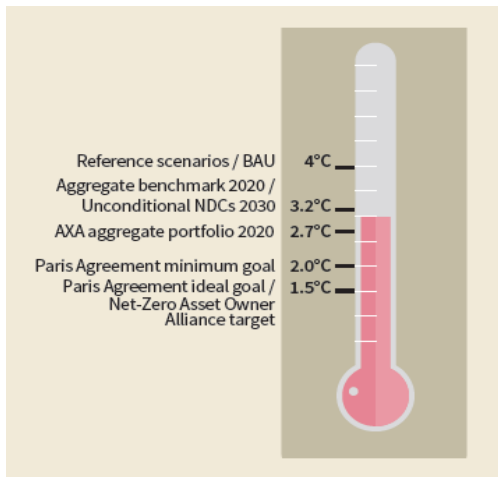
What it means to be Paris-aligned investor?

- AXA sees “**Warming Potential**” (WP) as a promising approach.
- For Corporate Equity & Credit:** AXA has developed a “Warming Potential” approach considering both companies’ absolute and sector-relative contributions to global warming;
 - each player in the global economy has a responsibility to support the low carbon transition
 - investors have a responsibility to identify, within each sector, the companies best prepared for this transition



Between 2019 and 2020:

- AXA's Equity WP remained flat at **3.3°C**, while benchmark slightly decreased from 3.6°C to 3.4°C
- AXA's Corporate Debt WP slightly decreased from 3.7°C to **3.6°C**, while benchmark slightly decreased from 3.8°C to 3.7°C



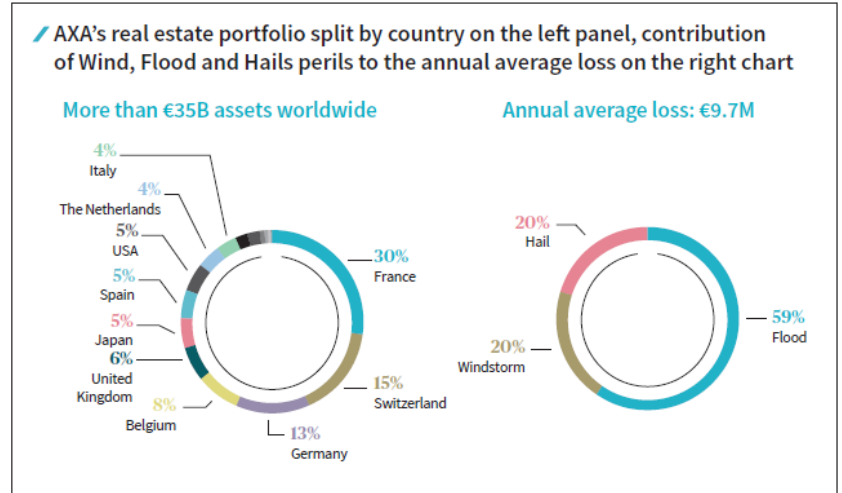
The World's economies are not yet “Paris-aligned” and implementing the 2015 NDCs would not even be sufficient to achieve this target

AXA Group's Strategy, Metrics and Targets

Climate Metrics: Physical Risks Costs - Impact on Real Estate Investments

AXA's in-house risk analysis of Real Estate assets

- AXA's Investment and Risks teams have been modelling the impact of **floods, windstorms, and hail** to more than **EUR 35bn** of direct property investment (which represents c. 90% of AXA's RE investments)
- AXA's real estate exposure is global with most of the portfolio in Europe (90%)
- Conclusion: the financial impacts of climate-related "physical risks" on AXA's real estate assets appears limited.**
 - Annual Average Loss** stands at ~**EUR9.7mn**, or **0.03%** of the EUR 35bn total assets
 - The portfolio's highest exposure is to flood (59% of Annual Average Loss), followed by windstorm (20%) and hail (20%).



€5.8m

AXA's Real Estate Annual Average Loss to Floods

€2m

AXA's Real Estate Annual Average Loss to Windstorms

AXA Group's Strategy, Metrics and Targets

Responsible Investing: Strategy Overview

ESG Integration

- ESG analysis is integrated into investment processes. For example, in **Internal Credit Risk Analysis**
- **ESG “minimum standards” rules** based on ESG and controversy scores to review and potentially exclude underperforming issuers.

Impact investments

- We allocate capital to impact investments **creating intentional, positive, measurable and sustainable impacts on society** while simultaneously delivering financial returns.

Climate-related portfolio alignment

- Metrics for measuring the climate-related impact of our investments (e.g. **Warming Potential**) are developed and actively monitored
- **Carbon** metrics are integrated into investment decisions.

Exclusions

- **Sector-based restrictions apply to sectors or companies** that face acute social, human rights, or environmental challenges:
 1. controversial weapons
 2. coal mining and coal-based power generation
 3. tar oil sands and associated pipelines
 4. palm oil,
 5. tobacco

Green Assets

- **To increase the allocation of green assets** across various asset classes and to support companies shifting towards less carbon-intensive business models
- It includes green bonds, infrastructure investments, real estate and impact investments

Active stewardship

- As **shareholder and bondholder**, we engage with the management of companies in which we invest

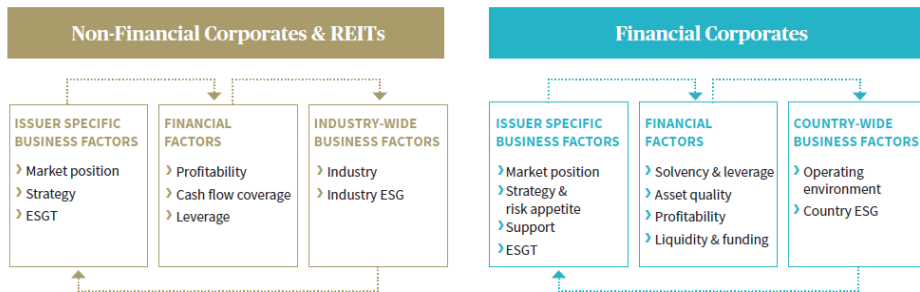
AXA Group's Strategy, Metrics and Targets

Responsible Investing: ESG Integration

8,000+
companies
covered by AXA's ESG research

ESG integration into Internal Credit Ratings

- AXA has **completely integrated ESG considerations into its qualitative credit assessment** since 2015
- AXA's Credit Research Team **assigns internal credit ratings ("ICRs")** and manages issuer eligibility:
 - ICRs cover more than **85% of AXA's credit portfolios**
 - When assigning an ICR, Credit Research Team assesses several credit factors related to an issuer's business and financial profiles including ESG:



- It assess the materiality of ESG considerations on an issuers' creditworthiness: not an ethics-based ESG analysis

AXAIM Quantitative Tool & ESG Minimum Standards

- Our process includes **alerts on ESG "minimum standards"** rules based on ESG and controversy scores to potentially exclude underperforming issuers
- Since 2007, **AXAIM has provided an ESG scoring tool**

ESG analysis coverage

92%
corporate equities

89%
corporate debt

97%
sovereign debt

Corporates issuers (equity and debt)

CORPORATE FRAMEWORK		
Pillar	Factor	Subfactor
E	<ul style="list-style-type: none"> Climate change Resource and eco-system 	<ul style="list-style-type: none"> Climate change Resources & Eco-systems
S	<ul style="list-style-type: none"> Human capital Social Relation 	<ul style="list-style-type: none"> Career Management Working Conditions Social Dialogue Human & Labor Rights Customer Relationships Supply Chain
G	<ul style="list-style-type: none"> Corporate Governance Business Ethics 	<ul style="list-style-type: none"> Board Structure Transparency & Controls Shareholder Rights Management Quality & Remuneration Business Ethics

AXA Group's Strategy, Metrics and Targets

Responsible Investing: Engagement / Controversy

Sector Guidelines, Exclusions & Engagement

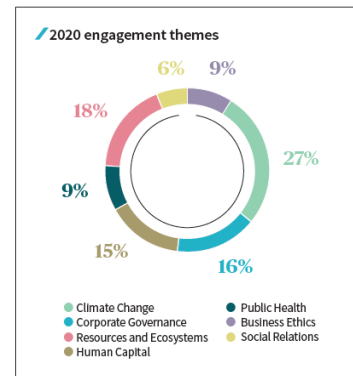
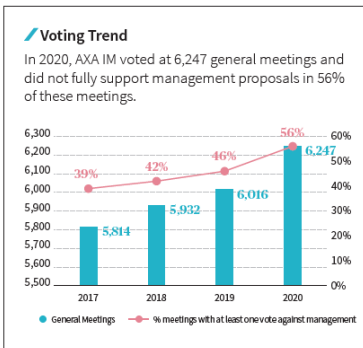
Sector Level Divestments

- AXA's divestments initiated in 2007 represent c. **EUR 7.5bn of assets** (coal, tobacco, oil sands, controversial weapons and palm oil);
- In Mar 2021, the remaining exposure (corporate debt run-off) was **EUR 1.9bn** with biggest exposures related to coal and tobacco.

- Focus on coal and oil sands:** AXA now bans investments, for General Accounts and in Unit-Linked assets in fully controlled mandates, in the following companies:
 - power generation companies with coal share of power production over 30% and/or coal "expansion plans" producing more than 300 MW and/or over 10 GW of coal-based power installed capacity;
 - mining companies with coal share of revenues over 30% and/or with annual coal production over 20m tons and/or developing new coal mines;
 - certain coal industry partners, manufacturers (e.g. equipment suppliers) and infrastructure players (e.g. port terminals) developing significant new coal assets.

Engagement

- AXA engage with management of companies in which it invests to **help catalyze positive change on certain issues** (climate change, health, governance, etc.)
- AXA has also **joined several shareholder coalitions**, notably: **Climate Action 100+** (to engage with the world's largest corporate greenhouse gas emitters to curb emissions), **Plastic Solutions Investor Alliance**, **UN PRI ESG Engagement Advisory Committee** (that provides strategic direction on themes for future collaborative engagements), **UN PRI's Advisory Committee on Credit Ratings** (to enhance the transparent and systematic integration of ESG factors)

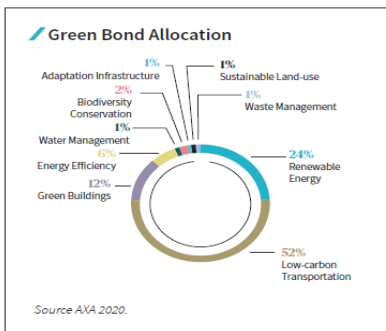
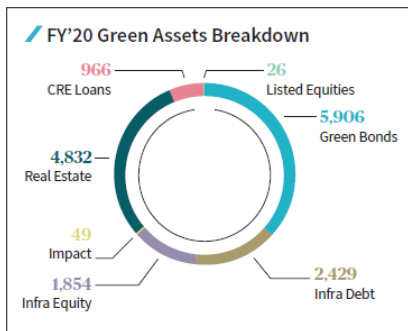


27%
Climate-related engagement themes

AXA Group's Strategy, Metrics and Targets

Responsible Investing: Green & Impact Investments

- AXA committed to deploy **EUR25bn Green Investments by 2023**
- Green investments are defined as green bonds, infrastructure debt equity (mostly renewable and clean transport), impact investments, and energy-optimized real estate loans
- Today, the largest portion are **Green Bonds** at **EUR5.9bn**, mostly in the low-carbon transportation sector (issuance of the **Societe du Grand Paris Green Bond**)



- Impact Investing** aims to generate objectively measurable and intentional environmental and social impact alongside financial returns
 - In 2013, AXA committed EUR200m to Impact Fund 1 focusing on **Financial Inclusion, Access to Healthcare and Education**
 - In 2016, AXA allocated a further EUR150m to Impact Fund 2, focusing on **environmental and social impact**
 - In 2019, AXA announced the launch of Impact Fund 3 with USD175m, dedicated to **Biodiversity & Climate Change**.
 - In 2020, AXA doubled the size of Impact Fund 3, and committed USD50m to a fund promoting financial inclusion and access to healthcare for underserved beneficiaries
- AXA's cumulated commitment to impact investing ~EUR700m**

Contributions of AXA's Impact Investing to key environmental and social challenges aligned with the mission of our funds

Theme	KPI	Performance
Access to Finance/ Insurance	Underserved people reached	108.1m
	% Female clients	78%
	% Rural clients	70%
Transforming Underserved Economies	Underserved people reached	3.5m
Education	Number of schools	2,083
	Number of students	3.7m
Climate Change	CO ₂ emissions avoided (in tons)	63.6m
Health	Healthcare Facilities in underserved locations	56
	Number of sanitation centers	3,145
	Number of medical products (drugs, vaccines, preventatives, diagnostics and other related technologies) for global health (regulatory approval)	12



Thank You!