



Investment  
Managers

# Climate Progress Report







# “Foreword, Marco Morelli

Executive Chairman

Our industry has been active in making commitments to reach net zero, and investors can play an active role in driving the green transition and a more sustainable, fair, and inclusive future. But how do we collectively define success when thinking about climate change, biodiversity loss and social inequalities, as real-world challenges weigh on the theory behind the pledges?

Launching the latest Intergovernmental Panel on Climate Change report in March this year, UN Secretary-General António Guterres called on sectors in all countries to “massively fast-track climate efforts”.<sup>1</sup> His sense of urgency is well placed, and AXA IM is determined to make progress towards its 2050 net zero goals, as an investor and business, as this year’s climate report demonstrates.

2022 was challenging for asset managers as our industry faced turbulent markets and environments. Despite this, steady progress was made towards our interim net zero goals, as evidenced by the metrics in the [AXA IM for Progress Monitor](#). The Monitor metrics complement our already extensive data and provide a focus on how our commitments and actions are effecting change through decarbonisation actions in our portfolios, and as a business; our engagement activities, and our ESG offering to help channel capital. This being the first edition, I am proud of what we have achieved and learnt.

Decarbonisation is central to an effective transition. As such, our policies in this area are stringent. One of AXA IM’s commitments

is to exit coal investments in OECD countries by 2030 (and the rest of the world by 2040). In 2023, this commitment was further bolstered by a strengthening of our Climate Risks policy which bans any investment in companies with new coal mining or power generation projects.<sup>2</sup>

As one of the world’s largest real asset managers, our investment decisions can make a significant difference to the environment. Buildings are responsible for 39% of greenhouse gas emissions so bringing this figure down matters to us. Consequently, we have set two ambitious targets for real estate where tangible progress can be measured and demonstrated.

Our influential stewardship activities continue to increase, and engagement on climate change, bio-diversity loss and social factors are high on the boardroom agendas and when voting at AGMs.

It is also crucial that as a business we play our part in the decarbonisation journey. For the second year in a row, we have published our own carbon footprint, which goes further than what is currently expected of companies, by including Scope 1, 2 and 3 emissions. Our employees are an integral part of our sustainability journey and so we have rolled out an ESG development goal for all staff as awareness is key to an engaged workforce. Furthermore, to achieve our net zero goal, we now include ESG targets in the deferred remuneration of our senior executives.

Looking to the future, AXA IM’s purpose, to ‘act for human progress by investing for what matters’ is a strong guide in our decisions. Our convictions are steadfast, and we must continue to accelerate growth and adapt to the market conditions, to innovate and deliver performance for our clients. Yet we - and our industry- must keep progress firmly on the agenda and AXA IM will continue to be at the forefront of that change.

<sup>1</sup> <https://press.un.org/en/2023/sgsm21730.doc.htm>

<sup>2</sup> <https://www.axa-im.com/sites/corporate/files/2022-02/20220225-AXA-IM-Climate-Risks-Policy.pdf>







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# Progress update

## The AXA IM for Progress Monitor

For several years now, AXA IM has reported and published advanced metrics across its investment portfolio and business in its annual TCFD (Taskforce on Climate-related Financial Disclosures) and Stewardship reports.

The **AXA IM for Progress Monitor** focuses on some of these key metrics, to provide a simpler and transparent view of progress against our goal of becoming a net zero business and investor by 2050. Comprised of eight metrics with interim targets, they've been selected for their strategic importance and material contribution towards achieving our goal. Where relevant they are highlighted in this report and show the material contribution we have made towards fighting climate change and supporting biodiversity.

PROGRESS  
MONITOR

“Our goal is to provide clear and simple extra-financial metrics on an annual basis. In our first year of reporting we can be proud of the steady progress that has been achieved. We acknowledge that we must continue to evolve our methodologies and targets to continue reporting on relevant data and with the right tools.”

### Important information:

Climate or sustainability-related metrics and underlying emissions data are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. There is a limited availability of relevant data: such data is not yet systematically disclosed by issuers, or, when disclosed by issuers or collected from third-party data providers, it may be incorrect, incomplete or follow various reporting methodologies. The data sources and methodologies are expected to evolve and improve over time and may materially impact targets and the achievement of targets.

Targets noted above reflect management's current expectations, and are subject to a number of assumptions, variables and uncertainties, including actions of issuers in which we invest, suppliers and other third parties, as well as a variety of political, economic, regulatory, civil society and scientific developments beyond AXA IM's control. There can be no assurances that our targets and the timetable for any transition will be achieved in whole or in part.

### Gilles Moëc.

AXA Group Chief Economist  
and Head of AXA IM Research



Visit the interactive **Progress Monitor**  
to discover more on AXA IM's progress.



# A focus on decarbonisation

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## Our net zero commitments

AXA IM has committed to achieve net zero by 2050. At the end of 2022, 65% (representing €541bn) of total AUM excl. JVs was to be managed in line with a net zero pathway.<sup>3</sup>

Outlined in this chapter are the ways in which AXA IM is seeking to decarbonise corporate (fixed income and equity) portfolios as well as real estate portfolios.

<sup>3</sup> At the end of 2022, AXA IM had €541bn of AUM to be managed in line with a net zero pathway aligned with the Paris Agreement. This target covers 100% of listed corporate (incl. listed real estate and sovereign exposure); c.75% of real estate equity AUM, i.e., all RE equity assets on which AXA IM Alts has direct leverage to trigger climate action at asset level. It does not cover at this stage infrastructure and equity, CRE debt and alternative credit, natural capital & impact and other assets classes (e.g., derivatives).



CORPORATE PORTFOLIO  
CARBON INTENSITY

GOAL -25% BY 2025 VS 2019

The carbon intensity of AXA IM's corporate portfolio was down **28.7%** by the end of 2022, meaning we have exceeded our 2025 target.<sup>4</sup>

<sup>4</sup> Remaining on or close to target as a consequence of portfolio churn will be achieved through active management and policies and exclusions.

## A focus on decarbonisation



### Carbon intensity reduction

Carbon intensity<sup>5</sup> is a measure of the CO<sub>2</sub> emissions per million dollars of revenue a company generates. AXA IM committed to a 25% reduction in the carbon intensity of the corporate portfolio by 2025.

➤ Visit the interactive **PrOgress Monitor** to discover more on AXA IM's progress towards this goal.



<sup>5</sup> AXA IM calculates a weighted average of carbon intensity on revenue for all corporates held (AXA IM Core scope only). This measurement covers Scope 1 and 2 carbon emissions resulting from the companies we invest in. Scope 3 emissions will be integrated as data quality improves in this area.



*This metric measures the performance of a company's production process in terms of GHG emissions, allowing us to compare carbon emissions between companies regardless of size and sector, and help distinguish between high- and low-emitting sectors.*



**Benjamin Jacot.**  
Head of RI Solutions,  
AXA IM Quant lab





### EXIT FROM COAL

GOAL 0% IN OECD COUNTRIES  
BY 2030 VS 2019

**0.247%**  
exposure<sup>(6)</sup>

was reported  
at end of 2022, almost

**11.5%**  
towards our goal to  
exit completely  
(OECD) by 2030

## A focus on **decarbonisation**

### Exiting coal

AXA IM is phasing out all investments in the thermal coal industry by 2040, with an interim goal to achieve this by 2030 in Organisation for Economic Cooperation and Development (OECD) countries. AXA IM has taken a stringent approach to defining the coal exposure threshold and considers even \$1 of revenue attributed to coal activities as an indicator of coal exposure.

➤ Visit the interactive **PrOgress Monitor** to discover more on AXA IM's progress towards this goal.

### How will AXA IM accelerate on this progress?

In April 2023, new and more stringent policies and thresholds were implemented, banning any investment in companies with new coal mining or power generation projects or expansion plans. It also excluded companies that generate more than 15% of their revenue from thermal

coal mining and power generation, down from 30%, a threshold that will be reduced to 10% in OECD countries in 2026.

➤ [READ OUR EXCLUSION POLICIES](#)



<sup>6</sup> Total direct investments in corporate assets are all investments in listed companies from all applicable instruments managed by AXA IM (i.e., excluding all alternative assets such as direct real estate and infrastructure assets, and other alternative credit such as collateralised loan obligations (CLOs), insurance-linked securities (ILS), asset-backed securities (ABS) or mortgages) and with no look-through (i.e., excluding investments in listed companies in funds managed by external asset managers that are part of funds managed by AXA IM).

The results of this progress are mitigated by an increased coverage of issuers from our data providers regarding coal revenue data between 2019 to 2022. The baseline set is likely underestimated. Furthermore, the current macroeconomic and geopolitical context has led to outperformance in the energy sector in 2022 and is another significant counterweight of the current progress. This could be even more significant in 2023 despite a recent strengthening of the Climate Risks policy.



Watch

*RI Co-ordination Analyst,*

**Julie Cavaignac,**

explain the role of exclusion policies, engagement activities and wider policy frameworks in **divesting from coal**.





# A focus on **decarbonisation**



## Case Study

“

### Coal exposure

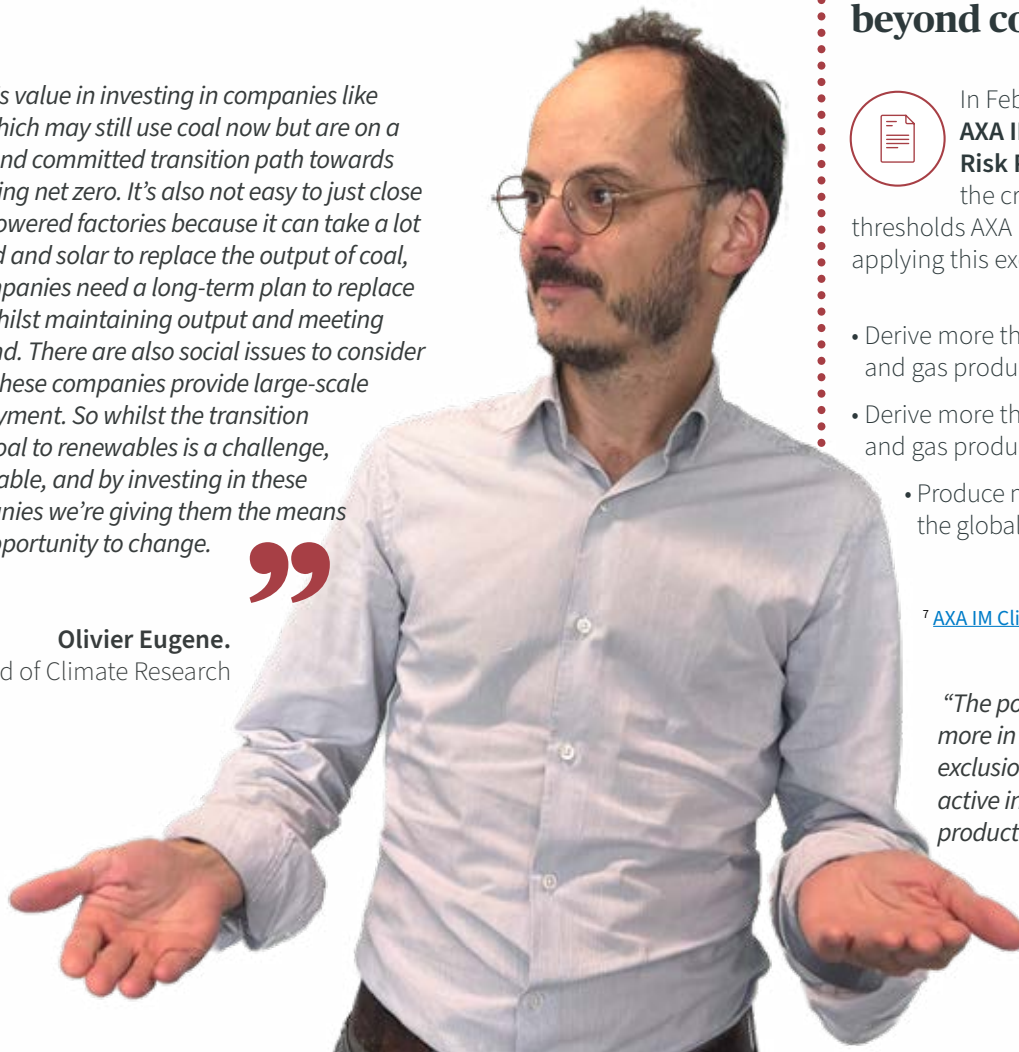
*We still invest in some companies that generate revenue from coal power generation that are not caught by our exclusion policies. We aim to exit coal by 2030 in OECD countries, so you might wonder why we still hold these companies in our portfolios. **Enel**, for example, is a large, Italian-based integrated power utility. Its ambition is to reach net zero by 2040, fully exiting coal and natural gas and becoming a 100% renewable energy company. Our view is that it is on track to reach its goal. It has committed to exit coal by 2027, coal-fired generation currently accounts for less than 8% of its electricity production and it has already more than doubled its wind and solar capacity.*

*We also invest in Florida-based **NextEra**, which is one of the largest electric utility companies in the US. It has committed to become a net zero power producer by 2045, and plans to have no fossil fuel power plants. It has committed to exit coal by 2028 and has already done so in Florida. Coal-fired generation currently accounts for less than 2% of the company's electricity production.*

*There is value in investing in companies like this, which may still use coal now but are on a clear and committed transition path towards achieving net zero. It's also not easy to just close coal-powered factories because it can take a lot of wind and solar to replace the output of coal, so companies need a long-term plan to replace coal whilst maintaining output and meeting demand. There are also social issues to consider given these companies provide large-scale employment. So whilst the transition from coal to renewables is a challenge, it is doable, and by investing in these companies we're giving them the means and opportunity to change.*

”

**Olivier Eugene.**  
Head of Climate Research



### Decarbonising beyond coal



In February 2022, **AXA IM updated its Climate Risk Policy<sup>7</sup>**. Below are the criteria detailing the thresholds AXA IM adhere to when applying this exclusion policy:

- Derive more than 10% of their oil and gas production from the Arctic
- Derive more than 30% of their oil and gas production from fracking
- Produce more than 5% of the global oil sands production

<sup>7</sup> [AXA IM Climate Risk Policy](#)

*“The policy has been updated once more in April 2023,<sup>7</sup> with reinforced exclusion criteria for companies active in thermal coal or oil sands production.”*





# Decarbonising the built environment

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Real estate accounts for 39% of all global greenhouse gas (GHG) emissions, and with €89.9 billion AUM in real estate assets, AXA IM is one of the world's largest real estate managers. To accelerate decarbonisation in this area, two ambitious targets have been set: 50% of real estate assets to maintain alignment with the Carbon Risk Real Estate Monitor (CRREM) trajectory; and a target requiring a 20% reduction in landlord operational carbon intensity, both by 2025.



REAL ESTATE AUM  
CRREM ALIGNED  
GOAL 50% BY 2025

**50%**  
of AUM  
maintained to  
align with CRREM  
trajectories<sup>8</sup>

<sup>8</sup> based on AXA IM reasonable assumptions made with available data and on a model portfolio, as at the end 2021. Target set against 2022 version of CRREM pathways. CRREM methodology may evolve over time.

## Decarbonising the built environment

### CRREM alignment

AXA IM's target is to maintain 50% of its direct real estate AUM in line with the CRREM trajectory by 2025. The Carbon Risk Real Estate Monitor (CRREM) helps investors assess and manage risk in the real estate sector related to climate change by offering clear, science-based decarbonisation routes that are in line with the Paris Climate Goal of reducing global temperature increase to 2°C, with an ultimate goal of 1.5°C. Progress is defined as maintaining a defined proportion (50%) of AUM to be aligned to the CRREM pathway by 2025, knowing that every year the CRREM trajectory becomes more ambitious and harder to align with and considering the portfolio turnover.

➤ Visit the interactive **Progress Monitor** to discover more on AXA IM's progress towards this goal.

Following changes to the CRREM methodology in Q2 2023 that will require refining our models, we report 2021 and 2022 numbers for a reference model portfolio<sup>9</sup>, representing circa 19% of

in-scope assets, where performance remains aligned with the expected threshold in 2025, for more than 50% of the portfolio.

#### Case Study

*“CRREM trajectories allow us to measure real estate decarbonisation in a clear and globally consistent way which is easily understood by clients and regulators. Maintaining this level of permanence for buildings means we might have to invest in new or more efficient systems or components, such as lights, heating and solar PV, to continue to remain in line with the expected performance targets. These targets become more challenging over time. As society underperforms against global targets, the trajectories get steeper.”*

*“Because we actively manage and trade our real estate assets, our performance in this area can fluctuate quite dramatically. We may, for example, buy poorly performing assets to renovate and sell high performing assets, which will affect how far our portfolio aligns with CRREM. The basic figures do not always tell the whole story: there is value in buying assets that need improvement, investing in them and then selling them.”*

#### Juliette Lefébure.

Deputy Head of Responsible Investment,  
AXA IM Alts

<sup>9</sup> Reference model portfolio value c €9bn (c19%) of in-scope assets.

“

*CRREM is a tool that sets out the carbon related budget for building types in different countries. CRREM-aligned AUM is the proportion of our Assets Under Management aligned with the 1.5 degree trajectory.*

”

**Laurent Lavergne**  
Global Head  
of Sustainability  
at AXA IM Alts







REAL ESTATE  
CARBON INTENSITY  
GOAL -20% BY 2025 VS 2019

At the end of 2022,  
AXA IM had  
reduced its direct  
real estate AUM  
carbon intensity by  
**19%**  
representing  
**95%** progress  
towards the 2025  
target.

## Decarbonising the built environment

### Real estate carbon intensity reduction

AXA IM has committed to reduce landlord operational carbon intensity of directly managed real estate equity AUM of ca. €64bn by 2025 (vs 2019)<sup>10</sup>. This target gives us the opportunity, as one of the world's largest real managers, to make an important contribution to decarbonisation.

➤ Visit the interactive **PrOgress Monitor** to discover more on AXA IM's progress towards this goal.



Podcast



Listen to the AXA IM team talking with **Nigel Topping** about the importance of transparency and disclosure in real estate in a Sound Progress podcast.



<sup>10</sup> In real estate, carbon intensity involves both Scope 1 and Scope 2 GHG emissions generated by the energy used by the landlord to operate buildings as a proportion of the associated surface area per metre squared. This is specific to 'Landlord controlled' emissions, i.e., where we are the owner of the energy contract within a building.



**Juliette Lefébure**

*Deputy Head of Responsible Investment, AXA IM Alts*, addresses the three main challenges our real estate team faces in trying to achieve this target.



# Decarbonising the built environment



## Case Study

“



*Tellii is a distinctive residential apartment block on the outskirts of Aarau in Switzerland. The apartments are home to more than 1,000 people, so updating 581 apartments while tenants continued to live and work there was a challenge.*

*To reduce carbon emissions, we concentrated on two things: the façade, which was a protected feature of the building, and heating. We replaced all the windows with up-to-date*

*triple glazing, improved the insulation of the roof and the façade, replaced the old gas heating system with district heating from a nearby waste water treatment plant, and installed a solar power system on the roof. We also improved the electrical connections, which allowed us to save 46% in energy consumption.*

*During construction, we employed circular economy standards whenever we could. The old balconies, for example, were demolished and recycled to make cement and sand, which were then used to make the new balconies.*

*It's a win-win for the tenants. They can live in more comfort now and they also benefit from lower costs. The new building is now net zero and offers annual emissions savings of 1,000 tons of CO<sub>2</sub>, having just been certified as Silver under the Standard for Sustainable Building Switzerland (SNBS). At the Tellii, we are building tomorrow, together.*

”

To learn more please visit the [AXA IM ALTS WEBSITE](#)

**Manuela Gnehm**

Asset Manager, Real Assets, AXA IM Alts



## Going beyond

### How the Global Real Estate Sustainability Benchmark is helping investors

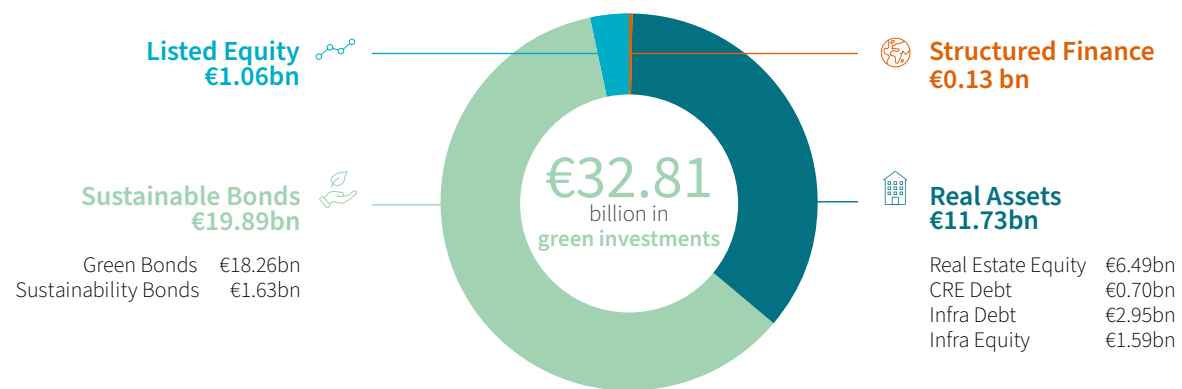
The Global Real Estate Sustainability Benchmark (GRESB) assesses the ESG performance of real estate portfolios around the world and helps investment decisions by giving each entity a GRESB score and rating. The AXA IM Alts business, a global leader in Alternatives investing, has been participating in the assessment since 2011, and in 2022 it submitted a larger-than-average scope of assets to GRESB: \$33.6bn of AUM in comparison with a \$3.3bn average for its peer group.

Furthermore, by the end of 2022, 67% of real estate AUM in scope was certified by schemes such as ENERGY STAR, LEED and BREEAM, representing an additional €3.5bn certified real estate assets compared with 2021.





# Consciously channelling capital



When it meets our clients' investment objectives, the conscious channelling of capital towards green investments is another way asset managers can support the transition. AXA IM's green investments totalled €32.82 billion in 2022, compared with €35 billion in 2021.

Source: AXA IM, as of 30/12/2022. N.B.: the Listed Equity figure comprises four "green" open-ended equity fund assets managed by AXA IM. The Structured Finance (i.e., Alternative Credit, Natural capital & Impact) figure comprises a dedicated fund's assets managed by AXA IM. The Green and Sustainability Bonds and Real Assets figures comprise all the mentioned financial securities financed by assets managed by AXA IM regardless of the legal form of financial product holding the investment. Refer to the section on green share for a more detailed assessment of the greenness of our investments.



# Consciously **channelling capital**

## Real assets

Real estate and green infrastructure accounted for a significant part of green investments, representing €11.73 billion in 2022.

AXA IM Alts' development of a 62-storey skyscraper in the City of London, for example, has an EPC rating of A+ and obtained BREEAM Excellent and WiredScore Platinum labels.

Our forestry assets are certified and sustainably managed. The 24,800 hectares of forest in Australia's Green Triangle that AXA IM Alts acquired, for example, have been certified by the PEFC and have sequestered more than 400,000 tCO<sub>2</sub>e in 2022.



### Case Study

In March 2022, investments in green infrastructure continued with the acquisition of a 25% stake in Hornsea Two, the world's largest offshore wind farm. Located off the Yorkshire coast in the United Kingdom, its installed capacity reached 1,386 MW once it became fully operational in August 2022.

In 2023, AXA IM entered into an agreement to acquire a 25% stake in Iberian renewables platform Finerge, which, in combination with Hornsea Two, brings the total operating capacity of its investments to about 3.3 GW<sup>2</sup> and total infrastructure equity AUM to €7.5 billion (as at end June 2023).



“

*Climate change is the great issue of this century and the central risk of tomorrow. We believe that integrated, independent renewable energy power producers like Finerge, which have the capacity to scale as 21<sup>st</sup> century utilities, will be essential to delivering the energy transition.*

”

**Julien Gailleton**  
Deputy Head of Infrastructure  
at AXA IM Alts





NATURAL CAPITAL SOLUTIONS  
GOAL \$500M  
COMMITTED BY 2028

As at end Dec 2022  
**\$150m**  
was committed  
to the Natural  
Capital strategy  
in 2022,  
representing  
**30%**  
progress

## Consciously **channelling capital**

### Natural Capital solutions

In 2022, a Natural Capital strategy was launched to protect biodiversity and address climate change. Natural Capital Solutions commits capital to support a range of activities, including tree planting, forest conservation, sustainable forest management, improved agriculture, and wetland restoration and conservation. In this way, it helps to address the 20% of GHG emissions which are caused by deforestation and land degradation.<sup>11</sup>

A target of \$500 committed to Natural Capital Solutions by 2028 has been set.

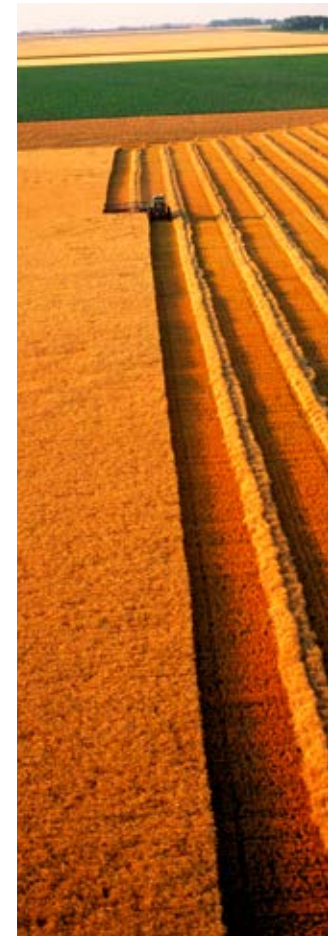
➤ Visit the interactive **Progress Monitor** to discover more on AXA IM's progress towards this goal.



Podcast



Listen to **Adam Gibbon**, Natural Capital lead, AXA IM Alts, and **Chris Iggo**, CIO, AXA IM Core, discussing the role of Natural Capital opportunities in coastal zones in the Sound Progress podcast.



<sup>11</sup> <https://climatefundsupdate.org/wp-content/uploads/2020/03/CFE5-2019-ENG-DIGITAL.pdf>



# Consciously **channelling capital**

## Sustainable strategies and the ACT fund range

By the end of 2022, €41bn of AXA IM's AUM was invested in Sustainable and ACT strategies. The ACT fund range is designed to help clients target specific ESG goals around issues such as climate change. Some of these strategies include:

- ▶ **Carbon transition (fixed income):** Aims to keep its weighted average carbon intensity lower than the fund manager's carbon emissions benchmark.
- ▶ **Low carbon (fixed income):** Excludes the most carbon-intensive sectors such as metals, mining and steel producers and most sub-sectors in the energy and utility sectors. Aims for at least 30% reduction in carbon intensity and water intensity.
- ▶ **Green bonds (fixed income):** Only invests in green bond projects which provide material benefit to the environment in smart energy, green buildings, low carbon transportation and sustainable ecosystems.
- ▶ **Biodiversity (equity):** Provides diversified access to multi-decade growth opportunities in companies that preserve life on land, water and air.
- ▶ **Carbon offset (equity):** Offers significant exposure to companies that support the transition to a low-carbon economy through their products and services.



## Green bonds

Green bonds formed the majority of green investments. In 2022, AXA IM increased the amount of green bonds it held by 22.8% compared with the previous year, bringing the total to €18.3 billion.

A proprietary green bond assessment framework has been developed. It relies on qualitative assessment made by the RI Research team and on Bloomberg databases to produce an enhanced ESG score for Global Sustainability Standards Board (GSSB) issuances. The approach is stringent: since 2014, the framework has led to one in five bonds initially presented as green, social or sustainable being excluded. €1.6 billion in sustainability bonds was also invested, and these bonds were subject to the same framework to ensure only the most relevant and impactful projects receive financing.



# Consciously **channelling capital**

## Investing our own capital to support the transition



### Addressing climate challenges through academic research

Innovation is one of the key answers to combatting and adapting to climate change. The **AXA IM Research Award** was launched in 2021 to recognise transformative research in the area of a just and green transition. Professor Ana Queiros, of the Plymouth Marine Laboratory, was announced as winner of the 2022 award. She was granted €100,000 towards her work on blue carbon, which is

researching ocean management strategies that enhance ecosystems' abilities to adapt to climate change and act as carbon sinks.

In March, AXA IM joined forces with the **Paris School of Economics (PSE)** to launch a new Research Chair "for a successful energy transition". The Chair focuses on better understanding the scale of the cost of the energy transition, particularly in terms of the impact of climate policy on green investments.



Podcast



Listen to last year's award winner, Prof. **Ana Queirós**, talking about her work.

## Biodiversity data

AXA IM invested in Iceberg Data Lab (IDL) and I Care & Consult, taking part in the Series A funding round in 2021 which raised €5m. Working with IDL, it aimed to identify the impact portfolios have on biodiversity loss, calculating biodiversity footprint at company, sectorial and aggregated portfolio levels. In 2022, the biodiversity footprints of funds for reporting purposes were published, and in 2023 IDL will provide training to investment teams to allow them to use this metric.



## Look out for

- Later this year a partnership with AXA Group and Luiss Guido Carli University in Rome will be announced, to fund a new Chair in Climate Change: Politics, Philosophy and Economics. The Chair will study the societal impact of climate policies and how to adapt them to optimise the transition to a low-carbon society.





# Championing transparency

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Measuring the effects of our investments on the environment is crucial to making meaningful progress.

Improving the accuracy of data to provide clear measurements and ensuring results are reported transparently is key. Whether that be ESG scoring, implied temperature rise, or biodiversity footprint, it is a priority for everyone in the sustainability ecosystem, from asset managers to NGOs and industry participants.



# Championing transparency

## Biodiversity measurement

A healthy climate and a robust web of life are both prerequisites for human life. Tackling biodiversity loss, therefore, must sit alongside ambitious targets to cut GHG emissions.

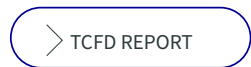
2022 saw the adoption of the Global Biodiversity Framework with industry initiatives such as the Science-Based Targets Network (SBTN) launched to help investors and businesses assess their impact on nature. AXA IM used a new metric – the biodiversity footprint designed by Iceberg Data Lab – to help select and prioritise companies that have a large biodiversity footprint to focus engagement efforts accordingly.

## Warming potential

In 2022, some innovative, forward-looking metrics to measure the global warming potential of investments were explored. Using this methodology, Sovereign investments **saw a decrease of 0.4°C compared with 2020 (1.94% as of 2022).**

Since then, the investment teams have adopted the MSCI Implied Temperature Rise (ITR) model to assess how investments in corporate bonds and listed equities align with global temperature targets, meaning year-on-year asset class comparisons are not available.

The ITR model estimates the global temperature increase by 2100 if the entire economy were to exceed or fall short of its carbon budget. In 2022, the Implied Temperature Rise of listed equities and corporate bonds was 2.36°C and 2.28°C respectively.



Details of how AXA IM measures the effects of its investments on the environment can be found in section 6.5 of the **TCFD report**.

<sup>12</sup> [https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector\\_en](https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en)

<sup>13</sup> <https://www.axa-im.com/document/5860/view>

## Measuring ESG

### Consolidating ESG measurement remains a key focus.

AXA IM Alts has created an ESG scoring methodology which summarises each asset class's contribution to the global ESG score. Under this new methodology, we achieved 100% coverage for all transactions in alternative asset classes by the end of 2022.

An industrialised ESG Report was rolled out for the Sustainable and ACT fund range portfolios, based on the best possible ESG third-party data. This report gives an assessment on biodiversity, climate and carbon impact, as well as voting engagements.



## EU Sustainable Finance Disclosure Regulation (SFDR)

In 2022, the European Commission adopted SFDR<sup>12</sup> Level II, forcing industry-wide reclassifications of strategies to align with the new definitions. In the interests of transparency, AXA IM disclosed the methodology<sup>13</sup> it used to label an issuer as sustainable under SFDR for Article 9 financial products – those that invest 100% of eligible assets in sustainable investments. The ‘substantial contribution’ criterion is based on two dimensions: positive contribution to the UN SDGs, or commitment to a decarbonisation transition pathway showing alignment with the Paris Agreement goals.



# Next-level engagement

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Influencing investee companies' behaviours through voting and exclusion policies, as well as through engagement and sustainability dialogue, is a key element in the transition to net zero. Investor engagement is considered as a change process where investors seek to improve investee companies' practices with a specific objective in mind. Engagement activities on climate issues are not limited to our largest holdings, but also apply to the companies in portfolios with the highest emissions.





ACTIVE EXTERNAL  
ENGAGEMENT  
GOAL 70% BY 2025

At the end of 2022,  
**57.4%** of  
financed emissions  
were under  
engagement,  
representing  
**82%**  
progress towards  
our goal.

## Next-level engagement

### Active external engagement

AXA IM has set a 70% target of financed emissions subject to engagement by 2025.

### What does progress look like?

2022 was the first year of proactive engagement with “climate laggards”, i.e., those investee companies that do not have a clear and credible decarbonisation strategy, as part of its “three

strikes and you’re out” policy. AXA IM has also taken part in collaborative engagement programmes, such as the Climate Action 100+ initiative.

 Visit the interactive **Progress Monitor** to discover more on AXA IM’s progress towards this goal.



### What is ‘three strikes and you’re out’?

*This approach to climate laggards in 2021 was adopted as part of a strengthened engagement policy. After defining clear areas of improvement for companies it considers to be “climate laggards”, these are communicated to management, along with a timeframe for progress. The RI team and relevant portfolio managers continue to engage regularly with the company, to support their transition, and where necessary, use escalation techniques,*

*such as co-filing and resolutions to effect change.*

*If the objectives have not been achieved within three years, AXA IM will divest. The list of “climate laggards” is reviewed annually and new issuers added. The criteria to identify such companies will likely become stricter over time.*

 [READ OUR ENGAGEMENT POLICY](#)



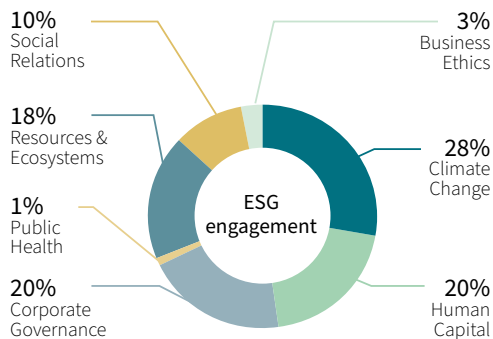
In this video, **Olivier Eugene**, Head of Climate Research, explains our approach to **climate change engagement**.



# Next-level engagement

In 2022, our CEO set out engagement requests with relevant companies, resulting in first meetings with all but one of them.

### Our engagement with companies covers a broad spectrum of key ESG themes



Climate change remained the most discussed topic, accounting for 28% of all engagement conversations. Biodiversity loss topics also increased, resulting in 397 meetings and representing 18% of all engagements, up from 14% in 2021. The new biodiversity footprint tool, designed in collaboration with Iceberg Data Lab, helped to select companies with a significant biodiversity footprint which allowed for these focused engagement efforts. The Deforestation and Ecosystems Protection Policy was updated to provide more detail on the way AXA IM approaches biodiversity stewardship.

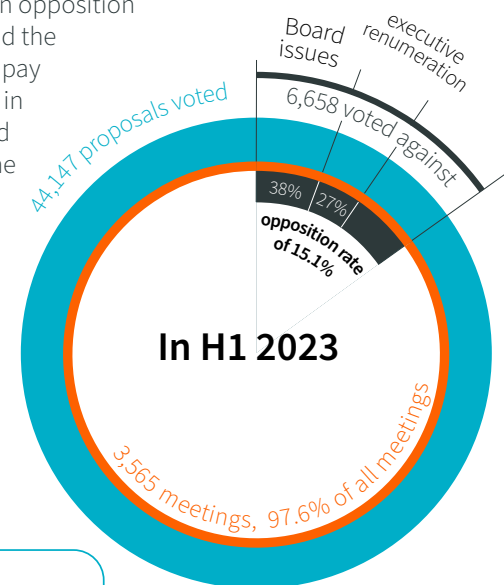


Listen to Head of Climate Research, **Olivier Eugene**, explain how AXA IM's engagement with a Dublin-based construction materials company helped drive significant progress on initiating and implementing an emissions reductions plan.

### Voting strategically

Voting at Annual General Meetings (AGMs) is a key component of stewardship with our investee companies. As a right given to the shareholders it is an important way for us to maximise our impact, and bolster our engagement efforts with investee companies.

In H1 2023, the main opposition themes were around the appropriateness of pay deals, a divergence in ESG resolutions and concerns around the role of voting. In the same period, there was an increase in anti-ESG proposals (54 vs 25 in 2022), illustrative of a growing nuance in how ESG issues are addressed.



To learn more please access the **STEWARDSHIP REPORT**



# Treading lightly on **the planet**; our actions as a responsible business

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As an investor and business, AXA IM has a role to play in tackling the climate crisis. We must hold ourselves to the same high standards that we ask of investee companies. This means investing to accelerate the transition to a low-carbon economy as well as acting on our commitments to become net zero as a business by 2050.

AXAIM aims to measure and reduce its own carbon footprint (excluding investments) covering key emissions streams with an overall target of 26% reduction by 2025. Global policies are in place to achieve this, with locally driven policies, developed in conjunction with AXA IM's COOs, to account for different levels of sustainability maturity across markets.





AXA IM CARBON FOOTPRINT

GOAL -26% BY 2025 VS 2019

As at end December 2022, AXA IM's carbon footprint was **3,532 tCO<sub>2</sub>e**, a **58.4%** reduction, double our 2025 target.

## Treading lightly on **the planet**; our actions as a responsible business

As part of the Progress Monitor, AXA IM tracks its progress towards reducing its own operational carbon footprint. The objective was set for a reduction of 26% by 2025<sup>14</sup>, across three key emissions streams: power, business travel and car fleet<sup>15</sup>.

### What does progress look like?

The key to success will be maintaining the reduction by 2025 as business travel is expected to increase following the easing of pandemic measures, as well as pushing for further reductions elsewhere.



<sup>14</sup> Compared with a 2019 baseline of 8,493 tCO<sub>2</sub>e.

<sup>15</sup> Office locations are subject to change: these variations can be attributed to a range of factors, including changes in our organisational structure, workforce dynamics, and office locations. As a result, the emissions profile and progress against our 2025 targets are influenced not only by our emission reduction efforts but also by changes in the composition of our office network.



**Fiona Swallow,**

*Global Head of Corporate Responsibility,* explains the operational **carbon footprint metric** in more detail.

Visit the interactive **Progress Monitor** to discover more on AXA IM's progress towards this goal.

## Going beyond

### the Progress Monitor metric

Alongside travel and reductions in energy consumption, AXA IM targets reductions in the consumption of water and paper, focusing on better waste management in buildings and assessing ways to reduce emissions associated with its digital footprint. We've gone beyond industry standards by measuring full Scope 3 emissions, including those from the purchase of goods and services. AXA IM is exploring ways to support reductions in this area through engagement with our suppliers and service providers regarding their net zero roadmaps.



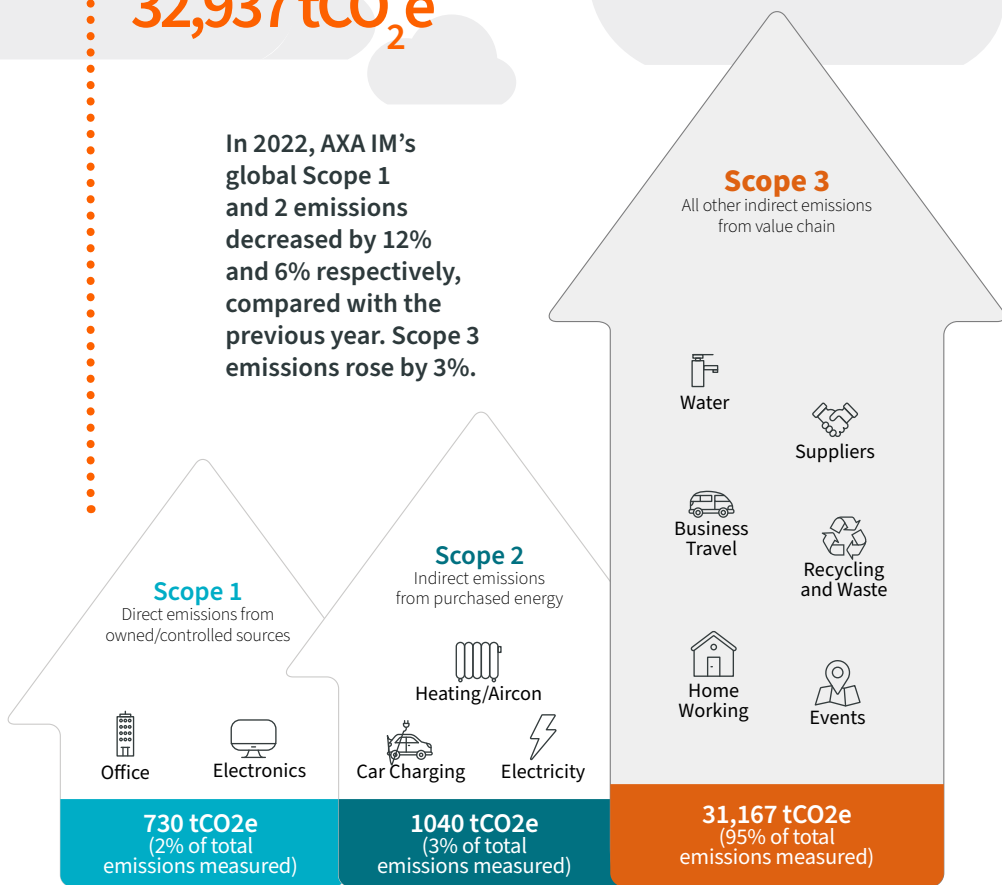
# Going Global

## 1 Measure

AXA IM total emissions at end 2022

# 32,937 tCO<sub>2</sub>e

**In 2022, AXA IM's global Scope 1 and 2 emissions decreased by 12% and 6% respectively, compared with the previous year. Scope 3 emissions rose by 3%.**



The growth in Scope 3 emissions was partly due to an increase in business travel in 2022, the first year that Covid travel restrictions were lifted. While business travel did not return to pre-pandemic levels, we recognise that face-to-face client meetings are essential. Teams will leverage the evolution in digital tools and increased home working, to prioritise critical travel only and reduce further our initial target. AXA IM has evolved its business travel policy to ensure that travel is considered only where necessary and undertaken in the most sustainable way.

## Going beyond

In January 2023, the European Commission's Corporate Sustainability Reporting Directive (CSRD) came into force, requiring all companies over a certain size to report on their Scope 3 emissions from 2024 onwards.

AXA IM has been measuring and reporting Scope 3 emissions since 2021. Supply chain emissions account for 75% of its global carbon footprint, which means addressing these emissions is key to reaching net zero by 2050. As such, AXA IM is planning to engage with its suppliers and service providers regarding their own net zero roadmaps. The intention is to move emission reductions up the agenda in companies which may not otherwise have considered the issue.

In 2022, AXA IM office emissions were 32,937 tCO<sub>2</sub>e using a location-based approach and 32,406 tCO<sub>2</sub>e using a market-based approach. The location-based method calculates Scope 2 emissions based on the emissions intensity of the local grid area, while the market-based method is based on electricity that companies purchase through instruments such as Renewable Energy Certificates<sup>16</sup>.

<sup>16</sup> Renewable Energy Certificates represent the environmental attributes of the generation of one megawatt hour of energy produced by renewable sources.

[TCFD REPORT](#)

For more detail on how we measure our emissions please see **TCFD** page 55

Investments not included, but covered under our targets for the Net Zero Asset Managers Initiative



# Going Global

## 2 Reduce

### Our targets

In 2021, AXA IM set ambitious targets to change the way the company consumes resources.

ALL TARGETS TO END 2025



**Power - 36%**

Cut CO<sub>2</sub>e emissions by 36% across our offices and achieve 100% renewable electricity for all our European offices.

2019  
1,261 tCO<sub>2</sub>e

TARGET  
807,04 tCO<sub>2</sub>e  
(-36%)

2022  
Actual: 497 tCO<sub>2</sub>e



**Business travel - 25%**<sup>17</sup>

Cut CO<sub>2</sub>e emissions by 25% by applying stricter rules for air travel and constantly monitoring emissions.

2019  
6,967 tCO<sub>2</sub>e

TARGET  
5,225 tCO<sub>2</sub>e  
(-25%)

2022  
Actual: 2,796 tCO<sub>2</sub>e



**Car fleet - 15%**

Cut CO<sub>2</sub>e emissions by 15% by transitioning fleets to low emission vehicles and reducing car fleet sizes.

2019  
265 tCO<sub>2</sub>e

TARGET  
225,25 tCO<sub>2</sub>e  
(-15%)

2022  
Actual: 238.5 tCO<sub>2</sub>e



<sup>17</sup> On business travel, AXA IM agreed to a 40% CO<sub>2</sub> reduction per FTE over the same time period





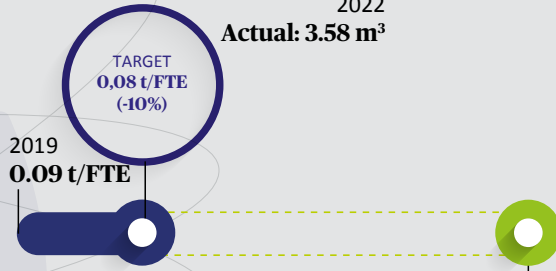
# Going Global

## 2 Reduce

ALL TARGETS TO END 2025



**Water -10%**  
Reduce the consumption of water in our offices by 10%.

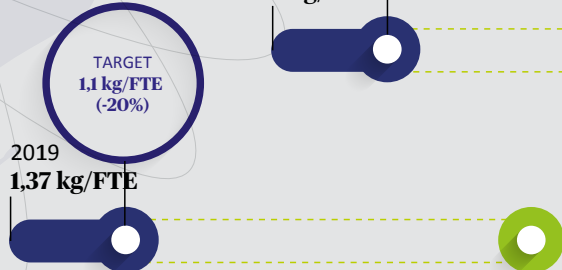


**Unsorted waste -10%**  
Reduce unsorted waste by 10% by continuing to encourage recycling efforts and eliminating the use of single-use products.



**Office Paper**

**Paper consumption -20%**  
Reduce the consumption of paper by 20% by reducing the number of printers in our offices, applying stricter rules for printing, and reusing venue branding.



**Marketing and distribution paper**



# Going Global

## 2 Reduce

### Working with the best partners

AXA IM partners with specialists in the field to precisely measure its impact on the environment and act on it and to achieve the targets set out in its climate commitments.

► **ClimateSeed**, a data-driven company that specialises in GHG emissions, has developed an automated tool to measure CO<sub>2</sub>e emissions. AXA IM is onboarding this platform to simplify and enhance reporting processes, and ensure more precise, regular, and consistent environmental reporting. AXA IM has been working with ClimateSeed to enhance the tool, ensuring it aligns with requirements and industry standards, and integrating innovative features, such as forecasting capabilities, to project and anticipate environmental trends.

► AXA IM has teamed up with an environmental consultancy, **ClimatePartner**, to build our sustainability roadmap and develop the tools needed to deliver on climate priorities. Consultants will work with AXA IM teams on topics such as supply chain engagement, renewable energy, carbon footprint verification, digital sustainability, and employee engagement.





# Going Global

## 2 Reduce

### Developing new global standards

In 2022, AXA IM's Corporate Responsibility team issued two new standards to further reduce operational emissions globally.



**The AXA IM Sustainable Events Standard,** laying out the following criteria for events:

- ▶ Use third-party providers with robust sustainability credentials
- ▶ Re-use marketing materials such as banners, staging and invitations
- ▶ Source catering locally by default, exclude red meat
- ▶ Choose event locations with public transport options in mind

**The AXA IM Corporate Gifts Standard,** rolling out the following guidelines around corporate gifting:

- ▶ Donate to charity instead of giving gifts
- ▶ Charities selected from Global Philanthropy Programme or picked locally



“

*At AXA IM, events are some of our most visible activities where we can make it clear that we can embody our sustainability ambitions and demonstrate not only that we “walk the talk” but that we plan to continue working on supporting our environment and doing everything we can to help our journey to net zero. Our new sustainability standards have been met with gratitude, and reassurance that we are doing the right thing. At an industry event, at the end of 2022, our sales reps were applauded when they mentioned we no longer give away branded merchandise and instead donate the money to a local charity. This was the best reaction we could have hoped for.*

”

**Chloe Jones,**  
Global Events Manager,  
AXA IM Core

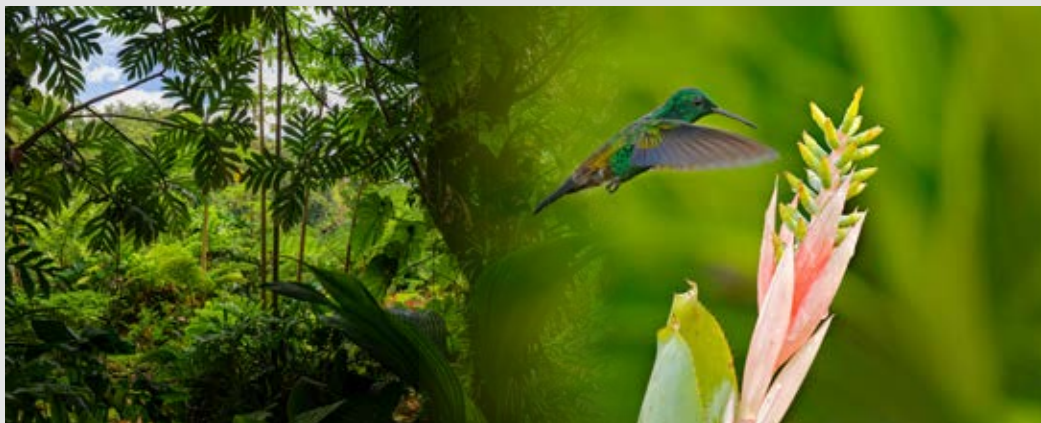






# Going Global

## 3 Offset



Even with strong reduction targets in place, it is not possible to run AXA IM without generating carbon emissions. Carbon offsetting should not be seen as the main solution, but it can be used as a complementary tool while working towards reaching net zero by 2050. In line with its commitment to environmental sustainability, AXA IM supports

the Conservation project in the Guatemalan Caribbean, as it has done since 2021. The project protects forests which are a critical migratory corridor for biodiversity. In 2022, carbon credits from this project offset 8,748 tCO<sub>2</sub>e of all our operational emissions, excluding the purchase of services.



### Giving back

AXA IM distributes 5% of its management fees from the impact fund range to carefully chosen charities, including the World Land Trust and the Ligue pour la Protection des Oiseaux.

#### In 2022, the World Land Trust used the funding to:

- ▶ Secure the D’ering-Dibru Saikhowa corridor which connects elephant populations.
- ▶ Help support the movement of over 500 elephants.
- ▶ Plant 6,200 saplings to restore degraded areas of the corridor.
- ▶ Mount camera traps to survey species.

#### The Ligue pour la Protection des Oiseaux used the funding to:

- ▶ Continue the protection and reintroduction of four vulture species in the southern part of the Massif Central in France.
- ▶ Regularly monitor the griffon vulture (905 breeding pairs), cinereous vulture (28 breeding pairs), Egyptian vulture (2 breeding pairs) and bearded vulture (1 breeding pair).
- ▶ Gather information on the effects of the avian influenza virus on vulture populations, which resulted in the death of 59 vultures in 2022.



# Going local

Setting global targets to reduce emissions across our business is key, but it is also important to recognise that local markets have different levels of maturity.

We work with each of our largest offices, and their management teams, to build bespoke CO<sub>2</sub> reduction roadmaps per region. These set ambitious, but realistic goals across key emissions of energy, car fleet, and business travel, as well as waste, paper, and water. We carry out regular checks with our offices to ensure initiatives are being undertaken.

Renewable energy share, for example, in the US and Asia is still limited, making it harder to secure supply, mostly due to carbon intensity of electricity grids being higher in these regions.



## Case Studies



*Our office is located in One Taikoo Place, which is already an extremely efficient building, but we are still going the extra mile to improve our environmental impact. With the help of building management, Swire Properties, we are measuring water usage and checking the possibility of installing flow-restrictors on some taps. We're also weighing waste daily so we can keep track of this and have ended all newspaper and magazine subscriptions. Air conditioning is essential in Hong Kong, but it is energy intensive. We set the office temperature to no lower than 25°C in summer and we have stopped using it between 7am and 8am every day. We've provided battery recycling points, as well as plastic, paper and aluminium recycling bins, and we only serve vegetarian food at staff events. Our work from home protocol and reducing unnecessary business travel are becoming a normal part of people's everyday lives.*

**Julian McKenzie,**  
Chief Operating Officer Asia Pacific



*We have relocated our Greenwich office to Stamford and optimised office space in New York, Atlanta and Orinda to reduce CO<sub>2</sub> emissions and improve sustainability. Our New York office is LEED Gold certified and the landlord of our Stamford office has committed to making it LEED<sup>18</sup> Gold certified. Our offices are very green, with lots of plants and a vegetation wall. We use reusable cups instead of takeaway coffee cups and have installed a water machine to cut down on single-use plastic. I think awareness and concern about these issues is much lower in the US compared with, for example, Europe. Gas and electric here are cheap, which means there is less employee engagement on these issues. It's also harder to source green electricity, and we have limited control of the office spaces we rent so it is difficult to influence energy sourcing. But overall, I think attitudes towards sustainability have shifted somewhat: it's all about making small steps, one at a time, and making sure employees are on board.*

**Florian Bezault,**  
Chief Operating Officer AXA IM USA

<sup>18</sup> [Leadership in Energy and Environmental Design](#)



# Engaging **our employees**

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AXA IM is committed to providing ESG and sustainability learning opportunities for people at all levels of the organisation. As such, we have integrated an ESG Development Goal pertaining to learning and awareness into our employee development goals.





ACTIVE INTERNAL ENGAGEMENT

GOAL 100% BY END OF 2022

At the end of December 2022 **100%** of employees<sup>19</sup> had attended learning and awareness sessions

<sup>19</sup> Scope covers all active permanent employees excl. JVs as of 30.11.2022.

## Engaging our employees

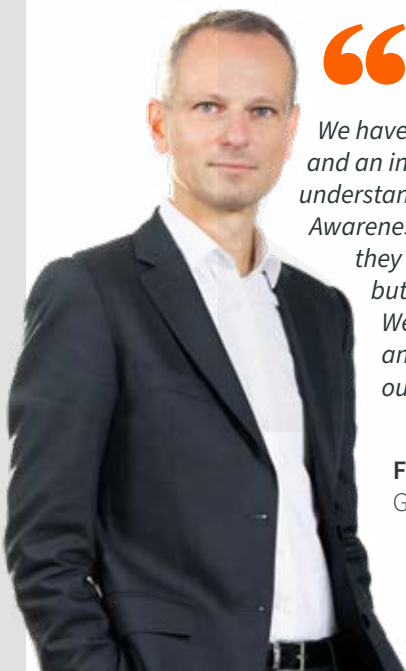
By the end of 2022, 100% of AXA IM employees<sup>21</sup> had completed the AXA Climate Academy training programme, created by the AXA Climate School. This course covered a range of topics from the main risks associated with global climate change to how employees can contribute to reducing their own carbon footprint.

➤ Visit the interactive **Progress Monitor** to discover more on AXA IM's progress towards this goal.

### What next?

AXA IM will ramp up efforts in 2023 with an ambitious target to achieve of at least 70% of employees to attend additional awareness sessions by the end of 2023. The goal is to

encourage staff to further their knowledge of climate change, learn about biodiversity, and how to address our collective sustainable challenges.



“

*We have set some ambitious targets, aiming to become net zero both as a business and an investor by 2050. We will only reach those targets if all our employees understand climate change risks and the broader sustainability environment. Awareness and learning are the foundations that sustain individual engagement: they help employees to better understand the role they can play as individuals, but also the role we all need to play collectively as a responsible asset manager. We hope that this belief has been reflected in our actions, firstly by rolling out an ESG development goal to all employees and secondly by reflecting our ESG objectives in our senior executives' remuneration.*

”

**Frédéric Clément.**

Global Head of HR



### ESG linked remuneration

**AXA IM is now including ESG targets in the remuneration of its senior executives.**

From 2023, the deferred compensation of c. 400 people will include additional ESG metrics, alongside existing criteria depending on the employee's business area and remit.



# Going further **together**

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To stand any chance of tackling the issues of climate change and biodiversity loss requires a collaborative approach. Collective action is imperative as no one person, company or government can do this alone. AXA IM is active across many industry initiatives and in shaping public policy and regulation in sustainability to ensure it remains compatible with the challenges of our industry.



# Going further **together**

AXA IM is working with other asset managers, policy makers and industry leaders to pool resources towards meaningful solutions in the following groups and initiatives:

**01**

**Net Zero Working Group of the Global Real Estate Sustainability Benchmark:**

**Member**

Set up to explore the core assumptions and beliefs that drive divergence in what net zero means for real estate

**02**

**Carbon Risk Real Estate Monitor's scientific advisory committee:**

**Member**

The committee provides a valuable contribution to the scientific and technical integrity of the project outputs

**03**

**Nature Action 100: Founding member**

A new global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss



**04**

**Finance for Biodiversity Foundation:**

**Co-chair**

A working group to share knowledge and best practice, and implement collaborative action on biodiversity impact metrics that will ultimately protect and restore

**05**

**Net Zero Asset Managers Initiative: Member**

An international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050

**06**

**ChemScore: Member**

A collaborative engagement initiative focused on hazardous chemicals

**07**

**FAIRR: Member**

An investor network that raises awareness of ESG risks and opportunities in the global food supply chain





## Going further **together**

### Our advocacy work

It is important to us that our investee companies align with Global and European sustainability standards, which means playing an active role in ensuring that there is clarity in these standards, and that they are considerate of the challenges of our industry.

“

*“In 2022, we continued to advocate for a far clearer definition of what constitutes 'green' or 'sustainable' investments. Definitions and regulations should be standardised, comparable, robust and science-based. They should be understandable for all investor types and accessible to corporates and the financial sector alike.*

*We have been getting our message across through conversations with the SFDR Advisory Group of the European Sustainable Finance Forum, the European Commission and the French Treasury.*

*We've also been highlighting the technical difficulties we face in exercising our voting rights as shareholders, which is a vital part of our engagement activities. And we've continued to advocate for relevant and comparable sustainability-related information for a broader scope of issuers. Without this information, investment teams won't be able to embed ESG in their decisions.*

*2023 will be another landmark year for public policy in this field. In March, we were selected as an expert member of the second mandate of the European Commission's Platform on Sustainable Finance. We're looking forward to helping policy makers focus on making sure new regulations are usable and accessible, especially in the European Union.”*

”

**Clémence Humeau.**

Head of Responsible Investment Coordination  
and Governance





## Looking ahead

AXA IM will seek to review the progress we have made to ensure it is ambitious enough and aligned with our strategic goals.

We will continue to apply a stewardship mindset to all our activities - taking engagement to the next level. Stewardship is a vital mechanism for asset managers to power a green and just transition, as is playing an active role in industry-wide initiatives that enable us to act collectively and hold ourselves and the industry to account.

There is no doubt that we need to act fast, and together, to achieve global net zero goals. As UN Secretary-General Guterres said:

**“In short, our world needs climate action on all fronts – everything, everywhere, all at once.”**



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**Important information:**

Climate or sustainability-related metrics and underlying emissions data are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. There is a limited availability of relevant data: such data is not yet systematically disclosed by issuers, or, when disclosed by issuers or collected from third-party data providers, it may be incorrect, incomplete or follow various reporting methodologies. The data sources and methodologies are expected to evolve and improve over time and may materially impact targets and the achievement of targets.

Targets noted above reflect management's current expectations, and are subject to a number of assumptions, variables and uncertainties, including actions of issuers in which we invest, suppliers and other third parties, as well as a variety of political, economic, regulatory, civil society and scientific developments beyond AXA IM's control. There can be no assurances that our targets and the timetable for any transition will be achieved in whole or in part.

All data as at end December 2022 unless otherwise stated.

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