

## Climate Change policy : Acting for positive change



**Climate change is one of the biggest threats facing society today. As highlighted by the United Nations, the impact of rising greenhouse emissions can severely disrupt economies, costing both people and communities dearly. Immediate action is required if the most catastrophic damages are to be avoided.**

The 2015 Paris Agreement was a decisive step in this regard. It has delivered a global consensus on the need to dramatically curb worldwide emissions and achieve carbon neutrality. Signatories committed to ensuring that the global temperature remains less than 2°C above its pre-industrial levels this century. Significantly, they recognised that the increase, can be no more than 1.5°C if we are to avoid the most severe impacts.

However many countries' climate pledges are still falling short of reaching this target.

As active investment managers, our decisions can affect positive change. We are deeply committed to tackling the impact of climate-related risks and as a large investor we have a key role to play in limiting global warming. Therefore we believe it is our duty to provide the relevant expertise to help our clients better understand climate change and how it may impact their portfolios, and support them in adapting their investment decisions accordingly.

As shareholders, it is also our responsibility to engage with companies to encourage them to not only take better care of the environment but help improve public health and working conditions too.

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Today our climate change policy, is fully aligned with the framework proposed by the Task Force on Climate-related Financial Disclosures, and is evidenced by our commitment to sector and international initiatives related to the environment such as the UN Principles for Responsible Investment, the Institutional Investors Group on Climate Change and the Carbon Disclosure Project. Our approach to the issue is centered around four pillars, and is supported by a climate taskforce involving participants from the Responsible Investment team, investment teams as well as Risk Management team.

## Divestment and risk mitigation

We have been involved in responsible investing (RI) for some two decades and as part of our environmental, social and governance (ESG) integration process, we exclude firms which fail to meet certain climate change criteria. For example, coal is widely available to a large proportion of the world's population and is relatively low-cost. However, it is also the most carbon-intensive energy source on the planet and generates a very high level of polluting emissions. While we acknowledge that political and economic realities vary from one country to another, ultimately its use needs to be constrained if we want to achieve the 2°C commitment.

Therefore, in November 2016 AXA IM moved to **divest from companies, which earn more than 50% of their revenue from coal-related activities**. This rule is applied across assets managed by AXA IM, representing more than € 630bn Assets Under Management<sup>1</sup>.

In December 2017, AXA IM extended its existing stance on coal in the form of a new in-house climate risks policy applicable for ESG open-ended funds and on an 'opt-in' basis for all third party clients for their dedicated funds and mandates, representing more than € 10bn Assets Under Management<sup>2</sup>. This new policy further reinforces both AXA IM's and our clients' commitment to climate change, by **divesting from companies that derive 30% or more of their revenues from coal. In addition, this also covers investment in companies which derive 30% or more of their revenue from oil sands extraction or transportation**.

## Active Stewardship

We see it as a corporate duty to engage with companies to consider reforms which will help mitigate the threat of climate change. As shareholders, we continue to use our voice to urge corporations to act in the best interests, not only of their clients and shareholders but of society at large. Our RI and Stewardship Policies<sup>3</sup> outline our commitment to pushing oil and gas companies to intensify their efforts on climate change, which impacts both our proxy voting, and our engagement activities. We continue to hold constructive and challenging discussions directly with companies in sectors most exposed to climate change.

Improved disclosure of strategy and scenario planning is an important tool in this regard. It enables us, as investors, to assess the risks and opportunities associated with climate change and it helps us make better informed investment decisions on behalf of our clients. Relevant sector analysts and

portfolio managers are involved in these engagements, which enables them to fully integrate the results into their assessment of companies.

The systemic nature of climate change requires investors to aggregate collective influence to bring about necessary change. AXA IM is also deeply involved in the **Global Climate 100+ engagement Group**, a collaborative, investor-led programme, which targets the most significant global polluters.

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<sup>1</sup> As of end June 2018

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<sup>3</sup> Full details of our policies and voting records are located [here](#).

## Reporting and investment integration

We firmly believe that responsible investment not only delivers sustainable, long-term value for clients but it can also have a positive impact on society. This is why for the past 20 years we have heavily invested in both quantitative and qualitative resources to support the incorporation of ESG criteria into our investment processes, including the development of proprietary ESG scoring methodologies.

We have a proven track record in the construction and testing of carbon risk measurement and have applied Article 173 - France's climate risk reporting law - since 2015, providing regular reporting on how ESG factors are integrated and measured in our funds. Starting in 2019, we will report on new climate indicators covering both corporate and sovereign investments to enrich our reporting on climate with forward-looking metrics such as portfolio temperature, carbon budget and green share. **These tools will be also disseminated in front office tools to help portfolio managers further integrate climate risks and opportunities into portfolios strategies.** The selection of metrics and set up of climate frameworks will be achieved by building up constructive collaboration with a consortium of external experts such as Trucost, Carbon Delta and Beyond Ratings. This combination of various expertises will further evolve and be complemented overtime.

AXA IM has been a **very active investor in green bonds, green buildings and green infrastructure, with more than 1,2% of our total Assets under Management invested in these strategies<sup>4</sup> - above the recommendations made as part of the COP 21.** By 2030, we expect 75% of

<sup>4</sup> € 9bn as of end June 2018. AXA IM's definition of green assets is derived from accepted and demanded market-based approaches (e.g. Climate Bond Initiative).

direct property assets under management to hold internationally recognised sustainability certifications. We are particularly active in promoting the International Capital Market Association's Green Bond Principles, and are a member of its executive committee. In 2017 we received the 'Innovation and Industry Leadership by an Investment Manager' award for forwarding-looking 2°C analysis on fixed income portfolios, from Responsible-Investor.com. Thanks to our strong understanding of green investments, we are playing a key role in implementing the €12bn 2020 Green Investment initiative, announced by AXA Group in December 2017.

## Corporate Responsibility

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At AXA IM, reducing our own carbon footprint is core to corporate responsibility, which is why we have established a "High Environmental Quality" strategy to improve the impact of our buildings and internal management systems. This approach is intended to be transversal i.e. the solutions implemented must be optimized from a technical, environmental and economic point of view. Our goal is to ensure we act on the 3 main variables of our carbon footprint: power (energy), transportation and paper, water and waste. We focused first on the energy perimeter of all our office buildings which are almost all certified as HQE, BREEAM or ISO

14001<sup>1</sup>. We are using renewable energy in all of our sites with more than 50 staff members.

Since January 2018, **we have achieved 100% renewable energy consumption** through the purchase of US REC certification (Green-e Energy Certified New2 Renewables in ECOHZ RECs made up of 100% wind energy) to offset US nonrenewable energy consumption (owners less encouraged by the government to move towards these targets) and we subscribe to the RE100 label. AXA IM conducts an annual assessment of the environmental footprint of its premises and its activities. This means examining a wide number of areas, including among others, our energy consumption, water consumption, recycled paper usage, the recycling of printer toners and cutting the overall level of e-waste.

In order to continuously improve our carbon footprint, we created our Green Champions network and work internally to identify easy impact actions that can reduce environmental impacts of our office (launch campaigns go paperless, waste less, waste segregation).

**Above  
€9bn**

Assets under Management in Green bonds, Green buildings and Green infrastructure.

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<sup>i</sup> High Quality Environmental, Building Research Establishment Environmental Assessment Method. The norm ISO14001 assesses Environmental Management strategy and processes.