

Future proofing long-term credit portfolios

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Fixed Income Responsible Investment Process



Integration

ESG integration into investment decisions:

- Within credit research
- Within portfolio construction – complementary tool to our relative value analysis, along side fundamental and spread factors
- **Beyond the E, S and G framework**

Development of new solutions:

- Bespoke investment strategies depending on each client's needs and objectives
- **Broader capacities on climate risk measurement**



Impact

Target positive and measurable impact addressing societal challenges:

- Invest in bonds with dedicated use of proceeds towards Environmental and Social themes
- **Identify impact in the broad fixed income universe**
- **Engage with all stakeholders, foster new initiatives**



Screening

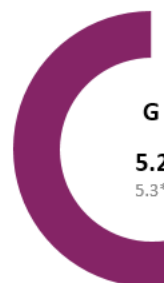
Screen out key identified ESG risks while investing in best practices – identify leaders and laggards:

- Exclusions (AXA IM ESG standards and custom client exclusion lists)
- Positive screening and Best in Class approach

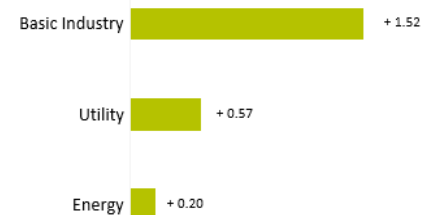
ESG diagnostics – The basics

ESG performance	Fund	Universe
ESG Score	6.4	6.2
Carbon footprint	243	280
ESG tail risks		
Climate Risk	-	0.6%
Tobacco	-	1.3%
Defense	-	0.1%
ESG Low Quality	-	2.9%
Controversies	-	1.3%
ESG KPIs		
% Green Bonds	5	1
% of Independent directors on board	69	62

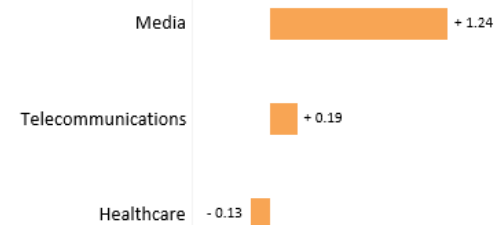
Scoring deep dive



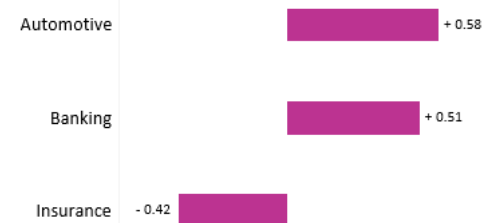
Relative Environment Score



Relative Social Score

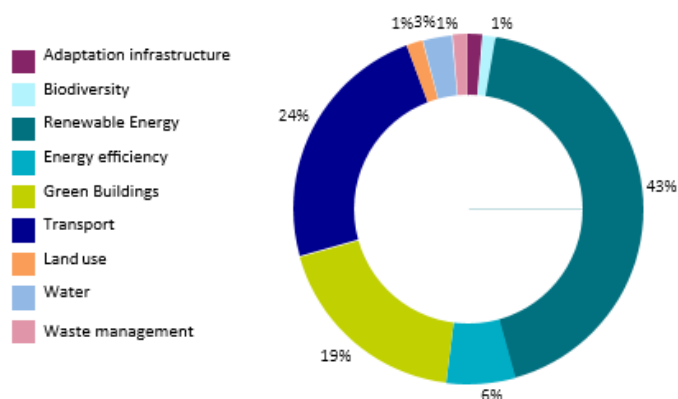


Relative Governance Score



ESG diagnostics – Measuring positive impact

Focus on Green Bond investments



Saving

58,685

metric tons of CO²-equivalent



Is equivalent of removing

13,041

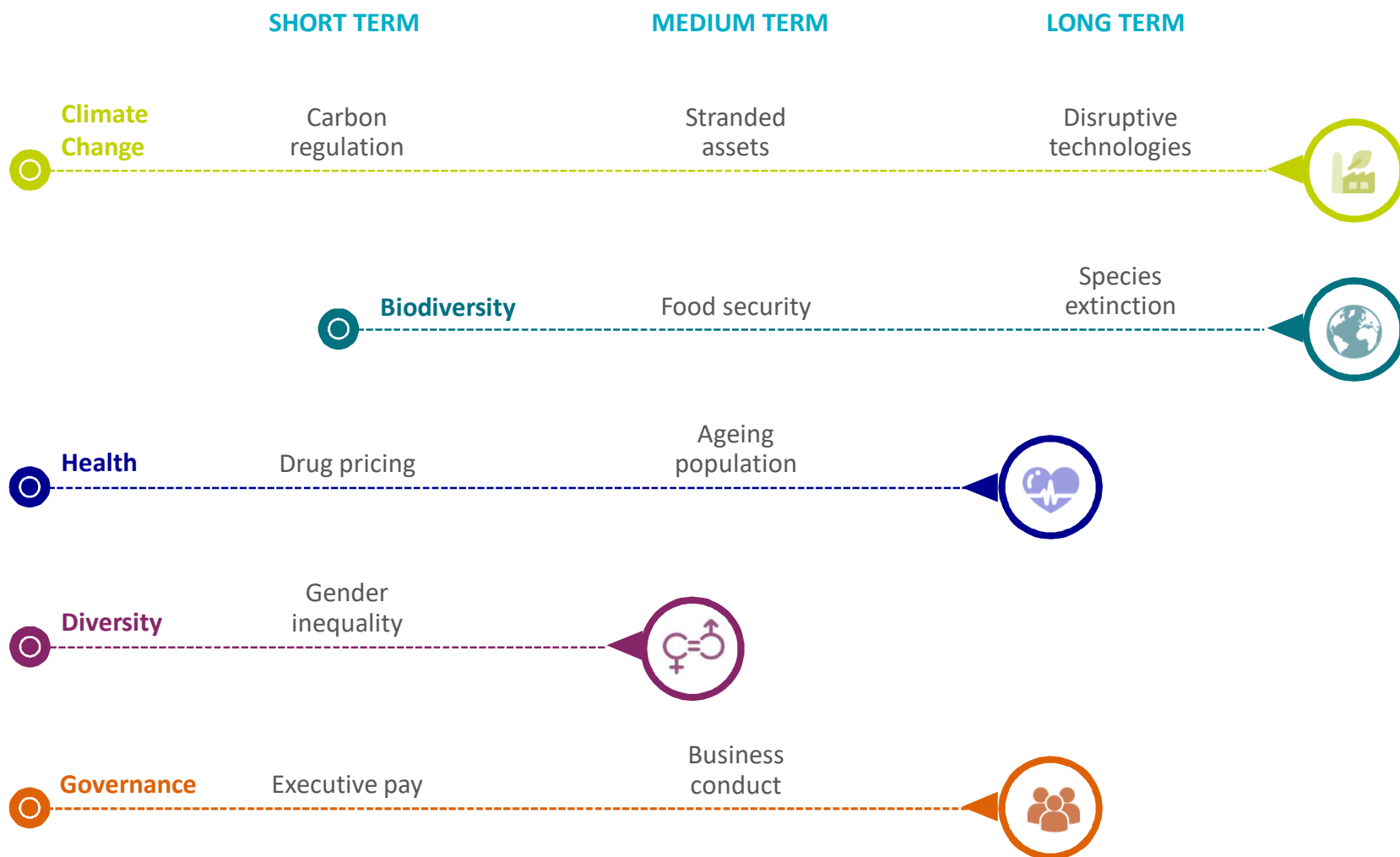
cars off the road



Direct and indirect exposure to SDGs through use of proceeds bonds



Beyond the ESG framework



Mainstreaming impact investing

Five key pillars

How to characterise impact investing?



Intentionality



Materiality



Additionality



Negative consideration



Measurability



The example of climate change

✓ Key areas of focus

- Low carbon transition
- Energy efficiency
- Sustainable transport
- Sustainable agriculture

✓ SDGs targeted



✓ Impact KPIs

- Measure and track KPIs such as renewable energy generation or investment in energy efficiency
- Compare to industry acknowledged catalogues

Identify

Impact leaders:

Highest rated companies in terms of the extent of net positive societal impact

Transitioning companies:

Operating within the limits of today's business realities while exhibiting some ambition for significant transformation

Engage with all stakeholders through a forward-looking approach

Active stewardship

At the company level

- ✓ Key engagement themes tackled through **individual and collective initiatives**



Climate change



Biodiversity



Public health



Gender diversity

New initiatives in the market

Transition bonds

- ✓ **Why?**

A significant gap between companies able to issue Green Bonds and traditional bond issuers

- ✓ **Who?**

Brown companies that have the ambition to transition to green in the future

- ✓ **How?**

Encourage the issuance of transition bonds on a specific projects' taxonomy

- **Energy:** carbon capture storage
- **Transportation:** gas powered ships
- **Industry:** cements, metals or glass efficiency investments

- ✓ Establish **clear expectations on issuers' environmental strategy** and commitments

Collaboration on a daily basis

A common journey

- ✓ Ongoing dialogue with **external ESG providers**

- To understand their latest developments and share knowledge
- To be able to identify potential biases, strengths and weaknesses of each methodology

- ✓ Ongoing dialogue with **bond issuers**

- Encourage transparency and disclosure
- Integrate ESG considerations as a part of our regular discussions with companies

- ✓ Ongoing dialogue with **our clients**

Climate strategy

