

# AXA IM Select Responsible Investment Policy

2024

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## 1. Scope of the policy

AXA Investment Managers (AXAIM) Select, previously known as Architas, is a specialist investment company and a global member of the AXA Group with €30.8 billion of assets under management and advised (as at 31 December 2023)<sup>1</sup>. The company, established in 2008, focuses on asset management and is therefore involved in UCI management, portfolio management, investment advice, fund research and building investment solutions on behalf of various AXA entities. AXA IM Select is dedicated to recommending funds for the AXA Group and building multi-asset solutions for clients across Europe and Asia.

References to 'AXA IM Select' in this document - unless specified - refer to Architas Multi-Manager Europe Limited (AMMEL) in Ireland, AXA IM Select France in France, AXA IM Select Asia Limited in Hong Kong and AXA IM Select Belgium in Belgium with the ultimate parent and controlling company being AXA SA (a company registered in France).

## 2. Purpose of the policy

The purpose of this Responsible Investment (RI) policy is to articulate our approach and practices when it comes to responsible investing. The implementation of the RI policy is part of the AXA Group's commitments and values.

AXA IM Select is a global asset manager with a duty to act in the best interests of its clients, shareholders and other stakeholders. As a member of the AXA Group, we follow AXA's corporate responsibility agenda of protecting people over the long term and creating stronger and more sustainable societies. In developing our RI policy, we have aimed to align it wherever practicable with AXA's wider corporate responsibility strategy. For more information see [www.axa.com/en/about-us/responsible-investment](http://www.axa.com/en/about-us/responsible-investment)

## 3. Responsible Investment approach

AXA IM Select engages in responsible investment because we believe that financially-material ESG considerations can affect returns of risk-adjusted investments in the short, medium and long term. AXA IM Select is in a unique position to influence and direct capital and finance towards positive contributions to the environment and society, thereby facilitating the transition to a sustainable economy. It is therefore important that i) the funds that are selected and managed are aligned with this view in terms of their ability to identify, assess and manage both sustainability risks and opportunities and ii) AXA IM Select can effectively influence managers on their ESG journey and in turn they can effectively engage with issuers. In order to do this, the evolving AXA IM Select responsible investment framework is anchored on three pillars: i) ESG due diligence ii) ESG exclusions and iii) Governance and monitoring.

Key external frameworks, regulations and labels that shape some of the RI Approach are:

- United Nations Principles for Responsible Investment (UNPRI): "AXA IM Select" has been a signatory of the United Nations supported Principles for Responsible Investment since 2018 (then Architas), scoring 4\* and 5\* on all scored modules in the most recent assessment.
- Sustainable Finance Disclosure Regulation (SFDR)
- Investissement Socialement Responsable (ISR / SRI) label and the Greenfin label

Our responsible investment approach is summarized here: [Responsible Investing | AXAIMSelect](#)

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<sup>1</sup> Combined AUM and AUA managed and advised by Architas Multi-Manager Europe Limited, AXA IM Select France, AXA IM Select Asia Limited and AXA SA/NV.

## 4. Responsible Investment governance

### RI dedicated personnel

At AXA IM Select, RI professionals include two groups of employees: those that are dedicated to RI activities and involved in a full-time capacity, and those that are partially dedicated since RI related work is embedded in their day-to-day roles in other departments. One of the common objectives amongst all the roles is to work with our investment teams to integrate ESG issues into their investment processes. The relevant experience of the dedicated individuals includes RI strategy and governance, fund and ESG research, quantitative analysis, product positioning, in addition to more relevant RI experience.

The current roles dedicated to RI and roles with a strong contribution to RI are:

Team	Dedicated personnel
Investment*	Responsible Investment Lead (RI Lead)
Proposition	- Head of ESG ( <i>partially dedicated role, also Head of Proposition</i> ) - ESG Proposition Manager
Data & Reporting	ESG Data Analyst
Corporate Sustainability and Reporting Officer	Corporate Sustainability and Reporting Officer
Compliance	None Provide guidance and assess compliance with regulatory issues
Risk	None Support and oversee ESG Risk Management including Investment Risk Monitoring team that monitors compliance against RI constraints
IT	None Support all tools and systems related issues
Marketing	None Collaborates with other teams to produce dedicated ESG reports and ESG marketing materials

\*The following are additional key RI related activities undertaken within the Investment team:

- Chief Investment Officer (CIO) oversees and signs off on all RI related initiatives. RI Lead reports into the CIO.
- Portfolio Managers are responsible for embedding and complying with all RI related constraints in their portfolios
- Sector specialists conduct ESG due diligence at fund level
- Operational Due Diligence team conduct ESG due diligence at firm level
- Investment analysts support record keeping and timely completion of RI commitments

## RI governance committees

AXA IM Select has established a strong governance framework around RI as shown in Figure 1 and explained below:

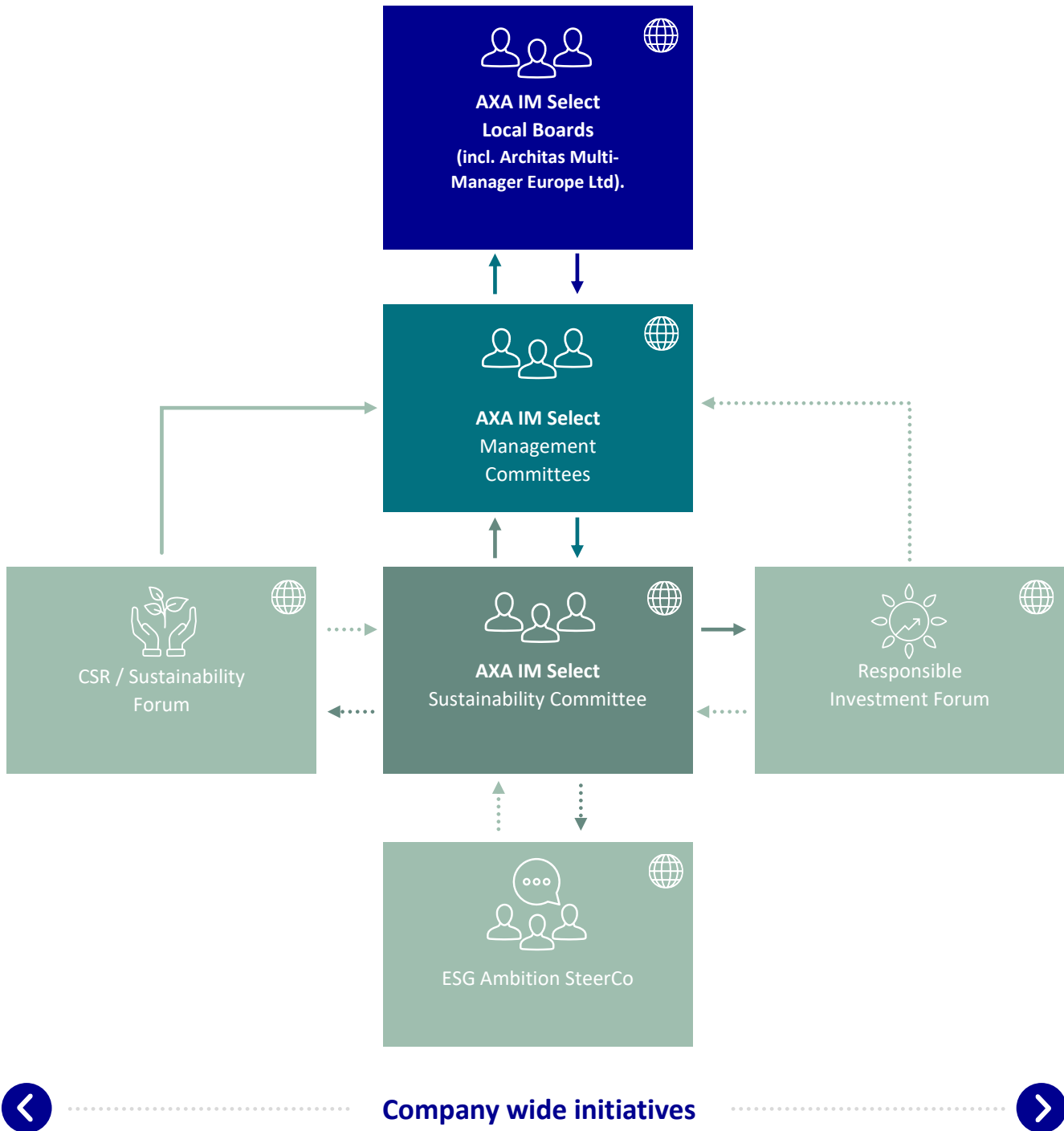


Figure 1: AXA IM Select RI Governance Committees

Committee	Role	Frequency
<b>Key RI related committees at AXA IM Select</b>		
Responsible Investment Forum	Attended by the global investment team this forum is chaired by the CIO along with the RI Lead. It is used for key RI updates and decision making with input from the investment team. Topics covered include ESG Products; ESG Due Diligence; Sustainable Finance Disclosure Regulation (SFDR) related issues; ESG Data, Reporting and Research; Exclusions; RI policies and procedures and coordination with other governance bodies within AXA.	Monthly
AXA IM Sustainability Committee	The aim of this committee, chaired by the Head of ESG with the ESG Proposition Manager as the Secretariat, is to oversee all ESG activities (beyond RI as well) across AXA IM Select. It consists of 6 voting members. The main focus areas include: RI and ESG related policies, assessment of the impact across AXA IM Select of new ESG initiatives and effective promotion and adoption of ESG principles at the investment and corporate levels.	Quarterly
ESG Ambition SteerCo	This was a temporary SteerCo originally established to oversee all SFDR related transitions and changes. It has since evolved to cover additional one-off ESG related projects at AXA IM Select. The aim is to bring the SteerCo to a close once the new initiatives have been embedded as Business as Usual (BaU).	Monthly

## 5. ESG integration at AXA IM Select

We define ESG integration as the integration of environmental, social and corporate governance considerations into investment analysis, management and decisions in the belief that these ESG factors can have a material impact on financial performance, in line with the UN PRI definition. This enables us to analyse each investment's ability to create, sustain and protect value with the aim of ensuring it can deliver returns in line with our clients' expectations. In 2017, AXA IM Select (then Architas) was appointed by AXA to lead the ESG integration in AXA's unit linked business both in Europe and in Asia. AXA IM Select's integration of ESG issues in investment processes relies on three key pillars: pillars: i) ESG due diligence ii) ESG exclusions and iii) Governance and Monitoring.

### ESG Due Diligence (ESG DD)

The ESG Due Diligence process is a mandatory part of the investment process at AXA IM Select, in which we qualitatively assess firms and underlying funds' RI credentials using proprietary assessments which results in a RAG rating for firms and an ESG score for each fund. We apply stringent minimum thresholds to ensure our portfolios consist of funds / mandates that are less likely to be exposed to not managed ESG risks and where applicable make positive contributions to environment and society. These are the potential pitfalls that wouldn't be identified by traditional financial analysis alone. The purpose of these scores is to provide managers with information about the ESG quality of mutual funds, in order to seek to improve the ESG footprint of offerings where possible.

ESG DD is undertaken in two parts: the ESG Operational Due Diligence (ODD) assessment which is focused at firm level and ESG Investment Due Diligence (IDD) assessment focused at fund level.

- **ESG ODD assessment at firm level:** The areas covered include policies, firm level processes, governance, training, Key Performance Indicators (KPIs) and firm level commitments. It is a self-assessment so firms are provided an ESG specific questionnaire as part of the overall ODD process which they complete and submit along with any evidence requested, such as their policies. Depending on the responses, the AXA IM Select ODD team can choose to follow up with a discussion with the firm being assessed. The responses are assessed and a RAG rating outcome is finalised. Amber and Green rated firms' funds are eligible for investment. However, red rated firms' funds are considered ineligible for investment (unless there is a reasonable case for an exemption from this rule which would go through approval at the RI Forum) and the firm cannot be used for any delegated mandates. Red rated firms can be those without an RI policy or without a dedicated RI resource or with unsatisfactory ESG integration at firm level. The list of firms and their latest assessment outcomes are stored on a Sharepoint site for the investment team to access. The assessment is refreshed at least every two years. On an ongoing basis Asset Managers are monitored in the media for possible adverse news with regards to their commitment to ESG initiatives and involvement in greenwashing practices.
- **ESG IDD assessment at fund / mandate level:** This is a qualitative self-assessment of funds or mandates based on a questionnaire completed by fund managers and comprises three scored sections that have their own weights and cover the following areas specifically at fund level:
  - i) ESG integration that includes ESG approach, evidence of implementation of ESG approach and any consideration of impact
  - ii) Engagement and stewardship that includes an engagement framework, how engagement is tracked and success measured and evidence of active ownership effecting investment decisions.
  - iii) Risk and reporting includes ESG risk monitoring, ESG KPIs, ESG reporting and consideration of climate risk and biodiversity.

The output of the assessment is an ESG score awarded to each fund / mandate. Currently the total score is out of 5, however this is subject to change. ESG score thresholds are defined which all funds / mandates – new and invested – must meet in order to be eligible for investment and if an invested fund / mandate's score drops below the ESG Score threshold, there is an escalation process defined which can ultimately lead to removal from approved buy lists. There are two ESG Score thresholds used at AXA IM Select currently – one for SFDR Article 6 and Article 8 funds / mandates and one for SFDR Article 9 funds / mandates. The assessment is mandatory for all new and invested funds / mandates and the due diligence is carried out as part of the wider Investment Due Diligence for new funds or as part of monitoring funds. The assessment is refreshed at least every eighteen months. Using collected information – via the questionnaire and dedicated discussions with the fund manager if needed – sector analysts will form a view on the robustness of the ESG process (including peer comparison) and present findings back to the investment team.

## ESG Exclusions

At AXA IM Select, implementation of ESG exclusions is a key pillar of achieving responsible investment. Aside from exclusions based on ESG scores, we apply a range of sectorial or normative exclusion policies. By doing so, we reduce our exposure to ESG risk areas and this enables better management of sustainability risks and principal adverse impacts (PAI). To align with the AXA Group, we apply the same exclusion policies used within the Group or its subsidiaries. The exclusion lists are developed and regularly updated by the relevant teams at the Group or its subsidiary based on data provided by third party providers which are then shared with AXA IM Select.

Our exclusion areas cover environment, social and governance risks:

- **Environment:** Climate (coal mining and coal-based energy production; oil sands production and oil sands related pipelines), biodiversity (palm oil production) or soft commodities (food commodities derivatives);
- **Social:** Health (tobacco manufacturing) and human rights (violations of United Nations Global Compact (“UNGC”); controversial weapons manufacturing)
- **Governance:** Business ethics (UNGC breach).

Scope:

- **Funds of mandates:** Majority of our funds of mandates apply an exclusion List. Whether a fund will be in the scope of funds that apply it, is determined in collaboration with the relevant Portfolio Manager and Clients.
- **Funds of funds:** While proprietary exclusions cannot be applied to external funds open to different investors, we monitor for alignment of funds’ exclusion areas vs AXA exclusion areas with special attention to exclusions related to thermal coal.

Further information about the exclusions within AXA can be found here: [Investments | AXA](#)

## **Governance and monitoring**

We believe the governance and monitoring of RI issues is a key component to achieving our aims. Aside from the dedicated personnel and governance bodies at firm level, we also focus our efforts at fund level:

- **Investment team involvement:** Majority of the investment team are involved in RI practices such as ESG DD by sector specialists, ESG exclusions implementation by portfolio managers, SFDR implementation by all and ESG record keeping by analysts.
- **Reporting and monitoring of funds:** All funds / mandates are monitored on a frequency of between quarterly, semi-annually and annually as specified in the due diligence process. Aside from an update of the IDD note, this can include direct discussions with the managers therefore closely liaising on all ESG related issues as well. The monitoring of funds by portfolio managers includes checking current and future potential of compliance with any agreed constraints, e.g. fund label requirements and SFDR classification related requirements. It is worth noting that all agreed constraints are monitored by the Investment Risk Monitoring department at an agreed frequency.
- **Greenwashing:** Whilst our ESG DD processes are set up to undertake in-depth assessments of firms and funds / mandates from an RI perspective to ensure their ESG quality and credibility, we recognize there can be outstanding risks. Hence we monitor the news for any greenwashing related alerts. At firm level, once the ODD team is alerted of possible greenwashing issues concerning Asset Managers invested and advised, contact with the Client Service Representative is made to obtain further details on the issue. Meanwhile independent research is also conducted on several industry media outlets. A note with initial details is shared internally with ManCo representatives as well as externally with all clients holding investments with the Asset Manager/s in focus. The Global ODD team is presented with findings and a request to approve an amber rating for the Asset Manager/s. The ODD team continues to monitor the situation and the evolution of any investigation by regulatory and/or enforcement bodies and keeps internal and external stakeholders informed of any new development, including having discussions with the manager about updates if needed. Over time if the manager is able to demonstrate the issue has been addressed, the rating may then change and to do so, the formalised process of approval will be followed again. At fund level, if an alert is noted, the sector specialist is



responsible for checking the issue with the fund manager. Next steps are determined based on the fund manager's actions in response to the alert, including presenting the case at the RI Forum if required.

## **Sustainable Finance Disclosure Regulation (SFDR) implementation**

Since the introduction of SFDR in March 2021, teams across AXA IM Select departments have worked collaboratively to form a strategic view on the AXA IM Select SFDR approach and implement the required changes which includes new processes, systems and tools. All SFDR specific information can be found in the [AXA IM Select SFDR legal disclosures](#) or in the process manual documents of each department where relevant. Information related to the various articles (articles 3, 4, 5, 6, 10) that are requirements of the SFDR regulation are published on the Architas websites for [Ireland](#) and [France](#).

## **Labelled funds**

AXA IM Select France currently has funds labelled by the French state. The following two labels have been implemented: "Investissement Socialement Responsable" (ISR / SRI) label and the Greenfin label. Further information including about the funds' compliance with the labels and reporting can be found in the [AXA IM Select France ESG Policy](#).

## **6. Engagement and voting**

### **Engagement with fund managers**

As a multi-manager, we are in a unique position to influence and direct capital and finance towards positive contributions to the environment and society, thereby facilitating the transition to a sustainable economy. One of the key approaches to achieve the same is via engagement with fund and delegated managers which can help to influence, promote and steer towards better ESG integration practices. Aside from systematic engagement by the ODD team, the RI Lead undertakes a number of ESG focused engagements with fund and delegated managers throughout the year. This is usually tailored to the fund / delegated manager and historically has covered issues such as their ESG analysis and assessments, priority ESG areas for engagement with issuers, ESG exclusions, SFDR related planning and implementation, existing and new sustainable funds and increased disclosure.

### **Voting**

In relevant instances, AXA IM Select may control the voting strategy for assets it holds directly. Records of our voting activity for these assets are available on request. Delegate asset managers exercise voting activities for underlying funds held by AXA IM Select. Voting records are not currently available for delegated assets.

AMMEL : [Legal and Regulatory Information | AXA IM Select \(axa-im.ie\)](#)

AXA IM Select France : <https://select.axa-im.fr/non-professionnels/informations-juridiques-et-reglementaires/>

## **7. ESG Risk management**

In addition, as a portfolio management company, AXA IM Select maintains a permanent risk management function that is hierarchically and functionally independent of the other departments and covers the following missions: i) Advises and assists the other departments and the governing bodies; ii) Ensures the robustness and proper application of risk management systems; iii) Operational and financial implementation iv) Implements the risk management policy it has defined. Outlined below is some of the key functions related to ESG risk management.

### **Investment Risk Monitoring**

We have a team dedicated to investment risk monitoring for all funds. The team are responsible for post trade checks to ensure compliance with all agreed rules and constraints as per product prospectuses. For instance where relevant, risk management monitors i) the various SRI and Greenfin specific ratios on the labelled funds and reports the controls carried out to the risk committee; ii) compliance against exclusion Lists iii) the level of sustainable investment and iv) related thresholds of underlying Article 8 and Article 9 funds.

### **Compliance ESG control**

AXA IM Select is also required to have a compliance function in charge of carrying out the following tasks:

- i) Advise and assist the company's teams to comply with the regulatory obligations of both the company and the products;
- ii) The RI policies, procedures and their implementation are in scope for selection in the compliance monitoring programme, taking a risk-based approach.

### **ESG KPIs for governance reporting**

As part of integrating EU sustainable finance duties at AXA IM Select, AXA IM Select has designed performance metrics related to ESG. These metrics will be embedded into the existing reporting framework at AXA IM Select. Each legal entity will measure and report an ESG KPI status to local boards, management committees (ManCo) and executives.

### **Conflict of interest**

We maintain a Conflicts of Interest Policy that includes in its scope potential conflicts relating to stewardship. We also expect our delegates to operate conflicts management in line with MiFID or equivalent local requirements. As we do not directly invest into particular companies, we do not typically encounter specific conflicts relating to stewardship.

## 8. Annex A: Documents

Related documents	Link
AXA Group Responsible Investment Policy	<a href="#">Investments   AXA</a>
AXA Investment Managers Responsible Investment Policy	<a href="#">20210316 RI Policy EN final.pdf (axa-im.com)</a>
AXA IM Select SFDR Legal Disclosures (Ireland)	<a href="#">select.axa-im.ie/modal/sustainable-finance-disclosures-review-sfdr-policy/</a>
AXA IM Select SFDR Legal Disclosures (France)	<a href="#">la-reglementation-sfdr.pdf (axa-im.fr)</a>
AXA IM Select France RI Policy	<a href="#">la-reglementation-sfdr.pdf (axa-im.fr)</a>
AXA IM Select Investment Process Manuals	Internal documents
Conflict of interest policy	Internal document

## 9. Annex B: Glossary

You can find it on our website [here](#).