



December 2017

A new climate ambition

“Unsustainable business is un-investable and uninsurable business”

On December 12th 2017, during the "One Planet Summit" organized by the French Government, the AXA Group's CEO made several announcements regarding our role as an investor and an insurer in the fight against climate change. The purpose of this document is to provide a more in-depth overview of these announcements.

Context

Two years ago, we said that a “4°C” world was not insurable. We also said that investors and insurers have a key role to play in the fight against climate change. We proved it through strong action:

- We were the first global investor to initiate divestment from coal, the most carbon intensive form of energy.
- We were also the first to phase out the insurance coverage of coal clients.
- We also adopted ambitious green investments targets.

Ahead of COP21, we signaled that while climate finance is a complex issue, it can nonetheless be tackled. This helped us overcome paralysis by analysis and helped others shift into “action” mode. On December 12th 2017, AXA launched a new ambition, using all the levers that the Group can activate: investments, divestments, insurance, and collective actions.

A new green investments target

In 2015, we committed to reach 3 billion euros in green investments by 2020. We have already reached that target. We thus decided to set a new target to reach 12Bn€ in green investments by 2020, quadrupling our previous target.

This far exceeds recent recommendations emitted by Christiana Figueres, one of the main architects of the COP21, to dedicate 1% of institutional investments to green. We heard this call and decided to meet the challenge, and even double it to 2% of our General Accounts assets under management.

This investment includes notably:

- Green infrastructures.
- Green bonds.



- Property and commercial real-estate with stringent environmental standards.

Our definition of “green” investments is based on an accepted and demanding market-based approach: the “Climate Bonds Initiative” classification. The CBI criteria are applied to our various asset classes, beyond green bonds. The CBI defines what types of technologies or assets are “green” (generally helping mitigate or adapt to climate change, as well as related to waste, water and other types of environmental added-value benefits), which are not “green”, and provides space for discussion for assets that present both environmental challenges and benefits. In addition, in the case of Real Estate assets, we apply the strictest environmental standards.

We estimate that this new green investment will generate over 4M Tons of avoided CO2 emissions.

Expanded coal divestment

AXA decided two years ago to divest Euro 500 million from the coal industry, by targeting companies which derive over 50% of their revenues from coal.

Today, AXA has decided to multiply by 5 its divestment to reach 3Bn€, by expanding our coal exclusion criteria. This new divestment is based on the Global Coal Exit List, a new NGO tool using 3 criteria. AXA will divest from the following company types:

1. Electric utilities with coal share of power production (energy mix) over 30%; Mining companies with coal share of revenues over 30%. This captures long term financial risks. But we must not only ask if climate change harms our investments: we must also make sure our investments do not harm the climate.
2. This is why we also divest from companies with coal-based power “expansion plans” over 3 GigaWatts (GW). Such companies are building hundreds of new coal plants that are locking countries into coal power for the next 40 years. AXA will not invest in "new coal" capacity that is clearly contradicting the COP21 "Paris Agreement".
3. Mining companies with annual coal production over 20 Million Tons.

This new approach captures “real” climate impact, beyond pure financial risks. It is also more forward looking.

Exemptions to these criteria are as follows:

- Affiliates with an activity not related to coal
- Financial arms no longer emitting coal-related debt.
- Electric utilities for which coal represents between 30% and 35% of their production/revenues but displaying a robust energy transition plan. This would notably include a strategic reorientation towards a less carbon-intensive energy mix, advanced climate risk disclosures, or the provision of solutions for a low carbon economy, backed by relevant indicators, and underpinned by clear evidence that the company recognizes the need for a long-term strategy shift.

As of December 2017, these exemptions concern 6 companies, out of a total of 113 companies excluded.

AXA Investment Managers

AXA IM, last April, was one of the first large asset management companies to apply an in-house policy to its third-party clients to divest from companies that derive more than 50% of their revenues from



coal related activities. This policy was applied with an opt-out option, following months of client engagement initiated in 2016.

Going forward, for third-party clients in segregated mandates and dedicated funds, AXA IM will propose to apply the new "expanded" coal policy based on an opt-in approach. These principles will also be extended to all of AXA IM's RI open-ended funds, at the end of January 2018. It is important to note that on the opt-in option for segregated mandates, this will require a long engagement process with their third-party clients on this important topic prior to engaging in divestment actions.

Oil sands divestment

In addition, because oil sands are also an extremely carbon-intensive form of energy, their production generates significant human rights concerns, and is a serious cause of local environmental pollution, AXA also decided to end its investments from the main oil sands producers.

The production volumes of oil sands is largely influenced by the development of certain pipelines. As a result, AXA will also divest from the main associated pipelines players.

The notion of "fossil fuel reserves" is a criterion commonly used by financial analysts to assess the oil & gas industry. It is also the most accessible and reliable criteria we found on the market. This is why we exclude companies with at least 30% of their reserves based on oil sands.

This represents an extra divestment of over 700M€, with 13 oil sands producers and 3 pipelines players excluded going forward.

Insurance / underwriting restrictions

It would be inconsistent to commercially support industries that the Group is divesting from. We reconcile the insurance and investment sides of our business. Therefore, AXA has also decided to restrict insurance coverage for coal-related and oil sands-related assets.

Because insurers can look at projects on a case-by-case basis, a nuanced approach has been chosen. For example, some clients provide us with heterogeneous "risk packages" covering various types of assets (coal and non-coal). There are countries where the local energy mix does not allow much choice but to continue using existing coal plants. AXA does not want to "unplug" local populations; as an insurer, our role is also to help local populations in their development.

This is why we have decided to exclude:

- The development of new coal capacity by ending Construction covers for any new coal plant and new coal mine, whichever the region or client (regardless of our investment blacklist).
- The operations of existing coal assets by ending Property covers for existing coal plants and coal mines when these are included in coal-only risk packages. This does not apply to countries where access to energy remains a concern for local populations, and baseload energy alternatives to coal are not yet in place. We expect these exemptions to remain infrequent.

This underwriting policy does not exclude the refurbishing or retrofitting of an existing power plant in order to improve its energy or thermal efficiency.



As a matter of consistency, AXA will no longer underwrite risks related to oils sands production and oil sands transportation via pipelines. In addition, AXA will not underwrite upstream oil & gas exploration business in arctic regions.

Thought leadership, partnerships and research

Risk analysis – TCFD and “article 173”

Individual decisions are key in the fight against climate change but nothing substantial can be achieved alone. This is why AXA co-presides and has been a key contributor to the global industry-led and initiative - the Task Force on Climate Related Financial Disclosures (TCFD) - set up by the Financial Stability Board (FSB), an international body chaired by governor of the Bank of England Mark Carney. The TCFDD presented its final findings in June 2017 on how to help companies become transparent about climate change risk and opportunities on their business' bottom line.

In 2016, our TCFD-like analysis (related to France’s “article 173” requirement) was our first attempt to understand climate scenario analysis, as well as “energy transition” and “physical” risks. France’s “article 173” decree requires all investors to analyse and report on climate-related risks. Our work was praised (1st award by French government) in 2016. In 2017 we will align this “article 173” analysis much more closely with the TCFD framework, and publish it in our upcoming financial report (published in March 2018). We practice what we preach.

We have also joined the UN PRI shareholder engagement initiative designed to promote adoption of the TCFD guidelines.

Financial regulation

AXA also presides the EU High Level Expert Group on Sustainable Finance, developing recommendations on how sustainability could be placed in the European Union's core financial processes, how different participants in the financial system could act on it, and how to mobilise capital more effectively for a sustainable economy. Sustainable finance offers Europe a powerful tool for achieving its goals of economic prosperity, social inclusion and environmental regeneration. It is a question of core strategy for the EU, with interlocking opportunities, challenges and imperatives.

Coalitions

Finally, AXA has supported many Investor and Insurance-led coalitions over the years (UN PRI, UN PSI, IIGCC, Montreal Carbon Pledge, Carbon Pricing Leadership Coalition). As part of its ramped-up climate strategy, AXA has also joined the Climate Action 100+ initiative (as shareholder engagement initiative targeting large carbon emitters), and Finance for Tomorrow.

Emerging countries

AXA and IFC, a member of the World Bank Group focused on the private sector, are launching an innovative USD 500 million partnership supporting an infrastructure fund that will access green assets in emerging markets. In keeping with its environmental objectives, AXA will tap into IFC’s diverse portfolio of climate-friendly infrastructure investments, including in renewable energy, water, green transport and telecoms. There will be no investments in coal and oil-sands related projects. Our policies are applied consistently.

Parametric insurance

AXA Global Parametrics has just finalized a deal as leading reinsurer for the Pacific Catastrophe Risk Insurance Company (PCRIC) similar to the African Risk Capacity (ARC). PCRIC is a sovereign catastrophe risk pool that provides parametric insurance to governments of the Pacific Islands to



cover cyclone and earthquake risk. It was set up by the World Bank to help provide a fast capital injection in the wake of a catastrophe for these islands which are vulnerable to disasters. The benefits of using parametric insurance is that it allows for very quick payouts and the benefit of pooling the risk across all the islands means that the cost of the risk capital is lower. A clear example from one of our business entities supporting initiatives in climate financing.

Research

AXA supports open, public academic research since 2007 via the AXA Research Fund. AXA commits to continue to finance climate-related research to the tune of 1.5ME/year.

IN CONCLUSION

We all know climate change requires global collective action. This can be done through collaborations and partnerships, but it can also be done through leadership by example. Ultimately, our commitment is to strive to align our business and our investments with the “2°C” trajectory that science and the Paris Agreement are calling for.

Rather than seeing climate change only as a burden, we should collectively reframe it as an opportunity to rise to a challenge that is worthy of our best efforts. Instead of supporting the past, we strive to invest in a future that is well below 2°C.
