March 2020

Responsible Investing
AXA IM Palm Oil policy

The acceleration of palm oil demand poses major environmental and social challenges. According to the Roundtable on Sustainable Palm Oil ("RSPO"), 36% of the expansion by large-scale oil palm plantations between 1990 and 2010 had caused direct forest loss in Indonesia, Malaysia and Papua New Guinea. Greenpeace reported in 2018 that the major producers of palm oil have destroyed 130 000 hectares of forest and peatland since 2015, twice the size of Singapore.

This deforestation has devastating consequences and has pushed many species to the brink of extinction. In addition, the destruction of forests that store large quantities of carbon releases significant amounts of greenhouse gasses into the atmosphere.

NGOs and environmental groups have highlighted bad business practices associated with palm oil, unsustainable land use and labour issues. For example, the land appropriation by the palm oil companies raises many conflicts between local residents and such palm oil companies.

AXA IM has been a member of the Principles for Responsible Investment ("PRI") since 2007 and is committed to promoting Responsible Investment ("RI"). For these reasons, the Management Board of AXA IM decided in December 2014 to implement a policy for investments related to palm oil production.

AXA IM considers that investment in companies involved in palm oil production should be avoided when bad business practices are identified. This policy defines a set of rules and procedures which aim to address this principle.

Excluded Companies

Sector / Area	Exclusion criteria	Approach	Source
Palm oil	- Companies that have not achieved or committed to achieve RSPO[1] certification or other internationally recognised certification. - Companies that have unresolved land rights conflicts - Companies that are unable to prove the legality of their operations - Companies that have not undertaken social and environmental impact assessments. - Companies that have not consulted with stakeholders prior to commencing operations. - Companies that have undertaken illegal logging.	This policy applies to Palm Oil producers which: - derive at least 5% of their revenues from palm oil production whether directly or indirectly through majority-owned (50%) subsidiaries - own over 30.000 ha of palm oil plantations. This threshold may be reduced in the case of significant controversies. The exclusion list is updated on a yearly basis unless a specific event requires an intermediate revision[2].	We rely on external providers to prepare an initial list of issuers in scope. The list is then reviewed qualitatively and discussed within our RI governance committees on a regular basis. A temporary engagement approach can be chosen for certain issuers, instead of an exclusion approach[3].

Scope

Financial instruments
The policy excludes all financial instruments issued by the Excluded Companies or offering exposure to Excluded Companies.

Portfolios
The policy applies in principle to all portfolios under AXA IM's management, including dedicated funds and third-party mandates unless the client has given different instructions.

The policy does not apply:
- to funds of funds composed of funds which are not under the management of AXA IM. When possible, AXA IM will choose asset managers that have committed to these principles,
- to index funds,
- to funds of hedge funds,
- to direct real estate and infrastructure assets.

The policy applies on direct product investments with no look-through.

Entities
This policy applies to AXA IM and its subsidiaries worldwide. It applies to Joint-Ventures when AXA IM's stake is 50% or higher.

[1] Roundtable on Sustainable Palm Oil ("RSPO")
[2] Examples given: major newsflow. The list is not systematically updated following corporate actions.
[3] Progress of Engagement activities is monitored by the same RI governance committee.

Implementation

This policy is implemented on a best-effort basis, taking into account local regulation and both the client's as well as fund's best interest, with a transition period following their initial implementation for the funds / mandates in scope, and following periodic revisions of the exclusion-lists. If the application of this standard dictates divestments, portfolio managers shall disinvest at their discretion within this transition period taking into account the portfolio impacts based on market conditions, liquidity and portfolio construction constraints. In practice some targeted instruments could remain in the funds or mandates for a period if deemed in the best interest of their clients; however, those holdings cannot be increased. For certain structured assets such as Collaterized Loan Obligations ("CLOs"), Mutual Securitization Funds ("FCT" in French) and other securitization products, if the divestment is considered impossible, such holdings in portfolio could be kept until maturity following an internal validation process.

The exclusion-lists are prepared using information from external data providers, and although a qualitative review is performed, AXA IM is therefore not responsible for the accuracy of this data.

The implementation of this policy is subject to compliance with asset management local laws or regulations, therefore some specific implementation mechanisms of this policy may be put in place locally.