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Responsible Investing
Controversial weapons policy

The production and use of certain weapons have been deemed unacceptable under international conventions and even illegal within certain jurisdictions because they may cause severe harm to civilians during and after the conflicts and generate significant long term health and safety effects on the civilian population.

These controversial weapons regulated by international conventions are anti-personnel landmines, cluster munitions, chemical, biological and nuclear weapons (collectively referred to as "Controversial Weapons").

Since 2008, AXA IM has implemented an exclusion policy for investment in companies involved in anti-personnel landmines and cluster bombs. This exclusion policy has been extended to include those companies involved in depleted uranium, chemical and biological weapons and those companies in breach with the Non-proliferation Treaty for nuclear weapons ("Excluded companies"). Definitions of the Controversial Weapons used by AXA IM to identify the Excluded companies are those stated in the international conventions listed below:

- The Ottawa Convention on Anti-Personnel Landmines, which entered into force on 1 March 1999;
- The Oslo Convention on Cluster Munitions, which entered into force on 1 August 2010;
- The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological and Toxin Weapons and on their Destruction that entered into force on 26 March 1975;
- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC), which entered into force in 1997;
- The Treaty on the Non-Proliferation of Nuclear Weapons (NPT), rigorously controlled by the United Nations that entered into force on 5 March 1975;
- The Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.

AXA IM considers that investments or provisions to such companies should be avoided. This policy defines a set of rules and procedures which aim to address this principle within the AXA IM Group.

In addition, AXA IM will not develop any business with the Excluded companies.

Excluded companies[1]

Sector / Area	Exclusion criteria	Approach to affiliates	Sources, qualitative review process and frequency of the update
Controversial weapons	- Companies that produce, use, store, trade, or ensure the maintenance of, transport or financing of Controversial Weapons including components specifically designed for those types of Controversial Weapons (customised components). - Companies that provide support, research or technology dedicated only to those Controversial Weapons. - Companies that breach the Treaty on the Non-proliferation Treaty of Nuclear Weapons. - Companies that own 50% or more of an Excluded company.	The list of Excluded companies covers all companies worldwide, be they state-owned or private companies, listed or unlisted companies. Affiliates[2] of such Excluded companies are not excluded unless involved in the production, use or distribution of Controversial Weapons.	We rely on an external provider to prepare an initial list of issuers in scope. The lists are updated at least on a yearly basis unless a specific event requires an intermediate revision[3] or a delay in the publication of data requires to postpone the update. These exclusion criteria are applied to existing and future investments.

Source: AXA IM, based on ISS ESG.

Those exclusion criteria are consistent with the criteria defined:

- For EU Climate Transition Benchmarks (CTBs) and EU Paris-aligned Benchmarks (PAB) exchange-traded funds (ETFs), in the Delegated Regulation (EU) 2020/1818 as regards minimum standards for EU Climate Transition Benchmarks (CTB) and EU Paris Aligned Benchmarks (PAB), Article 12(1)(a)): exclusion of companies involved in any activities related to controversial weapons;
- For funds awarded with the Label ISR or the Greenfin Label, as detailed in AXA IM Sustainable Labels policy, available on AXA IM website:

Scope of the policy

Financial instruments

The policy applies to all single-name financial instruments issued by the Excluded companies or offering exposure to Excluded companies.

[1] These exclusion criteria allow to consider and mitigate the principal adverse impacts (PAIs) of investment decisions on sustainability factors, as defined by the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"), in particular those related to the mandatory PAIs n°14 (Exposure to controversial weapons: anti-personnel mines, cluster munitions, chemical weapons and biological weapons). More information are available within AXA IM SFDR entity-level disclosure available on AXA IM website: Sustainable Finance | AXA IM Corporate

[2] For the purpose of this policy, the term "affiliate" shall mean any entity, individual, firm or corporation, directly or indirectly, through one or more intermediaries, controlling or controlled by Excluded companies.

[3] Examples given: major newsflow. The list is not systematically updated following corporate actions.

Portfolios

The policy applies in principle to all portfolios under AXA IM's management, including dedicated fund and third-party mandates, unless the client has given different instructions for its dedicated fund or mandate in line with local regulation[4].

For passive strategies (index funds and ETFs)[5] under AXA IM's management, the policy applies to the extent the objective of the fund is not compromised. AXA IM will support any initiative to promote the use of indices which do not comprise any Excluded company.

For funds of funds composed of funds which are not under the management of AXA IM, due diligence processes are implemented when selecting external funds to look at their RI credentials and assess if they apply similar or equivalent exclusion criteria on the targeted activities[6].

The policy applies to direct product investments, overall with no look-through except when local laws or regulations require to do so.

Entities

This policy applies to AXA IM and all its affiliates worldwide, to joint ventures when AXA IM's stake is above 50%, and to funds for which the management is delegated to one of our joint ventures.

Implementation

If the application of this standard dictates divestments, portfolio managers shall disinvest as soon as possible on a best-effort basis taking into account the technical implementation timing and 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 and provided that it is compliant with the applicable Laws; however, those holdings cannot be increased[7]. For certain alternative products such as Collateralized Loan Obligations ("CLOs"), Mutual Securitization Funds ("FCT" in French), closed-ended alternative funds and other alternative 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 alternative implementation mechanisms of this policy may be put in place locally. In the EU, the implementation of this policy is part of the compliance with the EU Sustainable Finance Disclosure Regulation's (SFDR) requirements as it constitutes AXA IM's approach to consider sustainable investments for the 'Do No Significantly Harm' (DNSH) criteria (*i.e.*, applicable to Article 8 and Article 9 funds). Thus, if the application of this standard dictates divestments, portfolio managers shall disinvest for their product to be classified Article 8 or Article 9 under SFDR, following the abovementioned implementation process. In the UK, the implementation of this policy is part of the compliance with the Sustainable Disclosure Requirements (SDR) and investment labels regime set by the Financial Conduct Authority (FCA).

Additional constraints on other weapons

AXA IM manages a range of open funds which apply additional constraints on other weapons, as they have been awarded sustainability-related labels. For funds awarded with the Towards Sustainability Label, we apply additional exclusions on issuers deriving certain revenues from other types of weapons (incl. services dedicated to enabling the execution of weapons-related activities), as detailed in AXA IM Sustainable Labels policy, available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

[4] Regarding the specific exclusion of companies involved in depleted uranium weapons, while these weapons are not banned by international treaties, they might be prohibited in some countries under national law. In this context, clients have the possibility to opt out solely for assets related to depleted uranium provided that it is compliant with the client's product applicable regulations.

[5] A portion of AXA IM's passive strategies replicate ESG indices and therefore also apply filters on controversial weapons.

[6] In the case of the secondary acquisition of external private asset portfolios, grandfathering may apply.

[7] Such tolerance could be applied, for example in relation to strategies with accounting objectives (*e.g.*, 'buy & maintain' strategies), or for concentrated strategies with appropriate validation from oversight functions.