July 2025

Responsible Investing
AXA IM Soft commodity derivatives policy

Institutional investors commonly gain exposure to commodity markets via commodity derivatives, namely exchange traded future contracts. There is a growing debate regarding whether financial investors in food commodity derivatives are responsible for artificially inflating the price of basic food commodities, leading to increasing future prices. However, while the link between hunger and food prices is relatively plain, the relation between commodity derivatives trading and food price increases and volatility is less clear among academics. Indeed many other factors impact prices such as energy prices, climate change, rising demand for agriculture products and grain-led livestock. In this ongoing debate, AXA IM has made the decision to not invest in food commodity derivatives.

AXA IM has been a member of the PRI[1] 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 soft commodity derivatives.

AXA IM strives to not invest in instruments such as commodity futures and ETFs based on food ("soft") commodities or enter into speculative transactions that may contribute to price inflation in basic agricultural or marine commodities (such as wheat, rice, meat, soy, sugar, dairy, fish, and corn).

Scope

Financial instruments

The policy applies to all single-name financial instruments issued by the identified companies or offering exposure to identified companies, and to commodity futures and ETFs based on soft commodities.

[1] Principles for Responsible Investment: PRI | Home (unpri.org)

Portfolios

The policy applies in principle to all portfolios under AXA IM's management,unless the client has given different instructions for its dedicated fund or mandate or the fund has been exempted for risk management reasons[2].

The policy does not apply to:

- Funds of funds composed of funds which are not under the management of AXA IM. Nevertheless, 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[3];
- Passive strategies (i.e., index funds and exchange-traded funds – ETFs), except for ETFs based on soft commodities;
- Funds of hedge funds;
- Tenants in real estate portfolios.

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 to all its subsidiaries worldwide. It applies to Joint Ventures when AXA IM's stake is above 50%.

Implementation

This policy is implemented on a best-effort basis, taking into account local regulation and the best interests of both the client and the fund. 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[4]. 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 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 dictactes 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).

[2] In some specific cases, funds can be exempted due to deviation with investment objectives, under a framework overseen by AXA IM Global Risk Committee. Exemptions can only be granted on a fund-by-fund basis (no expertise wide exemption will be given) and no exemption can be granted for funds named with sustainability-related terms (e.g., "Sustainable", "Green"). Under this framework, a specific approach has been set for one AXA IM Select Indonesia's mutual fund.

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

[4] 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.