January 2025

AXA IM Net Zero Targets Methodologies

Table of contents

Introduction

AXA IM commitment to achieve Net Zero by 2050

AXA IM published its initial Net Zero targets in October 2021, thereby committing to apply net zero approaches to 15% of our AuM[1]. This target was subsequently revised in April 2022[2] to cover 65% of the AuM[3]. Since then, we have developed and are progressively ramping up a net zero framework for traditional asset classes and certain real asset classes, which follows industry standards[4] and uses internal and external information to determine the net zero profile of companies.

The targets cover:

- 100% of listed corporate (incl. listed real estate) and sovereign exposure;
- c. 86.9% of real estate equity AuM, *i.e.*, all RE equity assets on which AXA IM Alts has direct leverage to trigger climate action at asset level[5].

Our NZ targets do not cover at this stage:

- Infrastructure debt and equity: due to ongoing methodological development and data collection on decarbonization pathways, with work in progress on target setting based on the NZIF guidance for infrastructure assets;
- CRE debt: due to ongoing methodological development and data collection on decarbonization pathways;
- Alternative credit, Natural capital & Impact and other asset classes (e.g., derivatives): pending for appropriate industry-wide methodological framework and guidance for these alternative asset classes;
- Private markets & hedge funds: due to ongoing methodological development and data collection on decarbonization pathways for funds of funds and funds of hedge funds.

The Net Zero Investment Framework

To set their reduction targets, AXA IM has notably made use of the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF). The NZIF sets out key target areas that investors can consider for their net-zero framework, contributing to two key objectives simultaneously: (i) transitioning of investment portfolios in a way that is consistent with the mitigation goals of the Paris Agreement, focusing on real economy decarbonization, and (ii) increasing investment in the range of climate solutions to enable the transition[6]. In sum, the framework recommends investors to set out targets at two levels[7]:

- Key objectives at portfolio-level (i.e., on total AuM), namely a GHG emissions reduction objective aligned with a net zero pathway and an objective to scale up investments in climate solutions. Whereas emission reduction objectives are recommended for each asset class (with guidance available on listed equity, corporate fixed income, real estate, private equity, and private debt, and on sovereign bonds separately), climate solution objectives are only expected for listed equity and corporate fixed income classes;
- Key targets at asset class-level, namely a target for increasing the proportion of AuM or financed emissions that is considered aligned with net zero, and another target for increasing the proportion of AuM financed emissions that are aligned with net

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[1] NZAM 2021 Progress Report
[2] NZAM Initial Target Disclosure Report (May 2022)
[3] For more information on our NZAMi disclosures, please refer to our dedicated NZAM signatory page: AXA Investment Managers – The Net Zero Asset Managers initiative
[4] Notably the Task Force on Climate-related Financial Disclosures, the Institutional Investors Group on Climate Change (IIGCC), the Carbon Risk Real Estate Monitor (CRREM), and the GermanWatch Climate Change Performance Index.
[5] RE equity assets covered by our NZ targets encompass all assets on which AXA IM Alts can trigger decarbonization, *i.e.*, all assets directly managed with or without operational control, as well as assets under development (including major renovation) and forestry. This reporting scope excludes RE debt assets and, as for RE equity assets, parking, plot of land, ground lease, petrol stations, isolated unit/cell and specific cases, as well as assets with no asset management mandate.
[6] Net Zero Investment Framework
[7] TSG section 1 NZIF Implementation guidance.pdf

zero or under direct or collective engagement and stewardship actions. It is expected that these targets cover emissions in all material sectors as defined by the NZIF (i.e., those in NACE[8] code categories A-H and J-L) and all asset classes except for sovereign bonds.

NZIF recognises that investors have a range of levers at their disposal to contribute to the transition, although many are indirect and not easily attributable to the specific actions of a single investor, and that these levers will have various levels of efficacy depending on the context. At AXA IM, we consider that the NZIF provides a relevant suite of options for different types of investors, with different strategies, to manage climate risks in the economic interests of their clients and beneficiaries, as well as making financial flows consistent with the goals of the Paris Agreement.

[8] For the most recent statistical classification of economic activities under the NACE system, please refer to Commission Delegated Regulation (EU) 2023/137.

AXA IM Net Zero targets

The table below shows an overview of our NZ targets taken by AXA IM. The **methodological approaches taken for each NZ target is detailed in the following sections**.

AXA IM discloses on a yearly basis the **annual progress** made for each of these targets within its annual TCFD / Art.29 LEC report, available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

AXA IM NZ targets		Type of NZIF target	Unit	Methodological approach
Corporates (Fixed Income and Listed Equity)				
Weighted average carbon intensity (WACI) reduction	-25% by 2025 and -50% by 2030 (compared to 2019)	Portfolio Decarbonisation Reference Objective	*tCO_2e/$M of investee companies' revenues (% compared to baseline) – Scope 1 + 2 only*	Portfolio carbon footprint for corporates
Share of AuM in material sectors net zero, aligned or aligning by 2040	100% by 2040	Asset Alignment Target	*% of corporates AuM in material sectors net zero, aligned or aligning according to AXA IM Climate Colour framework for Corporates*	AXA IM Climate Colour framework for Corporates
Share of AuM dedicated to climate solutions	6% by 2025	Allocation to Climate Solutions Objective	*% of total AuM managed by AXA IM invested in climate solutions*	Approach to account for investments in climate solutions
Share of financed emissions in material sectors net zero or aligned	50% by 2025	Asset Alignment Target	*% of financed emissions in corporates from material sectors are already net zero or aligned according to AXA IM Climate Colour framework for Corporates*	AXA IM Climate Colour framework for Corporates
Share of financed emissions in material sectors under engagement	70% by 2025 90% by 2030	Engagement Threshold Target	*% of financed emissions in corporates from material sectors subject to direct or collective engagement and stewardship actions*	Approach to account for financed emissions of corporates under engagement
Sovereigns				
Beat the global benchmark	Beat the Climate Change Performance Index (CCPI) score of the ICE BofA World Sovereign Bond Index at end of each year	n/a	*Score on 100*	Climate Change Performance Index (CCPI)
Real Estate				
Alignment with CRREM pathway	50% of direct real estate AuM under CRREM pathway[9] by 2025	Asset Alignment Target	*% of direct real estate equity AuM aligned with CRREM 1.5°C trajectory*	CRREM decarbonization pathways
Carbon Intensity Reduction	-20% landlord operational carbon intensity reduction by 2025	Portfolio Decarbonisation Reference Objective	*$kgCO_2e/m^2$ (% compared to baseline)*	Portfolio carbon footprint for real estate equity

[9] Decarbonization Pathways – CRREM Global

I. Net Zero methodologies for Corporates

A. Portfolio carbon footprint

AXA IM has set **carbon intensity reduction targets of -25% by end of 2025 and -50% by end of 2030 (compared to end of 2019)**. We rely on S&P Trucost carbon footprint data[10] to calculate the weighted average carbon intensity (WACI) reduction of our full corporate portfolio, calculated in line with the GHG Protocol[11]. To date, given limited data quality and availability on Scope 3 GHG emissions, we only cover Scope 1 and 2 emissions of our investee companies, for all sectors including financials, within our targets.

AXA IM benefits from S&P Trucost's comprehensive historical record of GHG emissions data of our investee companies, but we only retain the most recent data for each scope in our calculations. Generally, the data is updated up to year n-1, which coincides with the release of GHG emissions records by the Carbon Disclosure Project (CDP).

More information on our carbon footprint methodologies can be found in the AXA IM ESG Methodologies handbook available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate.

B. AXA IM Climate Colour framework for Corporates

AXA IM has set two asset alignment targets for corporates: to reach 100% of AuM in material sectors net zero, aligned or aligning by end of 2040 and 50% of financed emissions in material sectors net zero or aligned by end of 2025. For these two targets, we rely on our proprietary Climate Colour framework for Corporates.

The purpose of AXA IM Climate Colour framework for Corporates is to assess the credibility of transition strategies and plans defined by investee companies as defined by the NZIF: the framework is AXA IM's interpretation of the "Asset Level Assessment & Targets" component of the NZIF part for "Listed Equity & Corporate Fixed Income"[12]. The framework is a combination of qualitative assessment and a quantitative model, which are complementary. The qualitative climate colour assessment determines the colour of a company, whereas the quantitative climate colour model is an input to the qualitative assessment and determines the default colour of a company in the absence of a qualitative analysis.

Qualitative Climate Colour Assessment

Based on a qualitative assessment made by AXA IM analysts, a company is assigned a colour indicating the extent to which its decarbonization strategy is in line with the goal of the Paris agreement, i.e., a well-below 2°C or a 1.5°C pathway.

This colour depends on the presence and completeness of seven building blocks within the company's decarbonization strategy, following the NZIF core criteria[13]:

- Ambition: A **long-term (i.e., 2050 or earlier) goal consistent with achieving global net zero;**
- Targets: **Short- and medium-term targets** (i.e., on a 5-to-10-year horizon), **covering all three emissions scopes** (scopes 1, 2 and material scope 3), and **the full value chain**: its own operations, its products, and its ecosystem or value chain;
- Emissions performance: **Current emissions intensity performance** (including scope 1, 2 and material scope 3) **aligned with its targets and a net-zero pathway**;
- Disclosure: Detailed **reporting of scope 1, 2 and material scope 3 GHG emissions** and implementation of the TCFD framework;

[10] S&P Global Trucost | S&P Global
[11] Homepage | GHG Protocol
[12] Net Zero Investment Framework updated: NZIF 2.0 (iigcc.org)
[13] According to the NZIF, "higher impact companies should be assessed against all six core criteria" while "criteria 7-10 are the complementary indicators that should be assessed and companies encouraged to meet to the extent possible". For this framework, we have decided to add criteria n°8 on climate governance as an additional core criterion because we consider governance is a key component of any strategy.

- Decarbonization strategy: A **quantified plan** setting out the measures that will be deployed to deliver GHG emissions targets and, where relevant, will lead to increasing green revenues, noting the focus should lie on GHG emissions reduction with no or very limited offsetting;
- Capital Allocation Alignment: A clear **demonstration that the capital expenditures (CapEx) of the company are consistent with a net zero pathway**, including disclosure of CapEx and overall transition related spending;
- Climate Governance: Aligned climate governance, with **clear oversight of net zero transition planning and executive remuneration linked** to delivering targets and transition.

The assessment depends on the **materiality of the sectors** on climate change. For the first three colour categories ('Red', 'Orange', and 'Light blue'), the criteria are the same for all companies across all sectors. For 'Blue', more stringent criteria are required for "high impact material" sectors than for "low impact" sectors, as endorsed by the NZIF. High impact material sectors are defined by the NZIF V2.0 as NACE categories A to H and J to L.

On this basis, we build the below qualitative assessment framework that our internal analysts are required to apply to conduct their qualitative analysis. For all criteria, a detailed guidance is provided to AXA IM analysts to support their assessment and ensure that the framework is applied as consistently as possible.

AXA IM Climate Colour		Red	Orange	Light Blue	Blue		Dark Blue
IIGCC's NZIF Categories		*Not Aligned*	*Committed to Aligning*	*Aligning towards NZ*	*Aligned to NZ*		*Achieving NZ*
NACE sectors		*All*	*All*	*All*	*Low Impact*	*High Impact*	*All*
1	Ambition	No	Yes	No	No	Yes	Yes
2	Targets	No	No	Yes	Yes	Yes	Yes
3	Emission performance	-	-	No	Yes	Yes	Yes
4	Disclosure	-	-	Yes	Yes	Yes	Yes
5	Decarbonization strategy	-	-	Yes	Yes	Yes	Yes
6	Capital allocation	-	-	-	-	Yes	Yes
8	Climate governance	-	-	-	-	Yes	Yes

Practically, these colours mean the following:

- Red = no long-term ambition and no intermediary targets;
- Orange = a long-term ambition and no intermediary targets;
- Light Blue = no long-term ambition but intermediary targets + disclosure and strategic elements;
- Blue = a long-term ambition and intermediary targets + disclosure and reporting, clear strategy, capital allocation and governance;
- Dark Blue = already at net zero (still a theoretical case to date).

In addition, a specific qualitative assessment methodology for financial institutions (banks, insurers, asset managers) has been designed, as the focus for such companies is rather on their financed emissions (i.e., GHG emissions from companies that are lent money to, insured or invested into)[14].

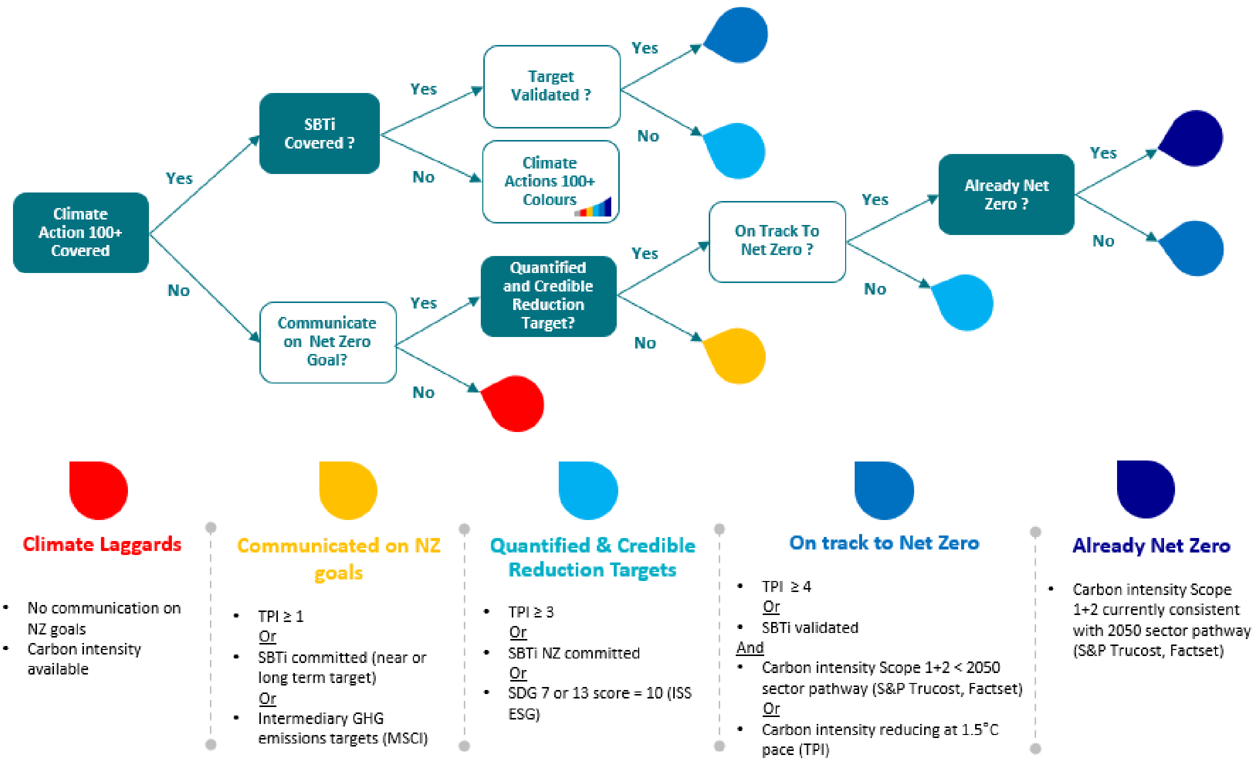
[14] I.e., financed, facilitated or insurance-associated emissions, which correspond to various Scope 3 categories under the GHG Protocol. More information is available on the Partnership for Carbon Accounting Financials (PCAF) website: The Global GHG Accounting and Reporting Standard for the Financial Industry

Quantitative Climate Colour Assessment

Alternatively, the climate colour of a company can be computed quantitatively using data derived from multiple data sources, including the Science Based Target initiative (SBTi), the Transition Pathway Initiative (TPI), and Climate Action 100+, in addition to other ESG data providers[15]. Based on this data, our internal net zero asset alignment tool assigns a climate colour to each company to indicate its progress towards net zero and current alignment with a net zero pathway:

- Red for companies considered as climate laggards[16];
- Orange for companies with explicit net zero intention/communication on net zero goals but no quantified or credible reduction target;
- Light Blue for companies with quantified & credible reduction targets;
- Blue for companies on track to achieve net zero by 2025 or sooner;
- Dark Blue for companies that have already achieved net zero emissions.

The figure below provides a summary of the decision tree applied to compute the climate colour of a company.



C. Financed emissions under engagement

In line with the goal of real-world decarbonization, AXA IM has set the objective to **engage with 70% of our financed emissions in companies from material sectors (as defined by the NZIF) by end of 2025 and with 90% by end of 2030**, either through direct (one-on-one) engagement or collective engagement held in the context of Climate Action 100+[17].

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[15] Specifically, we use the following data sources: SBTi, Climate Action 100+ (in case of absence of data from SBTi), TPI, MSCI, S&P Trucost, FactSet, and ISS ESG website.

[16] The so-called 'climate laggards' are companies which are lagging behind from a climate change mitigation perspective. We specifically engage with some of them we include in our "Three Strikes and You're Out" engagement policy: applying this policy mean that, if we do not see progress from companies on the specific climate objectives set at the beginning of the engagement, we may divest after three years.

[17] Climate Action 100+ is the only collaborative engagement included in this target to date.

More information on our engagement actions can be found in AXA IM 2023 Stewardship report available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

D. Climate solutions investments

To support this goal of increasing investment in climate solutions that enable the transition, AXA IM has committed to dedicate 6% of its total AuM to climate solutions by end of 2025, based on AXA IM's Green Investments definition. Under this definition, three types of green investments are considered:

- **Real assets (including green buildings and infrastructure):** i) Real estate and CRE debt with a high level of third party independent environmental certification (minimum level "Excellent" or "Gold") and, for real estate only, a minimum Energy Performance Certificate (EPC) rating of "B" or equivalent for non-European assets, ii) sustainably managed forests as demonstrated by a FSC or PEFC certification, and iii) green infrastructure debt & equity as defined by the Climate Bonds Initiative (CBI) taxonomy[18];
- **Green bonds**: part of the eligible universe of AXA IM Green, Social and Sustainable Bonds (GSSB) framework on which our dedicated Responsible Investment team of analysts have given a "neutral" or "positive" opinion[19];
- **Green thematic equities**: consisting of our ACT Planet and People & Planet strategies[20].

More detailed information on AXA IM approach to account for green investments can be found in section 5.1 of AXA IM 2023 TCFD / Article 29 LEC report available on AXA IM website: Sustainability Policies and Reports | AXA IM Corporate

II. Net Zero methodologies for Sovereigns

A. Climate Change Performance Index (CCPI)

Sovereign GHG emissions are covered in our net zero framework through the objective to **beat the Climate Change Performance Index (CCPI)[21] score of the ICE BofA World Sovereign Bond Index[22] at each end of year**. The CCPI is a tool that assess and compare the climate protection performance of all European Union (EU)-countries and 63 non-EU ones, covering together more than 90% of the GHG emissions. In total, 14 indicators across four categories – GHG emissions, Renewable Energy, Energy Use, and Climate Policy – are used to compute the CCPI score of a country.

B. AXA IM Climate Colour framework for Sovereigns

Complementary to CCPI data, AXA IM has developed its own Climate Colour framework to assess sovereign issuers' progress towards achieving net zero and current alignment to a net zero pathway. Similar to our Climate Colour framework for Corporates, a sovereign's colour is determined based on the NZIF core criteria: the ambition to have a long-term goal consistent with achieving global net zero and accompanying intermediary targets, mandatory climate-related disclosures, defined decarbonization plans (which includes a minimum commitment to not build coal plants, alignment of the current GHG emissions performance and a capital/allocation management consistent with global net zero goals.

The final colour a sovereign receives is based on an elaborate quantitative analysis of multiple data sources and KPIs[23], including the most recognized public data sources for sovereigns: the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) initiative, the Climate Action Tracker (CAT) and the CCPI. In addition, qualitative assessments by our analysts are also carried out: where relevant, this may result in an adjustment to the colour assigned to a country under the quantitative assessment.

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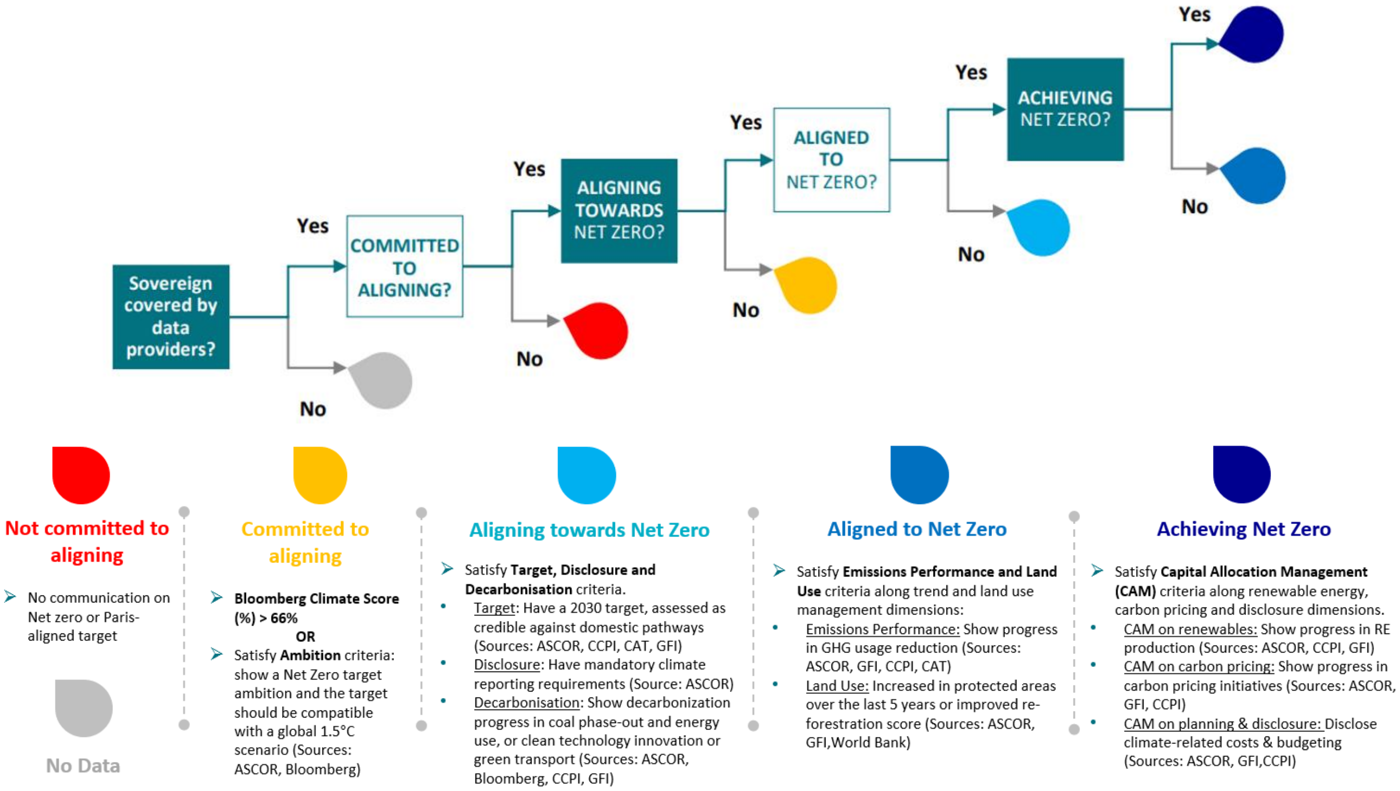
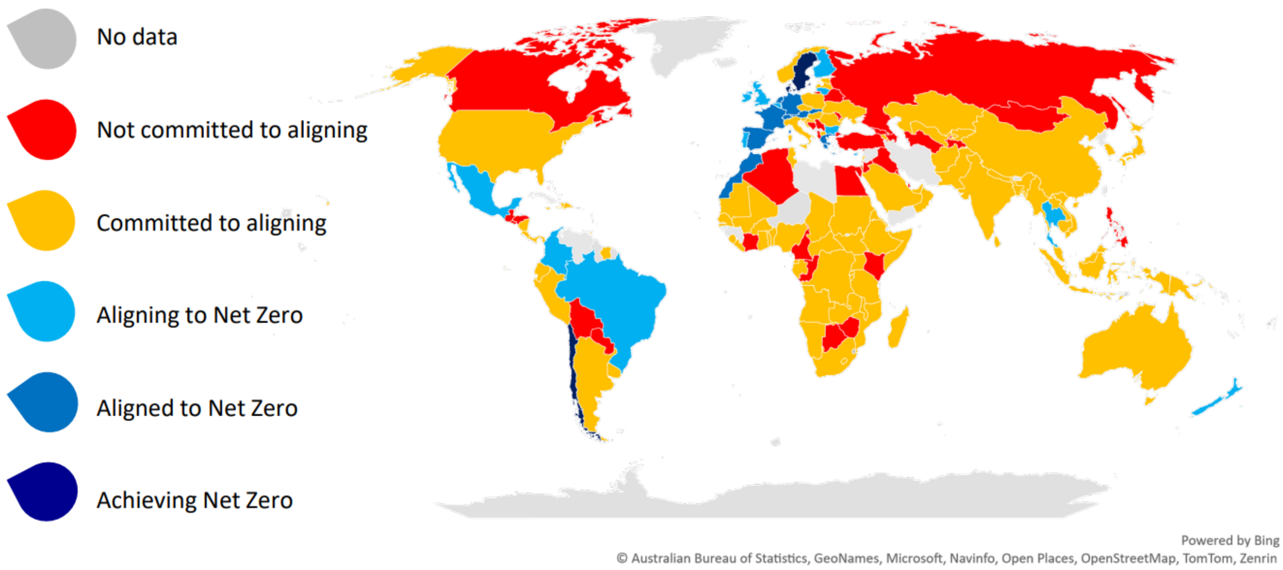
[21] Climate Bonds Taxonomy | Climate Bonds Initiative
[19] Green Bonds | AXA IM Core
[20] Act for human progress by investing for what matters | AXA IM Core Investments
[21] Climate Change Performance Index (CCPI)
[22] Fixed Income Indices
[23] Specifically, we use data from ASCOR, CCPI Bloomberg, the CAT, the Climate Governance Initiative, the Green Future Index (GFI) and the World Bank.



Altogether, these factors lead to the following colour scheme:

- Grey for countries where there is insufficient data available (i.e., not in ASCOR, CCPI or Bloomberg dataset);
- Red for countries failing on the ambition criterion;
- Orange for countries committed to aligning but not satisfying the intermediary targets, disclosure, and decarbonization plan criteria;
- Light Blue for countries aligning towards net zero;
- Blue for countries already aligned with a net zero pathway;
- Dark Blue for countries that have already achieved net zero.

As at December 2024, AXA IM's net zero sovereign colour assessment was as seen below:



Source: AXA IM, for illustration purpose only. AXA IM reserves the right to modify any of the procedures, process and controls described herein at its discretion.

III. Net Zero methodologies for Real Estate

A. CRREM decarbonization pathways

AXA IM has also committed to **reach and maintain 50% of direct real estate equity assets aligned with the CRREM pathway by end of 2025**[24].

In 2022, the initial methodology was defined based on a reference “pilot” portfolio against CRREM V1 which was composed of 80 assets located in the 5 main EU geographies (France, Germany, UK, Italy, Belgium). Since then, AXA IM Alts refined and improved data collect process and methodology, to extend monitoring to a broader scope of assets, and the alignment is now measured against CRREM V2 by analysing an extract of Deepki’s CRREM feature data (including assets not owned for the entire reporting year, i.e., acquired over 2022). Assets are included in the target scope only if whole building data is available with actuals (complete data) or gap filling and extrapolation (good quality estimates). As at end of 2023, it represents c. 35% of total AuM in scope of this target (no data is available for Switzerland, US, Australia and Japan, which could materially influence future results if coverage of such countries is improved).

The CRREM trajectories have been built using the CRREM modelling information, to recreate a pathway directly accessible in Deepki, where we have used the scenario 1.5°C carbon only in the V2 and the CRREM emission factors for the projected emissions. Deepki data features allow to import the whole building energy and carbon data available for the asset and to choose the emission factors applied to the energy consumption of the building to convert it in CO_2 emissions, in order to assess for each asset the stranding year per asset in CO_2, energy and the CRREM objectives for 2030 and 2040. If the data is complete, then the data used is actuals, otherwise it uses an estimated value.

Moreover, since 2024, we use in priority energy performance certificates (EPC) -related data to assess energy consumption and CO_2 emissions of managed direct real estate equity assets.

B. Portfolio carbon footprint

AXA IM Alts has adopted in 2019 a target aiming at **reducing AXA IM Alts Real Estate Equity landlord-controlled emissions intensity by end of 20% by 2025 compared to 2019**[25,26]. Progress against this target is measure on an annual basis, by comparing reporting year landlord intensity to 2019 landlord intensity.

Landlord intensity is measured as an amount of CO_2 divided by a surface (square meter), which result in measuring the weighted average carbon intensity (WACI) of these assets in $kgCO_2eq/sqm$. Calculating landlord carbon intensity requires to calculate the total landlord-controlled surface areas for which carbon emissions are generated and the amount of emissions generated on this scope. Real estate equity assets are only included in the total landlord-controlled emission scope if they have “complete data”, which is defined as having a coverage of both carbon emissions data and surface area above 90% on the landlord-controlled floor areas for the utility considered. For one asset, several utilities can be controlled by the landlord, and each utility may have a different corresponding surface area (common area, shared services, etc.). Therefore, if an asset is landlord-controlled for several utilities, the landlord-controlled surface area retained for the WACI consolidation is the largest surface area covered by a landlord-controlled utility. We consider this value as the most reliable approximation, even if it does not fully accurately reflect the surface area for each utility and tends to minimise the intensity. Ultimately, the total surface area is obtained by summing up the largest landlord-controlled floor area of each asset in scope.

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[24] Decarbonization Pathways – CRREM Global

[25] Assets that do not have landlord-controlled area are out of scope.

[26] It should be noted that there are no plans to extend this target beyond 2025, given that the target based on CRREM decarbonization pathways (see below) is now considered as the core climate change mitigation target for AXA IM real estate equity assets which will be maintained and pursued.

IV. Net Zero methodologies for Infrastructure

The NZIF has also been chosen as the reference framework for our decarbonization strategy for both infrastructure equity and debt. Under the NZIF framework, each investee company, borrower, and potential investment opportunity is classified into one of five Paris alignment profiles: Not Aligned, Committed to Aligning, Aligning to a net zero pathway, Aligned to a net zero pathway, or Achieving net zero, and Climate Solutions. As of December 2023, an original assessment was conducted to evaluate the infrastructure equity and debt portfolios' exposure to these profiles, establishing a baseline for future progress. In line with other AXA IM's net zero targets for the above listed asset classes, our infrastructure platforms have committed to ensuring 100% of AuM are either Achieving net zero or Aligned to a net zero pathway by 2040. To achieve this, ambitious yet realistic science-based interim targets for 2030 have been adopted for each platform. These 2030 targets were set based on various factors, including current investment philosophy, leadership ambition, sector preferences, Paris-aligned pathways at sector level, the maturity of assets on carbon-related topics, and the potential for decarbonization at asset level:

- Infrastructure equity has committed to investing **100% of its open-ended European infrastructure fund's AuM in projects that are Aligning to a net zero pathway, Aligned to a net zero pathway, Achieving net zero, or Climate Solutions by 2030**;
- Similarly, infrastructure debt has committed to ensuring **100% of its new investments fall into these categories of alignment by 2030**.